



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

Annual Report

IMPORTANT NOTE

1. The Board of directors and its directors and senior management of the Company warrant that there are no false representations, misleading statements or material omissions in this annual report ("Annual Report") and individually and jointly accept full responsibility for the authenticity, accuracy and completeness of the information contained in this Annual Report.
2. The 2025 Annual Report has been approved at the eleventh meeting of the eleventh session of the Board. 7 of directors of the Company attended the meeting. Ms. Liu Jiangning, an independent non-executive director of the Company, was absent from the meeting due to other working arrangements, and had authorized another independent non-executive director, Mr. Zheng Weijun, to attend the meeting and to exercise her right on her behalf.
3. The 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 Reporting Standards ("IFRS") have been audited by BDO China Shu Lun Pan CPAs (LLP) and BDO Limited, respectively. Both auditors have issued unqualified opinions on the financial statements.
4. Mr. Wu Baizhi, Chairman of the Board, Mr. Zhang Jiankuo, General Manager, Mr. Cheng Zhongyi, Chief Financial Officer and Ms. Zhang Xueping, Manager of the Asset and Accounting Department of the Company warranted the authenticity, accuracy and completeness of the financial statements contained in the Annual Report.
5. Consideration of the profit distribution proposal or the reserve capitalization proposal by the Board during the reporting period.

In 2025, after the audit by BDO China Shu Lun Pan CPAs (LLP) and prepared in accordance with the PRC ASBE, the net profit attributable to shareholders of the Company is RMB658,841,000 (in accordance with the IFRS, the net profit attributable to shareholders of the Company is RMB695,544,000), and the parent company's undistributed profit at the end of 2025 is RMB-1,811,287,000. Since the undistributed profit of the parent company at the end of the year is negative, the Board recommends that no cash dividend distribution will be made for the financial year 2025, nor will there be any capital reserve conversion share capital. The proposal is subject to consideration at the general meeting.

6. The parent company had uncovered losses and its impact on the Company's dividends and other matters as of the end of the reporting period.

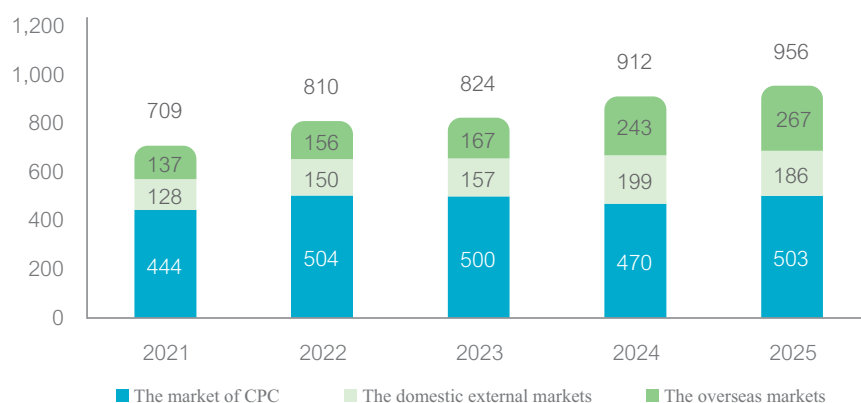
At the end of the reporting period, the parent company had an accumulated uncovered loss of RMB1,811,287,000. In accordance with the Company Law of the People's Republic of China, Regulatory Guidelines for Listed Companies No. 3 – Cash Dividends of Listed Companies and the relevant laws and regulations, the Company currently doesn't meet the prerequisites for implementing cash dividends. Please pay attention to the relevant investment risks. The Company will continue to strengthen its management and improve operational performance in the future.

7. Due to the uncertainty of the forward-looking statement about the future plan and development strategy in the Annual Report, these forward-looking statements do not represent any guarantee made by the Company to the investors. Investors are advised to exercise caution when making investments.
8. There was no appropriation of funds by the controlling shareholder of the Company and its connected parties for non-operation purpose.
9. The Company did not provide external guarantees in violation of required decision-making procedures.
10. 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 annual report.
11. There are no significant risks that need to be prompted in the Company.

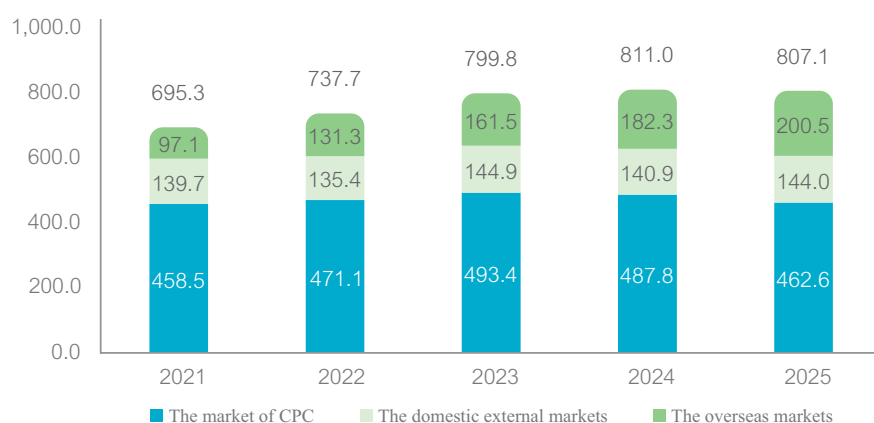


Review of Key Operating Indicators

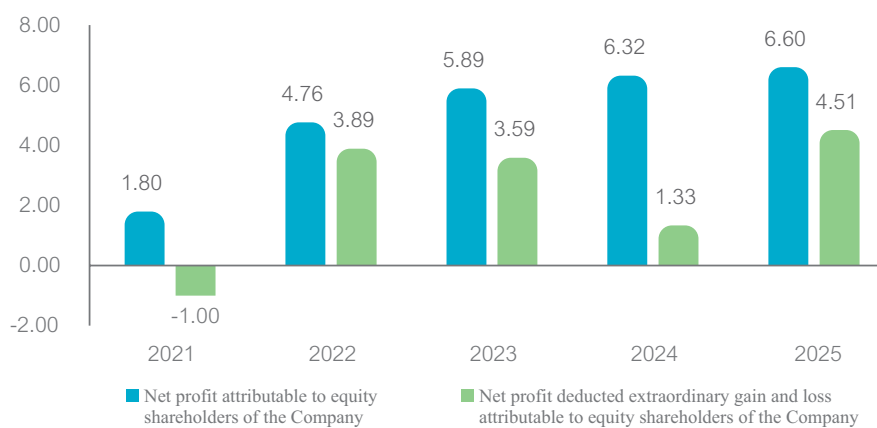
Amount of Newly Signed Contract (RMB100 million)



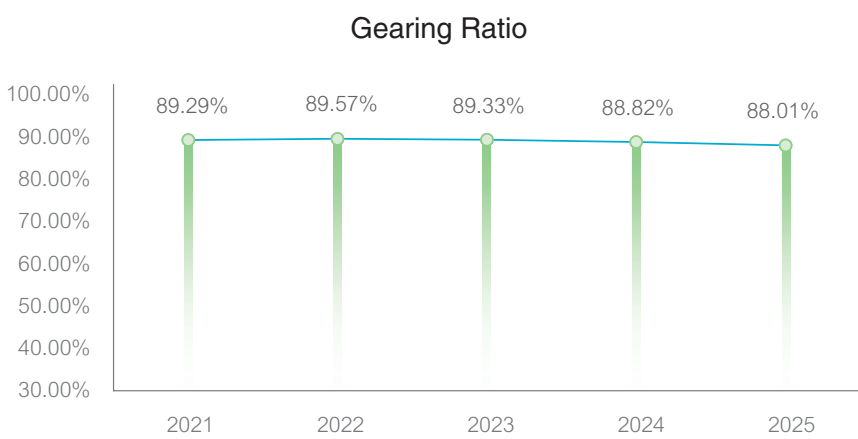
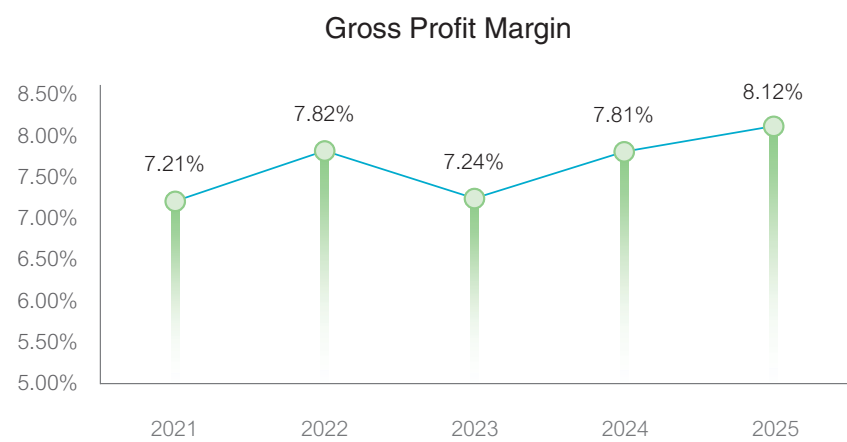
Operating Income (RMB100 million)



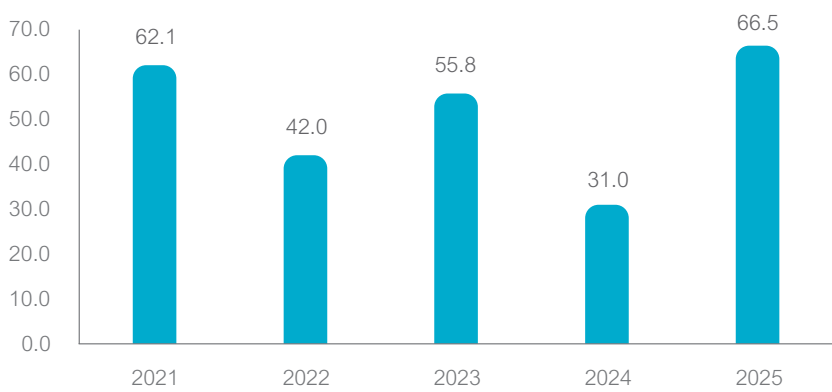
Net Profit (RMB100 million)



Review of Key Operating Indicators



Cash Flows from Operating Activities (RMB100 million)





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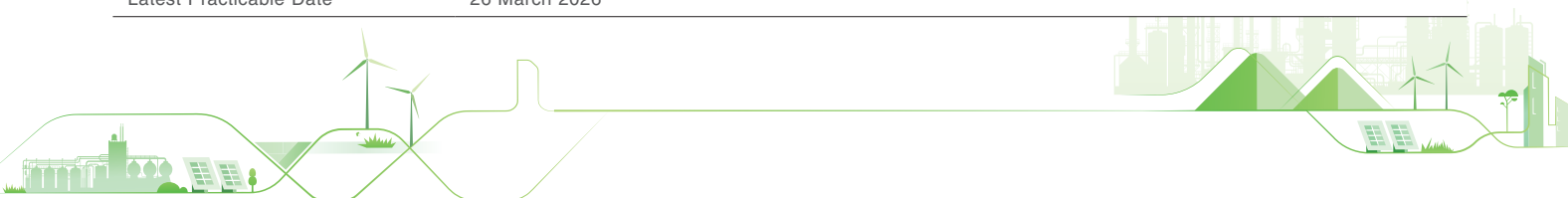
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Section I Definitions

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

Company	Sinopec Oilfield Service Corporation, a joint stock limited company incorporated in the PRC whose A Shares are listed on the SSE (Stock code 600871) and H Shares are listed on the Main Board of the HKSE (Stock code 1033)
Group	The Company and its subsidiaries
Board	The board of directors of the Company
Articles of Association	The articles of association of the Company, as amended, modified or supplemented from time to time
CPC	China Petrochemical Corporation, a wholly State-owned company established in the PRC and the controlling shareholder of the Company
Sinopec	China Petroleum & Chemical Corporation, a joint stock limited company established in the PRC and listed on the Main Board of HKSE as well as SSE, the subsidiary of CPC
A Shares	Outstanding shares of the Company which are listed on the SSE and par value per share is RMB1.00
H Shares	Overseas listed foreign shares which are listed on the Main Board of the HKSE and par value per share is RMB1.00
SSE	Shanghai Stock Exchange
HKSE	The Stock Exchange of Hong Kong Limited
Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 of the Listing Rules
CSRC	China Securities Regulatory Commission
Century Bright Company	Sinopec Century Bright Capital Investment 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 artificial 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 various downhole information timely 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 points; 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 points; 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
CPF	Central facility for comprehensive treatment of crude oil, associated gas and produced fluid in oilfield development
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
Latest Practicable Date	26 March 2026



Section II Company Profile and Principal Financial Indicators

1. Company Information

Company's Chinese Name	中石化石油工程技术服务有限公司
Abbreviation of the Company's Chinese name	石化油服
Company's English name	Sinopec Oilfield Service Corporation
Abbreviation of the Company's English name	SSC
Legal representative	Wu Baizhi

2. Contact Person and Contact Information

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

3. Company Profile

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

4. Disclosing Information and Inspection Place

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

5. Stock Briefs

Share Type	Place of listing	Stock name	Stock Code	Stock name before altering
A Share	SSE	SINOPEC SSC	600871	—
H Share	HKSE	SINOPEC SSC	1033	—

Section II Company Profile and Principal Financial Indicators

6. Other Related Information

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

7. The Financial Principal Information and Financial Indicators of the Company in the Last 3 Years (Extracted from the Consolidated Financial Statements Prepared in accordance with the PRC ASBE)

(1) Principal financial data

Unit: RMB' 000

	For the year ended 31 December 2025	For the year ended 31 December 2024	Increase/ (Decrease) (%)	For the year ended 31 December 2023
Operating income	80,712,178	81,096,178	-0.5	79,980,939
Operating profit	1,228,560	1,036,512	18.5	899,969
Profit before income tax	1,199,290	1,132,523	5.9	928,340
Net profit attributable to equity shareholders of the Company	658,841	631,606	4.3	589,216
Net profit deducted extraordinary gain and loss attributable to equity shareholders of the Company	451,053	133,487	237.9	359,452
Net cash inflow from operating activities	6,645,946	3,100,854	114.3	5,576,913

	As at 31 December 2025	As at 31 December 2024	Year-on-year change (%)	As at 31 December 2023
Net assets attributable to shareholders of the Company	9,254,404	8,648,802	7.0	8,023,202
Total assets	77,254,593	77,340,105	-0.1	75,162,974



Section II Company Profile and Principal Financial Indicators

(2) Principal financial indicators

	For the year ended 31 December 2025	For the year ended 31 December 2024	Year-on-year change (%)	For the year ended 31 December 2023
Basic earnings per share (RMB)	0.035	0.033	6.1	0.031
Diluted earnings per share (RMB)	0.035	0.033	6.1	0.031
Basic earnings per share deducted extraordinary gain and loss (RMB)	0.024	0.007	242.9	0.019
Weighted average return on net assets (%)	7.35	7.58	decreased by 0.23 percentage points	7.63
Weighted average return on net assets deducted extraordinary gain and loss (%)	5.03	1.60	increased by 3.43 percentage points	4.65

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

☐ Applicable ☒ Not Applicable

8. Differences between the Financial Statements of the Company Prepared in accordance with PRC ASBE and IFRSs

	Net profit ("-" for losses) attributable to owners of the Company		Net assets attributable to owners of the Company	
	2025	2024	For the year ended 31 December 2025	For the year ended 31 December 2024
	RMB' 000	RMB' 000	RMB' 000	RMB' 000
PRC ASBE	658,841	631,606	9,254,404	8,648,802
Difference items and amount:				
Special reserve (a)	36,703	-10,975	—	—
IFRS	695,544	620,631	9,254,404	8,648,802

Explanation of differences between domestic and foreign accounting standards:

(a) Special reserve

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

9. Quarterly Financial Data of 2025 (Prepared in accordance with PRC ASBE)

Unit: RMB' 000

	The first quarter (January–March)	The second quarter (April–June)	The third quarter (July–September)	The fourth quarter (October–December)
Operating income	17,850,312	19,200,439	18,112,089	25,549,338
Net profit attributable to equity shareholders of the Company ("-" for loss)	218,352	273,904	176,883	-10,298
Net profit deducted extraordinary gain and loss attributable to equity shareholders of the Company ("-" for loss)	219,153	204,747	123,938	-96,785
Net cash inflow from operating activities ("-" for outflow)	1,666,653	483,914	950,075	3,545,304

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

☐ Applicable ☒ Not Applicable

Section II Company Profile and Principal Financial Indicators

10. Extraordinary Gain and Loss Items and Amounts (Extracted from the Financial Statements Prepared in accordance with PRC ASBE)

Unit: RMB'000

Extraordinary gain and loss item	2025	2024	2023
Gain and loss on disposal of non-current assets	91,474	126,242	156,514
Government grants recognised in profit or loss during the year	98,286	43,987	83,467
Gain and loss from debt restructuring	70,217	28,110	34,011
In addition to the company's normal business-related effective hedging business, holding transactional financial assets, derivative financial assets, transactional financial liabilities, the fair value of profits and losses, and the disposal of transactional financial assets, derivative financial assets, transactional financial liabilities, derivative financial liabilities and other creditor's rights investment of investment income	—	—	-1,020
Reversal of provision for impairment of receivables and contractual assets subject to separate impairment test	68,142	374,842	49,867
Other non-operating income and expenses excluding the aforesaid items	-71,653	45,169	-40,300
Tax effect	-48,678	-120,231	-52,775
Total	207,788	498,119	229,764

11. Items Measured by Fair Value

Unit: RMB'000

Item	Balance for the year ended 31 December 2024	Balance for the year ended 31 December 2025	The change during the period	Affected amount of profit during the period
Other benefits tools	137,441	135,834	-1,607	—
Receivables financing	2,557,311	4,029,356	1,472,045	—
Total	2,694,752	4,165,190	1,470,438	—

12. Financial Information Extracted from the Financial Statements Prepared in accordance with IFRSs

Unit: RMB'000

	As at 31 December				
	2025	2024	2023	2022	2021
Total assets	77,254,593	77,340,105	75,162,974	71,208,061	64,052,447
Total liabilities	67,988,891	68,691,303	67,139,772	63,778,327	57,190,930
Equity attributable to owners of the Company	9,265,702	8,648,802	8,023,202	7,429,734	6,861,517
Net assets per share attributable to owners of the Company (RMB)	0.49	0.46	0.42	0.39	0.36
Equity ratio of owners	11.99%	11.18%	10.67%	10.43%	10.71%
Return on net assets	7.52%	7.18%	7.18%	7.86%	2.05%

	For the year ended 31 December				
	2025	2024	2023	2022	2021
Revenue	80,712,178	81,096,178	79,980,939	73,772,688	69,533,053
Profit/(Loss) before income tax	1,235,993	1,121,548	915,207	837,162	451,181
Income tax expense	539,242	500,917	339,124	253,463	310,731
Profit/(Loss) attributable to owners of the Company	695,544	620,631	576,083	583,699	140,450
Basic and diluted earnings/(loss) per share (RMB)	0.037	0.033	0.030	0.031	0.007

Section III Chairman's Statement

Dear Shareholders,

On behalf of the Board of the Company, I'd like to express my sincere gratitude to our shareholders and people from all walks of life for your interest and support to the Company.

In 2025, the Board of Directors of the Company united and led the management and all employees to overcome difficulties and continued to work diligently. By anchoring to the goal of high-quality development, the Company coordinated efforts to enhance technology, expand into new markets, reduce costs and ensure safety, and vigorously implemented initiatives to achieve efficiency gains, thereby achieving new progress and results in all aspects of work. According to the Chinese Accounting Standards for Business Enterprises, we realized operating revenue for the year of RMB80.71 billion and net profit attributable to shareholders of the Company of RMB0.66 billion, representing a year-on-year increase of 4.3%. We also recorded cash flows from operating activities of RMB6.65 billion, representing a year-on-year increase of RMB3.55 billion. The gearing ratio at the end of the year was 88%, representing a decrease of 0.8 percentage point from the beginning of the year. The price of our A shares increased from a long-term level of RMB1.7 in 2024 and stabilized at around RMB2.2, with the highest price of RMB2.72, while the price of our H shares reached a high of HK\$1.09. With a stable financial position, enhanced risk resistance capacity, and a steady increase in market value, the Company has successfully concluded the "14th Five-Year Plan".

Over the past year, the effectiveness of corporate governance has been enhanced. The Board of Directors has fulfilled its role in formulating strategies, making decisions, and managing risks by reviewing important resolutions, such as authorizing the issuance of debt financing instruments and increasing the capital for the I-L-Y Oilfield Geo-Engineering Integration Project in Ecuador, thereby providing solid decision support for the stable operation and value enhancement of the Company. The Company strictly implemented the requirements of the SASAC and the CSRC for the reform of the Supervisory Committee, and revised the Articles of Association accordingly. As such, the Audit Committee of the Board exercises the functions and powers of the Supervisory Committee, thus achieving seamless integration of supervisory effectiveness and a more complete governance system. Independent directors performed their duties diligently by conducting special research on offshore business, actively participating in decision-making and supervision, and offering suggestions for reform and development. The Company has attached great importance to shareholders' returns, as evidenced by the release of the assessment report on the 2024 Action Plan of "Improving Quality, Increasing Efficiency and Emphasizing Returns", and the successful completion of the first repurchase of A shares to enhance the Company's value and shareholders' interests. The Company solidly promoted the management of investor relations by holding results briefings on a regular basis, and successfully holding reverse roadshows for its offshore business, thereby effectively boosting investors' confidence. The Company won the 2025 Best Board of Directors Award for Listed Companies, becoming one of the high-quality governance cases that attracts continuous attention from the capital market.

Over the past year, the Company has had a more solid foundation for high-quality development. The Company actively responded to the complex and ever-changing operating environment, and achieved effective improvement in quality and reasonable growth in quantity. The value of newly signed contracts for the year amounted to RMB95.6 billion, representing a year-on-year increase of RMB4.4 billion, marking the best level since the establishment. Sinopec has expanded its market presence by the cooperative development of difficult-to-use reserves, adding crude oil and natural gas production capacities of 1.2 million tons and 1.7 billion cubic meters. This initiative increased the drilling footage by 30.5%, revitalized 105 drilling teams, and achieved a market share of 93.5%. As a result, Sinopec's domestic crude oil production volume surpassed 36 million tons for the first time in nine years, while its natural gas output exceeded 40 billion cubic meters for the first time. As domestic and external markets drove the synergetic improvement of project scale and efficiency, the Company successfully expanded into multiple new shale gas markets in Yunnan, Guangxi, etc. New long-distance pipeline projects with PipeChina amounting to RMB9.42 billion were signed, with revenue from light-asset, high-value-added businesses such as rotary steerable systems and high-temperature logging reaching RMB0.86 billion. Overseas market performance continued to reach new highs, with annual main business revenue reaching RMB20.01 billion, a year-on-year increase of 10.5%. New 10-year extension contracts of multiple drilling rigs amounting to RMB18.2 billion with high-quality owners such as Saudi Aramco and Kuwait Petroleum Corporation were signed. The Company won the bid of Total's general contracting project for phase II of the Ratawi oilfield in Iraq with a value of RMB2.1 billion, thereby becoming a strategic service provider for Total Energies. The first drilling general contracting project in Kuwait operated efficiently, leading the entire industry chain to enter the high-end oilfield service market in the Middle East.

Over the past year, the Company's foundation of technological innovation became more prominent. Adhering to the principle of a technology-driven enterprise, during the year, the Company undertook 177 projects at or above the provincial and ministerial level, and obtained 275 patents granted by the State. For three consecutive years, the Company has undertaken key tasks related to BeiDou assigned by the SASAC of the State Council, and successfully launched the new major national special project of "Unconventional Intelligent Drilling and Intelligent Operation Equipment for 10,000-meter Continuous Pipeline." The fully automated shale oil drilling rig entered the commissioning phase, and the fully automated casing drilling rig was applied on-site. The 260°C ultra-high temperature and high pressure logging instrument effectively solved the world-class problem of data acquisition in ultra-deep, ultra-high temperature and ultra-high pressure wells, and was recognized by the National Energy Administration as the "First (Set) of Major Technical Equipment in the Energy Field." The internal self-sufficiency rate of high-end instruments and tools such as high-temperature logging and high-temperature directional drilling increased to 80.3%, achieving independent controllability. The Company has developed "five major intelligent scenarios", among which the intelligent scientific drilling system has been applied to 526 wells, increasing the average mechanical drilling rate by 18.3% and shortening the drilling cycle by 11.6%, being selected as one of the top ten landmark achievements in national oil and gas exploration and development in 2025. The Company has also established the Sinopec CCUS engineering construction standard system and won the bid for the million-ton-level CCUS engineering survey and design project in Yanchang Oilfield.

Section III Chairman's Statement

Over the past year, the ESG management of the Company has been further improved. The Company has released ESG reports for nine consecutive years, and in 2025, our Wind ESG rating rose to A and our CSI ESG rating rose to AA, ranking among the top in China's energy industry. The Company was successfully selected as a "2025 Best Practice Case for Green Development" by the Beijing National Institute of ESG. The Company actively responded to global climate change, adhered to green development by accelerating the electrification of equipment, and collaboratively promoting energy consumption reduction, loss reduction, material consumption control and emission reduction. The electrification rate of drilling rigs reached 72.4%, and the electrification rate of fracturing equipment reached 28.4%. The comprehensive energy consumption per RMB10,000 of output value and the discharge of major pollutants continued to decline. The Company actively supported rural revitalization, with total poverty alleviation through consumption reaching RMB30.38 million for the year. We donated a total of RMB1.289 million to four schools, including Sanhekou Town Middle School in Sichuan Province and Helong Middle School in Hunan Province, earnestly demonstrating the responsibilities and commitment of state-owned enterprises.

Looking back on the "14th Five-Year Plan", the Company successfully addressed a series of severe challenges, promoted its comprehensive strength to a new level, and significantly enhanced its market competitiveness and international influence. The operating results of the Company continued to grow, as the value of newly signed contracts increased by 34.7%, operating revenue increased by 16.1%, and total profit increased by 2.4 times. Four of the "one profit and five rates" saw increases, while one remained stable and one decreased. The Company's supporting role in energy has been highlighted, with the average well depth increasing by 15.1% and the annual drilling footage per drilling team increasing by 34%, continuing strengthening its operational service capabilities. Significant achievements were made in high-level technological self-reliance, resulting in the development of "ten core technologies" and "ten featured products," as such, a series of core technological tools were forged to support increased reserves and production and enhance market competitiveness. The deepening of reform yielded remarkable results, with the gross profit margin of the Company increasing by 0.7 percentage point, and cost control and profitability steadily improving.

Looking forward to the "15th Five-Year Plan", the Company will take second entrepreneurship to promote high-quality development as the theme, persist in effective quality improvement and reasonable quantitative growth, systematically strengthen our capabilities in technology, equipment, management, and workforce development, and focus on the three transformations of high-end, intelligent, and green. We will implement the "Six Major Strategies" of innovation-driven, talent-strong enterprise, value-led, market expansion, industry revitalization, and green and low-carbon, accelerating our efforts in building a world-class, technology-led oilfield services company. In 2026, the Board of Directors will take the "15th Five-Year Plan" as the guide, with transformation and upgrading, quality improvement and efficiency enhancement as the main priorities, fully fight the "Six Major Battles" of safety and environmental protection, support and assurance, quality improvement and efficiency enhancement, science-industry-finance integration, reform-driven empowerment, and market development. We will place special emphasis on the "Three Major Projects" – deepening the "frontline and rear support" system, enhancing resource coordination, and expanding overseas markets for greater returns – alongside the "Two Special Initiatives" of equipment electrification and "AI+." These efforts will ensure a strong start and steady, sustainable progress for the "15th Five-Year Plan."

Firstly, we will open up new prospects and achieve outstanding results in serving energy powerhouses and supporting exploration and development. Firmly upholding the concept of being a "key participant in oil and gas reservoir operations," we will accelerate technological, efficiency, and model transformations by leveraging the development of the "Four Major Demonstration Zones." This will enable us to better unleash the role and effectiveness of the "One Platform, Five Mechanisms" framework, advance the cooperative development of hard-to-recover reserves to improve quality and expand coverage, expand the scope of cooperation, revitalize engineering teams, and comprehensively build a modern engineering system characterized by multi-disciplinary synergy, integrated coordination, intelligently connected reservoirs, driving iterative improvements in the "Four Enhancements, Five Modernizations, and One Reduction" initiative. We aim to shorten the average annual drilling cycle by 5%, increase fracturing efficiency by 5%, boost average post-fracturing single-well productivity by 5%, cut response times for complex faults by 10%, and lower engineering costs by 2%. We will spare no effort in supporting major breakthroughs in exploration, steady growth in oil and gas production, and a new level of quality and efficiency, serving the nation's overarching interests and maintaining our position in the first echelon.

Secondly, we will break new ground and achieve breakthroughs in deepening the integration of science and industry and accelerating transformation and upgrading. We will firmly uphold the principle that "science and technology are the primary productive forces," remain unwavering in our commitment to building the enterprise on technology, and accurately define our functional positioning and direction for innovation and integration within Sinopec's "One Foundation, Two Wings, Three Chains, and Four New" industrial framework. We will focus on the "Three Major Projects" – increasing natural gas reserves and production in the Sichuan Basin, the profitable development of terrestrial shale oil, and CCUS demonstration projects – while prioritizing breakthroughs in core technologies and the innovative integration of mature technologies. We will strengthen 5 national-level platforms, 5 provincial/ministerial-level key laboratories, and 8 specialized technology centers; promote the integration of the "Four Chains"; and achieve an annual industrialized output value of over RMB1.6 billion. We will vigorously implement the "AI+" special initiative, upgrade the Idilling (Yinglong) scientific drilling system to version 2.0, establish a comprehensive Beidou application framework encompassing "end-user sales + inspection and testing + technical services," build a digital and intelligent grassroots team, and develop a digital and intelligent oilfield services model characterized by "unmanned field operations, professional equipment maintenance, intelligent decision-making and management, and centralized operational control." The Company will deepen strategic cooperation with companies such as CNSPC, intensify technological R&D and business expansion in geothermal waste heat, wind and solar power generation, hydrogen storage and transmission, and wellhead natural gas recovery; fully support the construction of the Shengli Power Plant's million-ton-scale CCUS project; actively bid for the Ulanqab-to-Beijing-Tianjin-Hebei hydrogen transmission pipeline project. We are committed to creating a series of demonstration projects and application models, fostering the development of new-quality productive forces, striving to launch a "second growth curve," and accelerating the transition from "labor-intensive growth" to "knowledge-intensive growth."

Thirdly, the Company will open up new prospects and improve efficiency by intensifying our market efforts and striving to advance into high-end segments. Firmly upholding the philosophy that "only by serving our customers can we succeed ourselves," we will promote complementary

Section III Chairman's Statement

strengths and internal-external synergy across our three major markets. Throughout the year, we secured new contracts totaling RMB92.5 billion, driving growth, profitability, and development through high-quality, large-scale markets. We will closely follow the pace of Sinopec's exploration and development activities, optimize cooperation models, expand cost-related services, and drive the release of additional workloads, continuously improving team utilization and investment conversion rates. In domestic external markets, we will focus on breaking into new key markets such as Yunnan and Guangxi, expanding light-asset, high-value-added businesses, including geophysical exploration, engineering design, and well logging and control services, and lead the construction of a unified national oilfield services market in collaboration with China Petroleum Technical Service and China Oilfield Services. Overseas, we will vigorously implement the profit-generation and market-expansion initiative, strengthen "China-China" cooperation, and carry out "grouped overseas expansion." We will consolidate and enhance our position in advantageous, large-scale markets such as Saudi Arabia and Kuwait, efficiently operate the Kuwait drilling turnkey project, and actively explore new markets such as Iraq and the UAE. The Company will deeply engage in upstream activities such as wellsite studies, design planning, and individual well optimization. We tailor comprehensive solutions and provide value-added services throughout the entire lifecycle, while expanding our business in areas such as turnkey drilling contracts, technical services, and reservoir services. We are committed to promoting the global adoption of more core technologies and signature products, accelerating the development of 10 markets with annual revenue exceeding RMB1 billion each, and striving to achieve our goal of capturing "half the market share" in both domestic and international markets.

Fourthly, the Company will break new ground and generate new momentum by continuously deepening reforms and advancing lean management. We will firmly establish the concept of "value creation across the entire chain and all factors," strengthen budget-driven guidance at all levels, deepen lean management throughout the entire process, and make every effort to improve the quality and efficiency of our operations. We will vigorously advance the project to coordinate and optimize resources, intensively allocate core resources such as manpower and equipment, and innovate and restructure production organization models and processes. We will promote the coordinated optimization of personnel and equipment, strive for the optimal match between personnel and equipment, and unleash their maximum potential to build an efficient, collaborative, and lean production organization system. This will comprehensively improve the operational efficiency of individual teams, reduce operating costs across the entire chain, and strive to keep operating costs per RMB100 of revenue within RMB92.2. We will adhere to rigorous, precise, and effective investment practices, continuously strengthen control over outsourced operations and non-production expenditures, intensify management of loss-making enterprises and units falling short of budget targets, and reinforce performance evaluation and incentives to fully stimulate value creation and forge a low-cost competitive advantage.

Fifthly, the Company will break new ground and consolidate our foundations by rigorously prioritizing safety and environmental protection and strictly controlling all types of risks. We will firmly uphold the principle that "safety is the greatest benefit," maintain a high-pressure, strict regulatory stance at all times, and continue to deepen and persistently implement our "frontline and rear support" initiative. We will clarify and enforce responsibilities, strengthen grassroots units, solidify our foundations, foster a culture of autonomous safety, and enhance intrinsic safety levels. We will vigorously

implement the equipment electrification initiative, accelerating the electrification of drilling rigs, fracturing units, and other equipment. We will synergistically advance efforts to reduce energy consumption, control material usage, and cut emissions, increasing the proportion of electric drilling rigs to 78% and electric fracturing units to 33%. We will expand the use of methanol as a fuel substitute and mobile energy storage, and build zero-carbon oil and gas field demonstration zones – such as the Shengli Minfeng Shale Oil Field – to high standards, thereby developing systematic solutions for zero-carbon oilfields. We will advance green development across three dimensions: low-carbon production processes, comprehensive energy and carbon management, and green and low-carbon business operations. We aim to reduce comprehensive energy consumption per RMB10,000 of output by 2% and total carbon emissions by 1% for the coming year. We will spare no effort in winning the battle against pollution, ensuring the occupational health of our employees, and taking multiple measures to continuously improve ESG management standards. We will continue to advance risk prevention and control in market operations, conduct thorough risk assessments, exercise prudence in bidding for overseas projects, make every effort to reduce risk exposure, and resolutely uphold the bottom line of preventing systemic risks.

Sixthly, the Company will break new ground and build a brand in optimizing corporate governance and enhancing corporate value. We will firmly establish the mindset of a "listed company," vigorously promote the construction of the Board of Directors with scientific, rational decision-making and efficient operation, strengthen strategic planning, enhance closed-loop management, and promote the implementation of strategic deployment. Through the flexible use of diversified capital market tools and the coordinated use of various financing means such as equity and debt, the Company will optimize its capital structure and resource allocation efficiency, thereby empowering the development of its main business and the upgrading of the industry. By emphasizing value delivery, continuously strengthening investor relations and information disclosure management, regularly conducting reverse roadshows, and establishing diversified communication channels, the Company actively delivers its operating results and development strategies. With a focus on building a high-quality capital market image characterized by sound governance, excellent performance, market recognition and investor trust, the Company strives to achieve simultaneous growth in both its value and shareholder value.

A strong start sets the tone for the entire journey, and steadfast action leads to long-term success. The Board of Directors will lead the management team and all employees in embarking on a new journey from this fresh starting point. We will leverage all favorable conditions and rally all forces for development, steadfastly focusing on our core responsibilities. We will address the uncertainty of external conditions with the certainty of our own enhanced capabilities, and with the spirit of a second entrepreneurial endeavor, we will fully advance high-quality development to create greater value for our shareholders and society.

Wu Baizhi

Chairman

Beijing, PRC

16 March 2026

Section IV Report of the Board

1. Discussion and analysis of operation during the reporting period

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

Annual Results

In 2025, in the face of the severe situation of increasing difficulties and pressures and increasing risks and challenges, the Company firmly set its goals, worked hard, made every effort to strengthen technology, reduce costs, expand markets and prevent risks, achieved steady growth in business performance, achieved positive results in high-quality development, and successfully completed the "14th Five-Year Plan". In 2025, the Company's consolidated revenue was RMB80.71 billion, representing a year-on-year decrease of 0.5%. Despite the year-on-year decrease in revenue, the Company continued to improve its profitability through measures such as strengthening technological innovation and deepening the optimization of internal resources, the gross profit margin of the Company was 8.1%, representing a year-on-year increase of 0.3 percentage point. Net profit attributable to shareholders of the Company amounted to RMB660 million, representing a year-on-year increase of 4.3%. Basic earnings per share was RMB0.035, representing a year-on-year increase of RMB0.002. Net cash generated from operating activities amounted to RMB6.65 billion, representing a year-on-year increase in net inflow of RMB3.55 billion. The financial position of the Company was stable and positive.

Operation Review

In 2025, the total cumulative amount of newly signed contracts of the Company reached RMB95.6 billion, representing a year-on-year increase of 4.8%, the best level since the beginning of history, of which the newly signed contracts in the China Petrochemical Corporation's market amounted to RMB50.3 billion, representing a year-on-year increase of 7.0%; the newly signed contracts in domestic external markets amounted to RMB18.6 billion, representing a year-on-year decrease of 6.5%; the newly signed contracts in overseas markets amounted to RMB26.7 billion, representing a year-on-year increase of 9.9%. The Company made every effort to expand the market scale and optimize the business structure, and the proportion of overseas market and high value-added business continued to increase. The Company continued to strengthen technological innovation, and accelerated breakthroughs in key core technologies, further optimized its core resources such as manpower and equipment, resulting in a decrease in costs and expenses year by year. The Company continued to enhance its engineering and technical service capabilities, resulting in a steady increase in the footage of a single drilling crew and a steady increase in construction efficiency. The annual production and operation remained safe and stable, and the level of operation efficiency was improved, which strongly supported the increase of oil and gas reserves and production efficiency.

1. Geophysical services

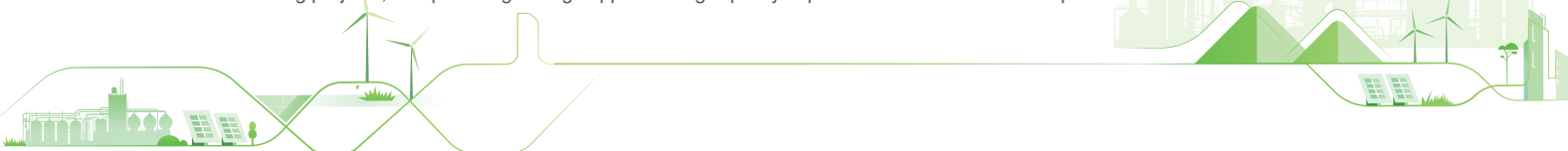
In 2025, the Company's operation revenue from the principal business of geophysical service was RMB5.72 billion, representing a decrease of 3.1% from RMB5.90 billion in the same period of the previous year. The completed 2D seismic exploration accumulated for 8,411 kilometers in the year, representing a year-on-year increase of 44.1%; while the completed 3D seismic exploration accumulated for 13,223 square kilometers, representing a year-on-year decrease of 15.2%. The pass rate of 2D and 3D records was 100%, and the proportion of the seismic data acquired with first-grade quality was 4.5 percent points higher than required by the contracts. Panhe 3D, West of Ruoqiang 3D and West of Maichen 3D received the Outstanding Engineering Award for Major Discoveries in Oil and Gas Exploration of CPC. A number of new geophysical exploration technologies, such as plateau seismic technology and high-density seismic exploration across all nodes on complex surfaces, were promoted and applied, effectively improving service quality and production efficiency. The total market value of new geophysical exploration businesses (wellbore seismic, pipeline, surveying and mapping, gravity, magnetism and electricity, as well as environmental energy conservation) has maintained a growth trend over the past five years, with newly signed contracts amounting to RMB770 million, a year-on-year increase of 47.7%. The BeiDou application business is on a fast track, with newly signed contracts amounting to RMB220 million, a year-on-year increase of 65.2%.

2. Drilling service

In 2025, the Company's operation revenue from the principal business of drilling service was RMB36.85 billion, representing a decrease of 8.3% from RMB40.18 billion in the same period of the previous year. Our completed drilling footage reached 11.15 million meters, representing a year-on-year increase of 1.6%. The Company optimized drilling equipment configuration, increased the electrification and automation upgrades of drilling rigs, coordinated the promotion of new production organization models, and vigorously promoted modular relocation and remote construction, further improving drilling efficiency. The average drilling cycle of completed wells was shortened by 10.0% year-on-year, and the time on complex failures was reduced by 11.3% year-on-year. The SHZ4-7X well reached a drilling depth of 8,476 meters with a drilling cycle of 59.63 days, setting a new record for the shortest drilling cycle for a well completed at 8,000m-8,500m by Sinopec. The horizontal section of the Jiaoye 44-Z5HF well reached 5,442 meters, setting a new record for the longest horizontal section of a Sinopec's horizontal well. Despite the increase in average well depth year-on-year, the drilling footage per team reached 21,900 meters, an increase of 1.9% year-on-year, with a steady increase in operational capacity. The annual drilling team utilization rate reached 90.6%, representing a year-on-year increase of 0.1 percentage point.

3. Logging / Mud logging service

In 2025, the Company's operation revenue from the principal business of logging and mud logging service was RMB3.80 billion, representing an increase of 5.8% from RMB3.59 billion in the same period of the previous year. Our completed logging projects had a total of 268.28 million standard meters, representing an increase of 0.7% year-on-year. Our completed mud logging projects had a total footage of 8.98 million meters, representing an increase of 5.8% year-on-year. The pass rate of logging and mud logging data was 100% and the one-time success rate of logging was above 97%. The Company continued to increase its investment in scientific research, achieving breakthroughs in several key technologies and steadily improving its service capabilities in logging, mud logging and directional drilling. The self-sufficiency rate of high-end instruments such as rotary steerable systems increased to 80%. Leveraging the advantages of resource concentration, the Company deeply participated in geo-engineering integration business, and was committed to obtaining complete and accurate data, precisely discovering and evaluating oil and gas reservoirs, in order to make every effort to ensure safe, high-quality and fast drilling and completion, and improve the drilling encounter rate of reservoirs, thereby helping to optimize well site deployment and accelerate drilling projects, and providing strong support for high-quality exploration and efficient development.



Section IV Report of the Board

4. Downhole operation service

In 2025, the Company's operation revenue from the principal business of downhole operation service was RMB10.97 billion, which was the same as RMB10.97 billion in the same period of the previous year. It completed downhole operation for 5,981 wells, representing an increase of 4.5% year-on-year. The one-time pass rate of downhole operation was 99.7%, the efficiency of fracturing construction increased by 8.4% year-on-year. The Company continued to improve its technical support and service assurance capabilities for downhole operations, helping Sinopec achieve breakthroughs in exploration and development in multiple exploration areas. The cumulative oil production of Shengli Jiyang shale oil project exceeded 1.7 million tons, Tiebei 1 side HF well obtained a high-yield gas flow of 424,100 cubic meters per day at a vertical depth of 5,311 meters, and simultaneous fracturing was applied for the first time on the Jiaoye 45 platform in the Fuling work area, while the daily output of 4 shale gas wells in the Qiongzhusi Formation of Ziyang exceeded one million cubic meters. The cooperative development of difficult-to-use reserves improved in quality and expanded in scope. The scope of cooperation expanded from the east and southwest to the entire territory of CPC, and the types of cooperation expanded from conventional oil and gas to unconventional shale oil and gas. The total new production capacity of oil and gas equivalent of 2.554 million tons was built through cooperation throughout the year, with 105 drilling teams being revitalized, and drilling footage of 2.35 million meters being driven.

5. Engineering and construction service

In 2025, the Company's operation revenue from the principal business of engineering and construction service was RMB20.64 billion, representing an increase of 15.9% from RMB17.81 billion in the same period last year. In 2025, the cumulative value of newly signed contracts was RMB25.64 billion, representing an increase of 2.1% year-on-year. In 2025, key projects undertaken by the Company, such as Hongxing Purification Station, Xinglong Purification Station and Dongying Crude Oil Commercial Reserve put into operation successfully, providing strong support for the development of key oil and gas fields of CPC. The Daniudi ethane recovery project, the first self-developed high-efficiency ethane recovery and LNG co-production project, has commenced operation and achieved an ethane recovery rate of over 95%. The long-distance pipeline market of PipeChina is the main market of the Company. Among which, the Fourth West-East Gas Pipeline and the middle section of the Third West-East Gas Pipeline have been successfully put into operation, while key projects such as the Second Sichuan-to-East Gas Transmission Pipeline, Changshi Pipeline and Zhundong Pipeline were progressing comprehensively. These projects continued to operate at a high quality, laying a solid foundation for future market development. The Company won the bids for multiple sections, such as the Changshi Pipeline and the Jiangsu-Anhui-Henan Pipeline, with a total pipeline length of over 2,500 kilometers. The total value of the bids won exceeded RMB10 billion for two consecutive years, and the Company successfully entered the domestic 1.4-meter large-diameter pipeline construction team for the first time. The Company actively cultivated new business growth points, winning bids for key road and bridge projects in Jiangsu Province, and undertaking two large water-sealed rock cavern projects with a contract value of over RMB640 million.

International business

In 2025, the Company's operation revenue from the principal business of international business service was RMB20.01 billion, representing an increase of 10.5% from RMB18.10 billion in the same period of the previous year, accounting for 25.2% of the revenue from our principal business, with a year-on-year increase of 2.6 percentage points. In 2025, the Company continued to deepen its presence in overseas markets, striving to expand market scale and increase the proportion of high-value-added businesses, thereby driving steady growth of overseas operating results. The Company continued to consolidate its traditional high-quality and large-scale markets such as Saudi Arabia, Kuwait and Ecuador, while vigorously expanding into emerging markets such as Iraq and Papua New Guinea. It secured new 10-year drilling rig extension contracts of RMB18.2 billion with high-quality owners such as Saudi Aramco and Kuwait Petroleum Corporation, and won the bid of Total's general contracting project for phase II of RATAWI oilfield in Iraq with a value of RMB2.1 billion, extending its presence from pipeline construction to CPF. In Kuwait, the Company's first drilling general contracting project has delivered 20 wells, with the average drilling cycle 20% shorter than designed. The I-L-Y oilfield integrated service project in Ecuador continued to advance, with an annual oil production of 1.86 million barrels. The MGS project in Saudi Arabia won the "Best EPC Contractor Award" and the "Project Management Innovation Award." Several drilling and workover teams ranked among the top in the KPI assessment of Kuwait Petroleum Corporation, and the SINOPEC1503 team was awarded the title of Total's Best Onshore Drilling Team in the World.

Technology research & development

In 2025, the Company accelerated breakthroughs in key core technologies and industrialization, winning 14 provincial and ministerial-level science and technology awards, and applying for 1,078 domestic patents and 10 foreign patents. Sinopec developed and launched the first self-developed "Idrilling (Yinglong) Scientific Drilling System," which has been applied in a total of 526 wells, achieving a comprehensive upgrade from experience-based drilling to scientific drilling. The system was recognized as Outstanding Case of Artificial Intelligence Technology in China's Oil and Gas Industry in 2025. The 260 °C/206MPa ultra-high temperature and high pressure logging tool was included in the fifth batch of first-of-its-kind major technological equipment in the energy sector of the National Energy Administration, and the 200 °C high-temperature direct-push storage micro-resistivity scanning imaging logging tool was included in the "Recommended Catalogue of Scientific and Technological Innovation Achievements of State-Owned Enterprises (2024 Edition)" released by the SASAC of the State Council. The "Jingwei Linghang" rotary steerable drilling system has reached the international advanced level as a whole and was the first in China to be applied in all scenarios. The temperature index has been raised from 150 °C to 175 °C, and the maximum build-up rate has reached 15.5°/30m. The rapid drilling technology for shale oil has been iteratively upgraded, and the shortest drilling cycle for shale oil in the Minfeng sag was reduced to 17.05 days. The scale development of four industrial bases for machinery and equipment, tools and instruments, chemical additives and petroleum engineering construction was accelerated, with an output value of RMB2.06 billion in 2025.

Section IV Report of the Board

Internal reform and management

In 2025, the Company continued to coordinate and optimize its internal resources, vigorously promoted the reform of “optimizing one specialty, strengthening one business, building one region and optimizing two resources”, made every effort to forge low-cost advantages and consolidate the foundation for high-quality development. We optimized and reshaped the downhole operation system, comprehensively promoted the “three-tier and two-level” structure, cancelled 35 institutions, merged 28 teams, which significantly improved the efficiency and efficiency. We comprehensively optimized the outsourcing business, established a whole-process outsourcing management and control platform, formulated three management and control lists of “prohibited, restricted and transferred”, coordinated the centralized bidding of seven businesses such as transportation and power grid. We promoted the construction of the integrated demonstration area in Northwest China in an orderly manner, upgraded and transformed 37 automatic drilling rigs, and increased the efficiency of tripping operation by 25%, promoted the modular relocation of 85 teams, reduced the number of hoisting by 30%, and shortened the relocation cycle by 15.8%. In the past year, the Company deeply optimized the human resources and equipment resources, established a business contracting coordination center, and vigorously constructed 11 business contracting benchmark projects, of which the number of people in the Yangtze River Delta region rapidly exceeded 1,000, with an annual contracting output of 7,605 people and a revenue of RMB660 million. Overall adjustment of drilling rig, top drive, high temperature orientation and other instruments and equipment, the comprehensive utilization rate of equipment was 92.9%, and the equipment rental cost was saved by 350 million yuan.

Capital expenditures

In 2025, the Company’s actual completed capital expenditure was RMB3.45 billion, including the completion of fixed asset investment of RMB2.56 billion. In 2025, the Company strengthened the control over the boundary of investment scale, ensured the urgent needs of exploration and development were met through multiple channels, increased investment in areas such as equipment automation and digital and intelligent transformation, high-end instrument research and development, and new industry cultivation to support industrial transformation and upgrading. The main projects planned for the year included the upgrading and renovation of 18 drilling rigs, 7 fully automated workover rigs, 9 sets of rotary steerable instruments, 23 desert engineering vehicles, the construction of 1 dual-fuel support vessel and 1 geological survey vessel, as well as investment projects related to safety hazard control and environmental protection.

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

In 2025, the international oil price has shown a volatile downward trend under the guidance of loose supply and demand, the average spot price of Brent crude oil in the North Sea was \$69.14 per barrel, down by 14.1% from the previous year. China’s economy maintained a momentum of steady and progressive development, and the annual gross domestic product (GDP) exceeded RMB140 trillion for the first time, an increase of 5.0% over the previous year, which led to the rigid growth of domestic energy demand. The domestic strategy of ensuring energy security has been pushed forward in depth, the “seven-year action plan” for increasing oil and gas reserves and production has been successfully concluded, and the production of crude oil and natural gas has steadily increased. In the past year, domestic oil service enterprises seized market opportunities and continued to strengthen key core technology innovation and operation capacity building. While ensuring domestic energy supply, the international layout has made positive progress, and the industry as a whole has maintained a good development trend. Affected by the above factors, the amount of newly signed contracts, the team utilization rate and the workload of major businesses of the Company achieved the increase in varying degrees.

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

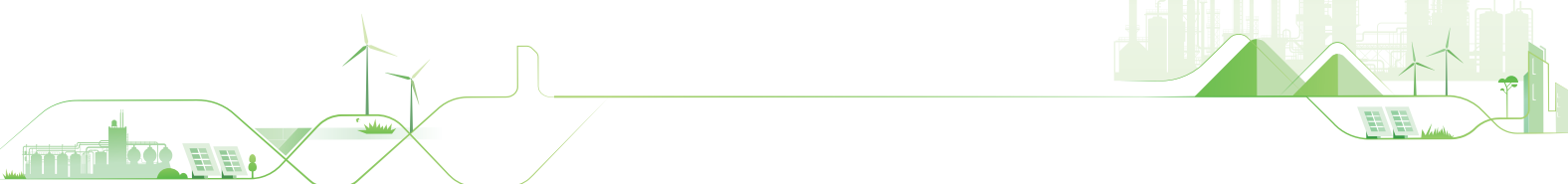
With more than 60 years of business operation and rich experience in project execution, the Company is a large-scale, integrated, and professional oil and gas engineering and technical service company in China and a leader in providing integrated and full industrial-chain oilfield services. As at 31 December 2025, the Company provided oilfield services with more than 70 basins and 550 blocks in more than 20 provinces in China, while its overseas business keeps growing with execution in 26 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 nationally leading shale gas oilfield 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 Jiaoye 44-Z5HF, with a horizontal section length of 5,442 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 oil service company”.

During the reporting period, there was no new important non-principal business of the Company.



Section IV Report of the Board

4. Analysis on core competitiveness in the reporting period

The Company has the service ability to cover the full industrial-chain of oilfield service. As of the end of 2025, there were 560 land drilling rigs (including 325 rigs above 7,000 meters), 11 offshore drilling platforms, 57 seismograph hosts, 124 imaging logging systems, 471 integrated logging tools, and 382 sets of 2500 above fracturing trucks, 98 workover rigs above 750HP, 1,440 drilling, geophysical and other professional teams. The Company has ranked top in the comprehensive ranking of drilling contractors of Saudi Aramco, Kuwait Oil Company and Ecuador National Oil Company for many years, and is an important international geophysical contractor in Algeria.

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

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

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

The Company has a stable and growing client base. It has the solid client base such as 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.

5. Statement of main business during the reporting period

(1) Main business analysis

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

	2025	2024	The rate of change
	RMB' 000	RMB' 000	(%)
Operating revenue	80,712,178	81,096,178	-0.5
Operating cost	74,158,853	74,762,298	-0.8
Selling and distribution expenses	82,209	84,485	-2.7
General and administrative expenses	2,287,587	2,405,659	-4.9
Financial expenses	882,578	729,521	21.0
Research and development expenditures	2,282,812	2,247,111	1.6
Net cash inflow from operating activities	6,645,946	3,100,854	114.3
Net cash inflow from investing activities	-2,534,882	-3,458,464	Not applicable
Net cash inflow from financing activities	-2,835,109	1,044,645	Not applicable

The change in operating revenue was mainly due to a slight decline in revenue as a result of the optimization and adjustment of upstream capital expenditure and the closure of some projects.

The change in operating costs was mainly due to the decrease in revenue and the corresponding decrease in costs as a result of the implementation of cost reduction and efficiency enhancement measures such as labor export, optimization of outsourcing and equipment rental costs.

The change in selling expenses was mainly due to intensified performance-linked assessment, which led to a year-on-year decrease in labor costs.

The change in administrative expenses was mainly due to enhanced control over non-productive expenditures and the implementation of efficiency-linked assessments, resulting in a year-on-year reduction in labor costs and non-productive expenses.

The change in financial expenses was mainly due to the fact that the overseas business of the Company was mainly denominated in US dollars and related currencies and was exposed to net assets, and affected by the depreciation of US dollars, the exchange gains decreased as compared with the same period last year.

The main reason for the change in R&D expenditure was the continued effort to tackle key core technologies and accelerate the industrialization of relevant achievements, leading to a steady increase in R&D investment.

Section IV Report of the Board

The change in net cash flow from operating activities was mainly that increased efforts to collect receivables and improved settlement of owners' funds have led to an increase in cash received from the sale of goods and provision of services, while carrying out reverse factoring for suppliers and reclassifying operating cash payments to financing cash outflows have led to a decrease in cash outflows for the purchase of goods and receipt of services.

The change in net cash flow from investing activities was mainly due to the launch of supplier reverse factoring and the reclassification of investment cash payments to financing cash payments, which led to a year-on-year decrease in cash outflows for the acquisition and construction of fixed assets and other long-term assets.

The change in net cash flow from financing activities was mainly due to the implementation of reverse factoring with suppliers and the reclassification of operating cash payments to financing cash payments, which led to a year-on-year increase in cash outflows for debt repayment.

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

☐ Applicable ☒ Not Applicable

B. Income and cost analysis

a. Statement of operations by industries and products

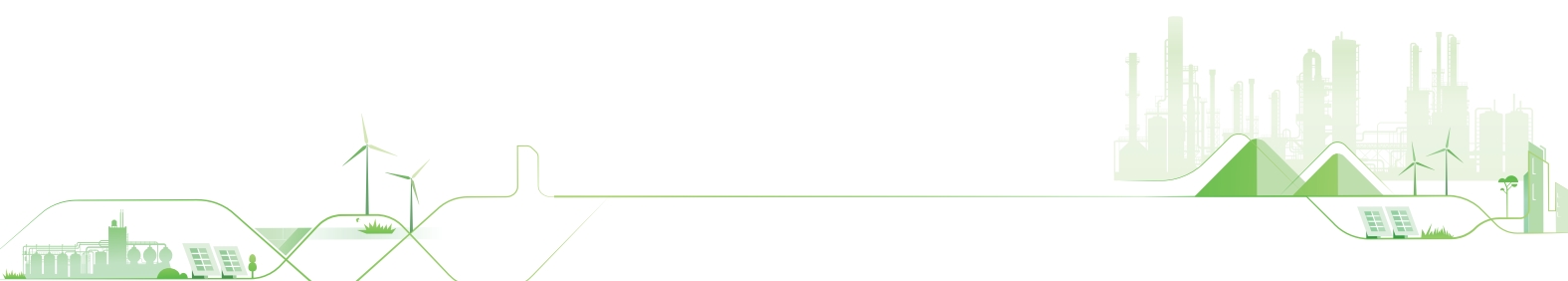
Industry	Operating income for 2025	Operating cost for 2025	Gross profit margin	Increase or decrease in operating income as compared with last year	Increase or decrease in operating cost as compared with last year	Gross profit margin compared with last year
	RMB' 000	RMB' 000	(%)	(%)	(%)	
Geophysical	5,715,378	5,204,126	8.9	-3.1	-3.2	The same
Drilling	36,849,733	34,364,355	6.7	-8.3	-8.4	Increased by 0.1 percentage points
Logging/Mud logging	3,799,081	3,125,883	17.7	5.8	5.7	The same
Downhole operation	10,966,129	10,118,449	7.7	0.0	-0.5	Increased by 0.4 percentage points
Engineering and construction	20,636,722	19,053,885	7.7	15.9	15.8	Increased by 0.1 percentage points
Other	1,426,207	1,421,043	0.4	-8.2	-7.7	Decreased by 0.5 percentage points
Total	79,393,250	73,287,741	7.7	-0.8	-1.0	Increased by 0.2 percentage points

b. Statement of operation by regions

Region	Operating income for 2025	Operating cost for 2025	Gross profit margin	Change in operating income as compared with last year	Change in operating cost as compared with last year	Gross profit margin compared with last year (%)
	RMB' 000	RMB' 000	(%)	(%)	(%)	
Mainland China	59,379,623	55,751,103	6.1	-4.1	-4.3	Increased by 0.2 percentage points
Hong Kong, Macau, Taiwan, and overseas	20,013,627	17,536,638	12.4	10.5	11.1	Decreased by 0.4 percentage points

c. Performance of significant procurement contracts and significant sales contracts

☐ Applicable ☒ Not Applicable



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d. Cost analysis

Unit: RMB'000

Product	Item of costs structure	Amount in 2025	Percentage of amount in 2025 in total cost	Amount in 2024	Percentage of amount in 2024 in total costs	Year-on-year change
		RMB' 000	(%)	RMB' 000	(%)	(%)
Geophysical Service	Raw materials	428,540	8.2	445,835	8.3	-3.9
	Fuel and power	243,795	4.7	244,719	4.5	-0.4
	Employees costs	1,400,493	26.9	1,466,108	27.3	-4.5
	Depreciation and amortization	476,831	9.2	489,560	9.1	-2.6
	Subcontracting costs and outsourcing services expenditures	339,572	6.5	347,123	6.5	-2.2
	Others	2,314,895	44.5	2,382,056	44.3	-2.8
	Sub-total	5,204,126	100	5,375,401	100	-3.2
Drilling Service	Raw materials	7,545,410	22.0	7,835,317	20.9	-3.7
	Fuel and power	1,886,485	5.5	1,924,219	5.1	-2
	Employees costs	8,139,303	23.7	8,645,134	23.1	-5.9
	Depreciation and amortization	3,784,551	11.0	3,869,684	10.3	-2.2
	Subcontracting costs and outsourcing services expenditures	3,672,028	10.6	3,866,694	10.3	-5
	Others	9,336,578	27.2	11,385,276	30.3	-18
	Sub-total	34,364,355	100	37,526,324	100	-8.4
Logging/ Mud logging Service	Raw materials	820,312	26.2	721,043	24.4	13.8
	Fuel and power	43,139	1.4	39,313	1.3	9.7
	Employees costs	1,600,335	51.2	1,601,547	54.1	-0.1
	Depreciation and amortization	342,180	10.9	326,398	11	4.8
	Subcontracting costs and outsourcing services expenditures	111,421	3.6	89,314	3	24.8
	Others	208,496	6.7	180,038	6.2	15.8
	Sub-total	3,125,883	100	2,957,653	100	5.7
Downhole operation service	Raw materials	2,243,233	22.2	2,198,130	21.6	2.1
	Fuel and power	761,361	7.5	765,078	7.5	-0.5
	Employees costs	1,674,333	16.5	1,678,339	16.5	-0.2
	Depreciation and amortization	962,282	9.5	913,848	9	5.3
	Subcontracting costs and outsourcing services expenditures	2,424,589	24	2,398,762	23.6	1.1
	Others	2,052,651	20.3	2,214,916	21.8	-7.3
	Sub-total	10,118,449	100	10,169,073	100	-0.5
Engineering and construction service	Raw materials	4,678,353	24.6	3,408,353	20.7	37.3
	Fuel and power	313,207	1.6	287,610	1.7	8.9
	Employees costs	2,384,720	12.5	2,305,343	14	3.4
	Depreciation and amortization	313,964	1.6	315,225	1.9	-0.4
	Subcontracting costs and outsourcing services expenditures	2,879,346	15.2	2,421,921	14.7	18.9
	Others	8,484,295	44.5	7,717,106	47	9.9
	Sub-total	19,053,885	100	16,455,558	100	15.8

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

☐ Applicable ☒ Not Applicable

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

☐ Applicable ☒ Not Applicable

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g. Information about major customer and major suppliers

During the reporting period, the aggregate operating revenue from the top five largest customers was RMB63,904,090,000, accounting for 79.2% of the Company's total operating revenue in 2025. Among the operating revenue from the top five largest customers, the sales amount of related parties was RMB51,961,971,000, accounting for 64.4% of the Company's total operating revenue in 2025. The operating revenue of the top five customers in 2025 are as follows:

Number	Name of client	Amount	Percentage to operating income
		(RMB' 000)	(%)
1	CPC and its subsidiaries	46,260,428	57.3
2	SAUDI ARABIAN OIL COMPANY	6,704,616	8.3
3	PipeChina	5,701,543	7.1
4	KUWAIT OIL COMPANY	3,262,154	4.0
5	CNOOC	1,975,349	2.5
Total		63,904,090	79.2

During the reporting period, the aggregate purchase amount from the top five largest suppliers was RMB16,878,541,000, accounting for 26.7% of the Company's total purchase amounts in 2025. Among the purchase amount from the top five largest suppliers, the purchase amount of related parties was RMB15,032,967,000, accounting for 23.8% of the Company's total purchase amount in 2025. The purchase amount from the largest supplier accounted for 22.1% of the total purchase amount of the Company. The largest supplier was China Petrochemical Corporation and its subsidiaries.

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

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

☐ Applicable ☒ Not Applicable

h. Income from trading business of the Company during the reporting period

☐ Applicable ☒ Not Applicable

Top 5 sales customers with trade business accounts for more than 10% of operating income

☐ Applicable ☒ Not Applicable

Top 5 suppliers with trading business income accounting for more than 10% of operating income

☐ Applicable ☒ Not Applicable

C. Expense

Item	2025	2024	Year-on-year change	Reason for change
	RMB' 000	RMB' 000	(%)	
General and administrative expenses	2,287,587	2,405,659	-4.9	Mainly due to strengthening the control of non-productive expenditure and the linkage assessment of work efficiency, and the labor cost and non-productive expenditure decreased year-on-year.
Selling and distribution expenses	82,209	84,485	-2.7	Mainly due to strengthening the linkage assessment of work efficiency, and the labor cost decreased year-on-year.
Financial cost	882,578	729,521	21.0	Mainly due to the depreciation of the US dollar and related currencies, and the exchange gains decreased year-on-year.
Credit impairment loss	-170,274	-465,785	Not applicable	Mainly due to the recovery of arbitration payments and the reversal of provision for bad debts for long-aged payments overseas.
Asset impairment loss	1,131	133,218	-99.2	Mainly due to the provision for impairment of long-term equity investment in the Mexican DS joint venture made in the prior year.
Income tax expenses	539,242	500,917	7.7	Mainly due to the gradual expiration and use of the compensable losses of domestic subsidiaries in the early stage, and the corresponding increase in the cost of current profit enterprise income tax.

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D. Statement of research and development expenditure

a. Research and development expenditure

Unit: RMB'000

Expenditure research and development expenditure for 2025	2,282,812
Capitalized research and development expenditure for 2025	0
Total research and development expenditure for 2025	2,282,812
Percentage of total research and development expenditure in operating income (%)	2.8
The proportion of R&D investment of capital (%)	0.0

In 2025, the Company's research and development expenditure was RMB2,282,812,000, representing an increase of 1.6% as compared with RMB2,247,111,000 in last year. It is mainly to the continuing increase investment in tackling key core technologies and applications.

b. R&D personnel status sheet

Number of R&D personnel in Company	3,007
Percentage of R&D personnel number in the total personnel number of the Company (%)	5.27

Academic structure of R&D personnel	
Education level	Number of personnel
Doctor degree	78
Postgraduate degree	1,010
Undergraduate degree	1,586
Junior college education	208
High school and below	125

Age structure of R&D personnel	
Age structure	Number of personnel
Under 30 years old (not include 30)	360
30-40 years old (include 30, not include 40)	655
40-50 years old (include 40, not include 50)	1,113
50-60 years old (include 50, not include 60)	857
60 years old and above	22

E. Changes in cash flow statement items

Unit: RMB'000

Item	2025	2024	Increased/ decreased by	Change (%)	Reason for change
Net cash inflow from operating activities ("-" for outflow)	6,645,946	3,100,854	Net inflow increased by 3,545,092	114.3%	Mainly due to increased efforts to collect receivables and improved settlement of owners' funds have led to an increase in cash received from the sale of goods and provision of services, while carrying out reverse factoring for suppliers and reclassifying operating cash payments to financing cash outflows have led to a decrease in cash outflows for the purchase of goods and receipt of services
Net cash inflow from investing activities ("-" for outflow)	-2,534,882	-3,458,464	Net outflow decreased by 923,582	Not applicable	Mainly due to the launch of supplier reverse factoring and the reclassification of investment cash payments to financing cash payments led to a year-on-year decrease in cash outflows for the acquisition and construction of fixed assets and other long-term assets
Net cash inflow from financing activities	-2,835,109	1,044,645	Net outflow increased by 3,879,754	Not applicable	Mainly due to the implementation of reverse factoring with suppliers and the reclassification of operating cash payments to financing cash payments have led to a year-on-year increase in cash outflows for debt repayment

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

☐ Applicable ☒ Not Applicable

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(3) Statement of assets, liabilities and equity analysis

a. Assets, liabilities and equity

Item	Amount at 31 December, 2025	Percentage of amount at 31 December, 2025 in total assets	Amount at 31 December, 2024	Percentage of amount at 31 December, 2024 in total assets	Changes from the end of the preceding year to the end of this year
	RMB' 000	(%)	RMB' 000	(%)	
Cash at bank and on hand	5,008,213	6.5	3,648,514	4.7	37.3
Accounts receivable	11,174,568	14.5	13,294,827	17.2	-15.9
Accounts receivable financing	4,029,356	5.2	2,557,311	3.3	57.6
Inventories	1,125,005	1.5	1,009,501	1.3	11.4
Contract assets	17,065,962	22.1	16,763,754	21.7	1.8
Other current assets	3,010,942	3.9	2,616,835	3.4	15.1
Long-term equity investments	145,426	0.2	251,551	0.3	-42.2
Investment in other equity instruments	135,834	0.2	137,441	0.2	-1.2
Fixed assets	23,803,167	30.8	24,238,814	31.3	-1.8
Construction in progress	628,698	0.8	793,487	1.0	-20.8
Right-of-use assets	761,546	1.0	620,413	0.8	22.7
Intangible assets	365,792	0.5	424,226	0.5	-13.8
Long-term deferred and prepaid expenses	6,775,975	8.8	7,208,900	9.3	-6.0
Short-term borrowings	28,311,044	36.6	22,870,449	29.6	23.8
Notes Payable	1,773,050	2.3	3,387,769	4.4	-47.7
Accounts Payable	23,016,953	29.8	28,266,046	36.5	-18.6
Contract liabilities	7,617,701	9.9	7,909,917	10.2	-3.7
Other payables	3,452,203	4.5	3,712,039	4.8	-7.0
Non-current liabilities due within one year	406,896	0.5	272,460	0.4	49.3
long-term borrowings	1,095,839	1.4	0	0.0	不適用
Lease liabilities	352,601	0.5	304,333	0.4	15.9
Long-term payables	120,556	0.2	90,987	0.1	32.5
Deferred income	84,040	0.1	24,758	0.0	239.4
Other comprehensive income	-18,189	0.0	30,193	0.0	-160.2
Special reserves	339,577	0.4	302,874	0.4	12.1
Taxes payable	1,015,033	1.3	965,079	1.2	5.2
Deferred income tax liabilities	68,406	0.1	78,065	0.1	-12.4
Salaries payable to employees	585,740	0.8	719,036	0.9	-18.5
Estimated liabilities	88,829	0.1	90,365	0.1	-1.7

Reasons for the changes:

- (1) Cash at bank and on hand increased by RMB1,359,699,000 as compared with the end of last year, mainly due to the receipt of funds for overseas projects in Mexico and Saudi Arabia at the end of the year.
- (2) Accounts receivable financing increased by RMB1,472,045,000 as compared to the end of last year, mainly due to the increase in bill settlement by owners.
- (3) Long-term equity investments decreased by RMB106,125,000 as compared to the end of last year, mainly due to the recognition of investment losses of joint ventures and translation differences of foreign currency statements.
- (4) Bills Payable decreased by RMB1,614,719,000 as compared to the end of last year, mainly due to the increase in settlement of funds by subcontractors, suppliers and labor service providers and the decrease in settlement of bills.
- (5) Non-current liabilities due within one year increased by RMB134,436,000 as compared with the end of last year, mainly due to the increase in lease liabilities due within one year.
- (6) Long-term borrowings increased by RMB1,095,839,000 as compared with the end of last year, mainly due to the newly obtained low-interest loans from external banks for equipment renovation in key areas.
- (7) Long-term payables increased by RMB29,569,000 as compared to the end of the previous year, mainly due to the increase in security deposit returned from hidden danger management.
- (8) Deferred income increased by RMB59,282,000 as compared to the end of last year, mainly due to the increase in special funding for scientific research and investment subsidies for major special equipment.
- (9) Other comprehensive income decreased by RMB48,382,000 as compared to the end of the previous year, which was mainly due to the recognition of foreign currency translation differences of joint ventures.

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b. Statement of overseas assets

The amount of overseas assets is RMB25,881,838,000, accounting for 33.5% of total assets.

Relevant instructions on the relatively high proportion of overseas assets

√ Applicable □ Not Applicable

Unit: RMB' 000

Overseas assets	Forming reason	Operation pattern	Operating income in this reporting period	Net profit in this reporting period
Drilling machines, well repair machines, geophysical collection instruments, ground construction equipments, engineering receivables, monetary funds, etc.	Undertake overseas oilfield engineering projects	Self-operation	20,013,627	1,403,722

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

√ Applicable □ Not Applicable

On 31 December 2025, the Company's funds with restricted use such as margin deposit, etc. was RMB344,167,000 (On 31 December 2024: RMB207,116,000).

(4) Analysis of the industry operation information

1. Market of crude oil and natural gas

In 2025, domestic oil and gas production enterprises continued to strengthen exploration and development, and increase reserves and production, successfully concluding the "Seven-Year Plan" for increasing reserves and production. Oil and gas production maintained a stable and increasing momentum, and the oil and gas supply guarantee capacity continued to improve. According to data of the National Bureau of Statistics, crude oil output by industrial enterprises above the designated size reached 216 million tons, hitting a record high, with an increase of 1.5% over the previous year, maintaining a stable output of over 200 million tons for four consecutive years. Natural gas output by industrial enterprises above the designated size reached 261.9 billion cubic meters, up 6.2% year-on-year, with output increasing by over 10 billion cubic meters for nine consecutive years.

In 2025, domestic refined oil consumption reached 378 million tons, a year-on-year decrease of 3%. However, demand showed structural differentiation, with apparent consumption of gasoline and diesel declining year-on-year, while kerosene achieved medium-to-low growth. Specifically, the total apparent consumption of gasoline for the year was 147 million tons, diesel was 193 million tons, and kerosene was 38 million tons. The overall demand was affected by new energy substitution, macroeconomic factors and industry transformation, presenting a pattern of "gasoline and diesel facing pressure, while kerosene experiencing recovery." Crude oil processing volume maintained overall growth, with the crude oil processing volume of industrial enterprises above the designated size reaching 737.59 million tons, a year-on-year increase of 4.1%. According to data of the National Development and Reform Commission, natural gas demand continued to grow, with the apparent consumption of natural gas nationwide reaching 426.55 billion cubic meters, a year-on-year increase of 0.1%.

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

In 2025, international oil companies continued to increase their investment in exploration and development, further driving the expansion of the global engineering and technical services market. To ensure national energy security, domestic oil companies continued to promote the strategy of stabilizing oil and increasing gas production, enhance their self-sufficiency in supply, and maintain their investment intensity in resources exploration and development. The total investment in oil and gas exploration and development for the year remained at a high level of over RMB400 billion, while oil and gas production equivalent continues to grow.

3. Business information in oilfield service industry

In 2025, the oil service industry continued to maintain a boom cycle globally, the market scale continued to expand, technological innovation and business expansion made significant progress, business performance remained stable, however, it also faced challenges such as oil price fluctuations and cost control. With China's oil and gas exploration and development entering deep, deepwater and unconventional fields in an all-round way, old oilfields entered a new stage of high water cut, the difficulty of exploration and development was increasing, and technological innovation needed to be upgraded iteratively. Under the overall requirements of ensuring national energy security, the tasks of ultra-deep wells, ultra-long horizontal wells and unconventional oil and gas resources exploitation would be further aggravated.

(5) Analysis of investments

1. Significant equity investment

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

2. Significant non-equity investment

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

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3. Information of financial assets measured at fair value

☐ Applicable ☒ Not Applicable

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

☐ Applicable ☒ Not Applicable

(6) Sales of major assets and equity

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

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

Name of company	Registered capital	Shareholding percentage	Amount of total assets	Amount of total liabilities	Amount of total net assets	Amount of net profit	Main Business
		%	RMB' 000	RMB' 000	RMB' 000	RMB' 000	
Sinopec Shengli Oil Engineering Company Limited*	RMB 700,000,000	100	12,396,184	11,552,952	843,232	144,004	Petroleum engineering technical service
Sinopec Zhongyuan Oil Engineering Company Limited*	RMB 450,000,000	100	12,152,250	12,129,985	22,265	5,398	Petroleum engineering technical service
Sinopec Jiangnan Oil Engineering Company Limited*	RMB 250,000,000	100	4,266,233	2,896,930	1,369,303	11,456	Petroleum engineering technical service
Sinopec Southwest Oil Engineering Company Limited*	RMB 300,000,000	100	5,604,250	2,321,884	3,282,366	8,318	Petroleum engineering technical service
Sinopec North China Oil Engineering Company Limited*	RMB 890,000,000	100	5,350,164	3,511,442	1,838,722	-33,640	Petroleum engineering technical service
Sinopec East China Oil Engineering Company Limited*	RMB 860,000,000	100	5,178,371	4,833,661	344,710	2,265	Petroleum engineering technical service
Sinopec Offshore Oilfield Services Company*	RMB 2,000,000,000	100	4,475,039	449,251	4,025,788	160,644	Offshore Oil Engineering Technology Service
Sinopec International Petroleum Service Corporation*	RMB 700,000,000	100	1,970,431	707,451	1,262,980	40,703	Petroleum engineering technical service
Sinopec Oil Engineering and Construction Corporation*	RMB 500,000,000	100	26,651,556	25,256,262	1,395,294	197,472	Construction
Sinopec Oil Engineering Geophysical Company Limited*	RMB 300,000,000	100	5,914,620	5,597,337	317,283	-37,542	Geophysical exploration
Sinopec Jingwei Company Limited	RMB 1,000,000,000	100	4,979,267	2,892,051	2,087,216	151,990	Testing, logging and locating service

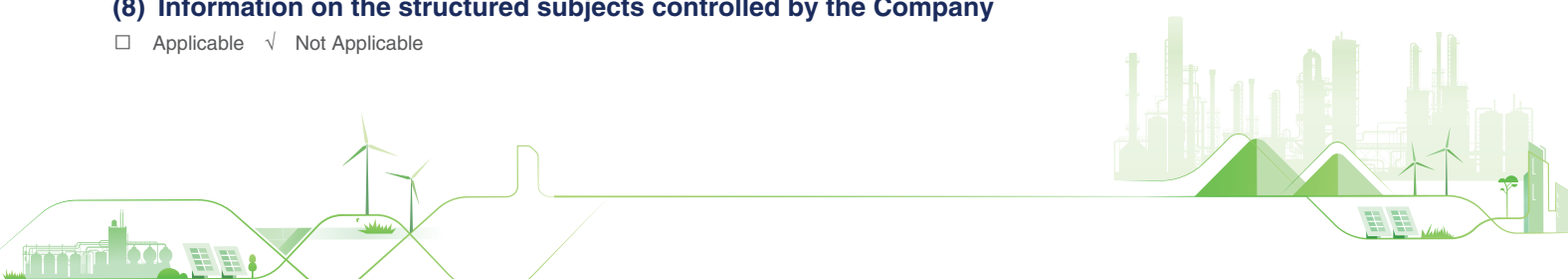
Name of company	Revenue	Operating profit
	RMB' 000	RMB' 000
Sinopec Shengli Oil Engineering Company Limited*	16,603,749	234,140
Sinopec Zhongyuan Oil Engineering Company Limited*	10,783,465	110,661
Sinopec Jiangnan Oil Engineering Company Limited*	5,372,263	32,729
Sinopec Southwest Oil Engineering Company Limited*	6,753,848	20,839
Sinopec North China Oil Engineering Company Limited*	4,300,026	2,898
Sinopec East China Oil Engineering Company Limited*	3,835,046	11,555
Sinopec Offshore Oilfield Services Company*	2,393,681	204,481
Sinopec International Petroleum Service Corporation*	1,904,689	145,682
Sinopec Oil Engineering and Construction Corporation*	20,731,842	283,643
Sinopec Oil Engineering Geophysical Company Limited*	5,844,459	4,524
Sinopec Jingwei Company Limited	5,743,174	164,236

* Note:

1. Sinopec North China Oil Engineering Company Limited incurred an operating loss for the current period due to declining workloads in its key profit-generating markets and a drop in revenue, which failed to effectively offset fixed costs.
2. Sinopec Oil Engineering Geophysical Company Limited failed to effectively offset the impact of reduced 3D workload with the increased 2D workload, resulting in an overall decline in profitability.

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

☐ Applicable ☒ Not Applicable



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

(1) Competitive Industry Structure and Development Trend

Looking forward to 2026, the global demand for crude oil will remain stable, energy security will remain the core issue, and oil companies will continue to strengthen their oil and gas business. China's economy has the foundation and conditions to maintain stable and sound operation, domestic crude oil processing volume will remain high level, and the strategic position and role of oil and gas in China's current energy consumption structure will remain. In this case, it is expected that the investment in upstream exploration and development will remain stable, which is expected to ensure the prosperity of the oilfield service industry in a certain period of time. However, we also see that global oil demand is approaching its peak, market supply continues to be loose, downward pressure on oil prices is increasing, exploration and development targets are becoming increasingly complex, and engineering technology and equipment are facing challenges. Digital intelligence revolution and AI technology are profoundly reshaping the oil and gas industry, prompting oil service enterprises to strengthen information reinforcement, digital empowerment, intelligent upgrading, and accelerate high-end, intelligent and green transformation.

(2) Operation Plans for 2026

In 2026, the Company will take ensuring exploration and development as its main responsibility, focus on the three major tasks of ensuring safety, strengthening technology, improve quality and efficiency, and make every effort to carry out six key tasks of safety and environmental protection, support and guarantee, quality and benefit improvement, science industry and financing, reform and empowerment, and market development, so as to fully complete the annual target tasks, consolidate the foundation of high-quality development, and ensure a good start of the "15th Five-Year Plan." The Company plans to sign new contract to reach a yearly value of over RMB92.5 billion, in which RMB48.5 billion will be from China Petrochemical Corporation's internal market, RMB18 billion from domestic external market, and RMB26 billion from overseas market. The Company puts emphasis on the following aspects:

1. Geophysical service

In 2026, the Company will continue to improve the I-BBS autonomous excitation system, node shelters, efficient offshore OBN acquisition and enhance the efficient acquisition capability in the field. Focus is placed on developing 5G node technology, intelligent seismic teams, video monitoring and other quality control methods to continuously improve data quality, and promoting the application of high-density seismic acquisition technology for complex surfaces, and upgrading and improving full-node seismic acquisition technology in order to help achieve breakthroughs in oil and gas exploration. The Company will accelerate the expansion of its wellbore seismic, gravity, magnetic and electrical business service chain, targeting the needs of unconventional and new energy exploration and development. It will also closely follow and analyze relevant national policies and the development plans of CPC, and plan ahead for businesses such as Beidou, environmental energy conservation and pipeline technical services. The Company will accelerate the development of emerging business closely related to geophysical exploration, such as "digital twins" and "artificial intelligence applications", and actively plan to explore more markets. The annual plan for the full year is to complete 5,600 kilometers of 2D seismic acquisition and 12,300 square kilometers of 3D seismic acquisition.

2. Drilling service

In 2026, the Company will closely follow the pace of exploration and development of CPC, dynamically optimize resources, iteratively upgrade technical equipment, innovate production organization models, and continuously improve team utilization rate and investment conversion rate, with drilling team utilization rate reaching over 85%. We will increase the application of low-cost technologies such as casing drilling to create workload through revolutionary speed increase and cost reduction, thereby shortening the drilling cycle for the year by 5% and increasing the annual drilling footage per drilling team by 2%. In domestic and external markets, we will continue to consolidate our market concentration in high-quality and large-scale markets such as CNPC, CNOOC and PipeChina, expand light-asset businesses such as high-temperature logging, rotary drilling and downhole tools, so as to increase the revenue share of the high-end markets. It is planned to complete a drilling footage of 10.85 million meters for the entire year.

3. Logging / Mud logging service

In 2026, the Company will continue to give full play to the advantages of integration of logging and geological engineering, accurately meet customer needs, innovate service modes, focus on building large-scale positions such as reservoir integration and block integration general contracting, and further promote the application of drilling optimization, rotary guide, tractor and other characteristic technologies, gradually promote remote monitoring and control construction mode in geothermal, coalbed methane and other markets, and strive to build low-cost competitiveness. The Company will focus on the national deep-sea and far-sea oil and gas exploration and development strategy, strengthen the marine geological monitoring and control center, and steadily expand the offshore oil service market. Aiming at overseas markets such as Kuwait and Saudi Arabia, the Company will accelerate the access and qualification review of directional and rotary guidance business, and realize the integrated development of logging and mud logging business. It is planned to complete logging for 254.55 million standard meters and logging footage of 8.47 million meters.

4. Downhole operation service

In 2026, the Company will adhere to the concept of professional development, continue to increase investment in low-cost technology research and application, promote the transformation of the production and organization model of downhole operation, so as to effectively improve operation and management efficiency. The Company will promote the application of 175MPa ultra-high pressure fracturing and testing equipment, fracturing infinite sliding sleeves, wellbore reconstruction refracturing technology and coiled tubing sidetracking technology, and continue to tackle the problems in oil and gas testing technology for "deep-earth engineering" well completion. We will focus on supporting the large-scale production of Shengli, Fuxing and northern Jiangsu shale oil fields, ensuring the continued growth of natural gas production in key areas such as the Sichuan Basin, Tarim Basin and Ordos Basin, and improving the annual fracturing construction efficiency by 5% year-on-year. The Company will promote the quality improvement and expansion of cooperative development of difficult-to-use resources, focusing on promoting cooperative production of conventional oil and shale oil in the eastern region, tight gas and shale oil and gas in the Sichuan Basin, and tight oil and gas in the Ordos Basin, accelerating the utilization of reserves, with a view to effectively revitalizing the teams and increasing workload, and striving to increase the newly built capacity through cooperative development by 10% year-on-year. It is planned to complete downhole operations in 5,615 wells.

Section IV Report of the Board

5. Engineering and construction service

In 2026, the Company will continue to leverage its advantages in specialization and integration to consolidate its leading position in the pipeline industry, actively cultivate the growth of emerging businesses, increase market share and maintain a stable share in high-quality markets. In the market of CPC, we will improve service quality and complete the construction of projects such as the pressure boosting project in the Dawan Block of Puguang Gas Field and the relocation and reconstruction project of Dashaba Oil Depot. In the domestic and external markets, we will focus on the construction of key long-distance pipeline projects, including the Second Sichuan-to-East Gas Transmission Pipeline, Changshi Pipeline, Zhundong Pipeline, the western section of the Ningbo-Shaoxing Trunk Line and section II of the Jiangsu-Anhui-Henan Trunk Line Project. We will also closely monitor projects such as the eight branch lines of the Hulin-Changchun Pipeline of PipeChina and Shandong Pipeline Network North Trunk Line (Phase II). In areas such as cavern energy storage, new wind and photovoltaic energy, hydrogen transportation and production, CCUS, jet fuel pipelines and marine engineering, we will accelerate the layout of emerging businesses and implement diversified and differentiated development strategies. It is planned to sign new contracts with the value of RMB20.6 billion for the full year.

6. International business

In 2026, the Company will focus on optimizing market layout and business transformation and upgrading, with a view to optimizing and strengthening mature markets, exploring and tackling potential markets, and comprehensively enhancing the competitiveness and sustainable development capabilities of international business. In the Saudi Arabian market, we will closely monitor new geophysical exploration projects tendered by Saudi Aramco, develop oil and gas pipeline and station upgrade projects on a rolling basis, and expand into municipal projects. In the Kuwait market, the Company will spare no effort in operating the drilling general contracting project in southern Kuwait and will use such project as a driving force to bring more technical service products into the Middle East market. In the Ecuadorian market, the Company will refine the management of drilling and completion turnkey projects, focusing on the integrated oilfield services projects of State Petroleum Company of Ecuador, actively expanding our scale and consolidating our market share. In the Mexican market, the Company will spare no effort in completing the bidding for the new 3D geophysical exploration projects and strive to win the bids for the well shutdown, production resumption and production maintenance projects. In the Uganda market, the Company will focus on Total's key TILenga LPG projects, continuously deepen cooperation and strive to secure the implementation of subsequent EPC projects. In the Algerian market, the Company will target core owners, focus on drilling, unconventional oil and gas development and integrated services, and put more efforts in market expansion. In the Iraqi market, the Company will closely follow the investment direction of Chinese enterprises, deepen cooperative relationships, focus on the project information of key owners and actively participate in bidding.

7. Technology development

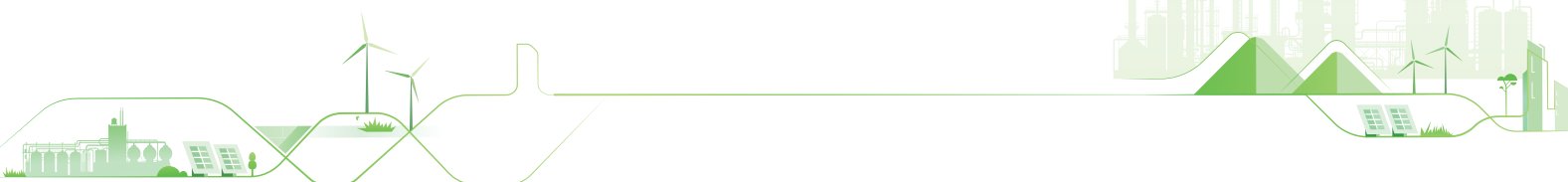
In 2026, the Company will adhere to its innovation-driven development strategy, focus on the exploration needs of "deepwater, deep earth, unconventional and mature fields", accelerate the tackling of national projects, including the major national science and technology projects for new oil and gas exploration and development, and the CPC's ten key projects, seek breakthroughs in key technologies and equipment, including coiled tubing drilling rig, casing-backed sonic logging and broadband node acquisition instruments, and make full efforts to solve the bottleneck problems in exploration and development engineering. We will vigorously promote the application of new technologies, including rotary geological steering, fully automated welding of long-distance pipelines, full-node seismic acquisition and the drilling scientific drilling system, and scale up the transformation of 17 core products, including automatic equipment for drilling rigs and pipe strings, drilling fluid treatment agents and measurement-while-drilling instruments. We will strengthen digital and intelligent empowerment, accelerate the construction of the data resource center for petroleum engineering and the establishment of professional AI-based scenarios covering geophysical exploration, drilling, downhole operation, testing, logging and locating, and surface engineering, and create a number of digitalized and intelligent operation teams. We will carry out new businesses actively in the field of new energy, including the designing of Shengli Power Plant's million-ton carbon dioxide capture project, the preliminary designing of the Ulanqab-Beijing-Tianjin-Hebei hydrogen pipeline, designing and digital twin technology for photovoltaic power generation systems, deep-sea large-capacity floating wind power platforms and the production, storage, transportation and utilization of hydrogen energy, in order to cultivate new economic growth points.

8. Internal reform and management

In 2026, the Company will further optimize its core resources such as manpower and equipment, vigorously control costs and reduce expenses, and make every effort to enhance its low-cost development capability. Firstly, continue to promote slimming and fitness. We will accelerate the building of an "agile" organization, flatten the management level, continuously optimize the size of the team, and reduce more than 50 organizations and 30 teams throughout the year. Secondly, optimizing human resources in depth. The Company will revise the five major professional staffing standards, strengthen the regional sharing of technical personnel, increase cross-unit, cross-professional and cross-regional labor surplus and shortage adjustment efforts, adjust more than 12,000 people throughout the year, and contract about 10,000 people for business output. Thirdly, making overall plans to revitalize equipment assets. We will strengthen the overall planning of equipment and the repair of old and waste, make good use of the means of cooperation between industry and finance, revitalize 1,100 sets of equipment throughout the year, and reduce depreciation and amortization by RMB130 million. Fourthly, strengthening the management of outsourcing business. We will expand the scope of prohibited business, carry out centralized bidding for homogeneous business, improve bargaining power and reduce outsourcing costs. The annual plan is to tap the potential and reduce the cost by RMB800 million.

9. Capital expenditure

In 2026, the Company plans to arrange capital expenditure of RMB3.24 billion, including RMB2.41 billion in fixed assets and equity investments. The Company will closely follow the needs of exploration and development, continue to increase investment in major core equipment and core technology, mainly arrange 16 drilling rigs for renovation and transformation, purchase 100,000 geophysical node instruments, 30 fracturing equipment, self-developed 9 3D boundary detectors and rotary steering systems while drilling, and build an offshore drilling platform. The Company will actively optimize the investment structure, accelerate the pace of low-carbon green development, continue to promote the upgrading and transformation of core equipment electrification and automation, and increase investment in high-end and digital transformation. Meanwhile, the Company will improve the internal market-oriented operation mechanism, diversify and promote the adjustment and revitalization of high-value equipment to maximize the benefits.



Section IV Report of the Board

(3) Potential risks

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

A. Oil price drop and market competition risk

Global economic fluctuations and changes in demand have a direct impact on the oil and gas market. In 2026, the momentum of world economic recovery is insufficient, economic uncertainty is rising, and the game between "OPEC +" strategic regulation and the continuous release of non-OPEC + domestic oil production energy may aggravate the pressure of supply easing, leading to downward pressure on international oil prices. The increasing downward pressure on oil prices will affect the capital expenditure plans of oil and gas companies, which will have a chain reaction on the oilfield service market. From the perspective of industry competition, there are many participants in the oilfield services market, the situation of supply exceeding demand still exists, and the competition is becoming increasingly fierce. In addition, there may be some countries or regions that protect local oilfield services enterprises, so the oilfield services market is still facing greater competitive pressure, and the market competition risk is still the risk that the Company needs to face.

B. Health, safety and environmental protection risk

Domestic and foreign governments continued to maintain a high pressure on safety and environmental protection supervision, and the pressure on safety and environmental protection compliance faced by the Company continues to increase. The operation volume of the Company remained at a high level, the overseas high-end customer base continues to expand, the application of new processes, new equipment and new technologies are accelerated, and the number of key and difficult projects such as unconventional oil and gas drilling and completion and ultra-deep wells continues to increase, which put forward higher requirements for the Company's safety risk management and control and operation quality assurance capabilities. At the same time, natural disasters such as earthquakes, hurricanes and public health emergencies will cause damage to the Company's property and personnel, and may affect the normal production and operation of the Company. The company has implemented a strict HSE management system and tried to avoid the occurrence of various accidents, but it is still unable to completely avoid the possible economic losses caused by such emergencies.

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 and information capabilities 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 tracks its exchange risk exposure and controls exchange rate risk.

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

☐ Applicable ☒ Not Applicable

Section IV Report of the Board

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

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

(1) Assets, liabilities and equity analysis

	As at 31 December 2025	As at 31 December 2024	The rate of change
	RMB' 000	RMB' 000	%
Total assets	77,254,593	77,340,105	-0.1
Current assets	44,436,777	43,419,968	2.3
Non-current assets	32,817,816	33,920,137	-3.2
Total liabilities	67,988,891	68,691,303	-1.0
Current liabilities	66,299,176	68,193,782	-2.8
Non-current liabilities	1,689,715	497,521	239.6
Total equity attributable to owners of the Company	9,254,404	8,648,802	7.0

Total assets were RMB77,254,593,000, representing a decrease of RMB85,512,000 from that at the end of 2024, of which: current assets were RMB44,436,777,000, representing an increase of RMB1,016,809,000 as compared to the end of 2024, mainly due to the combined effect of an increase in cash and cash equivalents of RMB1,222,649,000, an increase in contract assets and performance costs of RMB312,828,000, a decrease in accounts receivable of RMB2,120,259,000 and an increase in financing receivables of RMB1,472,045,000. Non-current assets amounted to RMB32,817,816,000, representing a decrease of RMB1,102,321,000 as compared with the end of 2024, which was mainly due to a decrease of RMB106,742,000 in equity interest in a joint venture, a decrease in provision for depreciation of property, plant and equipment of RMB459,402,000, and provision for amortization decreased in other non-current assets of RMB432,925,000.

Total liabilities were RMB67,988,891,000, representing a decrease of RMB702,412,000 from that at the end of 2024, of which: current liabilities amounted to RMB66,299,176,000, representing a decrease of RMB1,894,606,000 as compared to the end of 2024, which was mainly due to an increase of RMB5,575,031,000 in short-term borrowings, a decrease of RMB6,863,811,000 in bills and trade payables, and a decrease in contractual liabilities of RMB292,216,000. Non-current liabilities amounted to RMB1,689,715,000, representing an increase of RMB1,192,194,000 as compared to the end of 2024, which was mainly due to the combined effect of an increase in long-term borrowings of RMB1,144,107,000 and an increase in deferred income of RMB59,282,000.

Total equity attributable to owners of the Company was RMB9,254,404,000, an increase of RMB605,602,000 as compared with the end of 2024, mainly because the gains attributable to equity holders of the Company in 2025 achieved RMB695,544,000.

As at 31 December 2025, the ratio of total liabilities to total assets was 88.0% compared to 88.8% as at 31 December 2024.



Section IV Report of the Board

(2) Cash flow analysis

The main items of cash flow of the Group in 2025 and 2024 showed in the following table.

Main items of cash flow	2025	2024
	RMB' 000	RMB' 000
Net cash (outflow)/inflow from operating activities	6,645,946	3,100,854
Net cash (outflow)/inflow from investing activities	(2,534,882)	(3,458,464)
Net cash (outflow)/inflow from financing activities	(2,835,109)	1,044,645
Increase/(Decrease) in cash and cash equivalents	1,275,955	687,035
Effect of exchange rate changes	-53,307	-34,435
Cash and cash equivalents at the beginning of the year	3,441,398	2,788,798
Cash and cash equivalents at the end of the year	4,664,046	3,441,398

During the year ended 31 December 2025, the Group's net cash inflow from operating activities was RMB6,645,946,000, representing a decrease of cash outflow by RMB3,545,092,000 as compared with last year. The main reason is that increased efforts to collect receivables and improved settlement of owners' funds have led to an increase in cash received from the sale of goods and provision of services, while carrying out reverse factoring for suppliers and reclassifying operating cash payments to financing cash outflows have led to a decrease in cash outflows for the purchase of goods and receipt of services.

During the year ended 31 December 2025, the Group's net cash outflow for investing activities was RMB2,534,882,000, representing a decrease of cash outflow by RMB923,582,000 as compared with last year. The main reason is that the launch of supplier reverse factoring and the reclassification of investment cash payments to financing cash payments led to a year-on-year decrease in cash outflows for the acquisition and construction of fixed assets and other long-term assets.

During the year ended 31 December 2025, the Group's net cash outflow to financing activities was RMB2,835,109,000, representing an increase of cash outflow by RMB3,879,754,000 as compared with last year. The main reason is that the implementation of reverse factoring with suppliers and the reclassification of operating cash payments to financing cash payments have led to a year-on-year increase in cash outflows for debt repayment.

(3) Bank and affiliated company borrowings

As at 31 December 2025, the Company's bank and related company borrowings were RMB22,709,141,000 (31 December 2024: RMB22,713,925,000). The above borrowings were all fixed rate RMB short-term borrowings.

(4) Gearing ratio

As at 31 December 2025, the gearing ratio of the Group was 73.4% (31 December 2024: 69.8%). The gearing ratio is computed as the following formula: (liability with interest – cash & cash equivalents)/(liability with interest – cash & cash equivalents + shareholders' equity)

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

(1) Assets pledge

As at year ended 31 December 2025, there was no pledge on the Group's assets.

(2) Foreign Exchange Risk Management

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

(3) Financial Summary

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

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

Section IV Report of the Board

(4) Reserves

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

(5) Fixed assets

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

(6) Bank loans and other borrowings

Details of bank loans and other borrowings of the Company as at 31 December 2025 are set out in note 34 of the financial statements prepared in accordance with the IFRSs of the Annual Report.

(7) Retirement plan

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

(8) Income tax

As of the twelve months ended 31 December 2025, the Group's income tax was RMB539,242,000 (2024: RMB500,917,000). The change in effective income tax rate was mainly due to the fact that the Group paid tax in the foreign countries and regions where it has business activities.

(9) Capitalized Interest

For the year ended 31 December 2025, there was no capitalized interest of the Company.

(10) Donations

During the reporting period, the Group donated approximately RMB1,289,000.

(11) The Company's environmental policy and performance

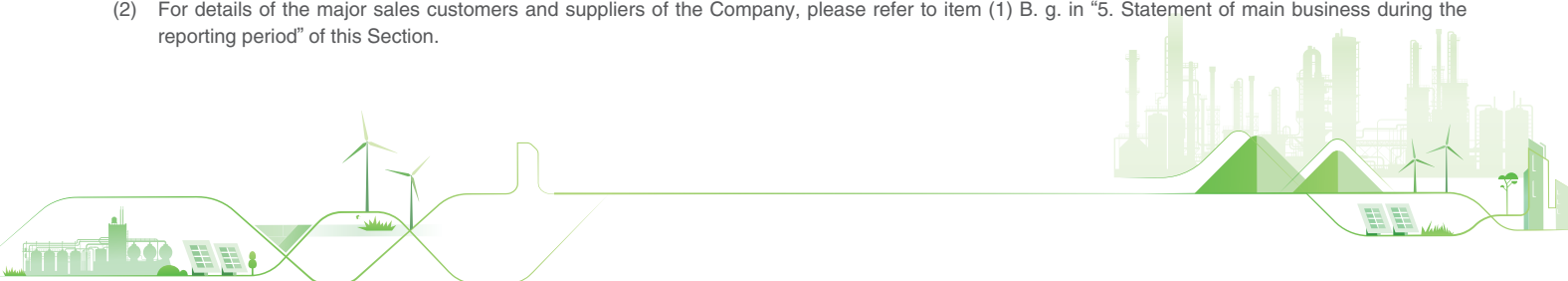
- (1) The Company's environmental policy: guided by the construction of ecological civilization and green and low-carbon strategy, the Company continued to carry out clean production, energy saving and emission reduction, green enterprise development, carbon peak campaign and waste-free enterprise construction, and carried out in-depth special environmental protection campaigns of clear water, blue sky and pure land. The effectiveness of energy and environmental work continued to improve.
- (2) In 2025, the Company was not included in the list of companies with serious pollution published by the Chinese environmental protection department, and there are no major environmental protection or other major social safety issues.
- (3) The Company has established a comprehensive environmental impact assessment system to further strengthen environmental management and control. In 2025, the Company did not have any environmental pollution accidents.

(12) Compliance with laws and regulations

- (1) For details of the relevant laws and regulations that have a significant impact on the Company, please refer to the disclosure of the principal laws and regulations in the Regulatory Overview set out in Appendix I to the circular of the Company dated 27 October 2014 in relation to the significant asset reorganization on the SSE website www.sse.com.cn and the HKSE website www.hkexnews.hk.
- (2) In 2025, the Company strictly complied with the relevant laws and regulations that have a significant impact on the Company, and did not receive complaints, fines or sanctions for violating major laws and regulations.

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

- (1) Employees, customers and suppliers of the Company have no significant influence on the prosperity of the Company.
- (2) For details of the major sales customers and suppliers of the Company, please refer to item (1) B. g. in "5. Statement of main business during the reporting period" of this Section.



Section IV Report of the Board

(14) Management contract

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

(15) Pre-emptive rights

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

(16) Share repurchase, sale and redemption

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

(17) Directors' interests in competing businesses

Some directors of the Company hold positions in China Petrochemical Corporation and its subsidiaries. For details, please refer to "3. Information about Directors and Senior Management" of Section V "Corporate Governance, Environment and Society" of the report.

(18) Directors' interests in contracts

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

(19) Directors' service contracts

No director has entered into a service contract with the Company or any of its subsidiaries which is not terminated by the Company within one year without payment other than statutory compensation (except for statutory compensation).

(20) Permitted indemnity provisions

The Company has purchased liability insurance for the directors in order to mitigate potential losses incurred in the proper performance of their duties. The permitted indemnity provisions are set out in the liability insurance policy for directors, which will indemnify directors for costs associated with potential legal proceedings arising from negligence in the performance of their duties.

(21) Equity-linked Agreements

As at 31 December 2025, the Company did not enter into any equity-linked agreements.

On Behalf of the Board

Wu Baizhi

Chairman

Beijing, PRC, 16 March 2026

Section V Corporate Governance, Environment and Society

1. Information on Corporate Governance

During the reporting period, the Company strictly complied with domestic and overseas regulatory requirements and the Articles of Association, adhered to regulated operations, carried out businesses in accordance with laws and regulations, and improved its corporate governance continuously. To implement the SASAC's decisions on deepening the reforms of the supervisory committees of state-owned enterprises and further improve its modern corporate governance system, the Company systematically revised the Articles of Association, the Rules of Procedure for General Meetings and the Rules of Procedure for the Board to delegate the Audit Committee of the Board to exercise the powers of the supervisory committee, which ensured the seamless transfer of supervisory functions. Independent directors performed their duties and responsibilities, actively played the role of "participating in decision-making, supervision and checks and balances, professional consultation", carefully reviewed decision-making matters, conducted special research on offshore businesses, and made suggestions for the reform and development of the Company. We placed great emphasis on shareholder returns, released an evaluation report on the 2024 "Improving Quality, Increasing Efficiency and Emphasizing Returns" Action Plan, and successfully completed its first repurchase of A Shares to enhance the Company's value and shareholders' interests.

The Company adhered to the value orientation, did a good job of information disclosure with high quality, increased transparency, expanded the breadth and depth of communication with investors, improved the effectiveness of communication, regularly organized performance presentations, communicated with various investors through multiple channels, and organized reverse roadshows for investors in offshore business, which obtained good market feedback. We strengthened Environmental, Social and Governance (ESG) work, enhanced ecological and environmental protection, contributed to rural revitalization, and actively fulfilled our corporate social responsibilities. The Company continued to improve the quality of Party building work, boosted the morale of employees, strengthened discipline inspection and supervision, facilitated the effective implementation of the decisions and arrangements of the Board of directors, and promoted the high-quality development of the Company.

During the reporting period, the corporate governance of the Company was in compliance with the requirements of the regulatory documents on corporate governance of listed companies issued by the regulatory authorities and stock exchanges in the places where the Company is listed. The Company carried out inside information and insider management in accordance with regulatory requirements and company regulations, continuously optimized the inside information management mechanism, improved the compliance awareness of insiders of inside information, and did a good job in inside information and insiders registration. During the reporting period, there was no insiders' illegal trading of Company's shares by using inside information.

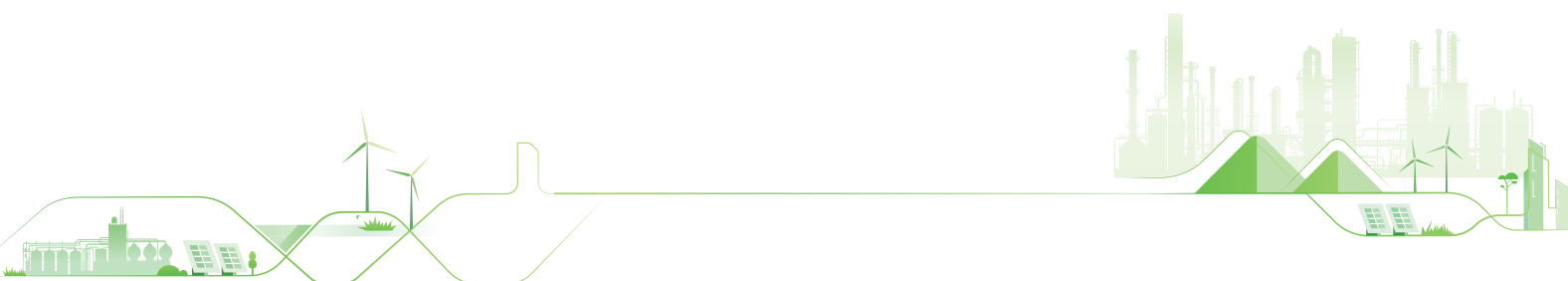
In strict accordance with the requirements of relevant laws and regulations including "Company Law", "the Securities Law", "Administrative Measures for the Disclosure of Information of Listed Companies", domestic and overseas listing rules, the Company will continuously perfect management system of the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

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

☐ Applicable ☒ Not Applicable

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

☐ Applicable ☒ Not Applicable



Section V Corporate Governance, Environment and Society

3. Information about Directors and Senior Management

(1) Information on the changes of shareholdings and the remuneration of directors and senior management during the reporting period

Name	Position	Gender	Age	The beginning of the term	The end of the term	Number of shares at the beginning of the year	Number of shares at the end of the year	Reason for change	Salaries from the Company during reporting period (RMB) (before taxation)	Whether get payment from related party of the Company
Wu Baizhi	Chairman	male	55	12 June 2024	11 June 2027	0	0	No Change	932,860	No
	Executive Director									
Zhang Jiankuo	General Manager	male	51	8 December 2023	11 June 2027	0	0	No Change	894,935	No
	Executive Director			12 June 2024						
Wang Minsheng	Non-Executive Director	male	52	18 December 2025	11 June 2027	0	0	No Change	–	Yes
Zhang Lili	Non-Executive Director	female	51	12 June 2024	11 June 2027	0	0	No Change	–	Yes
Du Kun	Non-Executive Director	male	47	12 June 2024	11 June 2027	0	0	No Change	–	Yes
Zheng Weijun	Independent Non-Executive Director	male	59	2 February 2021	1 February 2027	0	0	No Change	200,000	No
Wang Pengcheng	Independent Non-Executive Director	male	55	12 June 2024	11 June 2027	0	0	No Change	200,000	No
Liu Jiangning	Independent Non-Executive Director	female	46	12 June 2024	11 June 2027	0	0	No Change	200,000	No
Zhang Congbang	Deputy General Manager	male	55	8 December 2023	11 June 2027	0	0	No Change	1,019,159	No
Cheng Zhongyi	Chief Financial Officer	male	49	27 April 2021	11 June 2027	0	0	No Change	806,492	No
	General Counsel									
Sun Bingxiang	Deputy General Manager	male	54	3 August 2021	11 June 2027	50,300	50,300	No Change	782,947	No
Ke Yuehua	Secretary to the Board	male	55	20 August 2024	11 June 2027	0	0	No Change	794,212	No
Xu Keyu	Former Non-Executive Director	male	37	12 June 2024	8 July 2025	0	0	No Change	–	No

Notes:

1. Mr. Wu Baizhi, Mr. Zhang Jiankuo, Mr. Zhang Congbang, Mr. Cheng Zhongyi, Mr. Sun Bingxiang and Mr. Ke Yuehua all received 12 months of salary in 2025, Mr. Zheng Weijun, Mr. Wang Pengcheng and Ms. Liu Jiangning received 12 months of directors' fees in 2025.

Section V Corporate Governance, Environment and Society

Information about directors and senior management as at the end of the reporting period

Director

Mr. Wu Baizhi*, aged 55, Chairman, Party Secretary. Mr. Wu is a professor-level senior engineer with a doctoral degree. Mr. Wu joined Shengli Petroleum Administrative Bureau of China Petrochemical Corporation in 1993, and was appointed as Deputy Manager of No. 3 Downhole Operation Company, Deputy Director of Exploration and Development Supervision Department, Deputy Head of Oil Production Department, Director of Tight Oil Reservoir Development Program Department, Head of Oil Production Department, Director and Safety Director of the Engineering Technology Management Center of Shengli Petroleum Administration Bureau consecutively; in January 2017, he was appointed as Deputy Director of Safety Supervision Bureau of China Petrochemical Corporation; in November 2018, he was appointed as General Manager and Deputy Secretary of the Party Committee of Sinopec Zhongyuan Oil Engineering Company Limited; in April 2021, he was appointed as Executive Director, Secretary of the Party Committee and General Manager of Sinopec Jingwei Company Limited; in September 2023, he was appointed as Executive Director and Secretary of the Party Committee of Sinopec Jingwei Company Limited; in December 2025, he was appointed as the Deputy Chief Engineer of China Petrochemical Corporation and the Deputy Chief Engineer of Sinopec Corp. Since April 2024, he has served as Secretary of the Party Committee of the Company. Since June 2024, he has been appointed as the chairman of the Board and the executive director of the Company.

Mr. Zhang Jiankuo*, aged 51, general manager, executive director. Mr. Zhang is a professor-level senior engineer with a master's degree. Mr. Zhang joined Shengli Petroleum Administration Bureau of China Petrochemical Corporation in 1999, and was appointed as Deputy Manager of No. 4 Drilling Company, Manager of No. 3 Drilling Company, Deputy Chief Engineer, Deputy Manager and Manager of Yellow River Drilling Corporation; in December 2018, he served as the deputy general manager of Sinopec Shengli Oil Engineering Company Limited. In October 2020, he served as the deputy general manager of the Company. In June 2022, he served as the deputy general manager of Petroleum Exploration & Development Business Department of China Petroleum & Chemical Corporation. Since December 2023, he has been appointed as the general manager of the Company. Since June 2024, he has been appointed as the executive director and the general manager of the Company.

Mr. Wang Minsheng*, aged 52, non-executive director. Mr. Wang is a professor-level senior engineer with a doctoral degree. He joined Shengli Petroleum Administration Bureau of China Petrochemical Corporation ("CPC") in 1995, and was appointed as the deputy director, director, and deputy chief engineer of the strategic planning research institute under Petroleum Engineering Technology Research Institute Co., Ltd. of CPC, consecutively. In May 2020, he was appointed as the deputy general manager of Petroleum Engineering Technology Research Institute Co., Ltd. of CPC and vice president of Sinopec Petroleum Engineering Technology Research Institute. Since August 2025, he has been serving as the president of Sinopec Petroleum Engineering Technology Research Institute. From August 2025, he was served as the director and general manager of Petroleum Engineering Technology Research Institute Co., Ltd. of CPC and president of Sinopec Petroleum Engineering Technology Research Institute. Since December 2025, he has been appointed as the non-executive director of the Company.

Ms. Zhang Lili*, aged 51, non-executive director. Ms. Zhang is a professor-level senior accountant with a bachelor's degree. In 1995, Ms. Zhang joined Sinopec Corp. Tianjin Branch, and was appointed as Deputy Head and Head of the Finance Department of China Petrochemical Corporation Chemical Commercial Holding Company Limited; in April 2018, she was appointed as Chief Accountant of Sinopec Corp. Guangxi Petroleum Branch; in December 2020, she was appointed as Chief Accountant of Sinopec Corp. Beijing Yanshan Branch. Since December 2022, she has served as Deputy General Manager of the Finance Department of China Petrochemical Corporation. Since September 2024, she has also been a director of Sinopec Oilfield Equipment Corporation. Since June 2024, she has been appointed as the non-executive director of the Company.

Mr. Du Kun*, aged 47, non-executive director. Mr. Du is a senior engineer with a master's degree. Mr. Du joined Shengli Petroleum Administrative Bureau of China Petrochemical Corporation in 2000, and was appointed as Manager of Yan'an Project Management Department of Sinopec Shengli Oil Engineering Company Limited (middle-level deputy position), Manager of Fuling Project Management Department (middle-level deputy position), Manager of Southwest Branch & Manager of Fuling Project Management Department consecutively; in December 2020, he was appointed as Deputy General Manager of Sinopec Shengli Oil Engineering Company Limited; in August 2022, he was appointed as Deputy General Manager of the Company. Since April 2024, he has served as Deputy General Manager of Exploration & Production Department of Sinopec Corp. Since June 2024, he has been appointed as the non-executive director of the Company.

Mr. Zheng Weijun*, aged 59, independent non-executive director, graduated with an MBA degree. Mr. Zheng is a certified public accountant, certified tax agent, senior accountant, senior member of the Chinese Institute of Certified Public Accountants, a leading talent in the national certified public accountant industry of the Ministry of Finance and an extracurricular tutor for master's degree students in the college of accounting, Central University of Finance and Economics. From November 2001 to September 2023, he was a partner of ShineWing Certified Public Accountants and a member of the management committee. Since October 2023, he has been a supervisor of ShineWing International Investment Group Co., Ltd. Since September 2018, he has been a director of Hehui Group Co., Ltd. Since July 2021, he served as an independent director of Shanghai Yaopi Glass Group Co., Ltd. Since April 2023, Mr. Zheng served as an independent director of Huachuang Yunxin Digital Technology Service Co., Ltd., and he has been appointed as the independent non-executive director of the Company since February 2021. Since June 2024, he has been re-appointed as the independent non-executive director of the Company.

Mr. Wang Pengcheng*, aged 55, independent non-executive director, holds a doctoral degree. Mr. Wang is currently a professor and doctoral supervisor at the Business School of Beijing Technology and Business University, and concurrently serves as the director of the Corporate Accounting Standards Specialized Committee of Accounting Society of China, the inaugural Sustainability Disclosure Standards advisory expert of the Ministry of Finance, expert member of the ESG Specialized Committee and vice chairman of the CFO Specialized Committee of China Association for Public Companies. Mr. Wang has served successively as a partner of Pan-China Certified Public Accountants, a partner of Deloitte Touche Tohmatsu, and the chief operating officer and the managing partner of audit services of Greater China of Ernst & Young. Since August 2023, he has served as an independent director, the chairman of the audit committee, and a member of each of the nomination and remuneration committee and the related party transactions control committee of the board of the People's Insurance Company (Group) Of China Limited. Since January 2026, he has served as an independent director of MiniMax Group Inc. (Shanghai Xiyu Technology Co., Ltd.). Since June 2024, he has been appointed as the independent non-executive director of the Company.

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Ms. Liu Jiangning*, aged 46, independent non-executive director. Ms. Liu is currently a vice dean, professor and doctoral supervisor of Institute of Common Prosperity, University of International Business and Economics. Ms. Liu is a post-doctoral fellow in economics at Peking University and a doctor of Law at Shandong University. In October 2017, Ms. Liu was selected by the Ministry of Education for the honour of “National Ideological and Political Theory Teaching Expert in Colleges and Universities”, and won the award of “Outstanding Paper of Chinese Young Economic Scholars” in 2018 and 2019. Her main research area is the theory and practice of socialist economy with Chinese characteristics. Since June 2024, she has been appointed as the independent non-executive director of the Company. Since November 2024, she concurrently serves as an independent director of Shandong Jinling Mining Co., Ltd., and since December 2025, she also serves as an independent director of China Jushi Co., Ltd.

Senior management

Mr. Zhang Congbang, aged 55, deputy general manager (it is managed according to the principal position of the bureau-level enterprise). Mr. Zhang is a professor-level senior engineer with a bachelor's degree. Mr. Zhang joined Zhongyuan Petroleum Exploration Bureau of China Petrochemical Corporation in 1991. He successively served as deputy general manager of the Saudi Arabia branch, general manager of the Kuwait branch, deputy chief engineer of Sinopec International Petroleum Service Corporation and concurrently general manager of the Kuwait branch, general manager of the UAE subsidiary and the Abu Dhabi branch; in July 2019, he served as the deputy general manager of Sinopec International Petroleum Service Corporation; in December 2020, he served as the general manager and deputy secretary of the Communist Party Committee of Sinopec International Petroleum Service Corporation; since December 2023, he served as the director and secretary of the party committee of Sinopec International Petroleum Service Corporation. Since December 2023, he has been appointed as the deputy general manager of the Company (it is managed according to the principal position of the bureau-level enterprise).

Mr. Cheng Zhongyi, aged 49, chief financial officer and general counsel. Mr. Cheng is a senior accountant with a master degree in Engineering. Mr. Cheng joined Shengli Petroleum Administration Bureau of China Petrochemical Corporation in 1998. He successively served as deputy director of the financial planning department and concurrently chief financial officer of the overseas engineering management center, and director of the financial planning department of Sinopec Shengli Oil Engineering Company Limited. In April 2018, he served as chief financial officer of Sinopec Oil Engineering Geophysical Company Limited. In May 2020, he served as deputy general manager of Sinopec Shared Services Company Limited. Since April 2021, he served as the chief financial officer of the Company, and from August 2021 to August 2024, he served concurrently as the secretary to the Board. Since June 2024, he served concurrently as the general counsel.

Mr. Sun Bingxiang, aged 54, deputy general manager. Mr. Sun is a senior engineer with a master degree. Mr. Sun joined Southwest Petroleum Geological Bureau of the Ministry of Geology and Mineral Resources in 1993. He successively served as deputy director of the general management office of the engineering and technology department of the Sichuan-East Gas Transmission Project (Headquarters), deputy director of the technology information division of the petroleum engineering management department of China Petrochemical Corporation, and deputy manager of the technology development department of Sinopec Oilfield Service Corporation. In January 2018, he served as deputy manager of technology information department of the Company. In August 2018, he served as deputy manager (treated as principal middle-level position) of technology information department of the Company. In July 2020, he served as manager of technology information department of the Company, and since August 2021, he served as the deputy general manager of the Company.

Mr. Ke Yuehua, aged 55, secretary to the Board. Mr. Ke is a professor-level senior economist with a master's degree. Mr. Ke joined Shengli Petroleum Administration Bureau of China Petrochemical Corporation in 1992, and served successively as manager for project planning and management in the planning and finance department and deputy manager in the planning and development department of Sinopec International Petroleum Exploration and Production Corporation, he also served as deputy manager and manager in the human resources department and manager in the planning and operation department of Sinopec International Petroleum Service Corporation (SSC); he was appointed as manager of the corporate governance and legal affairs department of SSC in November 2012, appointed concurrently as director of the legal affairs center from January 2013 to November 2015; appointed as manager of the corporate reform management department of the Company in March 2015; appointed as manager of the reform and development department of the Company in January 2018; appointed as deputy chief economist and manager of the reform and development department of the Company from December 2019 to February 2025; appointed as principal specialist of corporate reform management of the Company since May 2022; and served concurrently as the secretary to the Board of the Company since August 2024.

(2) Information on positions of directors and senior management during the reporting period

a. Positions in shareholder enterprises

Name	Name of shareholder enterprise	Position held in shareholder enterprise	The starting date of term in office	The termination date of term in office
Zhang Lili	CPC	Deputy General Manager of Finance Department	December 2022	—
Du Kun	CPC	Deputy General Manager of Oilfield Exploration and Development Business Department	April 2024	—

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

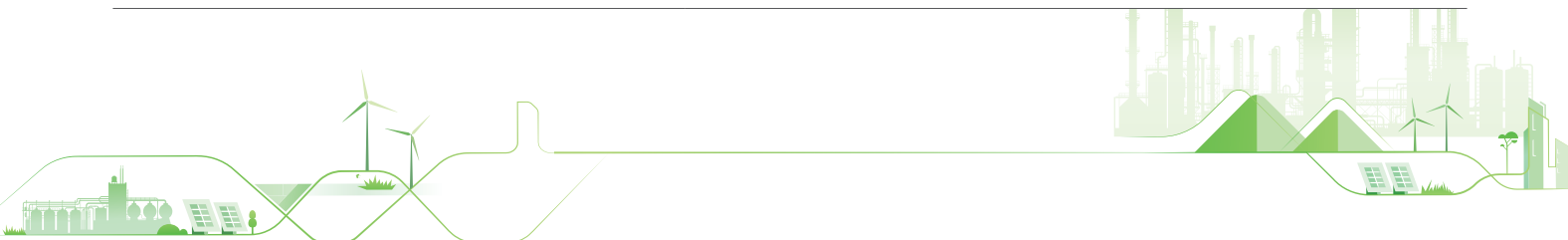
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b. Positions in other enterprises

Name	Name of other enterprises	Position held in other enterprises	Beginning date of term	End date of term
Zhang Jiankuo	Sinopec Petroleum Engineering Technology Research Institute Co., Ltd.	Director	April 2023	—
Wang Minsheng	Petroleum Engineering Technology Research Institute Co., Ltd. of CPC	Director General manager	August 2025	—
	Sinopec Petroleum Engineering Technology Research Institute	President	August 2025	—
	Sinopec Petroleum Engineering Technology Research Institute Co., Ltd.	Chairman of the board, general manager	August 2025	—
Zhang Lili	Sinopec Oilfield Equipment Corporation	Director	September 2024	—
Cheng Zhongyi	Sinopec Finance Co., Ltd.	Supervisor	May 2021	December 2025
Sun Bingxiang	Sinopec Petroleum Engineering Technology Research Institute Co., Ltd.	Director	November 2021	—
	Sinopec Oilfield Equipment Corporation	Director	September 2024	—

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

Decision procedure of the remuneration of directors and senior management.	The remuneration of directors in 2025 is submitted to the general meeting after being approved by the remuneration committee of the Board and the Board. The remuneration of senior management is approved by the Board after being approved by the remuneration committee of the Board.
Whether the directors have abstained from discussing their own remuneration matters in the board of directors.	Yes
Details of the recommendations made by the remuneration and appraisal committee or the special meeting of independent directors on the remuneration of directors and senior management.	On 13 March 2026, the Company convened the fifth meeting of the remuneration committee of the eleventh session of the board, at which the resolution on the remuneration of directors and senior management of the Company for the year 2025 was considered and approved, and no objection was raised.
The basis of remuneration determination of directors and senior management.	Decided by the duties and responsibilities of directors and senior management, and by the performance of the Company.
Information on the evaluation basis and completion status of actual compensation received by all directors and senior management at the end of the reporting period	Decided by the duties and responsibilities of directors and senior management, and by the performance of the Company.
Arrangement for deferred payment of remuneration actually received by all directors and senior management at the end of the reporting period.	None
Recourse for stopping payment of remuneration actually received by all directors and senior management at the end of the reporting period.	None
Actual payment of remunerations to directors and senior managers.	RMB5,830,605
As to the end of reporting period, the actual obtained remuneration of the directors and senior management.	RMB5,830,605



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

Name	Position	Change	Reasons for change
Wang Minsheng	Non-executive director	Election	Elected by the general meeting
Xu Keyu	Former non-executive director	Resigned	Adjustment of his work
Wang Jun	Former chairman of the Supervisory Committee	Resigned	Abolition of the Supervisory Committee
Zhang Kun	Former supervisor	Resigned	Abolition of the Supervisory Committee
Zhang Xiaofeng	Former supervisor	Resigned	Abolition of the Supervisory Committee
Li Wei	Former supervisor	Resigned	Abolition of the Supervisory Committee
Zhang Zonglin	Former employee representative supervisor	Resigned	Abolition of the Supervisory Committee
Zhang Bailing	Former employee representative supervisor	Resigned	Abolition of the Supervisory Committee
Wang Zhonghong	Former employee representative supervisor	Resigned	Abolition of the Supervisory Committee

On 8 July 2025, Mr. Xu Keyu resigned as the non-executive director of the Company due to change in his work. As the Resolution relating to the amendments to the Articles of Association and its appendices and the abolition of the Supervisory Committee was considered and approved at the first extraordinary general meeting of the Company in 2025, Mr. Wang Jun, the chairman of the eleventh session of the Supervisory Committee of the Company, Mr. Zhang Kun, Mr. Zhang Xiaofeng and Mr. Li Wei, the supervisors, and Mr. Zhang Zonglin, Mr. Zhang Bailing and Mr. Wang Zhonghong, the employee representative supervisors, resigned their position respectively with immediate effect from 18 December 2025.

The Company expresses its sincere gratitude to Mr. Xu Keyu, Mr. Wang Jun, Mr. Zhang Kun, Mr. Zhang Xiaofeng, Mr. Li Wei, Mr. Zhang Zonglin, Mr. Zhang Bailing and Mr. Wang Zhonghong for their hard work and important contributions during their tenure.

After the election by the shareholders at the first extraordinary general meeting of the Company in 2025 held on 18 December 2025, Mr. Wang Minsheng was elected as director of the eleventh session of the board, with a term of office commencing from 18 December 2025 to the date when the term of the eleventh session of the Board expires (11 June 2027). Mr. Wang Minsheng confirmed that he understood his obligations as a director of a listed company and has obtained the legal advice referred to in Rule 3.09D of the Hong Kong Listing Rules on 18 December 2025.

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

☐ Applicable ☒ Not Applicable

4. Performance of the Directors

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

Name of Director	Whether as Independent Director	Attendance at Board meetings						Attendance at general meetings
		Supposed Number of times for attending at Board meetings during the year	Number of times for attending in person (no. of times)	Attendance by correspondence (no. of times)	Attendance by proxy (no. of times)	Absence (no. of times)	Whether not attending in person for two consecutive times	Number of times for attending at general meetings
Wu Baizhi	No	4	3	0	1	0	No	4
Zhang Jiankuo	No	4	4	0	0	0	No	1
Wang Minsheng	No	0	0	0	0	0	No	1
Zhang Lili	No	4	4	0	0	0	No	3
Du Kun	No	4	3	0	1	0	No	1
Zheng Weijun	Yes	4	4	0	0	0	No	3
Wang Pengcheng	Yes	4	4	0	0	0	No	4
Liu Jiangning	Yes	4	3	0	1	0	No	4
Xu Keyu	No	2	2	0	0	0	No	0
The Board meetings held during the year (No. of times)								
								4
Including: meetings held on site (No. of times)								2
Meetings held by correspondence (No. of times)								1
Meetings held on site combined with correspondence (No. of times)								1

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

During the reporting period, the Company's directors did not raise objections against the proposals of the meetings of board of directors or the proposals which does not require the review on the board meetings in 2025.

The detail information related to the performance of the independent directors is published in the report of the Company's independent directors 2025 on the websites of SSE and HKSE.

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5. Information about Special Committees under the Board of Directors

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

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

(2) 9 meetings were held in the reporting period

Name of meeting	Date of meeting	Resolutions
The fourth audit committee meeting of the eleventh session of the board	15 January 2025	1. Considered the report on the audit plan for 2024 annual financial report made by BDO China Shu Lun Pan CPAs. 2. Considered the relevant explanation on 2024 financial and accounting statements (unaudited) of the Company.
The fifth audit committee meeting of the eleventh session of the board	14 March 2025	1. Considered the Company's statement on the operating results, financial situation and related matters in 2024. 2. Considered the audit opinions of BDO China Shu Lun Pan CPAs and BDO Limited on the Company's financial report in accordance with the Chinese Accounting Standards for Business Enterprises and the International Financial Reporting Standards respectively and on the internal control in 2024. 3. Considered and approved the resolution on provision for impairment of long-term equity investments. 4. Considered and approved the financial report for the year 2024. 5. Considered and approved the financial information in the Company's 2024 annual report. 6. Considered and approved the profit distribution plan of the Company for 2024. 7. Considered and approved the internal control system report for 2024. 8. Considered and approved the internal control assessment report for 2024. 9. Considered and approved the amendments to the internal control handbook (2025). 10. Considered and approved the proposal on re-appointment of external auditor for 2025. 11. Considered and approved the proposal on the key points of internal audit work of the Company in 2025. 12. Considered and approved the report on the performance of supervisory duties of BDO China Shu Lun Pan Certified Public Accountants in 2024. 13. Considered and approved the performance report of the audit committee in 2024.
The sixth audit committee meeting of the eleventh session of the board	24 April 2025	Considered and approved the first quarter financial statement of the Company for 2025.
The seventh audit committee meeting of the eleventh session of the board	15 August 2025	1. Considered and approved the Company's financial report for the first half of 2025. 2. Considered and approved the proposal on no dividend distribution for the first half of 2025. 3. Considered and approved the financial information in 2025 interim report of the Company. 4. Considered and approved the proposal on the Company's use of provident fund to cover losses.
The eighth audit committee meeting of the eleventh session of the board	28 October 2025	Considered and approved the third quarter financial statement of the Company for 2025.
The second remuneration committee meeting of the eleventh session of the board	14 March 2025	1. Considered and approved remuneration of directors, supervisors and senior managers for 2024. 2. Considered and approved the performance report of remuneration committee for the year 2024.
The third remuneration committee meeting of the eleventh session of the board	15 August 2025	Considered and approved the resolution on the fulfillment of the 2024 annual appraisal and the incentive scheme for the term of office of the management members of the Company.
The fourth remuneration committee meeting of the eleventh session of the board	28 October 2025	Considered and approved the proposal on the performance appraisal responsibility statement for the management members of the Company for the term of 2025 and 2025-2027.
The third nomination committee meeting of the eleventh session of the board	28 October 2025	Considered and approved the proposal on the nomination of Mr. Wang Minsheng as a candidate for non-executive director of the eleventh session of the board of the Company.

The audit committee made significant suggestions as follows:

- Firstly, the Company should strengthen the risk management of overseas business, concentrate resources on cultivating sustainable country-specific markets, strengthen the construction of overseas performance system, strengthen the penetrating management of key projects, pay close attention to exchange rate changes, strengthen the overall planning and management of funds, continuously monitor the scale of foreign currency assets and liabilities, and formulate specific countermeasures to minimize the foreign exchange risks faced. At the same time, strengthen the management of overseas shareholding enterprises and joint ventures, and promote overseas business to achieve higher quality and more sustainable development.
- Secondly, the internal audit department of the Company should continue to focus on key areas and key links to carry out audit, put forward reasonable suggestions, and provide timely feedback to the management and directors of the Company on time, continue to improve the quality of internal audit, grasp the essence and root causes of the problems, and build the "lifeline" of audit quality.
- Thirdly, the Company should strengthen market value management and improve investor returns. Guided by the needs of investors, the Company should disclose information in compliance with regulations to enhance the experience of investors, strengthen communication and explanation with investors, monitor public opinions and maintain the image of the Company in the capital market.

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(3) Statements on objected matters

☐ Applicable ☒ Not Applicable

6. The Information on the Existence of Risk Found by the Audit Committee

☐ Applicable ☒ Not Applicable

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

(1) Personnel information

The number of the Company's serving staff	105
The number of the Company's main subsidiaries' serving staff	56,971
The total number of the serving staff	57,076
The number of retired staff whose expense should be born by the Company and its subsidiaries	25,040
Professional composition	
Type of Professional	Number of the staff
Production Staff	31,427
Technical Staff	17,124
Researcher	3,007
Financial Staff	1,427
Market and Administrative Staff	3,120
Others	971
Total	57,076
Education	
Type	Number of the staff
Master or above	4,310
Bachelor	20,439
Junior college	11,448
Others	20,879
Total	57,076
Gender	
Male	49,906
Female	7,170
Total	57,076

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(2) Remuneration Policies

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

(3) Training plan

The Company attaches great importance to employee training, and has established a hierarchical training management system with the core of promoting the performance ability of all employees and the personal growth of employees. The Company follows the law of talent growth and career development, centers on the central task of the company's production and operation, highlights the actual combat, practicality and effectiveness, pays attention to the "three key measures" of key training projects, key post competitions at the grass-roots level and online training competitions, continuously strengthens safety awareness, improves the ability to perform duties, and gives full play to the training work in "improving quality, ensuring safety and promoting development", consolidates the foundation of safe and stable production, comprehensively enhances the ability to tackle key problems and create efficiency, supports and guarantees the high-quality development of the Company.

(4) Labor outsourcing

☐ Applicable ☒ Not Applicable

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

(1) Formulation, implementation or adjustment of dividend policy

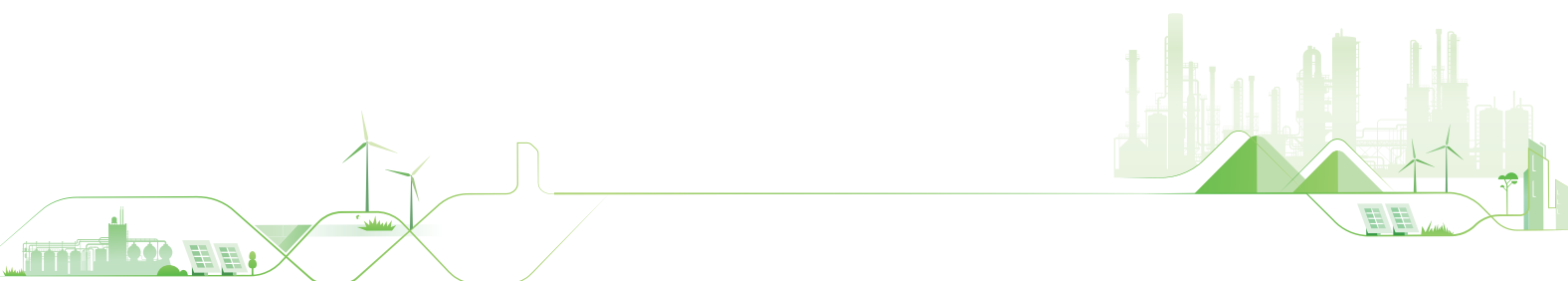
The Company's current dividend policy is as follows: during the reporting period, under the situation of: 1) Company's profit gaining, 2) the Company's positive accumulated undistributed profit and 3) the Company's cash flow meets the requirement of its normal operation and sustainable development, then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

Due to the negative of the Company's undistributed profits at the end of 2025, the Board suggests no cash dividends and no capital reserve conversion to equity for 2025. The proposal still needs to be approved by the general meeting. The Company would strictly implement its dividend policy in Articles of Association, and as soon as the achievement of capability for cash dividends, the Company will perform decision-making process in accordance with relevant provisions. And independent directors will play their roles to safeguard the legitimate rights and interests of the minority shareholders.

(2) Special statement on cash dividend policy

☒ Applicable ☐ Not Applicable

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



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

☐ Applicable ☒ Not Applicable

(4) The plan for profit distribution and conversion of capital reserve into share capital during the reporting period

☒ Applicable ☐ Not Applicable

Unit: RMB '000

Number of bonus shares for every 10 shares (shares)	0
Number of dividends per 10 shares (RMB) (tax included)	0
Number of shares increased per 10 shares (shares)	0
Cash dividend amount (including tax)	0
Net profit attributable to ordinary shareholders of the listed company in the consolidated statement	658,841
Ratio of cash dividend amount to net profit attributable to ordinary shareholders of the listed company in the consolidated statement (%)	0
Amount of shares repurchased in cash included in cash dividends	41,965
Total dividend amount (tax included)	41,965
Ratio of total dividend amount to net profit attributable to ordinary shareholders of the listed company in the consolidated statement (%)	6.4

(5) Cash dividends for the last three fiscal years

☒ Applicable ☐ Not Applicable

Unit: RMB '000

Accumulated amount of cash dividends in the last three fiscal years (including tax) (1)	0
Accumulative amount of repurchase and write-off in the last three fiscal years (2)	41,965
Accumulated amount of cash dividends and repurchase and cancellation in the last three fiscal years (3)=(1)+(2)	41,965
Average annual net profit amount in the last three fiscal years (4)	626,554
Proportion of cash dividends in the last three fiscal years (%) (5)=(3)/(4)	6.7
Net profit attributable to holders of ordinary shares of the listed company in the consolidated statement of the most recent fiscal year	658,841
Undistributed profit at the end of the most recent fiscal year in the parent company's financial statements	-1,811,287

9. Company's Share Option Incentive Plan, Employee Share Ownership Plans and Other Employee Incentive Measures and Their Impact

☐ Applicable ☒ Not Applicable

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10. Information on Equity Incentives Granted to Directors and Senior Management during the Reporting Period

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

☐ Applicable ☒ Not Applicable

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

On 25 January 2018, the Company non-publicly issued 1,503,568,702 and 23,148,854 shares of restricted-sale A shares to the China Petrochemical Corporation and the Qi Xin Gong Ying Scheme respectively. Qi Xin Gong Ying Scheme is managed by Changjiang Pension Insurance Co., Ltd., and its shares shall be subscribed by certain Directors, former Supervisors, senior management and other core management personnel of the Company. The number of subscribers is 198, and the subscription amount is RMB60.65 million in total. The subscription price for each scheme unit under Qi Xin Gong Ying Scheme is RMB1.00. The duration of Qi Xin Gong Ying Scheme is 48 months commencing from 25 January 2018, and the first 36 months shall be the lock-up period and the last 12 months shall be the unlocking period. On 25 January 2021, the lock-up period of 23,148,854 A shares held by Qi Xin Gong Ying Scheme with limited selling conditions ended and was listed for trading. In 2021, a total of 11,574,427 A shares were sold through centralized bidding by Qi Xin Gong Ying Scheme, and in 2025, Qi Xin Gong Ying Scheme reduced its holding of 11,574,427 A shares through centralized bidding. As at the end of the reporting period, Qi Xin Gong Ying Scheme did not hold any A shares of the Company and had completed the liquidation.

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

As at 31 December 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 the above and Qi Xin Gong Ying Scheme disclosed above, none of the directors, former supervisors or other senior management of the Company had any interest or short position in any share, underlying share or debenture of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which will have to be notified to the Company and HKSE pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors, former supervisors and senior management of the Company are taken or deemed to have under such provisions of the SFO), or as recorded in the registry by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the HKSE pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix C3 to the Hong Kong Listing Rules.

(4) Directors' service contracts

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

- More details about the expired date of the terms of directors in the eleventh session of the Board, please see the section in "Information on the changes of shareholdings and the remuneration of directors and senior management during the reporting period".
- The remuneration for the eleventh session of executive directors under the service contract shall be determined in accordance with relevant national regulations and the Company's senior management remuneration implementation measures. It is provided in the measures for implementation of remuneration packages for senior management of the Company that the remuneration consists of a basic salary, performance bonus and mid-and-long term incentives, with specific functions and responsibilities of the management members and performance of the Company as a whole being taken into account. An independent non-executive Director entitled to a director's fee of RMB200,000 per annum (pre-tax). Non-executive directors shall not receive any remuneration from the Company.

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

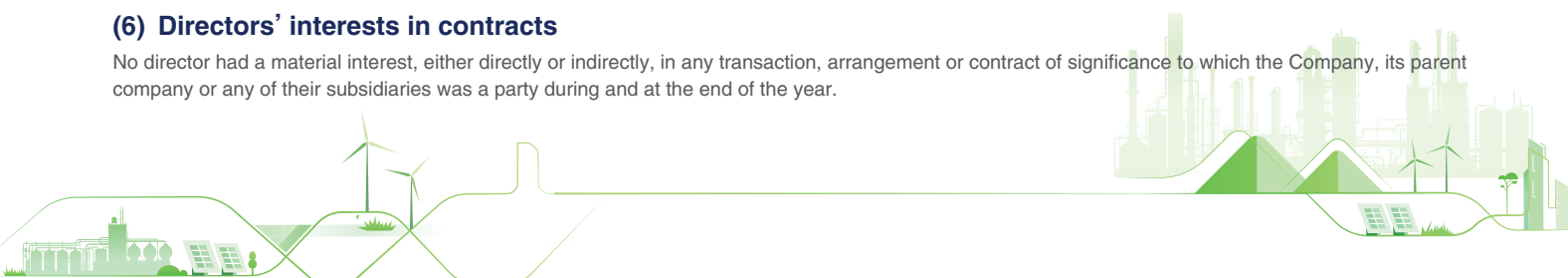
No director has entered into a service contract with the Company which is not terminated by the Company within one year without payment other than statutory compensation (except for statutory compensation).

(5) Directors' interests in competing businesses

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

(6) Directors' interests in contracts

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



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(7) Special treatment to directors and senior management

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

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

Under the guidance of the annual operation and management target set by the Board, Remuneration Committee of the Company effectively appraised and inspected the performance of senior management, submitted it to the Board for consideration, and has been working hard to establish and optimize evaluation criteria and a stimulating and binding mechanism for senior management. During the reporting period, the Company continued to implement the tenure system and contractual management for the members of the management team. In accordance with relevant business targets in 2025 and the terms of 2025-2027, the tenth meeting of the eleventh session of the Board of the Company considered and approved the proposal on the performance appraisal responsibility statement for the management members of the Company in 2025 and 2025-2027.

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

In 2025, the Company continued to improve its internal control system, strengthened risk assessment, optimized business processes, and continuously enhanced its ability to prevent and mitigate major risks. The Company attached great importance to the evaluation of the internal control system, reported the internal control work to the board and the audit committee regularly (at least once a year), and carried out relevant work in accordance with the deployment of the board to ensure that the internal control system is perfect and operates effectively. The Board takes responsibility for establishing and maintaining sufficient internal control system. The former supervisory committee and the audit committee conduct supervision on the Board about establishment and implement of internal control. Managers take charge of organizing routine operation of internal control. In 2025, the Board assessed internal control of the Company during the past year, in accordance with "basic norms of enterprise internal control", "application guidelines of enterprises internal control", "evaluation guidelines of enterprises internal control" and concluded that there is no important or significant deficiencies till 31 December 2025. The internal control system of the Company's financial report is sound and effective.

The Company separately disclosed the internal control evaluation report. The Board approved the Company's 2025 annual self-assessment of internal control on 16 March 2026. Please visit the website of the HKSE or the website of the SSE for details of the report.

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

☐ Applicable ☒ Not Applicable

12. Statement on managing and controlling subsidiaries

☐ Applicable ☒ Not Applicable

The Company implements standardized management and control over its subsidiaries in accordance with laws and regulations, the Articles of Association, and internal control system. During the reporting period, the Company did not purchase any subsidiary that met the significant standard, nor did it have any abnormal situation in the management and control of the subsidiaries.

13. Information about the audit report of internal control

Whether disclose the audit report of internal control: yes

BDO China Shu Lun Pan CPAs (LLP) audited the Company's internal control till 31 December 2025 and issued a standard unqualified audit report on internal control. For detailed information, please refer to the 2025 annual internal control audit report disclosed on 17 March 2026.

14. Environmental information of listed companies and their major subsidiaries included in the list of enterprises disclosing environmental information in accordance with the law

☐ Applicable ☒ Not Applicable

Other statement

☒ Applicable ☐ Not Applicable

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

Currently, the pollutants discharged by the Company mainly include exhaust gas, domestic sewage, production wastewater, general industrial solid waste, and hazardous waste, etc. Exhaust gas includes diesel engine exhaust and gas and fuel exhaust, and the emission indicators have met the standards and requirements of the places of the construction sites; domestic sewage includes the domestic sewage from fixed places and the domestic sewage from mobile construction sites, and the domestic sewage from fixed production sites is transferred to municipal pipeline network for centralized treatment, and the domestic sewage from mobile construction sites is recycled after on-site pre-treatment; production wastewater includes the wastewater produced by drilling, operation and other production processes, which is mainly recycled and disposed of by repeated slurry preparation, fracturing fluid reuse, recovery of flushing wastewater and other recycling processes, those that cannot be recycled are transported and disposed of by environmental protection service providers to achieve zero discharge; general industrial solid waste is mainly waste water-based drilling waste mud, packaging barrels, rubber parts, anti-seepage film, etc; hazardous waste mainly includes waste mineral oil, waste oil barrels, oil-containing sludge, etc., all of which are disposed of by qualified environmental protection service providers. The Company continued to implement the Guidelines for Standardization Construction of Environmental Protection at Onshore Drilling and Downhole Operation Sites, deepened daily supervision and inspection, and strictly monitored the whole process of various pollutants from generation, collection, transshipment to final disposal, so as to ensure that the production process was in compliance with the law. In 2025, all pollutants generated by the Company were disposed of in accordance with the law, including 9,000 tons of general solid waste, 4,000 tons of hazardous waste, 2,647,000 cubic meters of domestic sewage, and 1,032,000 cubic meters of drilling wastewater.

The Company strengthened on-site energy efficiency management, implemented energy conservation and clean production technical measures, and vigorously implemented energy efficiency improvement projects. In 2025, the comprehensive energy consumption of ten thousand yuan industrial output value was 0.149 tons of standard coal, down by 7.5% from the same period last year. The Company actively organized the establishment of green engineering companies and green grass-roots units. Among the 829 green grass-roots teams across 10 categories, including drilling, operations, geophysical prospecting, construction sites, and logging and measurement project departments, 824 passed the annual acceptance inspection, achieving a passing rate of 99%. 893 sets of environmental protection toilets have been provided to cover all drilling teams, the on-site use and effect were good, and the working and living environment of employees was continuously improved. A total of 10 subsidiaries were awarded the title of "Sinopec Green Enterprise in 2025", of which 3 subsidiaries were awarded green enterprise demonstration units.

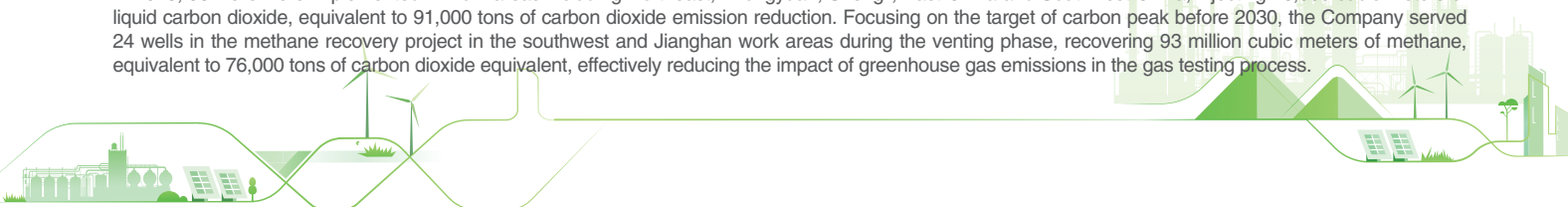
The Company has established an environmental emergency management system, improved the environmental emergency network, prepared and timely revised the environmental emergency plans according to the risk assessment results, and filed the environmental emergency plan according to the requirements. The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

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

In order to continuously ensure the air quality and implement the key requirements of the central ecological environment protection supervision, the Company resolutely implemented the idea of "completely eliminating the Country I, substantially reducing the Country II, and scientifically allocating the Country III and IV", and continuously promoted the equipment iteration, eliminated all 374 machines of the Country I emission standard, eliminated 1,072 machines and transformed 29 machines of the Country II emission standard, and added 118 machines of the Country III and IV. The proportion of high-emission non-road mobile machinery was reduced to 24.4%, and the emission of exhaust gas during construction was effectively controlled.

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

The Company accurately analyzed the key points of high carbon emission in the process of oil drilling construction, paid close attention to source control, continuously increased the supporting scale of grid power equipment, deepened the process of "oil to electricity", and basically realized the clean energy utilization mode with grid power as the main part and diesel generator set as the auxiliary part in the domestic market. In 2025, the subsidiaries of the Company continued to increase the self-owned rate of grid power devices based on the actual production, promoted energy-saving projects such as energy-saving technology transformation, and continued to improve the efficiency of energy utilization. A total of 1,361 wells were drilled by grid power drilling rigs with a footage of 6.115 million meters, and 8 energy efficiency improvement projects such as transformer energy-saving transformation and electric drilling rig transformation were promoted. About 311,000 tons of diesel oil were replaced, about 321,000 tons of standard coal were saved, and 841,000 tons of carbon dioxide equivalent were reduced. The company actively promoted the application of carbon dioxide energy-enhanced fracturing technology, used high-pressure injection of liquid carbon dioxide to create fractures, improved reservoir permeability, effectively solved the problems of poor gel breaking performance, difficult flowback, large formation damage, waste of water resources and environmental pollution of traditional fracturing fluid, reduced the emission of carbon dioxide to the external environment. In 2025, 98 wells were implemented in work areas including Northeast, Zhongyuan, Shengli, East China and Southwest China, injecting 76,000 cubic meters of liquid carbon dioxide, equivalent to 91,000 tons of carbon dioxide emission reduction. Focusing on the target of carbon peak before 2030, the Company served 24 wells in the methane recovery project in the southwest and Jiangnan work areas during the venting phase, recovering 93 million cubic meters of methane, equivalent to 76,000 tons of carbon dioxide equivalent, effectively reducing the impact of greenhouse gas emissions in the gas testing process.



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15. Information of social responsibility work

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

√ Applicable ☐ Not applicable

The “2025 Annual Sustainable Development Report” of the Company was approved by the Board on 16 March 2026. Please visit the website of the HKSE or the SSE for details of the report.

(2) Details information

√ Applicable ☐ Not applicable

External donations and public welfare projects	Amounts/Contents	Statement
Total investment (RMB' 000)	1289.2	- Sinopec Shengli Oil Engineering Company Limited donated 600,000 yuan to Helong Middle School in Sangzhi County, Hunan Province, to support the upgrading of information-based teaching, the establishment of scholarships, psychological assistance, and research activities for teachers and students. - Sinopec Zhongyuan Oil Engineering Company Limited donated 257,600 yuan to Sanhekou Town Middle School in Mabian Yi Autonomous County, Leshan City, Sichuan Province, to carry out “sister school” assistance, campus culture construction, charity book donation, establishment of scholarships (teaching) funds, and purchase of 900 sets of school uniforms. - Sinopec Southwest Oil Engineering Company Limited donated 400,000 yuan to Sanhekou Town Central School, Mabian Yi Autonomous County, Leshan City, Sichuan Province, allocated 16 computers and multi-functional photocopiers, 730 sets of desks and chairs, 17 platforms and 40 electric water heaters, carrying out research, setting up scholarships and grants, etc. - Sinopec Jingwei Company Limited donated 31,600 yuan to Dashu Village Petrochemical Primary School in Nalesi Town, Dongxiang, equipped with wall-mounted electric heating and stationery, and appointed three resident counselors.
Funds (RMB' 000)	1289.2	—
Material discounts (RMB' 000)	—	—
Beneficial number of people	About 5,000 people	No

16. Poverty alleviation program launched by the Company

√ Applicable ☐ Not applicable

Poverty alleviation and rural revitalization projects	Amounts/Contents	Statement
Total investment (RMB' 000)	30,380	—
Material discounts (RMB' 000)	30,380	Purchase of rural poverty alleviation products
Beneficial number of people	About 28,000 people	—
Poverty alleviation and forms of assistance (such as industrial poverty alleviation, employment poverty alleviation, education poverty alleviation)	—	education and industrial poverty alleviation

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17. Other matters

✓ Applicable ☐ Not applicable

Compliance with Corporate Governance Code of HKSE

As at 31 December 2025, the Company has been in strict compliance with the code provisions of Corporate Governance of HKSE, and has applied principles recorded in the Corporate Governance Code to enterprise governance and general practice. The details are as follows:

A.1 The Board

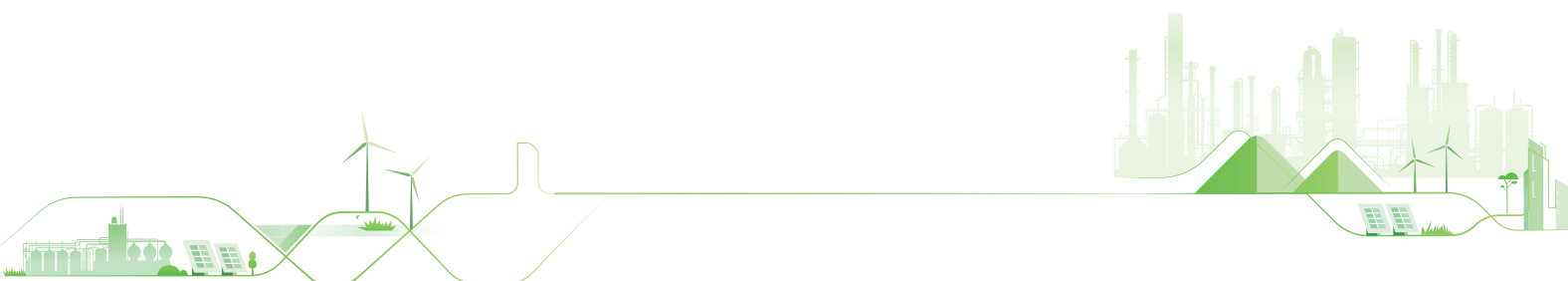
- (1) The Board meets regularly to fulfill their responsibilities. The Board held four meetings in 2025, including four regular meetings. The directors' attendance of the Board meetings and general meetings are set forth in item 4 "Performance of the Directors" of this section.
- (2) All directors can raise matters in the agenda for the Board meetings and have the right to ask for more related documents.
- (3) The notice has been given 14 days before regular meetings and the notice of the other Board meetings has usually been given 10 days before.
- (4) The Board Secretary records and keeps the minutes of the Board meetings and meetings of Board Committees. The Articles of Association regulates the contents of the minutes, and the procedure that the minutes should be sent to all Directors for their comment and signature after the Board meetings.
- (5) The Board Secretary continuously provides service for the Directors and reminds all Directors in order to ensure them to understand all applicable rules and regulations of domestic and overseas regulatory authorities.

A.2 Chairman and Chief Executive Officer

- (1) Mr. Wu Baizhi was elected as Chairman of the Company by the Board. Mr. Zhang Jiankuo was appointed as General Manager of the Company by the Board. The responsibilities of Chairman and General Manager are set out clearly in the Articles of Association. There are no financial, business, family or other important relationships among the directors, senior management and main shareholders in the Company.
- (2) Procedures to acquire necessary information and data for decision were regulated in the Rules of Procedure for the Board of the Company. Directors can require General Manager or relevant departments through General Manager to provide information and explanation. If necessary, independent non-executive directors can engage independent professionals to issue an independent opinion as a basis for decision, and the Company should pay the relevant expenses.
- (3) The Chairman advocates the culture of open and active discussion, encourages directors to fully conduct in-depth discussions on major decisions of the Company at the board meetings, and promote the maintenance of a good relationship among directors. The Chairman pays attention to the communication with the independent non-executive directors, and meets with the independent non-executive directors alone once a year to communicate about the Company's development strategy, corporate governance, operation and management, etc.

A.3 The Board Composition

- (1) As at the Latest Practicable Date, the Board of the Company consists of 8 members with extensive professional and management experiences. Among the 8 members, there are 2 executive directors, 3 non-executive directors and 3 independent non-executive directors, 2 female directors and 6 male directors. The independent non-executive directors represent more than one third of the Board. The Company's executive directors and non-executive directors have extensive management experiences in petrochemical and large-sized enterprises. Independent non-executive directors have working backgrounds as finance experts in international capital management and economic research respectively. The composition of the Board is reasonable and diversified.
- (2) Each of the independent non-executive directors has conducted a self-assessment of their independence and submitted an annual letter of confirmation to the Company, confirming that they comply with the independence requirements set out in Rule 3.13 of the Hong Kong Listing Rules. The Board considers that each of the independent non-executive directors is independent. The composition and operation mechanism of the board of directors of the Company can guarantee the board of directors to obtain independent and objective opinions. For example, the company has established a mechanism for special meetings of independent directors, and stipulates that related transactions and other discloseable matters shall require the approval of more than half of all independent non-executive directors. The Board evaluates the effectiveness of the relevant mechanism each year.
- (3) The independent non-executive directors are identified in all corporate communications in which also listed all the directors' names. The list of the current directors of the Company had been published on its website and the HKSE's website.



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A.4 Appointment, Re-election and Removal

- (1) All Directors, except for employee directors, are elected by shareholders' general meetings for a term of 3 years. A Director may serve consecutive terms if re-elected upon the expiration of the term. The Board has no right to appoint temporary directors.
- (2) The consecutive term of office of independent non-executive directors shall not be more than 6 years. The term of the independent non-executive directors is set forth in the section 3 "Information about Directors and Senior Management" of this Annual Report.
- (3) For the newly appointed directors, the company arranges professional consultants, prepares detailed information, informs them of the regulatory rules of each listed place, and reminds them of their rights, responsibilities and obligations as directors. Mr. Wang Minsheng, a director newly appointed during the year, has obtained a legal opinion from a qualified law firm on 18 December 2025 and noted all the requirements of the Hong Kong Listing Rules applicable to him as a director of the Company and the possible consequences of making false statements or furnishing false information to the HKSE. The Company has purchased liability insurance for the directors to reduce the losses that may occur when the directors perform their duties properly.

A.5 Nomination Committee

- (1) The nomination committee of the Company consists of four directors, of which the chief officer is Mr. Wang Pengcheng, an independent non-executive director, and the members are Mr. Wu Baizhi, the Chairman of the Board, Mr. Zheng Weijun and Ms. Liu Jiangning, the independent non-executive directors. The nomination committee mainly provides suggestions to the Board on the Board's size and composition and the selecting standards, procedures, and candidates for directors and senior management; and reviews the structure, size and diversity of the Board on an annual basis, to ensure the composition of the Board is in accordance with the Listing Rules. The Terms of Reference of the nomination committee was published on the websites of the Company and HKSE, providing the role and authorization of the nomination committee and setting out the procedure for the nomination of directors of the Company. When nominating candidates for directors, the nomination committee mainly considers the skills, knowledge, experience and qualifications of the candidates, and also assesses his or her time and energy available for the position, and the Board diversity policy. During the reporting period, the nomination committee held 1 meeting.
- (2) The Company understands and acknowledges the benefit of diversifying the Board members, and considers it as a key factor to achieve strategic goals, maintain competitive advantages and complete sustainable development of the Company. On the first meeting of the eighth session of the Board held on 9 February 2015, the Company has approved the Board Diversity Policy of Sinopec Oilfield Service Corporation. Such policy provided that the Company shall consider the diversity of Board members from multiple aspects when setting the composition of Board members, including but not limited to gender, age, cultural and educational background, region, professional experience, skills, knowledge, service tenure and other regulatory requirements of the listed venues of the Company. At present, all directors of the Board have extensive working experience, and their expertise not only includes management in petrochemical enterprises, but also includes economics, accounting and finance, which can help the Board to make scientific decision. Currently, the Company has 75% male directors and 25% female directors, and has achieved the goal of having at least one female director. With respect to candidates of directors, the Board and the nomination committee will, as and when necessary, seek assistance of industry self-regulatory associations, professional recommendations and other channels to identify potential female directors. The Board will continue to increase the proportion of female directors if suitable candidates are available in the future.

The Company is committed to building a gender-diverse and equal opportunity workplace and plans to actively recruit female employees to increase the diversity of its workforce and provide equal employment opportunities and an environment where all employees can have the space to fully develop their careers featuring their individual characteristics and values. Considering the overall low percentage of female employees in our industry, the percentage of female employees in our Company is 12.6% in 2025. The Company will continue to adhere to the principle of gender equality and ensure that female employees enjoy equal labor rights and social security rights as male employees. For details, please refer to the Company's 2025 Environmental, Social and Governance (ESG) Report.

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A.6 Responsibilities of Directors

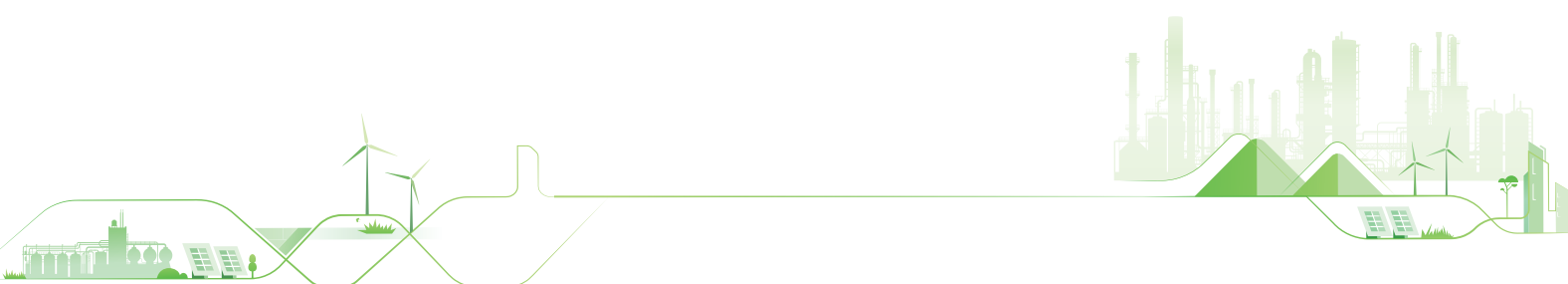
- (1) All the non-executive directors have the same authorities as the executive directors. In addition, the independent non-executive directors are entitled to certain specific authorities. The Articles of Association and the Rules of Procedure for the Board clearly specify the authorities of directors including independent non-executive directors, which are published on the website <http://ssc.sinopec.com>.
- (2) Each of the directors was able to devote sufficient time and efforts to handling the matters of the Company. Directors shall abstain from voting at the Board meeting due to conflicts of interests.
- (3) Each of the directors confirmed that he or she has complied with the Model Code during the reporting period. In addition, the Company formulated the “Rules Governing Shares Held by Company Directors, Supervisors and Senior Management and Changes in Shares” and the “Model Code of Securities Transactions by Company Employees” (requirements no less exacting than the Model Code above) to regulate the activities of related personnel in purchase and sale of the securities of the Company.
- (4) The Company has arranged trainings for directors and provided relevant training fees. In the reporting period, the Company’s directors participated in professional training persistently, developing and upgrading their knowledge and skills to ensure that they can hold comprehensive information and make contribution to the Company as required by the Board. The Company’s directors attended director training courses and continuing education programmes for independent non-executive directors organized by China Listed Company Association, Beijing Listed Company Association and SSE mainly by way of watching videos or reading articles. The Company organized the independent directors and some of the non-executive directors to investigate the development of the offshore business of the Company, visited the exhibition hall of offshore business development, made a field visit to the No.8 exploration platform, conducted in-depth exchanges with front-line employees, and held a working forum to understand the development of offshore business and the “15th Five-Year Plan” in detail. During the investigation period, the directors also participated in the investor exchange meeting, exchanged and communicated with investors cordially, and listened carefully to investors’ opinions and suggestions on the Company. In addition, the Company also provided information for directors regularly about updated ongoing responsibility of the listed company and its directors, and introduced the Group’s business operation information through monthly reports.

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

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

A.7 Supply of and access to information

- (1) The Company provides information relating to business operation of the Company regularly, to help directors to understand the Company’s operation. When any director requires information, the Company will supply the related materials in a timely manner.
- (2) All directors usually acquire adequate information and detailed explanations 3 working days before the Board meetings which can help them to make accurate decisions.
- (3) The Board Secretary provides sustainable services for all directors. Directors can review all Board documents and relevant information at all times.



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B. Remuneration of Directors and Senior Management

- (1) The Company has set up the remuneration committee. The remuneration committee consists of independent non-executive Director Ms. Liu Jiangning as the chief officer, the non-executive director Mr. Du Kun and the independent non-executive directors Zheng Weijun and Wang Pengcheng as members, and they have made the working rules. The remuneration committee has its working rules which can be found on the website of the Company or the HKSE. During the reporting period, the remuneration committee held 3 meetings.
- (2) The remuneration policy for the directors of the eleventh session of the Board was approved at the annual general meeting of the Company in 2023. The remuneration of the executive directors is determined in accordance with the relevant national regulations and the relevant performance appraisal and remuneration management rules of the Company; the non-executive directors don't receive remuneration from the Company; the remuneration of the independent non-executive directors is RMB200,000 per year (before tax).
- (3) Pursuant to the principles approved by the general meeting, the service contract which was entered into between the Company and each director, the remuneration committee makes proposals to the Board regarding the annual remuneration of the Company's directors and senior management. The Board considered and approved the annual remuneration of the directors and senior management, the annual remuneration of directors shall be submitted to the general meeting for consideration. The details of the remuneration of the directors and senior management during the reporting period are set forth in this section 3 "Information about Directors and Senior Management."
- (4) The remuneration committee acquires authorization from the Board to formulate and review the remuneration policies and assessment matters of the directors and senior management of the Company. It can make recommendations to the Board, ensuring that the personnel concerned are properly remunerated according to the Company's strategy and long-term and short-term performance. The members of the remuneration committee can consult Chairman or General Manager, and can seek independent professional advice and the Company shall pay the relevant expenses.

C. Accountability and Audit

C.1 Financial reporting

- (1) The Company assures that the management has provided adequate financial information to the Board and the audit committee. The management provided the directors with information on finance, production and operation, capital market trends and securities regulatory trends on a monthly basis, so that the directors can keep abreast of the latest situation of the Company and the latest regulatory changes.
- (2) The directors are responsible for preparing the accounts for every fiscal year, which can give a view of the state of affairs of the Company and of the Company's profit and cash flows for the year. When preparing the accounts for the year ended 31 December 2025, the directors have selected the appropriate accounting policies to carry out, made prudent and reasonable judges and estimates, and prepared accounts on a going concern basis. The Board and all directors warranted that there were no material omissions, or misrepresentations or misleading statements contained in the annual report, and jointly and severally accepted full responsibility for the authenticity, accuracy and integrity of the content.
- (3) Required under the Listing Rules by HKSE, the Company has published the annual reports, interim reports, quarterly reports and other share price-sensitive affairs timely and accurately.
- (4) The external auditors of the Company made a statement about their reporting responsibilities in the auditor's report contained in the financial statements.

C.2 Risk management and internal control

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

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- (2) As for internal control, the Company adopts the international internal control frame structure proposed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the Articles of Association and current management system, and combined with domestic and foreign supervisory regulations, the Company made the internal control manual and continuously improved it, and realized total-factor internal control of internal environment, risk evaluation, control activities, information & communication, and internal supervision. Meanwhile, the Company continuously supervised and evaluated its internal control, included the Company and regional companies into the internal control and evaluation scope by comprehensive inspections at all levels such as periodic test, self-examination, audit examination, etc., and made internal control evaluation report. The Board reviews internal control evaluation report annually. For the information about the internal control during the reporting period, please refer to 2025 Internal Control Evaluation Report prepared by the Company.

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

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

The Board of the Company attaches great importance to the formulation of ESG management guidelines and policies, continuously promotes the construction of ESG governance system, strengthens the supervision and participation of the Board in ESG affairs, and actively integrates ESG into the Company's development strategy, major decisions and production and operation. The Company strictly abides by the anti-corruption laws and regulations of China and the applicable anti-corruption and anti-bribery laws of the country (region) where it operates, abides by the regulations and commitments of the Company and its business partners on honest practice and anti-corruption, and strengthens the construction of an honest culture. The Company continuously improves and perfects the anti-corruption organization system and policy system, organizes and carries out anti-corruption training, and attaches importance to anti-corruption risk assessment. The Board considers whether the Company's resources, employee qualifications and experience related to ESG performance and reporting are sufficient, and whether the training courses and related budgets accepted by relevant employees are sufficient. For details, please refer to the Company's 2025 ESG Report.

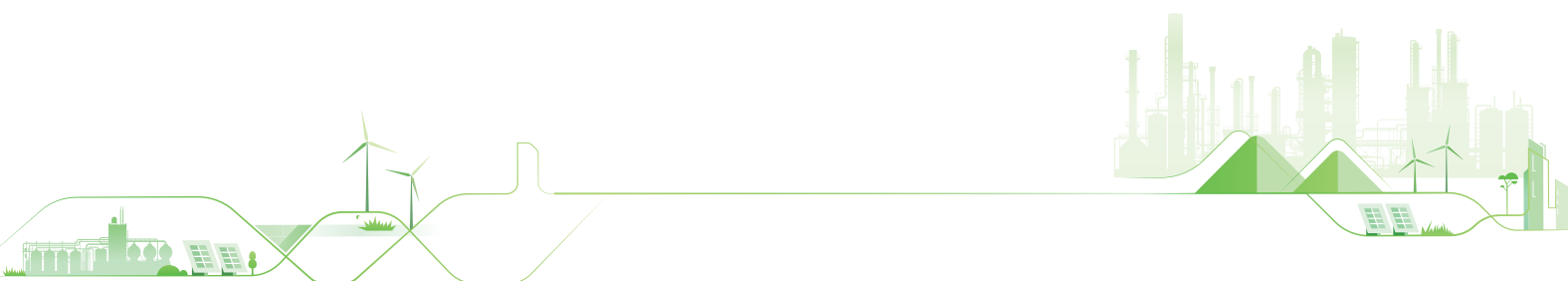
- (4) During the reporting period, the Board of the Company assessed internal control and risk management, and the Board considers that the Company's internal control and risk management are effective.

C.3 The Audit Committee

- (1) The eleventh session of the Company's audit committee consists of independent non-executive director Mr. Zheng Weijun as the chief officer, non-executive director Ms. Zhang Lili, and independent non-executive directors Mr. Wang Pengcheng and Ms. Liu Jiangning as the members. As verified, none of them had served as a partner or former partner in our current auditing firm.
- (2) The Company has formulated and published the terms of reference of the audit committee. According to the terms of reference, the audit committee assists the Board in financial reports, risk management and internal control. The terms of reference are available for inspection at the website of the Company and the HKSE for reference.
- (3) The audit committee may consult independent professionals. Reasonable costs arising from or in connection with such consultation are borne by the Company. The working expenses of the committee are included in the budget of the Company. Meanwhile, according to the Company policies, the senior management and relevant departments of the Company shall actively cooperate with the audit committee.
- (4) During the reporting period, the audit committee held 5 meetings and reviewed the Company's 2024 financial report, 2025 semi-annual financial report, 2025 first quarter report and 2025 third quarter report. The audit committee review opinions were given at the meetings and submitted to the Board after being signed by members. During the reporting period, the Board and the audit committee did not have any different opinion.

As recommended by the tenth meeting of the audit committee of the eleventh session of the Board, the eleventh meeting of the eleventh session Board of the Company has resolved to appoint BDO China Shu Lun Pan CPAs (LLP) ("BDO China") and BDO Limited as the Company's domestic and international auditors for 2026 again, and to appoint BDO China as the internal control auditor of the Company for the year 2026 again. Such proposed appointment of auditors of the Company is subject to approval by the shareholders of the Company at the 2025 annual general meeting.

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



Section V Corporate Governance, Environment and Society

D. Delegation by the Board

- (1) On 26 April 2022, the ninth meeting of the tenth session of the Board approved the Sinopec Oilfield Service Corporation Administrative Measures for the Authorization of the Board of Directors, which clearly stipulates the basic scope, basic procedures, supervision and change, and responsibilities of the delegation by the Board of directors. For details, please refer to the “Announcement on the ninth meeting of the tenth session of the Board” (P. 2022-016) disclosed in “China Securities Journal”, “Shanghai Securities News”, “Securities Times”, and on www.sse.com.cn on 27 April 2022 and on www.hkexnews.hk on 26 April 2022.
- (2) The strategy committee, the audit committee, the remuneration committee and the nomination committee under the Board have the specific authority and duties delegated by the Board, and should report to the Board. In 2025, the Company convened 4 special meetings of the chairman of the Board to consider 3 matters authorized by the board of directors, including the liquidation plan for the performance appraisal of the subordinate units of the Company in 2024, the purchase project of CPF engineering construction equipment in Uganda of Sinopec Oil Engineering and Construction Company, the performance appraisal indicators of departments and the opinions on policy adjustment, those matters were led by relevant departments after the meeting to ensure orderly progress.
- (3) The Board, the senior management and each committee under the Board have specific authority and duties, which are set forth in the Articles of Association, the Rules of Procedure for General Meetings, and the Rules of Procedure for the Board. The Board leads management directly or indirectly through its committees, including the ways of setting strategies and supervising management’s implementation. The Board supervises the performance of finance and business operation of the Company, reviews the remuneration policy and appointment program, and ensures that the Company formulates effective corporate governance and social responsibility policies and has effective internal controlling and risks management system. Senior management is responsible for the daily management of the Company’s business under the leading of the general manager of the Company, and executing strategies approved by the Board.
- (4) The attendance record of the eleventh session of the Board’s Committee meeting during the reporting period is as follows.

The Audit Committee

Name	Attended in person	Attended by proxies	Times of absence
Zheng Weijun	5	—	—
Zhang Lili	5	—	—
Wang Pengcheng	5	—	—
Liu Jiangning	5	—	—

The Remuneration Committee

Name	Attended in person	Attended by proxies	Times of absence
Liu Jiangning	3	—	—
Du Kun	3	—	—
Zheng Weijun	3	—	—
Wang Pengcheng	3	—	—

The Nomination Committee

Name	Attended in person	Attended by proxies	Times of absence
Wang Pengcheng	1	—	—
Wu Baizhi	1	—	—
Zheng Weijun	1	—	—
Liu Jiangning	1	—	—

Section V Corporate Governance, Environment and Society

E. Communication with Shareholders

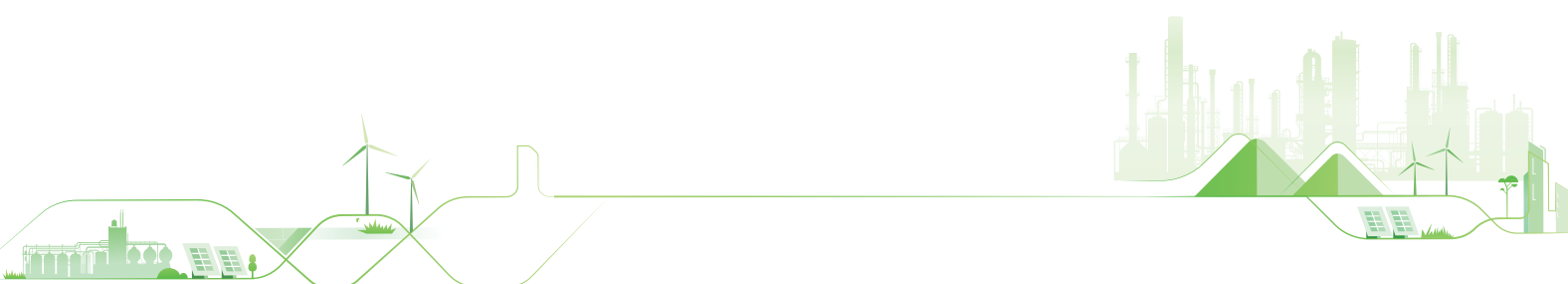
- (1) Shareholders who individually or jointly hold more than 10% of the total number of shares with voting rights issued by the Company may request the Board to convene a general meeting of shareholders in writing; the detailed contact information is set in section “Company Profile and Principal Financial Indicators – Contact Person and Contact Information” in the Annual Report. If the Board fails to agree to the shareholders’ request to convene a meeting in accordance with the Rules of Procedure for General Meetings, shareholders may convene and hold a meeting by themselves in accordance with the law, and the reasonable expenses incurred by thereof shall be borne by the Company. The foregoing provisions are based on the premise that the contents of the general meeting proposal shall fall within the scope of the general meeting, have clear issues and specific resolutions, and comply with the relevant provisions of laws, administrative regulations and the Articles of Association.
- (2) When the Company convened a general meeting of shareholders, shareholders who hold more than 1% of the total number of shares with voting rights of the Company, either individually or in combination, may submit an interim proposal 10 days before the general meeting of shareholders.
- (3) During the reporting period (up to 18 December 2025, when the new Articles of Association of the Company came into effect), the Board should propose a separate resolution in respect of each substantially separate issue at a general meeting. All resolutions are voted by ballots, so that the interests of all shareholders could be guaranteed. When the Company is to hold a general meeting, it shall issue a written notice 45 days prior to the meeting (the day of meeting not included) informing all the registered shareholders.
- (4) The circulars to the shareholders of the Company set forth in detail the shareholders who are entitled to attend the general meetings and their rights, the agenda of the meeting and the voting procedures. The shareholders of the Company can make enquiries to the Board and raise matters of concern at any time. The detailed contact information are set in section “Company Profile and Principal Financial Indicators – Contact Person and Contact Information” in the Annual Report. The policy for shareholders’ contact could ensure that they get same and complete information of the Company in time. During the year, the Company continued to monitor and evaluate the implementation and effectiveness of its shareholder communication policy to ensure its effectiveness.
- (5) The chairman of the Company presided over the 2024 annual general meeting, the first class meeting of A shares in 2025, the first class meeting of H shares in 2025 and the first extraordinary general meeting in 2025. Some directors and senior management of the Company attended the meeting and had in-depth exchanges with investors. The external auditor of the Company attended the meeting. After the general meeting, the company arranged a special person to communicate with the investors.

F. Company Secretary

- (1) The company secretary of the Company is approved by HKSE and is nominated by the Chairman and appointed by the Board and is responsible to the Company and the Board. The secretary makes recommendation to the Board in respect of corporate governance, reports to the Chairman on the governance of the Board, and arranges the induction training and professional development of directors. All directors can receive advice and services from the company secretary.
- (2) The company secretary of the Company actively participated in career development trainings. The company secretary has already been trained over 15 hours during the reporting period.

G. Investor relations

The Company attaches great importance to investor relations. The chairman attended the annual, interim and third quarter results release conferences, and the management participated in the roadshow promotion to introduce the Company’s development strategy, production and operation performance and other issues of concern to investors. Mr. Zheng Weijun, an independent director, attended the online results announcement for 2024, the first half and the third quarter of 2025. The office of the Board of the Company organized communication with investors. Under the regulatory requirements, the Company strengthened communication with investors by holding meetings with institutional investors, reverse roadshows, setting up investor hotlines and communicating via online platforms. From November 12 to 13, 2025, the Company held an exchange activity for offshore business investors in Shanghai, inviting about 20 individual investors, analysts, fund managers and financial media to participate in the exhibition hall of offshore business development and board the No.8 Exploration Platform. It also fully communicated with the management on the Company’s strategic positioning, the development of emerging industries, breakthroughs in key technologies, overseas business layout and market value management planning, which won unanimous praise from investors and demonstrated the Company’s brand image of integrity, stability and responsibility.



Section VI Significant Events

1. Performance of undertaking

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

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

Section VI Significant Events

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

☐ Achieved ☐ Not Achieved ☒ Not Applicable

(3) The completion of performance pledges

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

3. Illegal guarantee

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

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

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

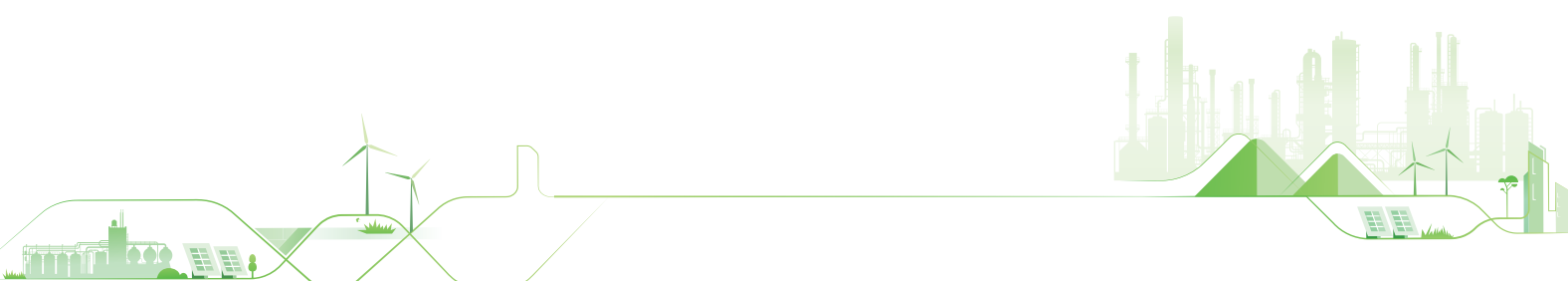
☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

(3) Communication with former accounting firm

☐ Applicable ☒ Not applicable



Section VI Significant Events

6. The appointment and dismissal of the accounting firm

	Currently hired	
The name of the domestic accounting firm	BDO China Shu Lun Pan CPAs (LLP)	
The remuneration of the domestic accounting firm	RMB 6,050,000	
The audit period for the domestic accounting firm	5 years	
Name of certified public accountant of domestic accounting firm	Miao Song, Zhang Xiaomin	
The accumulative number of years of audit services provided by the certified public accountants of the domestic accounting firm	Miao Song provided for 5 years Zhang Xiaomin provided for 1 year	
The name of the overseas accounting firm	BDO Limited	
The remuneration of the overseas accounting firm	RMB 1,150,000	
The audit period for the overseas accounting firm	5 years	
	Name	Remuneration
The internal control accounting firm	BDO China Shu Lun Pan CPAs (LLP)	RMB 1,300,000

The description for the appointment and dismissal of the auditor

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

After recommended by the seventh meeting of the eleventh session of the Board and approved by the annual general meeting for the year 2024, the Company re-appointed BDO China Shu Lun Pan CPAs (LLP) and BDO Limited as the domestic auditor and the international auditor of the Company for 2025. BDO China Shu Lun Pan CPAs (LLP) was appointed as the internal control accounting firm of the Company for 2025 again at the same time.

Description of change of accounting firm during the audit period

☐ Applicable ☒ Not applicable

Description of the decrease of audit fees by more than 20% (including 20%) compared with the previous year

☐ Applicable ☒ Not applicable

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

(1) Reasons which resulted in the suspension of listing

☐ Applicable ☒ Not applicable

(2) Corresponding measures to be taken by the Company

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

8. Insolvency and restructuring

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

Section VI Significant Events

9. Material litigation and arbitration

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

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

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

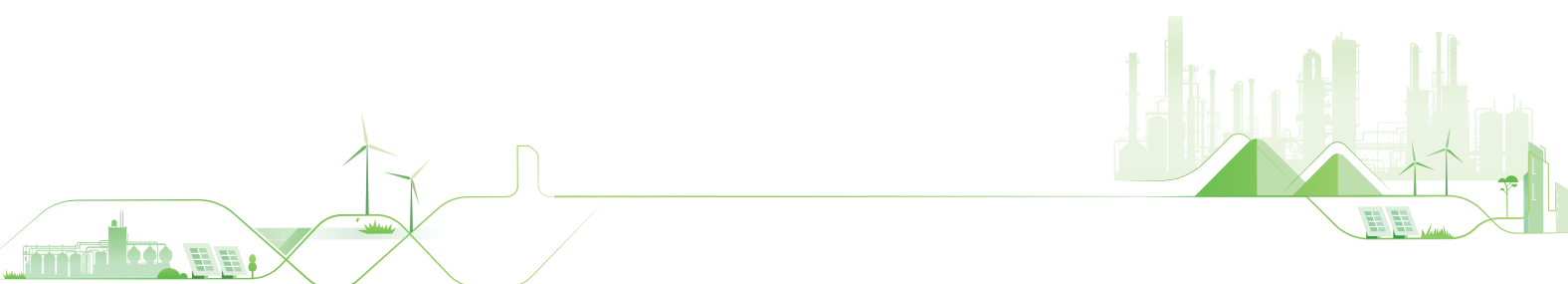
11. The information on the integrity status of the Company and its controlling shareholders, de facto controllers during the reporting period

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

12. Information on connected transactions

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

The nature of the transaction	Related parties	Amount of transaction	Proportion of the same type of transaction
		RMB' 000	(%)
Purchase of raw materials and equipments	China Petrochemical Corporation and its associates	9,257,019	27.3
Providing engineering services	China Petrochemical Corporation and its associates	45,767,676	57.8
Providing engineering services	PipeChina	5,699,090	7.2
Comprehensive service expenditure	China Petrochemical Corporation and its subsidiaries	1,023,332	52.3
Technology and development income	China Petrochemical Corporation and its subsidiaries	303,740	96.5
Land and property lease expenses	China Petrochemical Corporation and its subsidiaries	477,262	98.5
Equipment rental expenses	China Petrochemical Corporation and its subsidiaries	204,467	41.2
Interest expenses	China Petrochemical Corporation and its associates	561,999	76.9
Loan obtained	China Petrochemical Corporation and its subsidiaries	31,990,000	96.6
Loan repaid	China Petrochemical Corporation and its subsidiaries	32,945,371	94.8
Safety production insurance fund expenses	China Petrochemical Corporation	85,600	100
Safety production insurance fund return	China Petrochemical Corporation	162,338	100



Section VI Significant Events

For details of the above continuing connected transactions conducted by the Company during the reporting period, please refer to the “Continuing connected transactions announcement” (P.2024-045) and “Estimation of Daily Related Transactions” (P.2025-011) disclosed in “China Securities Journal”, “Shanghai Securities News”, “Securities Times”, and on www.sse.com.cn on 27 September 2024 and 19 March 2025 and the “Continuing connected transactions and discloseable transactions with Sinopec Group”, “Continuing Related Transactions with PipeChina” disclosed on www.hkexnews.hk on 26 September 2024 and 18 March 2025.

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

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

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

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

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

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

(3) Material connected transactions of joint external investment

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

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

Unit: RMB '000

Connected parties	Funds provided to connected party			Funds provided to the Company by connected party		
	Opening balance	Occurrence amount	Closing balance	Opening balance	Occurrence amount	Closing balance
China Petrochemical Corporation and its subsidiaries	13,293,910	-520,062	12,773,848	8,705,683	-1,746,842	6,958,841
Sinopec Finance Company Limited	10,406	38,181	48,587	22,713,925	-9,112	22,704,813
Sinopec Century Bright Capital Investment Limited	561,265	601,273	1,162,538	0	0	0
Total	13,865,581	119,392	13,984,973	31,419,608	-1,755,954	29,663,654
Causes of connected claims and debts	Normal production and operation					
Influence of connected claims and debts on the Company	No material adverse effect					

Section VI Significant Events

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

A. Deposit business

Unit: RMB '000

Connected parties	Connected relation	Daily maximum deposit limit	Deposit rate	Beginning balance	For the twelve months ended 31 December 2025		Ending balance
					Total deposit in this period	Total withdrawal amount for this period	
Sinopec Finance Company Limited	Subsidiary of controlling shareholder	3,500,000	0.35%	10,406	382,066,080	382,027,899	48,587
Century Bright Company	Subsidiary of controlling shareholder		0.01%	561,265	31,829,308	31,228,035	1,162,538
Total	/	/	/	571,671	413,895,388	413,255,934	1,211,125

B. Loan business

Unit: RMB '000

Connected parties	Connected relation	Loan limit	Loan interest rate scope	Beginning balance	For the twelve months ended 31 December 2025		Ending balance
					Total loan in this period	Total withdrawal amount for the period	
Sinopec Finance Company Limited	Subsidiary of controlling shareholder	43,000,000	2.11%-2.70%	22,713,925	32,004,813	32,013,925	22,704,813
Century Bright Company	Subsidiary of controlling shareholder	250,000,000 US dollars	TERM SOFR +1.21%	0	0	0	0
Total	/	/	/	22,713,925	32,004,813	32,013,925	22,704,813

C. Credit extension and other finance business

Unit: RMB '000

Connected parties	Connected relation	Business Type	Total Amount	Actual Amount
Sinopec Finance Company Limited	Subsidiary of controlling shareholder	Guarantees and bill credit	11,300,000	5,396,893

13. Significant contracts and performance

(1) Trusteeship, sub-contracting and leasing

A. Trusteeship

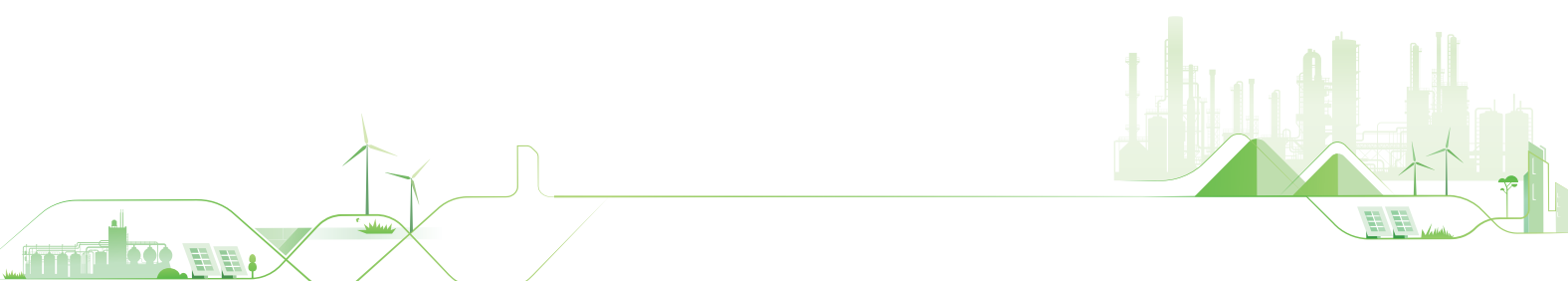
☐ Applicable ☒ Not applicable

B. Sub-contracting

☐ Applicable ☒ Not applicable

C. Leasing

☐ Applicable ☒ Not applicable



Section VI Significant Events

(2) Guarantee of the Company during the reporting period

√ Applicable □ Not applicable

Unit: RMB '000

External Guarantee provided by the Company (excluding Guarantees for Subsidiaries)														
Guarantor	Relationship with the listed company	Guaranteed person	Amount of guarantee	Date of guarantee (Agreement signing date)	The starting day	End date	Type of guarantee	Pledged thing	Whether the guarantee has been fulfilled	Whether the guarantee is overdue	Overdue amount	Counter-guarantee	Whether to guarantee the related party	Related relationship
The Company	itself	Mexico DS Company	1,932,569	17 June 2022	17 June 2022	The end time of annual meeting of shareholders for the year 2025	Joint and several liability guarantee	None	No	No	Not Applicable	Yes	Yes	Joint venture
Total Amount of Guarantees during the Reporting Period (excluding Guarantees for Subsidiaries)									-43,882					
Total Balance of Guarantees at the end of the Reporting Period (A) (excluding Guarantees for Subsidiaries)									1,932,569					
The Guarantee provided by the Company and its Subsidiaries to the Subsidiaries														
Total Amount of Guarantees paid to Subsidiaries during the Reporting Period									4,552,742					
Total Balance of Guarantees to Subsidiaries at the end of the Reporting Period (B)									28,750,096					
Total Company Guarantee (including Guarantee for Subsidiaries)														
Total Guarantees (A+B)									30,682,665					
Total Amount of Guarantees as a Percentage of the Company's Net Asset (%)									331.5					
Among them:														
Amount of Guarantees provided to Shareholders, De Facto Controllers and their related Parties (C)														
Debt Guarantees Amount directly or indirectly for the guaranteed Object whose asset-liability Ratio exceeds 70% (D)									9,216,812					
The Amount of the total Guarantee exceeds 50% of the Net Assets (E)									26,055,463					
Sum of the three Guarantees above (C+D+E)									35,272,275					
Statement of Unexpired Guarantees as potential subject to Joint Liability									None					
Guarantee Statement									The guarantees provided by the Company are all for the performance guarantee letters issued by the subsidiaries and joint venture in the domestic and foreign contracts. The guarantee amount is within the amount approved by the annual general meeting of the Company for 2024					

After approved by the 2021 annual general meeting of the Company, on 17 June 2022, the Company, as guarantor, entered into the guarantee agreement with Mexican National Hydrocarbons Commission, as beneficiary, pursuant to which the Company has agreed to provide guarantee under the Production Sharing Contract for Mexico DS Company, to ensure that when Mexico DS Company loses contract performance capabilities, the Company will perform the contracts on its behalf to Mexican National Hydrocarbons Commission. On June 17, 2022, DIAVAZ, the other shareholder of the joint venture Mexico DS Company, issued a unilateral letter of guarantee for 50% of the performance guarantee of the joint venture company provided by the company.

In order to satisfy the needs of international market expansion and day-to-day operation, the Company convened the nineteenth meeting of the tenth session of the Board and the 2023 annual general meeting on 26 March 2024 and 12 June 2024 respectively, approved the Company to provide guarantee for wholly-owned subsidiaries and Mexico DS Company, a joint venture of the Company, and the guarantee period commences from the date of approval by the shareholders at the 2023 annual general meeting until the conclusion of the 2024 annual general meeting of the Company. The Company expected that after the conclusion of the 2024 annual general meeting, the Company needed to continue to provide guarantee for wholly-owned subsidiaries of the Company and Mexico DS Company. Therefore, the Board held the seventh meeting of the eleventh board of directors and the 2024 annual general meeting on 18 March 2025 and 6 June 2025 respectively, considered and approved the resolution on the provision of guarantee for wholly-owned subsidiaries and joint venture of the Company, and 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 Guarantees in 2025" (P.2026-001) 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 January 2026 and on www.hkexnews.hk on 19 June 2022, 26 March 2024, 18 March 2025, 21 January 2026.

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

On 31 December 2025, the balance of the counter-guarantee provided by the Company to China Petrochemical Corporation was RMB0 yuan.

Section VI Significant Events

(3) Entrusting others to manage cash assets

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

(4) Other significant contract

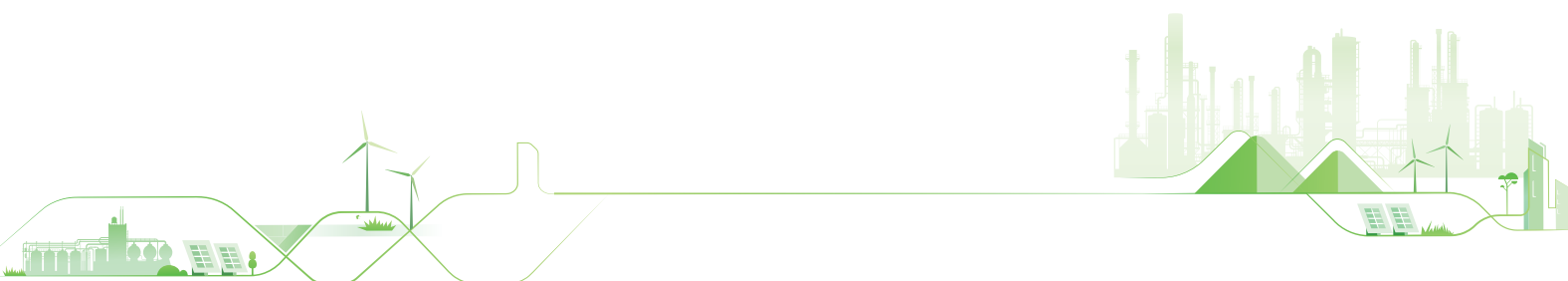
During the reporting period, the Company did not enter into any other material contract which requires disclosure.

14. Description of the progress of the use of raised funds

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable



Section VII Changes in Shares and Information on Shareholders

1. Changes in Share Capital

(1) The chart of changes in Share Capital

A. The chart of changes in Share Capital

Unit: shares

	Before the change		The increase or decrease on the change (+, -)					After the change	
	Amount	Percentage (%)	New shares issued	Bonus shares	Reserve transfer into shares	Others	Total	Amount	Percentage(%)
Shares with selling restrictions	-	-	-	-	-	-	-	-	-
Shares without selling restrictions	18,979,412,033	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	-	-	-	-	-	-	-	-	-
Total of shares	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, in the previous year and the latest period (if any)

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

(2) Changes in Shares with Selling Restrictions

☐ Applicable ☒ Not applicable

Section VII Changes in Shares and Information on Shareholders

2. Share issue and listings

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

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

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

✓ Applicable ☐ Not applicable

During the reporting period, the total number of shares of the Company changed from 18,979,412,033 shares to 18,957,045,833 shares, representing a total decrease of 22,366,200 shares.

(3) Internal employee shares

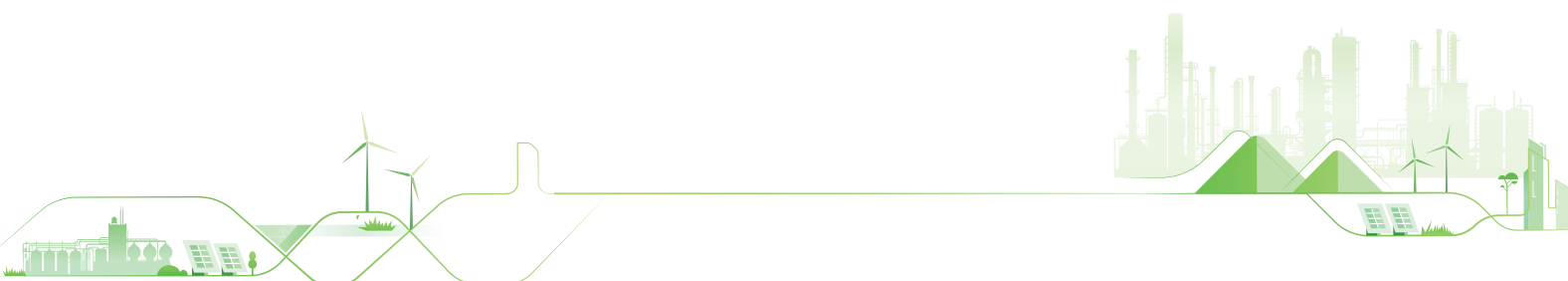
The Company has not issued any internal employee shares till the end of the reporting period.

3. Information on Shareholders and the De Facto Controller

(1) Number of shareholders

Number of ordinary shareholders at the end of reporting period	144,626
Number of ordinary shareholders at the end of last month before the annual report's disclosure date	197,762
Number of preferred shareholders whose voting rights had been restored at the end of reporting period	0
Number of preferred shareholders whose voting rights had been restored at the end of last month before the annual report's disclosure date	0

As at 31 December 2025, the number of shareholders of the Company was 144,626, including 144,321 holders of A shares and 305 registered holders of H shares. As at 17 March 2026, the latest practicable date prior to the annual report publication, the minimum public float of the Company satisfied the requirements of the Hong Kong Listing Rules.



Section VII Changes in Shares and Information on Shareholders

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

Shareholdings of the top ten shareholders						
Names of shareholders	Nature of shareholders	Changes of shareholdings¹ (shares)	Number of shares held at the end of the reporting period (shares)	Percentage to total share capital (%)	Number of shares with selling restrictions (shares)	Number of shares pledged or frozen
China Petrochemical Corporation²	State-owned legal person	0	9,968,726,364	52.59	0	0
Hong Kong Securities Clearing Company (Nominees) Limited (“HKSCC (Nominees) Limited”)³	Overseas legal person	160,000	5,397,595,694	28.47	0	0
China National Petroleum Corporation	State-owned legal person	0	759,170,000	4.00	0	0
Hong Kong Securities Clearing Company Limited⁴	Others	692,864	69,376,375	0.37	0	0
Agricultural Bank of China – China Securities 500 Trading Open Index Securities Investment Fund	Others	1,524,696	59,975,569	0.32	0	0
Shanghai Tongneng Investment Holdings Co., Ltd.	Domestic non-state-owned legal person	-7,000,000	43,000,000	0.23	0	0
Anhui Yangguang InfoComm Electronic Technology Co., Ltd.	Domestic non-state-owned legal person	-11,970,000	42,000,000	0.22	0	0
Li Feng	Domestic natural person	0	31,300,000	0.17	0	0
He Long	Domestic natural person	4,660,400	30,668,400	0.16	0	0
Anhui Zhongyi Zhengyuan Electronic Technology Co., Ltd.	Domestic non-state-owned legal person	-2,260,000	13,000,000	0.07	0	0
Shareholdings of top ten tradable shareholders of shares without selling restrictions						
Name of shareholders			Number of shares without selling restrictions held at the end of the reporting period (shares)	Types of shares		
China Petrochemical Corporation			9,968,726,364	A Share		
Hong Kong Securities Clearing Company (Nominees) Limited (“HKSCC (Nominees) Limited”)			5,397,595,694	H Share		
China National Petroleum Corporation			759,170,000	A Share		
Hong Kong Securities Clearing Company Limited			69,376,375	A Share		
Agricultural Bank of China – China Securities 500 Trading Open Index Securities Investment Fund			59,975,569	A Share		
Shanghai Tongneng Investment Holdings Co., Ltd.			43,000,000	A Share		
Anhui Yangguang InfoComm Electronic Technology Co., Ltd.			42,000,000	A Share		
Li Feng			31,300,000	A Share		
He Long			30,668,400	A Share		
Anhui Zhongyi Zhengyuan Electronic Technology Co., Ltd.			13,000,000	A Share		
Statement on the related relationship or activities in concert among the above-mentioned shareholders			The Company is not aware of any related relationship or acting in concert among the above-mentioned shareholders.			
Statement on repurchasing of special accounts among top ten shareholders			No			
Statement on the entrustment and waiver of voting rights by the above mentioned shareholders			Not applicable			

Note:

- 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 holds 2,595,786,987 H shares of the Company through its wholly-owned subsidiary, Century Bright Company. Therefore, China Petrochemical Corporation directly and indirectly holds 12,564,513,351 shares of the Company, which represents 66.28% of the total shares of the Company.
- HKSCC (Nominees) Limited is a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited, acting as an agent to hold H shares of the Company on behalf of other companies or individual shareholders.
- Hong Kong Securities Clearing Company Limited is a wholly-owned subsidiary of the Hong Kong Exchanges and Clearing Limited, acting as a nominee holder to hold A shares of the Company in the SSE on behalf of the investors of the HKSE.

Section VII Changes in Shares and Information on Shareholders

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

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

4. Information on Controlling Shareholders and De Facto Controller of the Company

(1) Information on controlling shareholder

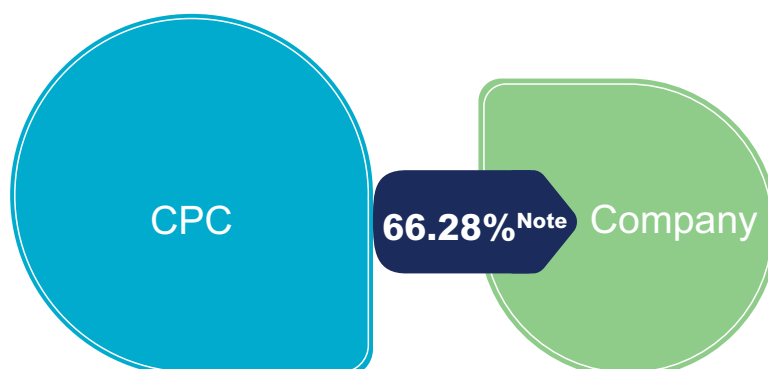
A. Legal Representative

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

CPC's subsidiaries and associates listed in domestic and overseas during the reporting period	Name of company	Number of share held (shares) ^{Note}	Shareholding (%)
	Sinopec	83,116,438,075	68.73%
	SINOPEC Engineering (Group) Co., Ltd	2,687,876,000	61.17%
	Sinopec Oilfield Equipment Corporation	456,756,300	47.78%
	China Merchants Energy Shipping Co., LTD	1,095,463,711	13.57%

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

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



Note: Apart from directly holding 9,968,726,364 A shares of the Company, China Petrochemical Corporation also holds 2,595,786,987 H shares of the Company through 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 issued shares of the Company.

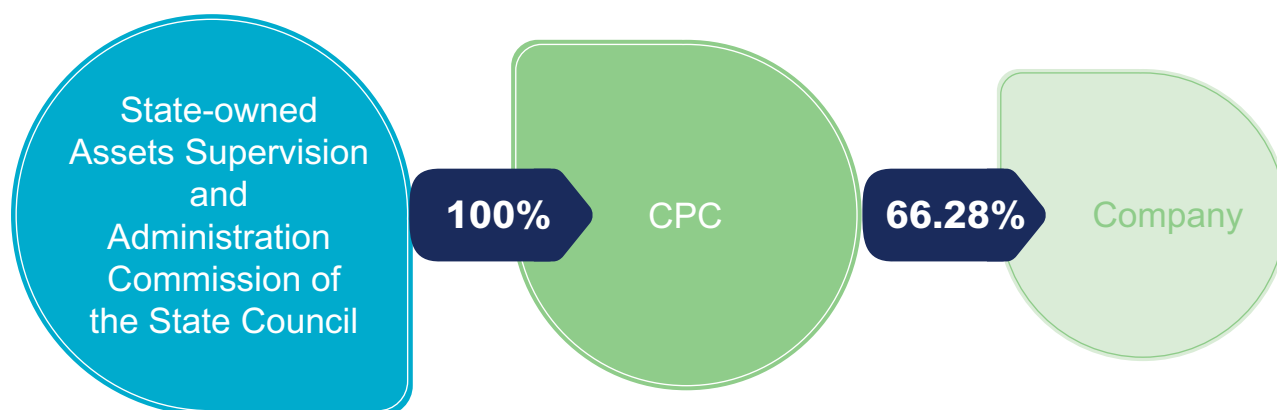
Section VII Changes in Shares and Information on Shareholders

(2) The de facto controller of the Company

A. Legal Representative

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

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



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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

Section VII Changes in Shares and Information on Shareholders

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

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

7. Statement on shares reduced in restriction

☐ Applicable ☒ Not applicable

8. Execution of shares repurchase during the reporting period

☒ Applicable ☐ Not applicable

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

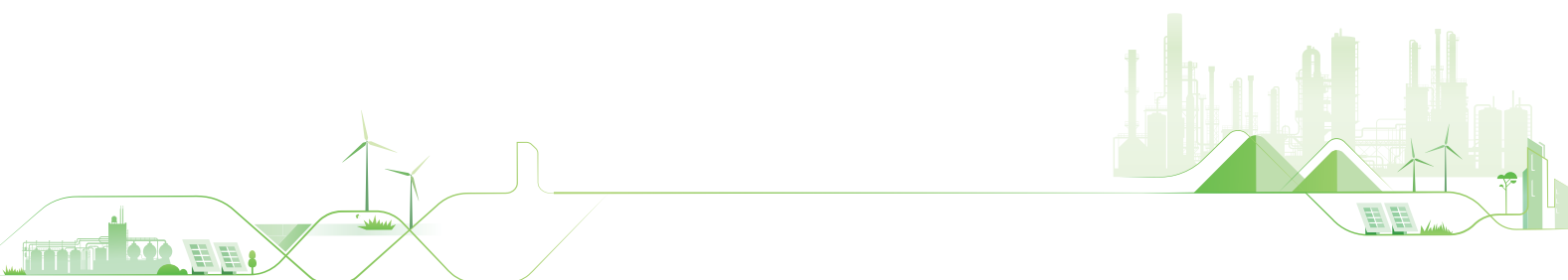
On 20 August 2024, the fourth meeting of the eleventh board of the Company considered and approved the resolution on the plan for repurchase of shares of the Company, which approved the Company to use its own funds to repurchase part of A shares and H shares for cancellation and reduction of registered 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 on 20 December 2024 and on 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 twelve months ended 31 December 2025.



Section VII Changes in Shares and Information on Shareholders

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

As at 31 December 2025, so far as the Directors and senior management of the Company are aware of, each of the following persons, not being a director or senior management of the Company, had an interest or short position in the Company's shares or underlying shares which is required to be disclosed to the Company and the HKSE under the provisions of Divisions 2 and 3 of Part XV of SFO.

Name of shareholder	Number of shares held (shares)	Percent of shareholding in the Company's total issued share capital	Percent of shareholding in the Company's total issued domestic shares	Percent of shareholding in the Company's total issued H shares	Short position (shares)
		(%)	(%)	(%)	
China Petrochemical Corporation	9,968,726,364 (A share)	52.59	73.59	Not applicable	–
	2,595,786,987 (H share) ¹	13.69	Not applicable	47.98	–
China National Petroleum Corporation	759,170,000 (A share)	4.00	5.60	Not applicable	–
China State-owned Enterprise Structural Adjustment Fund Co., Ltd.	533,008,495 (H Share)	2.81	Not applicable	9.85	–

Note:

1. China Petrochemical Corporation held 2,595,786,987 H shares of the Company through its wholly-owned overseas subsidiary Century Bright Company. China Petrochemical Corporation is deemed to be interested in the H shares held by Century Bright Company. The information is based on the notice from the substantial shareholder of the corporation filed by China Petrochemical Corporation with the HKSE on 24 January 2018.

Save as disclosed above and so far as the Directors are aware of, as at 31 December 2025, no other person (other than the Directors, supervisors and senior management of the Company) had an interest or short position in the Company's shares or underlying shares which are required to be recorded in the register of interests maintained by the Company pursuant to Section 336 of the SFO.

10. Management contract

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

11. Pre-emptive rights

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

12. Share repurchase, sale and redemption

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

Section VIII Financial Reports

PREPARED IN ACCORDANCE WITH PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

Auditor's Report

(English Translation for Reference Only)

Xin Kuai Shi Bao Zi [2026] No. ZK10012

To the Shareholders of Sinopec Oilfield Service Corporation the Group:

OPINION

We have audited the accompanying financial statements of Sinopec Oilfield Service Corporation, (hereafter referred to as “SSC” or “the Group”), which comprise the consolidated and company's balance sheets as at 31 December 2025, the consolidated and company's income statements, the consolidated and company's statements of cash flows, and the consolidated and company's statements of changes in owners' equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position as at 31 December 2025 and the consolidated and company's financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing (“CSAs”). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with China Independence Standard for Certified Public Accountants No. 1 – Independence for Audit and Review Engagements and China Code of Ethics for Certified Public Accountants (“the CICPA Code”) and have fulfilled our other ethical responsibilities in accordance with the CICPA Code. The independence requirements for audits of public interest entities have been applied in our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Section VIII Financial Reports

We identified the following key audit matters in our audit:

Key Audit Matters	How these matters were addressed in the audit
I. Recognition of revenue and cost The Group's revenue related to rendering of services and construction contracts is derived from provision of petroleum engineering and technical services to PRC and overseas petroleum exploration and development companies, including geophysics, drilling engineering, logging and mud logging, special downhole operations and engineering construction services. The Group's petroleum engineering and technical services income would be recognized over a period of time. The recognition of related labor income and profits depends on management's estimation of the estimated total revenue of the contract and performance of the contract. The management of the Group adopts the expected value method according to the contract or the most likely amount to estimate the estimated total revenue of the contract, and evaluates the estimated total cost of the contract according to historical information and construction plan. The significant accounting estimates of management will be continuously evaluated and revised during the execution of the contract. With the progress towards satisfaction of a performance obligation becomes certain, the Group should recognize revenue and costs in accordance with the progress of performance obligation being satisfied on the balance sheet date. The recognition of revenue and costs mainly depends on the management's critical estimation and judgments, including the estimated total revenue of the contract, estimated total cost, variable consideration, remaining contract costs, estimated progress and contract execution risk. Any alteration for the final progress billing or actual progress for performance obligation being satisfied, which would lead to the variance exists between the management's budgeted revenue and actual amount incurred. Therefore, we identified this matter as a key audit matter. Refer to Note 3.23 (Revenue), Note 3.32.7 revenue recognition for related disclosures of accounting policy, significant accounting judgment and estimate about revenue recognition, other detailed information are set out in Note 5.36 and Note 17.4.	Our audit procedures for the recognition of revenue and cost include: - We checked whether the accounting policies of recognizing revenue and costs are appropriately designed with relevant provisions of accounting standards in accordance with specific circumstances of the Group's business and contract terms. - We have understood, evaluated and tested the design and implementation of key internal controls used by management to determine estimated contract revenue, estimated contract costs, actual costs incurred and contract remaining costs, and the progress of contract performance to confirm the effectiveness of internal controls. - Through reviewing business contracts and interviews with management, we have understood and assessed the reasonableness of the basis and assumptions of estimated total revenue and estimated total cost. We have checked the consistency of the preparation and assumptions of various types of projects. We compared the cumulative cost as of December 31, 2025 to the estimated total cost, and checked the large cost recorded after the balance sheet date to analyze and evaluate the management's reasonableness of future workload and estimated residual cost of the contract. - We have carried out sampling tests for the determination of contract performance progress, checked the main clauses in relevant business contracts and supporting documents such as settlement statements, acceptance sheets, or completion progress statistics issued by customers, and estimated the estimated revenue, estimated cost and gross profit of sub-projects. We have analyzed and calculated to confirm its rationality. In addition, sampling tests has been carried out for the correctness of amount and period of revenue recognition, analyzed whether it has been accurately confirmed on the balance sheet date according to the contract performance progress, and compared the budgeted cost with the actual total cost as of the balance sheet date on the basis of sampling to check whether there are cost overruns.
II. Measurement of expected credit losses of accounts receivable and contract assets The accounts receivable and contract assets of the Group (hereinafter referred to as "receivables") mainly come from related parties and other PRC and overseas petroleum exploration and development companies. On December 31, 2025, the book value of accounts receivable of the Group was RMB12.74 billion, and the book value of contract assets was RMB17.12 billion, the accumulated expected credit losses for account receivables and impairment on contract assets amounted to RMB1.63 billion. The measurement of expected credit losses involves management's subjective judgment and is inherently uncertain. In determining the expected credit losses of receivables, the management needs to comprehensively assess the current credit rating of the counter-party, the experience of historical credit losses, and the current operating conditions, macroeconomic environment, external market environment, technical environment and changes in customer conditions, etc. Due to the inherent uncertainty of the expected credit loss measurement of the receivables, involving the subjective judgment of the management, and the amount of the receivables has a significant impact on the consolidated financial statements of the Group, we identified the measurement of expected credit losses of receivables as a key audit matter. Refer to Note 3.10 Financial instruments (Measurement of expected credit losses), Note 3.32.2 Measurement of expected credit loss of receivables for related disclosures of accounting policy, significant accounting judgment and estimate about Measurement of expected credit losses. Other detailed information is set out in Note 5.2 and Note 5.7.	Our audit procedures for the measurement of expected credit losses of accounts receivable and contract assets include: - We have understood and assessed the internal controls of the Group relating to the expected credit loss measurement. In addition, we tested the effectiveness of such internal controls. - We have reviewed the relevant considerations and objective evidence of the management's expected credit loss measurement, and evaluated the management's method and calculation which divide the receivables into several combinations by considering the actual amount of bad debts and the situation of similar receivables in the history, combined with factors such as customer credit and market environment. - For major customers whose balance of receivables is significant or exceeds the credit period, we have gathered information about the debtor or its industry development status to identify whether there is any situation that affects the expected credit loss assessment results of receivables. - We have obtained ageing analysis of receivables as at 31 December 2025. We checked the supporting documents such as accounting vouchers and invoices. We also reviewed the key information such as aging analysis, overdue days, and relationship on sampling basis in order to ascertain the accuracy and classification on receivables. - We have arranged audit confirmation to those customers who have significant balance of accounts receivable, and compared the results for the returned confirmation with the Group's record. - We have recalculated the expected credit losses of the receivables and compared our calculations with the amount recorded by the Group. - We have evaluated the reasonableness of management's expected credit losses assessment by considering the customer's settlement subsequent to the reporting period.

Section VIII Financial Reports

OTHER INFORMATION

Management of the Group ("Management") is responsible for the other information. The other information comprises all of the information included in the 2025 annual report of the Group, other than the financial statements and our auditor's report thereon.

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

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Groups financial reporting process.



Section VIII Financial Reports

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understand of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (4) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- (5) Evaluate the overall presentation (including the disclosures), structure and contents of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO CHINA Shu Lun Pan
Certified Public Accountants LLP

Certified Public Accountant of China: Miao Song
(Engagement Partner)
Certified Public Accountant of China: Zhang Xiaomin

Shanghai, China
March 16, 2026



Section VIII Financial Reports

CONSOLIDATED BALANCE SHEET

As at December 31, 2025

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

Assets:	Note	Balance as at December 31, 2025	Balance as at December 31, 2024
Current assets:			
Cash and cash equivalents	5.1	5,008,213	3,648,514
Accounts receivable	5.2	11,174,568	13,294,827
Receivables financing	5.3	4,029,356	2,557,311
Advances to suppliers	5.4	514,153	595,747
Other receivables	5.5	2,416,186	2,848,479
Inventories	5.6	1,125,005	1,009,501
Contract assets	5.7	17,065,962	16,763,754
Other current assets	5.8	3,010,942	2,616,835
Total current assets		44,344,385	43,334,968
Non-current assets:			
Long-term equity investments	5.9	145,426	251,551
Investment in other equity instruments	5.10	135,834	137,441
Fixed assets	5.11	23,803,167	24,238,814
Construction in progress	5.12	628,698	793,487
Right-of-use assets	5.13	761,546	620,413
Intangible assets	5.14	365,792	424,226
Long-term deferred expenses	5.15	6,775,975	7,208,900
Deferred income tax assets	5.16	293,770	330,305
Total non-current assets		32,910,208	34,005,137
Total assets		77,254,593	77,340,105

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 VIII Financial Reports

CONSOLIDATED BALANCE SHEET (Continued)

As at December 31, 2025

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

Liabilities and owners' equity	Note	Balance as at December 31, 2025	Balance as at December 31, 2024
Current liabilities:			
Short-term borrowings	5.17	28,311,044	22,870,449
Notes payable	5.18	1,773,050	3,387,769
Accounts payable	5.19	23,016,953	28,266,046
Contract liabilities	5.20	7,617,701	7,909,917
Employee compensation payable	5.21	585,740	719,036
Taxes and surcharges payable	5.22	1,015,033	965,079
Other payables	5.23	3,452,203	3,712,039
Non-current liabilities maturing within one year	5.24	406,896	272,460
Total current liabilities		66,178,620	68,102,795
Non-current liabilities:			
Long-term borrowings	5.25	1,095,839	
Lease liabilities	5.26	352,601	304,333
Long-term payables	5.27	120,556	90,987
Estimated liabilities	5.28	88,829	90,365
Deferred income	5.29	84,040	24,758
Deferred income tax liabilities	5.16	68,406	78,065
Total non-current liabilities		1,810,271	588,508
Total liabilities		67,988,891	68,691,303
Owners' equity:			
Share capital	5.30	18,957,046	18,979,412
Capital reserves	5.31	11,701,258	11,720,452
Other comprehensive income	5.32	-18,189	30,193
Special reserves	5.33	339,577	302,874
Surplus reserves	5.34	200,383	200,383
Retained earnings	5.35	-21,925,671	-22,584,512
Total equity attributable to owners of the parent company		9,254,404	8,648,802
Minority interest		11,298	
Total owners' equity		9,265,702	8,648,802
Total liabilities and owners' equity		77,254,593	77,340,105

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 VIII Financial Reports

PARENT COMPANY'S BALANCE SHEET

As at December 31, 2025

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

Assets:	Note	Balance as at December 31, 2025	Balance as at December 31, 2024
Current assets:			
Cash at bank and on hand		48,853	8,571
Accounts receivable	17.1	4,889	81,826
Receivables financing		185,200	
Advances to suppliers		50	
Other receivables	17.2	24,466,371	24,296,880
Inventories		37,404	51,845
Contract assets		9,864	15,655
Other current assets		23,204	17,156
Total current assets		24,775,835	24,471,933
Non-current assets:			
Long-term equity investments	17.3	36,183,582	36,192,571
Fixed assets		23,198	27,806
Construction in progress		650	12,255
Right-of-use assets		41,597	30,955
Intangible assets		55,364	66,246
Deferred income tax assets		119	2,401
Total non-current assets		36,304,510	36,332,234
Total assets		61,080,345	60,804,167

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 VIII Financial Reports

PARENT COMPANY'S BALANCE SHEET (Continued)

As at December 31, 2025

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

	Note	Balance as at December 31, 2025	Balance as at December 31, 2024
Assets:			
Liabilities and owners' equity			
Current liabilities:			
Short-term borrowings		20,303,266	20,313,925
Notes payable			12,995
Accounts payable		69,329	112,348
Contract liabilities		89,698	41,886
Employee compensation payable		84,046	76,629
Taxes and surcharges payable		9,057	43,000
Other payables		11,832,820	11,482,500
Non-current liabilities maturing within one year		16,194	27,768
Total current liabilities		32,404,410	32,111,051
Non-current liabilities:			
Lease liabilities		14,913	
Long-term payables		279	
Deferred income		104	
Total non-current liabilities		15,296	
Total liabilities		32,419,706	32,111,051
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		-1,811,287	-1,820,779
Total owners' equity		28,660,639	28,693,116
Total liabilities and owners' equity		61,080,345	60,804,167

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 VIII Financial Reports

CONSOLIDATED INCOME STATEMENT

For the Year Ended December 31, 2025

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

Item	Note	Current period	Prior period
I. Total operating revenue		80,712,178	81,096,178
Including: operating revenue	5.36	80,712,178	81,096,178
II. Total operating costs		80,067,606	80,555,042
Including: operating costs	5.36	74,158,853	74,762,298
Taxes and surcharges	5.37	373,567	325,968
Selling and distribution expenses	5.38	82,209	84,485
General and administrative expenses	5.39	2,287,587	2,405,659
Research and development expenses	5.40	2,282,812	2,247,111
Financial expenses	5.41	882,578	729,521
Including: interest expenses	5.41	730,896	749,254
Interest income	5.41	73,317	63,109
Plus: other income	5.42	332,460	87,392
Investment income ("-" for losses)	5.43	33,303	17
Including: income from investment in associates and joint ventures	5.43	-39,946	-28,593
Losses from credit impairment ("-" for losses)	5.44	170,274	465,785
Losses from assets impairment ("-" for losses)	5.45	-1,131	-133,218
Gains from disposal of assets ("-" for losses)	5.46	49,082	75,400
III. Operating profits ("-" for losses)		1,228,560	1,036,512
Plus: non-operating revenue	5.47	122,416	132,197
Less: non-operating expenses	5.48	151,686	36,186
IV. Total profits ("-" for total losses)		1,199,290	1,132,523
Less: income tax expenses	5.49	539,242	500,917
V. Net profit ("-" for net loss)		660,048	631,606
(I) Classified by operating sustainability			
1. Net profit from continued operation ("-" for net loss)		660,048	631,606
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)		658,841	631,606
2. Minority interest income ("-" for net loss)		1,207	
VI. Other comprehensive income, net of tax		-48,382	7,218
Other comprehensive income, net of tax, attributable to owners of the parent company		-48,382	7,218
(I) Other comprehensive income that cannot be reclassified into profit or loss		-1,205	1,303
1. Changes in fair value of other equity instrument investment		-1,205	1,303
(II) Other comprehensive income that will be reclassified into profit or loss		-47,177	5,915
1. Other comprehensive income from transferable gains or losses under the equity method		-47,177	5,915
Other comprehensive income, net of tax, attributable to minority shareholders			
VII. Total comprehensive income		611,666	638,824
Total comprehensive income attributable to owners of the parent company		610,459	638,824
Total comprehensive income attributable to minority shareholders		1,207	
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/Share)		0.035	0.033
(II) Diluted earnings per share (RMB/Share)		0.035	0.033

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 VIII Financial Reports

PARENT COMPANY'S INCOME STATEMENT

For the Year Ended December 31, 2025

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

Item	Note	Current period	Prior period
I. Operating revenue	17.4	661,683	495,437
Less: operating costs	17.4	534,965	418,095
Taxes and surcharges		-21,786	7,035
General and administrative expenses		219,095	293,449
Research and development expenses		4,580	4,717
Financial expenses		-88,450	-128,349
Including: interest expenses		-106,080	-163,384
Interest income		-14,239	-17,989
Plus: other income		299	94
Investment income ("-" for losses)	17.5	83	176,072
Including: income from investment in associates and joint ventures	17.5		-904
Losses from credit impairment ("-" for losses)			-112
Losses from asset impairment ("-" for losses)		17	-47
Gain from asset disposal ("-" for losses)			894
II. Operating profits ("-" for losses)		13,678	77,391
Plus: non-operating revenue		718	264
Less: non-operating expenses		58	58
III. Total profits ("-" for total losses)		14,338	77,597
Less: income tax expenses		4,847	-2,245
IV. Net profit ("-" for net loss)		9,491	79,842
(I) Net profit from continued operation ("-" for net loss)		9,491	79,842
(II) Net profit from discontinued operation ("-" for net loss)			
V. Other comprehensive income, net of tax			
VI. Total comprehensive income		9,491	79,842

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 VIII Financial Reports

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2025

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

Item	Note	Current period	Prior period
I. Cash flows from operating activities			
Cash received from sales of goods and rendering of services		80,113,836	78,943,570
Refund of taxes and surcharges		289,739	66,335
Cash received from other operating activities	5.50	4,546,835	4,270,439
Sub-total of cash inflows from operating activities		84,950,410	83,280,344
Cash paid for purchase of goods and receipt of services		52,657,153	54,515,936
Cash paid to and on behalf of employees		18,776,967	19,150,318
Various taxes and surcharges paid		2,961,053	2,592,513
Cash paid for other operating activities	5.50	3,909,291	3,920,723
Sub-total of cash outflows from operating activities		78,304,464	80,179,490
Net cash flows from operating activities		6,645,946	3,100,854
II. Cash flows from investing activities			
Cash received from recovery of investments		8,995	
Cash received from investment income		13,125	5,358
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		206,818	217,557
Net cash received from disposal subsidiaries and other business units			
Sub-total of cash inflows from investing activities		228,938	222,915
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		2,763,820	3,681,379
Sub-total of cash outflows from investing activities		2,763,820	3,681,379
Net cash flows from investing activities		-2,534,882	-3,458,464
III. Cash flows from financing activities			
Cash received from investors		3,000	
Including: cash received from minority shareholders by subsidiaries		3,000	
Cash received from borrowings		33,107,991	34,289,050
Cash received from other financing activities	5.50	40,000	
Sub-total of cash inflows from financing activities		33,150,991	34,289,050
Cash paid for debt repayments		34,756,369	31,827,424
Cash paid for distribution of dividends and profits or payment of interest		625,252	673,050
Cash paid for other financing activities	5.50	604,479	743,931
Sub-total of cash outflows from financing activities		35,986,100	33,244,405
Net cash flows from financing activities		-2,835,109	1,044,645
IV. Effect of fluctuation in exchange rate on cash and cash equivalents		-53,307	-34,435
V. Net increase in cash and cash equivalents		1,222,648	652,600
Plus: beginning balance of cash and cash equivalents		3,441,398	2,788,798
VI. Ending balance of cash and cash equivalents		4,664,046	3,441,398

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 VIII Financial Reports

PARENT COMPANY'S STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2025

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

Item	Note	Current period	Prior period
I. Cash flows from operating activities			
Cash received from sales of goods and rendering of services		475,367	394,653
Refund of taxes and surcharges			99
Cash received from other operating activities		2,396,152	1,237,495
Sub-total of cash inflows from operating activities		2,871,519	1,632,247
Cash paid for purchase of goods and receipt of services		137,323	361,458
Cash paid for salary and employees		136,173	135,642
Taxes and fees paid		34,131	8,015
Cash paid for other operating activities		1,925,532	3,225,854
Sub-total of cash outflows from operating activities		2,233,159	3,730,969
Net cash flows from operating activities		638,360	-2,098,722
II. Cash flows from investing activities			
Cash received from recovery of investments		8,995	
Cash received from investment income		4	
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		683	273
Net cash received from disposal subsidiaries and other business units			
Receipt of other cash related to investment activities			
Sub-total of cash inflows from investing activities		9,682	273
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		81	3,636
Cash paid for investments			400,000
Sub-total of cash outflows from investing activities		81	403,636
Net cash flows from investing activities		9,601	-403,363
III. Cash flows from financing activities			
Cash received from borrowings		29,590,000	31,612,825
Sub-total of cash inflows from financing activities		29,590,000	31,612,825
Cash paid for debt repayments		29,590,000	29,532,463
Cash paid for distribution of dividends and profits or payment of interest		512,046	600,209
Cash paid for other financing activities		90,498	12,872
Sub-total of cash outflows from financing activities		30,192,544	30,145,544
Net cash flows from financing activities		-602,544	1,467,281
IV. Effect of fluctuation in exchange rate on cash and cash equivalents		-5,133	-1,084
V. Net increase in cash and cash equivalents		40,284	-1,035,888
Plus: beginning balance of cash and cash equivalents		8,569	1,044,457
VI. Ending balance of cash and cash equivalents		48,853	8,569

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 VIII Financial Reports

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the Year Ended December 31, 2025

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

Item	Current period								Total owners' equity
	Equity attributable to owners of the parent company							Minority 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	-19,194	-48,382	36,703		658,841	605,602	11,298	
(I) Total comprehensive income			-48,382			658,841	610,459	1,207	
(II) Capital contributed or reduced by owners	-22,366	-19,603					-41,969	10,091	
1. Common stock contributed by owners	-22,366	-19,603					-41,969	10,091	
(III) Profit distribution									
(IV) Internal carry-forward of owners' equity									
1. Transfer of Other Comprehensive Income to Retained Earnings									
(V) Special reserves				36,703			36,703	36,703	
1. Amount withdrawn in the current period				1,183,966			1,183,966	1,183,966	
2. Amount used in the current period				1,147,263			1,147,263	1,147,263	
(VI) Others		409					409	409	
IV. Balance at the end of the current period	18,957,046	11,701,258	-18,189	339,577	200,383	-21,925,671	9,254,404	11,298	
								9,265,702	

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

Chairman:
Wu Bozhi

General Manager:
Zhang Jiansuo

Accounting Principal:
Cheng Zhongyi

Head of the Accounting Department:
Zhang Xueping



CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY (Continued)

For the Year Ended December 31, 2025

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

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

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

Chairman:
Wu Bozhi

Accounting Principal:
Cheng Zhongyi

Head of the Accounting Department:
Zhang Xueping

Section VIII Financial Reports

PARENT COMPANY'S STATEMENT OF CHANGES IN OWNERS' EQUITY

For the Year Ended December 31, 2025

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

Item	Current period				
	Share capital	Capital reserves	Surplus reserves	Undistributed profits	Total owners' equity
I. Balance at the end of the last year	18,979,412	11,334,100	200,383	-1,820,779	28,693,116
II. Balance at the beginning of the current year	18,979,412	11,334,100	200,383	-1,820,779	28,693,116
III. Increases/decreases in current year ("-" for decreases)	-22,366	-19,603		9,492	-32,477
(I) Total comprehensive income				9,492	9,492
(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					
IV. Balance at the end of the current period	18,957,046	11,314,497	200,383	-1,811,287	28,660,639

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 VIII Financial Reports

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

For the Year Ended December 31, 2025

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

Item	Prior period				
	Share capital	Capital reserves	Surplus reserves	Undistributed profits	Total owners' equity
I. Balance at the end of the last year	18,984,340	11,331,421	200,383	-1,900,921	28,615,223
II. Balance at the beginning of the current year	18,984,340	11,331,421	200,383	-1,900,921	28,615,223
III. Increases/decreases in current year ("-" for decreases)	-4,928	2,679		80,142	77,893
(I) Total comprehensive income				79,842	79,842
(II) Capital contributed or reduced by owners	-4,928	2,679			-2,249
1. Common stocks invested by owners	-4,928	2,679			-2,249
(III) Profit distribution					
(IV) Internal carry-forward of owners' equity					
(V) Special reserves					
(VI) Others				300	300
IV. Balance at the end of the current period	18,979,412	11,334,100	200,383	-1,820,779	28,693,116

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

Chairman:
Wu Bozhi

General Manager:
Zhang Jiankuo

Accounting Principal:
Cheng Zhongyi

Head of the Accounting Department:
Zhang Xueping

Section VIII Financial Reports

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 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.

Section VIII Financial Reports

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 Shengshihuaazhang 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.

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

The financial statements and the notes to the financial statements have been approved for issue by the 11th meeting of the 11th Board of Directors of the Company on March 16, 2026.

2 BASIS OF PREPARATION FOR THE FINANCIAL STATEMENTS

2.1 Basis of preparation

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

2.2 Going Concern

The financial statements are prepared based on going concern.

As at December 31, 2025, the Group's accumulated loss amounted to RMB21,925,671,000, the current liabilities exceeded the current assets by about RMB21,834,235,000 (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 December 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.

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 December 31, 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.

Section VIII Financial Reports

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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.

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.

Section VIII Financial Reports

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.6 Preparation method of consolidated financial statements (Continued)

3.6.2 Consolidation procedures (Continued)

(2) Disposal of subsidiaries

General method of disposal

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

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

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

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

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

- (1) Assets it solely holds and its share of jointly-held assets based on its percentage;
- (2) Liabilities it solely assumes and its share of jointly-assumed liabilities based on its percentage;
- (3) Revenue from sale of output enjoyed by it from the joint operation;
- (4) Revenue from sale of output from the joint operation based on its percentage; and
- (5) Separate costs and costs for the joint operation based on its percentage.

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

3.8 Recognition criteria of cash and cash equivalents

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

3.9 Foreign currency transactions and translation of foreign currency statements

3.9.1 Foreign currency transactions

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

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

3.9.2 Translation of foreign currency financial statements

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

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



Section VIII 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 VIII 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 VIII 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 VIII 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.

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.

Section VIII 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)

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

Other receivables portfolio 1: reserve funds

Other receivables portfolio 2: deposits or security deposits receivable

Other receivables portfolio 3: other receivables

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

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

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

3.11 Inventories

3.11.1 Classification and cost of inventories

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

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

3.11.2 Measurement method of dispatched inventories

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

3.11.3 Inventory system

The perpetual inventory system is adopted.

3.11.4 Amortization method for low-cost consumables

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



Section VIII Financial Reports

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.12 Contract assets

3.12.1 Recognition method and criteria for contract assets

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

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

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

3.13 Long-term equity investments

3.13.1 Judgment criteria for joint control and significant influence

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

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

3.13.2 Determination of initial investment costs

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

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

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

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

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

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



Section VIII 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

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

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

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

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

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

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

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

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

(3) Disposal of long-term equity investments

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

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

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

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

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

Section VIII Financial Reports

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.14 Fixed assets

3.14.1 Recognition and initial measurement of fixed assets

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

- (1) It is probable that the economic benefits relating to the fixed assets will flow into the Company; and
- (2) The costs of the fixed assets can be measured reliably.

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

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

3.14.2 Depreciation method

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

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

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

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

3.14.3 Disposal of fixed assets

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

3.15 Construction in progress

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

3.16 Borrowing costs

3.16.1 Recognition criteria of capitalization of borrowing costs

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

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

Section VIII Financial Reports

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.16 Borrowing costs (Continued)

3.16.2 Capitalization period for borrowing costs

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

Capitalization shall start when the following conditions are satisfied simultaneously:

- (1) Asset expenditures, which include those incurred by cash payment, the transfer of non-cash assets or the undertaking of interest-bearing debts for acquiring and constructing or producing assets eligible for capitalization, have already been incurred;
- (2) Borrowing costs have already been incurred; and
- (3) The acquisition and construction or production activities which are necessary to prepare the assets for their intended use or sale have been in progress.

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

3.16.3 Period of capitalization suspension

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

3.16.4 Measurement of capitalization rate and capitalized amounts of borrowing costs

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

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

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

3.17 Intangible assets

3.17.1 Measurement method of intangible assets

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

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

(2) Subsequent measurement

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

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

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

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

Section VIII Financial Reports

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.17 Intangible assets (Continued)

3.17.3 Scope of R&D expenditure Specific

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

3.17.4 Specific criteria for classifying research and development stages

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

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

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

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

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

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

- (1) In respect of the technology, it is feasible to finish the intangible asset for use or sale;
- (2) It is intended to finish and use or sell the intangible assets;
- (3) The ways how the intangible assets generate economic benefits include the way where it is able to prove that the products made by using the intangible assets exist a market or that the intangible assets themselves have the market, and the way where the serviceability of the intangible assets can be proved in case they are used internally;
- (4) It can finish the development of the intangible assets and to use or sell the same with the support of sufficient technologies, financial resources and other resources; and
- (5) The expenditure attributable to the intangible assets during its development phase can be measured reliably.

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

3.18 Impairment of long-term assets

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

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

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

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

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

Section VIII Financial Reports

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.19 Long-term deferred expenses

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

3.20 Contract liabilities

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

3.21 Employee compensation

3.21.1 Accounting treatment of short-term compensation

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

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

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

3.21.2 Accounting treatment of post-employment benefits

(1) Defined Contribution Plans

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

(2) Defined Benefit Plans

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

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

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

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

3.21.3 Accounting treatment of dismissal benefits

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

3.21.4 Accounting treatment of other long-term employee benefits

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

Section VIII Financial Reports

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.22 Estimated liabilities

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

- (1) The obligation is a present obligation of the Company;
- (2) The performance of this obligation may very probably lead to the flow of economic interests out of the Company; and
- (3) The amount of the obligation can be measured reliably.

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

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

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

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

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

3.23 Revenue

3.23.1 Accounting policies for revenue recognition and measurement

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

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

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



Section VIII Financial Reports

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.23 Revenue (Continued)

3.23.1 Accounting policies for revenue recognition and measurement (Continued)

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

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

The Company determines whether it acts as a principal or an agent in a transaction by assessing whether it controls the goods or services before transferring them to the customer. If the Company controls the goods or services prior to their transfer to the customer, the Company is the principal and recognizes revenue in the gross amount of consideration received or receivable. Otherwise, the Company is the agent and recognizes revenue in the amount of commission or fee to which it expects to be entitled

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.

Section VIII Financial Reports

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.24 Contract costs

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

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

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

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

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

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

1. The remaining consideration expected to be obtained due to the transfer of goods or services related to the asset;
2. The estimated costs that will occur for transfer of the relevant goods or services.

If there is a subsequent change in the impairment factors in previous periods, such that the aforementioned difference is higher than the carrying amount of the asset, the Company reverses the provision for impairment and recognizes it in the current profit or loss, provided that the book value of the reversed asset does not exceed the book value of the asset at the date of reversal recorded by assuming no impairment provision had been made.

3.25 Government grants

3.25.1 Type

Government grants refer to monetary or non-monetary assets obtained from the government for free and are classified into asset-related government grants and income-related government grants.

The asset-related government grants refer to government grants obtained by the Company for forming long-term assets by acquisition, construction, or other manners. The income-related government grants refer to government grants other than asset-related government grants.

3.25.2 Timing of recognition

Government grants are recognized when the Company is eligible for and can receive the government grants.

3.25.3 Accounting treatment

Asset-related government grants shall be used to offset the book value of relevant assets or recognized as deferred income. Where such grants are recognized as the deferred income, they will be included in the current profit or loss by reasonable and systematic methods within useful lives of related assets (Where such grants are related to the routine activities of the Company, they will be included in other income; where such grants are not related to the routine activities of the Company, they will be included in non-operating revenue);

The income-related government grants used to compensate for relevant costs, expenses or losses to be incurred to the Company in subsequent periods shall be recognized as the deferred income, and, during the period when relevant costs, expenses or losses are recognized, be included in the current profit or loss (where the income-related government grants are relevant to routine activities of the Company, they shall be included in other income; where the income-related government grants are irrelevant to daily activities of the Company, they shall be included in the non-operating revenue) or used to offset relevant costs, expenses or losses. The income-related government grants used to compensate for relevant costs, expenses or losses already incurred to the Company shall be included in the current profit or loss (where the income-related government grants are relevant to routine activities of the Company, they shall be included in other income; where the income-related government grants are irrelevant to daily activities of the Company, they shall be included in the non-operating revenue) or used to offset relevant costs, expenses or losses.

Section VIII Financial Reports

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.26 Deferred income tax assets and deferred income tax liabilities

Income taxes include the current income tax and deferred income tax. The Company recognizes current income tax and deferred income tax in the current profit or loss, except for the income tax arising from business combinations and transactions or events directly recognized in owners' equity (including other comprehensive income).

Deferred income tax assets and deferred income tax liabilities are recognized based on the difference (temporary difference) between the tax basis of the assets and liabilities and their book values.

Deferred income tax assets are recognized for deductible temporary differences to the extent of the taxable income probably obtained in future period that can be used for deducting the deductible temporary differences. For deductible losses and tax credits that can be carried forward to subsequent periods, deferred income tax assets arising therefrom are recognized to the extent of the taxable income probably obtained in future period that can be used for deducting the deductible losses and tax credits.

Taxable temporary differences are recognized as deferred income tax liabilities except in special circumstances.

Special circumstances in which deferred income tax assets or deferred income tax liabilities shall not be recognized include:

- Initial recognition of goodwill;
- A transaction or event that is neither a business combination nor, when it occurs, affects accounting profit and taxable income (or deductible loss).

Deferred income tax liabilities arising from taxable temporary differences related to the investments in subsidiaries, associates and joint ventures shall be recognized, unless the Company can control the time when the temporary differences are reversed and the temporary differences will probably not be reversed in the foreseeable future. Deferred income tax assets arising from deductible temporary differences related to the investments in subsidiaries, associates and joint ventures shall be recognized when the temporary differences may be reversed in the foreseeable future and can be used to offset the taxable income of deductible temporary differences in the future.

On the balance sheet date, according to the tax law, deferred income tax assets and deferred income tax liabilities are measured at the future tax rate applicable to the period of recovery of relevant assets and repayment of relevant liabilities.

On the balance sheet date, the Company reviews the book values of its deferred income tax assets. If it is unlikely to obtain sufficient taxable income taxes to offset against the benefit of deferred tax assets, the book value of deferred tax assets shall be written down. The amount written down may be reversed when the taxable income obtained may be sufficient.

If the Company has the legal right to settle in net amounts and intends to settle in net amount or to obtain assets and discharge liabilities simultaneously, the current tax assets and current tax liabilities of the Company shall be presented based on the net amount after offset.

On the balance sheet date, the deferred income tax assets and deferred income tax liabilities are presented at net of offsetting amounts when both of the following conditions are met:

- The taxpayer has the legal right to settle current income tax assets and current income tax liabilities on a net basis;
- The deferred income tax assets and deferred income tax liabilities are related to the income tax which are imposed on the same taxpayer by the same tax collection authority or on different taxpayers, but, in each important future period in connection with the reverse of deferred income tax assets and liabilities, the involved taxpayer intends to balance income tax assets and liabilities for the current period with net settlement at the time of obtaining assets and discharging liabilities.

3.27 Leases

Lease refers to a contract in which a lessor assigns the right to use an asset to a lessee within a certain period to obtain consideration. On the contract commencement date, the Company evaluates whether the contract is a lease or includes a lease. If a party to a contract transfers the right to control the use of one or more identified assets within a certain period in exchange for consideration, the contract shall be a lease or include a lease.

If the contract contains multiple individual leases, the Company will split the contract and make accounting treatment over each individual lease. If the contract contains both leased and non-leased parts, the lessee and lessor will split the leased and non-leased parts.

3.27.1 The Company as the lessee

(1) Right-of-use assets

On the commencement date of the lease term, the Company recognizes the leases other than short-term leases and leases of low-value assets as the right-of-use assets. The right-of-use assets are initially measured at costs. Such costs include:

- the initial measurement amount of lease liabilities;
- in case of any lease incentives, relevant amount of the lease incentives enjoyed shall be deducted from the lease payment paid on or before the commencement date of the lease term;
- the initial direct costs incurred to the Company;
- the costs to be incurred to the Company for demolishing and removing leased assets, restoring the site where the leased assets are located, or restoring the leased assets to the state agreed in the lease terms, not including those incurred for production of inventories.

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.27 Leases (Continued)

3.27.1 The Company as the lessee (Continued)

(1) Right-of-use assets (Continued)

The Company adopts the straight-line method to accrue depreciation of the right-of-use assets. If there is a reasonable assurance that the ownership of a leased asset can be acquired when the lease term expires, the depreciation of the right-of-use asset will be made over the remaining useful life of such lease asset; otherwise, the depreciation of such leased asset is made over the shorter of the lease term or the remaining useful life of the leased asset.

The Company determines whether a right-of-use asset is impaired and accounts for the identified impairment loss in accordance with the principles described in the Note “3.18 Impairment of long-term assets”.

(2) Lease liabilities

On the commencement date of the lease term, the Company recognizes the leases other than short-term leases and leases of low-value assets as lease liabilities. Lease liabilities are initially measured at the present value of the lease payments that have not been paid. Lease payments include:

- fixed payments (including substantial fixed payments), and if there is any lease incentive, the relevant amount of the lease incentive shall be deducted;
- variable lease payments depending on the index or ratio;
- the payments expected to be payable based on the residual value of the guarantee provided by the Company;
- exercise price of purchase option, provided that the Company reasonably determines that it will exercise the option;
- the amount to be paid to exercise the lease termination option, provided that it is reflected that the Company will exercise the lease termination option during the lease term;

The Company adopts the implicit rate of lease as the discount rate, but if the implicit rate of lease cannot be reasonably determined, the incremental borrowing rate will be adopted as the discount rate.

The Company calculates the interest expense of the lease liability in each period of the lease term according to the fixed periodic interest rate, and records it into the current profit or loss or the cost of related assets.

The variable lease payments not included in the measurement of lease liabilities shall be included in the current profit or loss or the costs of related assets when they actually occur.

After the commencement of the lease term, the Company shall re-measure the lease liability and adjust corresponding right-of-use assets based on the following situations: If the book value of the right-of-use assets has been reduced to zero and further reduction of lease liabilities is still required, the Company will include the remaining amount in the current profit or loss.

- If the Company's assessment results of call options, lease renewal options or lease termination options have changed, or the actual exercise of the said options is inconsistent with the original assessment results, the Company remeasures its lease liabilities based on the lease payments after change and the present value calculated at revised discount rate;
- When there is a change in the substantive fixed payment amount, a change in the amount expected to be payable for the guaranteed residual value, or a change in the index or rate used to determine the lease payment amount, the Company remeasures lease liabilities based on the lease payments after change and the present value calculated at original discount rate. However, if the changes in lease payments result from changes in floating interest rates, the present value is calculated using the revised discount rate.

(3) Short-term lease and lease of low-value assets

The Company chooses not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low-value assets, and the relevant lease payments are included in the current profit or loss or the cost of related assets by straight-line method over each period within the lease period. Short-term leases refer to leases that do not exceed 12 months on the commencement date of the lease period and do not include any purchase option. Low-value asset lease refers to the lease of a single lease asset with lower value when it is brand new. For the lease asset subleased by the Company subleases or expected to be subleased, the original lease is not a lease of low-value assets.

(4) Lease changes

If the lease changes and the following conditions are met at the same time, the Company will carry out accounting treatment over the lease change as a separate lease:

- where the lease change expands the scope of the lease by adding the right to use one or more leased assets; and
- where the increase of the consideration is equivalent to the adjusted individual price of the expanded part of the lease scope according to the contract.

Where the lease change is not accounted for as a separate lease, on the effective date of the lease change, the Company will re-distribute the consideration of the contract after the change, re-determine the lease period, and re-measure lease liabilities according to the present value calculated by the changed lease payments and the revised discount rate.

If a lease change results in a reduction in the scope of the lease or a shortening of the lease term, the Company reduces the book value of the right-of-use asset accordingly and recognizes gains or losses related to partial or complete termination of the lease in the current profit or loss. If the lease liabilities are remeasured due to other lease changes, the Company adjusts the book value of the right-of-use asset accordingly.

Section VIII Financial Reports

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.27 Leases (Continued)

3.27.2 The Company as the lessor

Leases of the Company are classified as finance lease and operating lease on the lease commencement date. Lease under which almost all the risks and rewards relevant to the ownership of leased assets are materially transferred is recognized as finance lease, regardless of whether the ownership is ultimately transferred. Operating lease refers to the leases other than finance lease. When the Company is a sub-lessor, it classifies the sub-leases based on the right-of-use assets generated by the original lease.

(1) Accounting treatment of operating lease

Rental from the operating lease in each stage during the rental period should be recognized as the rental income by the straight-line method. Initial direct costs relating to operating lease incurred by the Company are capitalized, and shall be included in the current profit or loss on the same basis as the recognition of lease income during the lease period. The variable lease payable that is not included in the lease receivable shall be included in the current profit or loss at the time of actual occurrence. If an operating lease is changed, the Company accounts for it as a new lease from the effective date of the change, and the amount of lease payments received in advance or receivable in connection with the lease before the change is considered to be the amount of payments for the new lease.

(2) Accounting treatment of finance lease

On the lease commencement date, the Company recognizes finance leases as finance lease receivables and derecognizes finance lease as assets. When the Company makes initial measurement of finance lease receivables, the net lease investment is used as the recorded value of the finance lease receivables. The net investment in leases is the sum of the unguaranteed residual value and the present value of the lease payments not yet received at the beginning of the lease term discounted at the interest rate embedded in the lease.

The Company calculates and recognizes interest income for each period of the lease term based on a fixed periodic interest rate. Derecognition and impairment of finance lease receivables are accounted for in accordance with Note “3.10 Financial instruments”.

Variable lease payments not included in the net lease investment are recognized in the current profit or loss when they are actually incurred.

When a change in a finance lease occurs and both of the following conditions are met, the Company will account for the change as a separate lease:

- where the change expands the scope of the lease by adding the right to use one or more leased assets; and
- where the increase of the consideration is equivalent to the adjusted individual price of the expanded part of the lease scope according to the contract.

If the change in a finance lease cannot be accounted for as a separate lease, the Company treats the changed lease separately in the following circumstances.

- If the change becomes effective on the lease commencement date and the lease would have been classified as an operating lease, the Company accounts for it as a new lease from the effective date of the lease change and uses the net investment in the lease prior to the effective date of the lease change as the book value of the leased asset;
- If the change becomes effective on the lease commencement date and the lease is classified as a finance lease, the Company accounts for the lease in accordance with the policy on modification or renegotiation of contracts as described in Note “3.10 Financial instruments”.

3.27.3 Sale-and-leaseback transactions

The Company assesses whether the transfer of assets in sale-and-leaseback transactions is a sale in accordance with the principles described in the Note “3.23 Revenue”.

(1) The Company as the lessee

If the transfer of an asset in a sale-and-leaseback transaction is a sale, the Company, as the lessee, measures the right-of-use asset resulting from the sale-and-leaseback at the portion of the original asset's book value that relates to the right of use acquired by the lease back and recognizes a gain or loss related to the right transferred to the lessor only; if the transfer of an asset in a sale-and-leaseback transaction is not a sale, the Company, as the lessee, continues to recognize the transferred asset and at the same time recognizes a financial liability equal to the transfer proceeds. For details of the accounting treatment of financial liabilities, please refer to the Note “3.10 Financial instruments”.

(2) The Company as the lessor

If the transfer of assets in a sale-and-leaseback transaction is a sale, the Company accounts for the purchase of the assets as a lessor in accordance with the aforementioned policy stated in “2. The Company as the lessee; if the transfer of assets in a sale-and-leaseback transaction is not a sale, the Company, as the lessor, does not recognize the transferred asset, but recognizes a financial asset equal to the transfer proceeds. For details of the accounting treatment of financial assets, please refer to the Note “3.10 Financial instruments”.

Section VIII Financial Reports

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.28 Work safety expenses

In accordance with national regulations, the Company withdraws work safety expenses for high-risk industries, and includes them both in the production costs of relevant products in the current period and in the special reserves. When withdrawn safe production costs are used within the prescribed range and belong to expenses, such costs shall be directly deducted from the special reserves. Where fixed assets form, incurred expenses are accumulated under the item “construction in progress” and are recognized as fixed assets when the safe project is completed and reaches the working conditions for its intended; meanwhile, special reserves shall be offset according to the costs of fixed assets and the accumulated depreciation of the same amount shall be recognized. Provision for depreciation of fixed assets will be no longer made in subsequent periods.

3.29 Share repurchases

The shares repurchased by the Company are managed as treasury stocks until they are canceled or transferred, and all expenses for the repurchased shares are transferred to the costs of treasury stocks. The consideration and transaction costs paid in share repurchases reduce owners’ equity, and no gain or loss is recognized upon the repurchase, transfer or cancellation of the Company’s shares.

The difference between the actual amount received and the book value of treasury stocks is credited to the capital surplus. If the capital surplus is not sufficient for offsetting, the surplus reserves and undistributed profits will be reduced. Upon cancellation of treasury stocks, the share capital is reduced by the par value of the shares and the number of shares canceled. The difference between the book value of the canceled treasury stocks and the par value is used to reduce capital surplus, and if the capital surplus is not sufficient for offsetting, the surplus reserves and undistributed profits will be reduced.

3.30 Debt restructuring

3.30.1 The Company acts as a creditor

The Company terminates the recognition of claims when the contractual right to collect cash flows from the claims terminates. If debt reorganization is carried out by repaying debts with assets or converting debts into equity instruments, the company will recognize the relevant assets when they meet their definition and recognition conditions.

If debt restructuring is carried out by repaying debts with assets, the transferred non-financial assets shall be measured at cost when the company initially recognizes them. The cost of inventory includes the fair value of the relinquished claims and other costs directly attributable to the asset such as taxes, transportation fees, loading and unloading fees, insurance premiums and other costs incurred to bring the asset to its current location and condition. The cost of an investment in an associate or joint venture includes the fair value of the relinquished claims and other costs such as taxes directly attributable to the asset. The cost of investment real estate includes the fair value of the relinquished claims and other costs such as taxes that are directly attributable to the asset. The cost of a fixed asset includes the fair value of the relinquished claim and other costs directly attributable to the asset such as taxes, transportation fees, loading and unloading fees, installation fees, professional service fees and other costs incurred before the asset reaches its intended usable condition. The cost of biological assets includes the fair value of the relinquished claims and other costs such as taxes, transportation fees, and insurance premiums that are directly attributable to the assets. The cost of intangible assets includes the fair value of the relinquished claims and other costs that are directly attributable to taxes and other costs incurred in bringing the asset to its intended use. If the debt restructuring by converting debt into equity instruments results in the creditor converting its claim into an equity investment in an associate or joint venture, the company shall measure it based on the fair value of the relinquished claim and taxes and other costs directly attributable to the asset as the equity initial investment cost. The difference between the fair value and the book value of the relinquished claims is included in the current profit and loss.

If debt restructuring is carried out by modifying other terms, the company shall recognize and measure the restructured claims in accordance with Note “3.10 Financial Instruments”.

If multiple assets are used to repay debts or debt restructuring is carried out in a combination, the company will first confirm and measure the transferred financial assets and restructured claims in accordance with Note “3.10 Financial Instruments,” and then use the fair value ratio of each assets other than the transferred financial assets, to divide into the net amount after deducting the confirmed amount of transferred financial assets and restructured claims from the fair value of the relinquished claims, and based on this basis, determine the cost of each asset. The difference between the fair value of the relinquished claim and its book value shall be included in the current profit and loss.

3.30.2 The Company acts as the debtor

The Company derecognises a debt when its current obligations are discharged.

If debt reorganization is carried out by repaying debts with assets, the company will terminate the recognition when the relevant assets and the debts paid off meet the conditions for derecognition, and the difference between the book value of the debts paid off and the book value of the transferred assets shall be included in the current profit and loss.

If the debt is converted into equity instruments for debt restructuring, the company will derecognize the debt when the repaid debt meets the conditions for derecognition. When the company initially recognizes an equity instrument, it is measured based on the fair value of the equity instrument. If the fair value of the equity instrument cannot be measured reliably, it is measured based on the fair value of the debt repaid. The difference between the book value of the debt repaid and the recognized amount of the equity instrument shall be included in the current profit and loss.

If the debt is restructured by modifying other terms, the company shall recognize and measure the restructured debt in accordance with Note “3.10 Financial Instruments” of this note.

If multiple assets are used to repay debts or debt restructuring is carried out through combination, the company shall confirm and measure equity instruments and restructured debts in accordance with the aforementioned methods. The difference between the book value of the debts repaid and the book value of the assets transferred and the recognized amounts of equity instruments and restructured debts shall be included in the current profit and loss.

Section VIII 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.

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.

Section VIII Financial Reports

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.32 Significant accounting estimates and judgments (Continued)

3.32.7 Revenue recognition

Revenue related to the Group's provision of petroleum engineering services is recognized over a period of time. The recognition of revenue and profit from the related labor services depends on the Group's estimate of the contractual outcome and the progress of performance. The Group estimates the expected total contract revenue using the expected value method or the most likely-to-occur amount based on the contract, and assesses the expected total contract cost based on historical experience and the construction program. Given that the contract cycle for engineering services may span multiple accounting periods, the Group periodically reviews and revises the estimated contract revenue and contract cost in the budget as the contract completion progresses. If the actual amount of total revenue and total costs incurred is higher or lower than the management's estimates, it will affect the amount of revenue and profit recognized by the Group in future periods.

3.32.8 Deferred income tax assets

To the extent that it is very likely that there will be enough taxable profits to offset the losses, the Group should recognize deferred income tax assets for all unused tax losses. This requires the management to use significant judgment in estimating the timing and amount of future taxable profit, combined with tax planning strategies, to determine the amount of deferred tax assets to be recognized. If the taxable revenue to be earned in future accounting periods is lower than expected or the effective income tax rate is higher than expected, the deferred tax assets recognized will be reversed and included in the income statement in the period of reversal.

3.32.9 Taxation

There is uncertainty about the interpretation of complex tax legislation, including provisions relating to tax benefits, and the amount and timing of future taxable revenue. Given the complexity of extensive international business relationships and existing contractual agreements, differences between actual results of operations and assumptions made, or future changes in such assumptions, may require future adjustments to the recognized tax income and expense. The Group accrues tax expense based on reasonable estimates of the probable outcome of audits by the tax authorities where the Group operates. The amount of tax expenses accrued is based on various factors, such as prior tax audit experience, and different tax regulation interpretations from taxable entities and relevant tax authorities. Since the Group operates in different tax regions, different interpretation may be resulted from various events.

3.33 Determination method and selection basis of materiality standards

Items	Materiality standards
Significant recovery or reversal of bad debt provision for accounts receivable	The amount of a single recovery, reversal or write-off accounts for more than 10% of the total bad debt provision for various accounts receivable, or the amount is greater than RMB50 million.
Significant recovery or reversal of bad debt provision for other receivable	The amount of a single recovery, reversal or write-off accounts for more than 10% of the total bad debt provision for various accounts receivable, or the amount is greater than RMB50 million.
Significant contract assets for which impairment provisions are made on a case-by-case basis	The amount of impairment provision for contract assets accounted for more than 10% of the total contract assets, or the amount is greater than RMB50 million.
Changes in significant projects under construction in the current period	Significant projects under construction, or the invested amount in current year is more than RMB100 million.
Significant accounts payable that are aged more than one year or are overdue	The aging of the account exceeds one year, and the amount of the portion exceeding one year exceeds RMB50 million.
Significant joint ventures or associates	The amount of long-term equity investment accounted for more than 20% of the consolidated long-term equity investment at the end of the period.
Significant activities that do not involve cash receipts and expenditures for the current period	Activities that do not involve current cash receipts and payments, have an impact on the current period's statements greater than 10% of net assets, or are expected to have an impact on future cash flow greater than 10% of the corresponding total cash inflows and outflows

3.34 Changes in significant accounting policies and accounting estimates

3.34.1 Changes in significant accounting policies

Implement the provisions on the accounting treatment of standard warehouse receipt transactions in the Q&A on the Implementation of Financial Instruments Standards

The Ministry of Finance issued the Q&A on the implementation of accounting treatment relating to standard warehouse receipt transactions on July 8, 2025, which clearly stipulates that, in accordance with the Accounting Standards for Financial Instruments: Recognition and Measurement, where an enterprise frequently enters into contracts to buy and sell standard warehouse receipts on futures trading venues for the purpose of earning price differentials and does not take delivery of the physical goods corresponding to the standard warehouse receipts, this usually indicates that the enterprise has a practice of reselling the contract subject matter shortly after receipt to profit from short-term price fluctuations. The enterprise shall treat the contracts for the purchase and sale of standard warehouse receipts as financial instruments and account for them in accordance with the Accounting Standards for Financial Instruments: Recognition and Measurement.

Section VIII Financial Reports

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.34 Changes in significant accounting policies and accounting estimates (Continued)

3.34.1 Changes in significant accounting policies (Continued)

Implement the provisions on the accounting treatment of standard warehouse receipt transactions in the Q&A on the Implementation of Financial Instruments Standards (Continued)

Where an enterprise obtains standard warehouse receipts under the aforementioned contracts and resells them in the short term, it shall not recognize sales revenue; instead, the difference between the consideration received and the carrying amount of the standard warehouse receipts sold shall be recorded in investment income. Standard warehouse receipts held by the enterprise at the end of the reporting period and not yet sold shall be presented as other current assets.

For standard warehouse receipts obtained under the aforementioned contracts, if such treatment can eliminate or significantly reduce an accounting mismatch, the enterprise may elect to measure them at fair value with changes in fair value recognized in profit or loss upon initial recognition, and apply this election consistently to all eligible standard warehouse receipts. Once an enterprise has elected to measure standard warehouse receipts at fair value with changes in fair value recognized in profit or loss upon initial recognition, it shall not revoke this election in subsequent periods.

In accordance with the requirements of the Notice on Strictly Implementing the Accounting Standards for Enterprises and Effectively Preparing the 2025 Annual Reports (Cai Kuai [2025] No. 33), enterprises that adjust their accounting policies as a result of complying with the above provisions on standard warehouse receipts shall restate the comparative information in their financial statements.

The adoption of these provisions by the Company has no material impact on the financial statements.

3.34.2 Changes in significant accounting estimates

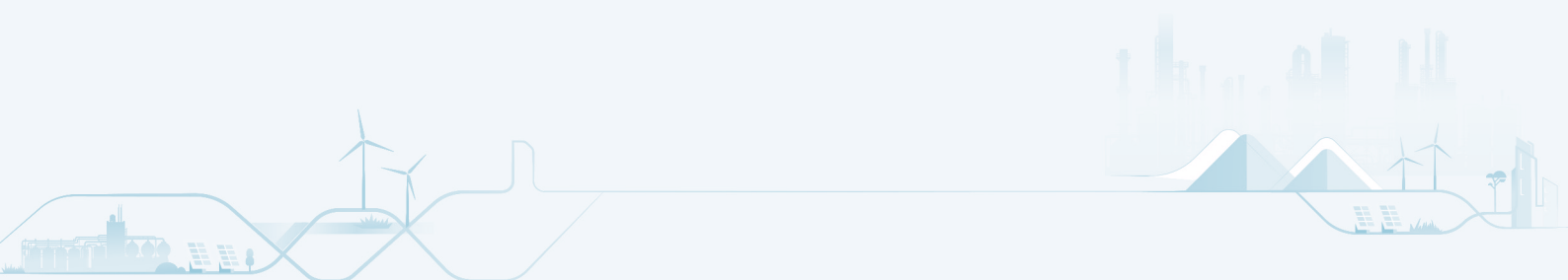
The Company has no significant changes in accounting estimates in this year.

3.34.3 Correction of significant accounting errors of prior periods

The Company has no correction of significant accounting errors of prior periods in this year.

3.35 Others

The Company had no other adjustments this year.



4 TAXATION

4.1 Major tax types and tax rates

Tax type	Tax basis	Legal tax rate (%)
Value-added tax	The output tax is calculated based on the sales of goods and taxable labor income calculated according to the tax law. After deducting the input tax that can be deducted in the current period, the difference is the value-added tax payable.	3, 6, 9 or 13
Urban maintenance and construction tax	Levied based on the actual VAT and consumption tax paid	1, 5 or 7
Education Fee Surcharge and Local Education Fee Surcharge	Levied based on the actual VAT and consumption tax paid	5
Enterprise income tax	Levied based on the taxable income	25

Disclosure of information about taxpayers applying different enterprise income tax rates

Taxpayer name	Income tax rate
Sinopec Shengli Petroleum Engineering Corporation	15
Shandong Shenggong Testing Technology Co., Ltd	15
Sinopec Zhongyuan Petroleum Engineering Corporation	15
Sinopec 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
Beijing Shihua Shuzhi Technology Co., Ltd.	20

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%.

Beijing Shihua Shuzhi Technology Co., Ltd., a subsidiary of the Group, meets the criteria for a small low-profit enterprise. In accordance with the Announcement of the Ministry of Finance and the State Taxation Administration on Relevant Tax and Fee Policies to Further Support the Development of Small and Micro Enterprises and Individual Industrial and Commercial Households (Announcement No. 12 of 2023), for small low-profit enterprises, from January 1, 2023 to December 31, 2027, taxable income shall be computed at a reduced rate of 25%, and enterprise income tax shall be paid at a tax rate of 20%.

Section VIII Financial Reports

5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

5.1 Monetary funds

Item	Balance as at December 31, 2025	Balance as at December 31, 2024
Cash on hand	1,131	1,100
Cash at banks	3,795,501	3,075,742
Cash in finance companies	1,211,125	571,672
Other monetary funds	456	
Total	5,008,213	3,648,514
Including: Amount deposited abroad	3,267,752	1,246,613

As at December 31, 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 December 31, 2025	Balance as at December 31, 2024
Guarantee deposit	27,983	25,850
Frozen and pledged deposits	67,219	74,650
Time deposit	62,452	3,248
Security and Civilized Construction Deposit	11,759	11,634
Land Reclamation Deposit	131,097	78,769
Other	43,657	12,965
Total	344,167	207,116

As at December 31, 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 December 31, 2025	Balance as at December 31, 2024
Within 1 year	10,546,327	12,680,660
Including: Not overdue	8,794,248	9,083,512
Overdue – Within 1 year	1,752,079	3,597,148
1 – 2 years	525,990	506,178
2 – 3 years	162,185	191,030
3 – 4 years	83,570	67,742
4 – 5 years	46,835	106,322
Over 5 years	1,378,734	1,531,755
Sub-total	12,743,641	15,083,687
Less: provision for bad debts	1,569,073	1,788,860
Total	11,174,568	13,294,827

Section VIII 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 December 31, 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	661,056	5.19	661,056	100.00		748,668	4.96	748,668	100.00	
Provision for bad debts made by portfolio	12,082,585	94.81	908,017	7.52	11,174,568	14,335,019	95.04	1,040,192	7.26	13,294,827
Including:										
Related-party portfolio	6,050,218	47.48	55,945	0.92	5,994,273	7,628,930	50.58	62,360	0.82	7,566,570
Non-related-party portfolio	6,032,367	47.33	852,072	14.13	5,180,295	6,706,089	44.46	977,832	14.58	5,728,257
Total	12,743,641	100.00	1,569,073		11,174,568	15,083,687	100.00	1,788,860		13,294,827

Provision made on an individual basis:

Item	Balance as at December 31, 2025				Reason for provision
	Book balance	Provision for bad debts	Proportion of provision (%)		
Entity I	573,850	573,850	100.00		The debtor is short of funds and the funds have not been recovered for a long time.
Entity II	46,819	46,819	100.00		The debtor is short of funds and the funds have not been recovered for a long time.
Entity III	27,981	27,981	100.00		The debtor is short of funds and the funds have not been recovered for a long time.
Entity IV	9,382	9,382	100.00		The debtor is short of funds and the funds have not been recovered for a long time.
Entity V	3,024	3,024	100.00		The debtor is short of funds and the funds have not been recovered for a long time.
Total	661,056	661,056			

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

Provision by portfolio:

Item	Balance as at December 31, 2025		
	Accounts receivable	Provision for bad debts	Proportion of provision (%)
Accounts receivable from related-party clients	6,050,218	55,945	0.92
Accounts receivables from non-related-party clients	6,032,367	852,072	14.13
Total	12,082,585	908,017	

Section VIII 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 December 31, 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	5,611,469	18,439	0.33	7,232,824	25,744	0.36
Including:						
Not overdue	4,962,170	14,886	0.30	6,175,382	18,526	0.30
Overdue – Within 1 year	649,299	3,553	0.55	1,057,442	7,218	0.68
1 – 2 years	317,678	12,290	3.87	236,369	8,973	3.80
2 – 3 years	58,698	4,109	7.00	111,091	8,065	7.26
3 – 4 years	37,478	6,404	17.09	15,119	2,328	15.40
4 – 5 years	6,732	2,487	36.94	13,328	4,583	34.39
Over 5 years	18,163	12,216	67.26	20,199	12,667	62.71
Total	6,050,218	55,945	0.92	7,628,930	62,360	0.82

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

Category	Balance as at December 31, 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	4,934,858	28,396	0.58	5,447,836	48,706	0.89
Including:						
Not overdue	3,832,078	11,497	0.30	2,908,130	8,725	0.30
Overdue – Within 1 year	1,102,780	16,899	1.53	2,539,706	39,981	1.57
1 – 2 years	208,312	30,782	14.78	269,809	40,219	14.91
2 – 3 years	103,487	38,934	37.62	79,939	30,658	38.35
3 – 4 years	46,092	24,009	52.09	52,623	26,788	50.91
4 – 5 years	40,103	30,436	75.89	92,994	68,573	73.74
Over 5 years	699,515	699,515	100.00	762,888	762,888	100.00
Total	6,032,367	852,072	14.13	6,706,089	977,832	14.58

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 December 31, 2025
		Provision	Recovery or reversal	Write-off or charge-off	Other decreases	
Provision for bad debts	1,788,860	-38,992	98,226	59,742	22,827	1,569,073
Total	1,788,860	-38,992	98,226	59,742	22,827	1,569,073

Among them, the amount of bad debt provision recovery or reversal in the current period is significant:

Company name	Recovery or reversal amount	Reason for transfer or withdrawal	Recovery method
Company A	68,142	Partial recovery	Cash recovery
Company B	20,384	Partial recovery	Cash recovery
Company C	9,700	Partial recovery	Cash recovery
total	98,226		

Section VIII Financial Reports

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

5.2 Accounts receivable (Continued)

5.2.4 Accounts receivable actually charged off in the current period

Accounts receivable of RMB59,742,000 has been charged off in the year.

5.2.5 Top 5 of accounts receivable as at December 31, 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	5,196,220	8,851,231	14,047,451	47.03	82,073
Entity 2	772,798	1,858,181	2,630,979	8.81	13,071
Entity 3	573,850		573,850	1.92	573,850
Entity 4	473,363	548,409	1,021,772	3.42	3,051
Entity 5	320,778	110,597	431,375	1.44	1,290
Total	7,337,009	11,368,418	18,705,427	62.62	673,335

5.3 Receivables financing

5.3.1 Breakdowns of receivables financing

Item	Balance as at December 31, 2025	Balance as at December 31, 2024
Notes receivable	4,029,320	2,539,690
Digitize accounts receivable vouchers	36	17,621
Total	4,029,356	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 December 31, 2025, the notes receivable endorsed or discounted but not matured amounted to RMB6,724,355,000 (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 December 31, 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.

5.4 Advances to suppliers

5.4.1 Presentation of advances to suppliers by aging

Aging	Balance as at December 31, 2025		Balance as at December 31, 2024	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	497,809	96.82	585,163	98.22
1 – 2 years	15,427	3.00	9,600	1.61
2 – 3 years	466	0.09	105	0.02
Over 3 years	451	0.09	879	0.15
Sub-total	514,153	100.00	595,747	100.00
Less: Provision for bad debts				
Total	514,153		595,747	

Section VIII Financial Reports

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

5.4 Advances to suppliers (Continued)

5.4.2 Top 5 of advances to suppliers as at December 31, 2025, collected by supplier

The sum amount of top 5 of accounts receivable as at December 31, 2025, presented by debtor was RMB279,003,000, accounting for 54.27% of the total ending balance of advances to suppliers.

5.5 Other receivables

Item	Balance as at December 31, 2025	Balance as at December 31, 2024
Dividends receivable	469	424
Other receivables	2,415,717	2,848,055
Total	2,416,186	2,848,479

5.5.1 Dividends receivable

(1) Details of dividends receivable

Project (or investee)	Balance as at December 31, 2025	Balance as at December 31, 2024
Qianjiang Hengyun Motor Vehicle Comprehensive Performance Inspection & Testing Co., Ltd.	469	424
Sub-total	469	424
Less: provision for bad debts		
Total	469	424

5.5.2 Other receivables

(1) Disclosure of other receivables by aging

Aging	Balance as at December 31, 2025	Balance as at December 31, 2024
Within 1 year	1,948,391	2,347,286
1 – 2 years	142,794	180,351
2 – 3 years	95,685	158,275
3 – 4 years	105,685	93,483
4 – 5 years	73,690	38,154
Over 5 years	560,521	573,407
Sub-total	2,926,766	3,390,956
Less: provision for bad debts	511,049	542,901
Total	2,415,717	2,848,055

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

Category	Balance at December 31, 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	2,097	194	1,903	1,642	224	1,418
Security deposit	1,169,777	59,175	1,110,602	1,743,401	106,523	1,636,878
Advance money for the Company	776,987	173,337	603,650	697,282	172,306	524,976
Suspense payment	528,060	215,720	312,340	600,190	219,766	380,424
Escrow payment	4,808	1,671	3,137	4,770	125	4,645
Deposit	26,765	3,822	22,943	29,145	3,963	25,182
Export rebates receivable	16,909	336	16,573	1,222	32	1,190
Others	401,363	56,794	344,569	313,304	39,962	273,342
Total	2,926,766	511,049	2,415,717	3,390,956	542,901	2,848,055

Section VIII Financial Reports

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

5.5 Other receivables (Continued)

5.5.2 Other receivables (Continued)

(3) Details of provision for bad debts

Provision for bad debts at stage I as at December 31, 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	2,308,034	1.61	37,181	2,270,853
– Imprest	1,903			1,903
– Margin and deposit	1,144,387	1.23	14,120	1,130,267
– Other receivables	1,161,744	1.99	23,061	1,138,683
Total	2,308,034		37,181	2,270,853

Provision for bad debts at stage II as at December 31, 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	152,570	7.23	11,029	141,541
– Imprest				
– Margin and deposit				
– Other receivables	152,570	7.23	11,029	141,541
Total	152,570		11,029	141,541

Provision for bad debts at stage III as at December 31, 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	466,162	99.29	462,839	3,323
– Imprest	194	100.00	194	
– Margin and deposit	52,155	93.71	48,877	3,278
– Other receivables	413,813	99.99	413,768	45
Total	466,162		462,839	3,323

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

Provision for bad debts	Stage I Expected credit loss in future 12 months	Stage II Expected credit loss in the whole duration (without credit impairment)	Stage III Expected credit loss in the whole duration (with credit impairment)	Total
Balance as at December 31, 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	28,228	273	44,190	72,691
Reversal in the current period	38,211		67,536	105,747
Write-off in the current period			5,116	5,116
Other changes	-542	-124	-5,654	-6,320
Balance as at December 31, 2025	37,181	11,029	462,839	511,049

Section VIII Financial Reports

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

5.5 Other receivables (Continued)

5.5.2 Other receivables (Continued)

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

Other receivables of RMB5,116,000 has been charged off in the year.

(6) Top 5 of other receivables as at December 31, 2025, presented by debtor

Company name	Nature	Balance as at December 31, 2025	Aging	Proportion in the total balance of other receivables as at December 31, 2025 (%)	Balance of provision for bad debts as at December 31, 2025
National Petroleum and Natural Gas Pipeline Network Group Co., Ltd.	Security deposits Advance payment	576,637	Within 1 year and Over 5 years	19.70	12,019
China Petrochemical Corporation	Security deposits Advance payment	189,256	Within 1 year and Over 5 years	6.47	2,333
Xinjiang Qixing Construction Group Co., Ltd.	Security deposits Advance payment	166,288	Over 5 years	5.68	166,288
SAUDI ARABIAN OIL CO. (SAUDI ARAMCO)	Suspense payment	163,443	Within 1 year	5.58	3,244
Sinopec International Petroleum Engineering Mexico DS Joint Venture	Disbursements	152,570	Within 1 year and Over 5 years	5.21	11,029
Total		1,248,194		42.64	194,913

5.6 Inventories

5.6.1 Classification of inventories

Item	Balance as at December 31, 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	804,607	9,978	794,629	800,380	14,824	785,556
Revolving materials	62,981		62,981	33,732		33,732
Goods in process	3,798	1,671	2,127	3,852	1,671	2,181
Stock commodities	159,473	797	158,676	92,857	797	92,060
Contract performance cost	106,592		106,592	95,972		95,972
Total	1,137,451	12,446	1,125,005	1,026,793	17,292	1,009,501

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 December 31, 2025
		Provision	Others	Reversal or write-off	Others	
Raw materials	14,824			4,846		9,978
Goods in process	1,671					1,671
Stock commodities	797					797
Total	17,292			4,846		12,446

Section VIII 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 December 31, 2025			Balance as at December 31, 2024		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Contract assets	17,124,416	58,454	17,065,962	16,821,077	57,323	16,763,754
Total	17,124,416	58,454	17,065,962	16,821,077	57,323	16,763,754

The petroleum engineering technology services provided by the Group are usually settled in stages according to the completion schedule agreed in the contract, and the project payment will be collected 30 – 180 days after the settlement via making out an invoice. Engineering construction business will reserve quality guarantee as 5% of progress billings, and have an unconditional right to receive the guarantee after guarantee period.

5.7.2 Amounts with and reasons for significant changes in book values during the reporting period

During the current period, there was no significant change in contract assets caused by the accumulated and additional adjustment to revenues.

5.7.3 Disclosure by category of contract assets based on the provision method for impairment

Category	Balance as at December 31, 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	0.08	6,783	50.00	6,783	13,566	0.08	6,783	50.00	6,783
Provision for impairment made by portfolios	17,110,850	99.92	51,671	0.30	17,059,179	16,807,511	99.92	50,540	0.30	16,756,971
Including:										
Petroleum Engineering	8,948,317	52.25	26,564	0.30	8,921,753	8,587,026	51.05	25,719	0.30	8,561,307
Construction and Engineering	8,162,533	47.67	25,107	0.31	8,137,426	8,220,485	48.87	24,821	0.30	8,195,664
Total	17,124,416	100.00	58,454		17,065,962	16,821,077	100.00	57,323		16,763,754

5.7.4 The contract assets actually written off in the current period

There were no actual write-offs of contract assets during the year.

5.8 Other current assets

Item	Balance as at December 31, 2025	Balance as at December 31, 2024
Value-added tax retained	1,033,485	969,601
Input VAT to be certified	103,880	84,727
Value-added tax prepaid	1,752,315	1,504,051
Enterprise income tax prepaid	121,262	58,456
Total	3,010,942	2,616,835

Section VIII Financial Reports

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

5.9 Long-term equity investments

5.10.1 The situation of long-term equity investments

Investee	Balance as at December 31, 2024	Ending balance of impairment provisions at the end of last year	Increase/decrease in the current period								Balance as at December 31, 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	Other changes in equity	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			8,952				-36				
EBAPAN,S.A.DEC.V	1,549				721						2,270	
Sinopec International Petroleum Engineering Mexico DS Joint Venture	202,198	274,419			-51,298	-47,177					103,723	274,419
Sub-total	212,735	274,419		8,952	-50,577	-47,177	-36				105,993	274,419
2. Associates												
Hua Bei Ruida Oil Service Company Limited ("Ordos North")	11,432				3,852			-2,800			12,484	
Xinjiang North China Tianxiang Oil Service Company Limited ("Xinjiang North")	3,998				1,796			-1,100			4,694	
Qianjiang HengYun Comprehensive Vehicle Performance Inspecting Company Limited	1,828				521			-469			1,880	
Zhenjiang Huajiang Oil and Gas Engineering Technology Service Co., Ltd	2,574				373			-278			2,669	
Henan Zhongyuan Oil & Gas Technology Service Co., Ltd	2,627				262			-53			2,836	
Henan Zhongyou Oil & Gas Technology Service Co., Ltd	9,523				3,330			-5,722			7,131	
Beijing Masonry Intelligent Control Technology Co., Ltd	6,834				497		408				7,739	
Sub-total	38,816				10,631		408	-10,422			39,433	
Total	251,551	274,419		8,952	-39,946	-47,177	372	-10,422			145,426	274,419

5.10 Investment in other equity instruments

5.10.1 Details of investment in other equity instruments

Item	Balance as at 2024-12-31	Gains included in other comprehensive income for the period	Losses included in other comprehensive income for the period	Balance as at December 31, 2025	Dividend income recognized in the current 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	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	148		10,544	1,000	6,408		The shareholding ratio is no significant to have a significant impact.
Sinopec Carbon Industry Technology Co., Ltd.	127,045		1,755	125,290	2,023	218		The shareholding ratio is no significant to have a significant impact.
Total	137,441	148	1,755	135,834	3,023	6,626		

5.11 Fixed assets

5.11.1 Fixed assets and disposal of fixed assets

Item	Balance as at December 31, 2025	Balance as at December 31, 2024
Fixed assets	23,710,775	24,153,815
Disposal of fixed assets	92,392	84,999
Total	23,803,167	24,238,814

Section VIII 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
1. Original book value			
(1) Balance as at December 31, 2024	1,737,000	66,105,659	67,842,659
(2) Increase in the current period	43,177	2,680,678	2,723,855
– Purchase		20,333	20,333
– Transferred from construction in progress	43,177	2,660,345	2,703,522
(3) Decrease in the current period	33,198	2,374,712	2,407,910
– Disposal or retirement	33,198	2,374,712	2,407,910
(4) Balance as at December 31, 2025	1,746,979	66,411,625	68,158,604
2. Accumulated depreciation			
(1) Balance as at December 31, 2024	800,144	41,940,704	42,740,848
(2) Increase in the current period	58,472	2,871,330	2,929,802
– Provision	58,472	2,871,330	2,929,802
(3) Decrease in the current period	23,133	2,080,059	2,103,192
– Disposal or retirement	23,133	2,080,059	2,103,192
(4) Balance as at December 31, 2025	835,483	42,731,975	43,567,458
3. Provision for impairment			
(1) Balance as at December 31, 2024	654	947,342	947,996
(2) Increase in the current period			
(3) Decrease in the current period		67,625	67,625
– Disposal or retirement		67,625	67,625
(4) Balance as at December 31, 2025	654	879,717	880,371
4. Book value			
(1) Book value as at December 31, 2025	910,842	22,799,933	23,710,775
(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 19 premises without qualified ownership certificates up to December 31, 2025, totaling amount in cost of RMB190,167,000, in accumulated depreciation of RMB53,109,000 and net book value of RMB137,058,000.

5.11.4 Disposal of fixed assets

Item	Balance as at December 31, 2025	Balance as at December 31, 2024
Equipment	92,392	84,999
Total	92,392	84,999

Section VIII 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 December 31, 2025	Balance as at December 31, 2024
Construction in progress	622,528	793,261
Engineer material	6,170	226
Total	628,698	793,487

5.12.2 Details of construction in progress

Item	Balance as at December 31, 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
Major Materials and equipment procurement projects	622,528		622,528	789,373		789,373
Other construction projects				3,500		3,500
Total	622,528		622,528	796,763	3,502	793,261

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, 2025	Proportion of accumulated project investments in budget amount (%)	Project progress	Accumulated capitalized amount of interest	Source of funds
Drilling Rig Renewal and Retrofit	712,561	87,583	446,459	413,450		120,592	93.58	93.58		Self-financing and loans
Project for Procurement of Small-Scale Production Equipment	290,556	13,249	265,666	239,039	5,281	34,595	99.37	99.37		Combination of Self-raised Funds and Loans
Project for Procurement of Automated Pipe String Equipment	198,070		197,078	158,668		38,410	99.76	99.76		Self-financing in full
Renewal of Off-Road Mobile Machinery	192,008		186,191	162,053		24,138	96.97	96.97		Self-financing in full
2025 Construction Equipment Procurement Project of Saudi Project Management Department	155,500		155,228	155,228			99.83	100.00		Self-financing in full
Procurement Project of Geophysical Production Supporting Equipment	216,450	20,290	142,862	163,152			75.38	100.00		Self-financing in full
Drilling Rig Renewal and Retrofit in Kuwait	319,890	127,192	130,581	246,640		11,133	86.41	86.41		Combination of Self-raised Funds and Loans
Workover Rig Renewal and Retrofit	204,495	95,575	93,184	139,486		49,273	91.57	91.57		Self-financing in full
Baniadul Project in Ecuador	82,000	1,014	81,420		80,707	1,727	99.29	99.29		Self-financing in full
Procurement of Azimuthal Rotary Steerable Instruments	67,500		67,500	67,500			100.00	100.00		Self-financing in full
Total		344,903	1,766,169	1,745,216	85,988	279,868				

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

5.13 Right-of-use assets

Item	Land	Buildings and Structures	Equipment and others	Total
1. Original book value				
(1) Balance as at December 31, 2024	151,277	1,178,672	425,280	1,755,229
(2) Increase in the current period	60,375	470,508	256,240	787,123
– Newly-added leases	51,312	439,486	243,145	733,943
– Adjustment of lease liabilities	9,063	31,022	13,095	53,180
(3) Decrease in the current period	74,951	492,001	127,765	694,717
– Write-off or early termination	68,713	482,572	127,737	679,022
– Adjustment of lease liabilities	6,238	9,429	28	15,695
(4) Balance as at December 31, 2025	136,701	1,157,179	553,755	1,847,635
2. Accumulated depreciation				
(1) Balance as at December 31, 2024	97,496	791,772	245,548	1,134,816
(2) Increase in the current period	45,628	371,653	199,064	616,345
– Depreciation	45,628	371,653	199,064	616,345
(3) Decrease in the current period	67,872	471,430	125,770	665,072
– Write-off or early termination	67,872	471,430	125,770	665,072
(4) Balance as at December 31, 2025	75,252	691,995	318,842	1,086,089
3. Provision for impairment				
4. Book value				
(1) Book value as at December 31, 2025	61,449	465,184	234,913	761,546
(2) Book value as at December 31, 2024	53,781	386,900	179,732	620,413

Other description: As at December 31, 2025, the lease expenses recognized by the Group and relevant to the short-term lease and low-value assets lease amounted to RMB2,438,114,000.

Section VIII 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
1. Original book value					
(1) Balance as at December 31, 2024	164,176	339,504	996,100	73,942	1,573,722
(2) Increase in the current period	11,383	22,929	80,678	7,699	122,689
– Purchase		30		7,699	7,729
– Complete of construction	11,383	22,899	80,678		114,960
(3) Decrease in the current period					
(4) Balance as at December 31, 2025	175,559	362,433	1,076,778	81,641	1,696,411
2. Accumulated amortization					
(1) Balance as at December 31, 2024	41,752	215,553	830,670	61,521	1,149,496
(2) Increase in the current period	4,089	43,939	125,036	8,059	181,123
– Provision	4,089	43,939	125,036	8,059	181,123
(3) Decrease in the current period					
(4) Balance as at December 31, 2025	45,841	259,492	955,706	69,580	1,330,619
3. Provision for impairment					
4. Book value					
(1) Book value as at December 31, 2025	129,718	102,941	121,072	12,061	365,792
(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 December 31, 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 RMB2,784,000, and the net book value was RMB3,767,000.

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 December 31, 2025
Special tools for petroleum engineering	5,387,973	1,709,162	2,041,082	20,369	5,035,684
Other tools for petroleum engineering	1,111,315	928,443	913,851	7,110	1,118,797
Camping house	650,728	194,795	278,933	5,932	560,658
Other long-term deferred expenses	58,884	11,949	9,997		60,836
Total	7,208,900	2,844,349	3,243,863	33,411	6,775,975

Section VIII Financial Reports

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

5.16 Deferred income tax assets and deferred income tax liabilities

5.16.1 Deferred income tax assets without offset

Item	Balance as at December 31, 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	881,520	144,309	960,200	156,372
Provision for bad debts	585,241	97,127	683,645	112,977
Deferred income	18,788	2,818	10,966	1,645
Deductible loss	293,808	44,071	354,178	53,127
Lease liabilities	641,709	104,046	513,176	82,358
Subtotal	2,421,066	392,371	2,522,165	406,479
Net-off amount of deferred income tax assets and liabilities	611,111	98,601	480,979	76,174
Total	1,809,955	293,770	2,041,186	330,305

5.16.2 Deferred income tax liabilities before offset

Item	Balance as at December 31, 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	441,000	66,150	502,624	75,394
Changes in fair value through other comprehensive income	8,834	2,208	10,441	2,610
Right-of-use assets	611,392	98,649	481,356	76,235
Subtotal	1,061,226	167,007	994,421	154,239
Net-off amount of deferred income tax assets and liabilities	611,111	98,601	480,979	76,174
Total	450,115	68,406	513,442	78,065

5.16.3 Details of unrecognized deferred income tax assets

Item	Balance as at December 31, 2025	Balance as at December 31, 2024
Deductible temporary differences	1,888,420	2,181,353
Deductible losses	14,748,236	14,976,406
Total	16,636,656	17,157,759

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

Year	Balance as at December 31, 2025	Balance as at December 31, 2024	Remark
Year 2025		355,367	
Year 2026	8,730,617	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	2,929,920	2,725,597	
Total	14,748,236	14,976,406	

Section VIII Financial Reports

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

5.17 Short-term borrowings

5.17.1 Classification of short-term borrowings

Item	Currency	Balance as at December 31, 2025	Balance as at December 31, 2024
Credit loans from related parties	RMB	22,690,000	22,690,000
accrued interest	RMB	14,813	23,925
Supplier financing amounts transferred to short-term loans	RMB	5,606,231	156,524
Total		28,311,044	22,870,449

Description:

As at December 31, 2025, the Group has no overdue short-term borrowings.

As at December 31, 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 December 31, 2025	Balance as at December 31, 2024
Bank acceptance bill	54,587	3,384,091
Finance company acceptance bill	1,718,463	
Commercial acceptance bill		3,678
Total	1,773,050	3,387,769

At the end of the current period, there were neither notes payable due but not paid, nor notes payable with bank deposits pledged.

5.19 Accounts payable

5.19.1 Presentation of accounts payable

Item	Balance as at December 31, 2025	Balance as at December 31, 2024
Payables for materials	5,380,947	6,609,501
Payables for construction	6,042,093	7,417,200
Payable for labour cost	7,239,316	8,892,165
Payables for equipment	3,606,115	4,427,808
Others	748,482	919,372
Total	23,016,953	28,266,046

5.19.2 Significant accounts payable with aging over one year

Item	Balance as at December 31, 2025	Reason for no payment or carry-forward
Entity 1	36,967	Unsettled payment
Entity 2	2,009	Unsettled payment
Total	38,976	

Section VIII Financial Reports

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

5.20 Contract liabilities

Item	Balance as at December 31, 2025	Balance as at December 31, 2024
Petroleum Engineering	2,916,335	2,820,056
Construction Engineering	4,701,366	5,089,861
Total	7,617,701	7,909,917

In the current period, revenue recognized based on the contract liabilities at the beginning of the current period amounted to RMB5,846,839,000.

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 December 31, 2025
Short term employee benefits	717,301	16,260,171	16,392,985	584,487
Post-employment benefits	1,735	2,340,065	2,340,547	1,253
Termination benefits		31,697	31,697	
Total	719,036	18,631,933	18,765,229	585,740

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 December 31, 2025
(1) Wages or salaries, bonuses, allowances and subsidies	522,626	10,689,165	10,803,641	408,150
(2) Staff welfare		1,125,316	1,125,316	
(3) Social security contributions	14,455	1,238,504	1,245,641	7,318
Including: 1. Basic medical insurance	14,365	1,041,274	1,048,873	6,766
2. Work-related injury insurance	65	81,345	81,338	72
3. Birth insurance	25	31,784	31,807	2
4. Other insurance		84,101	83,623	478
(4) Housing funds	1,444	1,164,017	1,165,431	30
(5) Labor union and employee education funds	173,453	326,543	336,604	163,392
(6) Others	5,323	1,716,626	1,716,352	5,597
Total	717,301	16,260,171	16,392,985	584,487

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 December 31, 2025
Basic pension insurance	1,282	1,506,608	1,506,674	1,216
Unemployment insurance	40	61,916	61,919	37
Annuity	413	771,541	771,954	
Total	1,735	2,340,065	2,340,547	1,253

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 RMB31,697,000 compensation to the resigning employee for terminating labor relation.

Section VIII 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 December 31, 2025	Balance as at December 31, 2024
VAT	558,240	474,306
Corporate income tax	129,990	135,592
Urban maintenance and construction tax	36,339	35,074
House property tax	1,458	1,588
Land use tax	10,704	11,278
Individual income tax	183,886	197,652
Education surtax	22,891	22,169
Other taxes	71,525	87,420
Total	1,015,033	965,079

5.23 Other payables

Item	Balance as at December 31, 2025	Balance as at December 31, 2024
Other payables	3,452,203	3,712,039
Total	3,452,203	3,712,039

5.23.1 Other payables

(1) Presentation of other payables by nature

Item	Balance as at December 31, 2025	Balance as at December 31, 2024
Guarantee	1,043,411	1,145,101
Deposit	101,803	172,753
Amount paid on behalf	727,824	865,540
Temporary receipts	591,152	531,755
Escrow payments	28,084	33,876
Withheld payments	51,387	53,179
Others	908,542	909,835
Total	3,452,203	3,712,039

(2) Material other payables with aging over one year or overdue

As at December 31, 2025, other payables with aging over one year amounted to RMB467,008,000 (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 VIII 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 December 31, 2025	Balance as at December 31, 2024
Current portion of long-term debt	20,619	
Current portion of long-term payables	30,150	
Lease liabilities within one year	353,608	272,460
Current portion of estimated liabilities	2,519	
Total	406,896	272,460

5.25 Long-term borrowings

Item	Balance as at December 31, 2025	Interest rate period	Balance as at December 31, 2024	Interest rate period
Loans on credit	1,116,458	0.74%-2.34%		
Subtotal	1,116,458			
Less: Current portion of long-term debt	20,619			
Total	1,095,839			

The Group has no overdue long-term borrowings payable.

5.26 Lease liabilities

Item	Balance as at December 31, 2025	Balance as at December 31, 2024
Land and housing	476,042	393,882
Equipment and others	230,167	182,911
Sub-total	706,209	576,793
Less: Lease liabilities within one year	353,608	272,460
Total	352,601	304,333

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

5.27 Long-term payables

Item	Balance as at December 31, 2025	Balance as at December 31, 2024
Long-term payables	120,556	90,987
Total	120,556	90,987

5.27.1 Long-term payables

Item	Balance as at December 31, 2025	Balance as at December 31, 2024
lease liabilities	30,150	
Other long-term payables	120,556	90,987
Sub-total	150,706	90,987
Less: Long-term payables within one year	30,150	
Total	120,556	90,987

5.28 Estimated liabilities

Item	Balance as at December 31, 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	82	1,412	Expected loss of construction contract
Estimated foreign tax expenses	37,060	37,060	Estimated tax expense
Total	88,829	90,365	

5.29 Deferred income

Item	Balance as at December 31, 2024	Increase in current period	Decrease in current period	Balance as at December 31, 2025	Forming reason
Government grants	24,758	171,999	112,717	84,040	Government grants received
Total	24,758	171,999	112,717	84,040	

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 December 31, 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
Total	18,979,412			-22,366		-22,366	18,957,046

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

5.30 Share capital (Continued)

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
Total	18,984,340			-4,928		-4,928	18,979,412

The decrease in RMB-denominated ordinary shares (A Shares) was due to the Company repurchasing 22,366,200 A Shares through centralized competitive bidding transactions, and the deregistration procedures for the repurchased shares were completed with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited on 6 June 2025.

5.31 Capital reserves

Current Period

Item	Balance as at December 31, 2024	Increase in current period	Decrease in current period	Balance as at December 31, 2025
Share premium	11,652,483		19,603	11,632,880
Other capital reserves	67,969	409		68,378
Total	11,720,452	409	19,603	11,701,258

Prior Period

Item	Balance as at December 31, 2023	Increase in current period	Decrease in current period	Balance as at December 31, 2024
Share premium	11,649,804	2,679		11,652,483
Other capital reserves	67,969			67,969
Total	11,717,773	2,679		11,720,452

5.32 Other comprehensive income

Item	Balance as at December 31, 2024	Current period						Balance as at December 31, 2025
		Pre-tax amount incurred in current period	Less: the amount included in other comprehensive income in prior period and transferred to current profits or losses	Less: income tax expenses	Amount after tax attributable to the parent company	Amount after tax attributable to minority shareholders	Less: Other comprehensive income is transferred to retained earnings in the current period	
1. Other comprehensive income that cannot be reclassified into profit or loss	7,831	-1,607		-402	-1,205			6,626
Including: changes in the fair value of other equity instruments investment	7,831	-1,607		-402	-1,205			6,626
2. Other comprehensive income that will be reclassified into profit or loss	22,362	-47,177			-47,177			-24,815
Including: other comprehensive income from transferable gains or losses under the equity method	22,362	-47,177			-47,177			-24,815
Total of other comprehensive income	30,193	-48,784		-402	-48,382			-18,189

Net other comprehensive income after tax for the period was RMB-48,382,000. Among them, the net after-tax amount of other comprehensive income attributable to shareholders of the parent company was RMB-48,382,000 for the period.

Section VIII Financial Reports

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

5.33 Special reserves

Item	Balance as at December 31, 2024	Increase in current period	Decrease in current period	Balance as at December 31, 2025
Production safety fund	302,874	1,183,966	1,147,263	339,577
Total	302,874	1,183,966	1,147,263	339,577

For the year 2025, the Group accrued production safety fees of RMB1,183,966,000 in accordance with relevant national regulations, which were included in the production costs of the relevant products for the current period and recorded in special reserves at the same time.

During the year 2025, the Group utilized a total of RMB1,147,263,000 of the accrued production safety fees, all of which were revenue expenditures.

5.34 Surplus reserves

Item	Balance as at December 31, 2024	Increase in current period	Decrease in current period	Balance as at December 31, 2025
Statutory surplus reserves	200,383			200,383
Total	200,383			200,383

5.35 Retained earnings

Item	Current period	Prior period	Withdrawal or distribution proportion
Undistributed profit at the beginning of the year	-22,584,512	-23,215,761	
Plus: net profit attributable to owners of the parent company in the period	658,841	631,606	
Other comprehensive income carried forward to retained earnings		-357	
Retained earnings as at the end of the period	-21,925,671	-22,584,512	
Including: the amount of the surplus reserve withdrawn by subsidiaries in the year attributable to the parent company	32,914	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	79,393,250	73,287,741	79,997,739	74,022,836
Other business	1,318,928	871,112	1,098,439	739,462
Total	80,712,178	74,158,853	81,096,178	74,762,298

Section VIII Financial Reports

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

5.36 Revenue and cost of sales (Continued)

5.36.2 Revenue from contracts

The Group has six reportable segments, they are geophysics, drilling engineering, logging, and mud logging, special down-hole operations, engineering construction and others. The Group expects that classify and disclose revenue according to customer type, major business area and revenue recognition time can reflect the impact of relevant economic factors on the nature, amount, time distribution and uncertainty of enterprise income and cash flow.

The current revenue breakdown information is as follows:

Contract segments (Amount of current period)	Geophysics	Drilling engineering	Logging and mud logging	Special down-hole operations	Engineering construction	Others	Total
Main business premise							
Mainland China	3,996,970	25,660,852	3,707,829	9,597,118	15,017,960	1,398,894	59,379,623
Other countries or regions	1,718,408	11,188,881	91,252	1,369,011	5,618,762	27,313	20,013,627
Total	5,715,378	36,849,733	3,799,081	10,966,129	20,636,722	1,426,207	79,393,250
Client type							
Related parties	3,219,683	23,960,334	3,038,378	9,141,248	11,771,792	291,686	51,423,121
Third party	2,495,695	12,889,399	760,703	1,824,881	8,864,930	1,134,521	27,970,129
Total	5,715,378	36,849,733	3,799,081	10,966,129	20,636,722	1,426,207	79,393,250
Recognition time of revenue							
Goods (recognised at a point of time)					44,688	388,734	433,422
Service (recognised over time)	5,715,378	36,849,733	3,799,081	10,966,129	20,592,034	1,037,473	78,959,828
Total	5,715,378	36,849,733	3,799,081	10,966,129	20,636,722	1,426,207	79,393,250

Contract segments (Amount of previous period)	Geophysics	Drilling engineering	Logging and mud logging	Special down-hole operations	Engineering construction	Others	Total
Main business premise							
Mainland China	4,138,953	27,792,057	3,509,117	9,749,150	15,245,439	1,458,230	61,892,946
Other countries or regions	1,760,227	12,386,286	82,896	1,216,229	2,564,381	94,774	18,104,793
Total	5,899,180	40,178,343	3,592,013	10,965,379	17,809,820	1,553,004	79,997,739
Client type							
Related parties	3,308,257	25,077,301	3,119,886	8,766,925	11,686,388	470,434	52,429,191
Third party	2,590,923	15,101,042	472,127	2,198,454	6,123,432	1,082,570	27,568,548
Total	5,899,180	40,178,343	3,592,013	10,965,379	17,809,820	1,553,004	79,997,739
Recognition time of revenue							
Goods (recognised at a point of time)		2,377		924	37,383	523,358	564,042
Service (recognised over time)	5,899,180	40,175,966	3,592,013	10,964,455	17,772,437	1,029,646	79,433,697
Total	5,899,180	40,178,343	3,592,013	10,965,379	17,809,820	1,553,004	79,997,739

5.36.3 Notes to performance obligations

The Group's accounting policies for revenue is set out in Note 3.23. The Group signs petroleum engineering technical service contracts or construction engineering contracting contracts with customers to provide geophysical, drilling engineering, logging, and mud logging, special down-hole operations and engineering construction, and usually completes labor services or delivers construction within the agreed period. The customer settles the completed workload in installments during the contract performance period and pays the progress payment within 30-180 days after settlement. The final settlement and payment are made after the completion of the project and the completion acceptance.

According to the contractual stipulations and legal provisions, the Group's engineering construction business provides quality assurance for the construction. This type of quality assurance is a guaranteed quality assurance to the customer that the construction meet the established standards and does not constitute an individual performance obligation. The Group accounts in accordance with the accounting policies described in Note 3.23.

The Group determines whether the Group's identity is the major principal or agent when engaging in a transaction based on whether it has control over the goods or services before transferring the goods or services to the customers. If the Group can control the goods or services before transferring goods or services to customers, the Group is the major principal and recognizes revenue according to the total amount received or receivable; otherwise, the Group is an agent and recognizes revenue in accordance with the amount of commission or poundage expected to be recognized. The amount is determined by the net amount of deducting to the payable of other related parties from the total amount received or receivable, or according to the established commission amount or proportion.

Section VIII Financial Reports

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

5.36 Revenue and cost of sales (Continued)

5.36.4 Transaction price allocated to the remaining performance obligations

The Group has entered into engineering service contracts with several customers to provide petroleum engineering technical services and construction contracting services, which are to be performed over a future period of time. These contracts generally constitute a single performance obligation in their entirety. As of December 31, 2025, part of the Group's petroleum engineering technical services and construction projects were still in the course of performance. The total transaction price allocated to the remaining performance obligations amounted to approximately RMB46,417,000,000. Such amount is relevant to the performance progress of each contract and will be recognized as revenue in accordance with the performance progress during the future performance period of each contract.

5.37 Taxes and surcharges

Item	Current period	Prior period
Urban maintenance and construction tax	54,640	52,905
Educational surcharges	44,718	41,285
Overseas taxes and surcharges	172,759	100,847
Property taxes	11,999	10,823
Land use taxes	48,552	51,060
Vehicle and vessel usage tax	7,190	7,287
Stamp duty	29,912	59,052
Others	3,797	2,709
Total	373,567	325,968

5.38 Selling and distribution expenses

Item	Current period	Prior period
Staff costs	58,062	62,314
Depreciation cost	856	630
Expenses for business trips	4,968	4,551
Publicity expenses	310	1,616
Rental expenses	1,216	599
Office expenses	9,331	7,521
Others	7,466	7,254
Total	82,209	84,485

5.39 General and administrative expenses

Item	Current period	Prior period
Repair and maintenance	6,084	63,791
Staff costs	1,577,347	1,636,526
The information system runs maintenance fees	55,797	57,356
Business entertainment	5,186	18,412
Travel expenses	45,108	53,280
Rental expenses	20,678	16,737
Depreciation and amortization	132,357	124,479
Consultation	20,000	22,715
Property insurance	2,643	2,247
Others	422,387	410,116
Total	2,287,587	2,405,659

Section VIII Financial Reports

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

5.40 Research and development expenses

Item	Current period	Prior period
Staff costs	901,746	830,110
Materials costs	990,989	1,062,521
Technical collaboration fee	103,296	82,162
Experimental expenses	16,954	21,738
Depreciation	58,034	53,997
Others	211,793	196,583
Total	2,282,812	2,247,111

5.41 Financial expenses

Item	Current period	Prior period
Interest expenses on borrowings	687,770	710,257
Interest expenses on lease liabilities	43,126	38,997
Interest income	-73,317	-63,109
Exchange losses/(gains)	118,209	-61,836
Bank charges and others	106,790	105,212
Total	882,578	729,521

5.42 Other income

Grant items	Current period	Prior period
National research grants	67,322	20,670
Subsidies of enterprise development	29,123	19,449
Subsidies of stable post	14,589	12,949
Government incentives	1,108	3,817
National research grants	215,146	582
Additional input VAT credit	575	39
Return of individual income tax fee	20	24,939
Self-use refined oil consumption tax refund	4,577	4,947
Total	332,460	87,392

5.43 Investment income

Item	Current period	Prior period
Investment income from Long-term equity calculated by equity method	-39,946	-28,593
Investment income from the disposal of long-term equity investments	9	
Dividend income obtained during the holding period of other equity instrument investments	3,023	500
Investment income from debt restructuring	70,217	28,110
Total	33,303	17

Section VIII Financial Reports

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

5.44 Impairment of credit losses

Item	Current period	Prior period
Losses from impairment of accounts receivable	-137,218	-435,936
Losses from impairment of other receivables	-33,056	-29,849
Total	-170,274	-465,785

5.45 Impairment of assets

Item	Current period	Prior period
Losses from impairment of contract assets	1,131	-138,134
Losses from impairment of inventories		797
Impairment losses on long-term equity investments		274,419
Others		-3,864
Total	1,131	133,218

5.46 Gains from disposal of assets

Item	Current period	Prior period	included in non-recurring gains and losses
Gain on disposal of fixed assets ("-" for losses)	44,464	62,853	44,464
Others	4,618	12,547	4,618
Total	49,082	75,400	49,082

5.47 Non-operating income

Item	Current period	Prior period	Amount included in the current non-recurring profit or loss
Income from waived payables	9,265	31,200	9,265
Compensation received	18,574	7,685	18,574
Penalty income	3,857	3,223	3,857
Gains from assets counts		44	
Insurance compensation	8,293	8,357	8,293
Gain from asset scrap	78,777	77,535	78,777
Other	3,650	4,153	3,650
Total	122,416	132,197	122,416

5.48 Non-operating expenses

Item	Current period	Prior period	Amount included in the current non-recurring profit or loss
Donation	1,289	3,214	1,289
Compensation	24,964	4,053	24,964
Penalty	2,862	3,236	2,862
Non-current assets written off	36,381	29,586	36,381
Expected losses from judicial restructuring		-95,214	
Others	86,190	91,311	86,190
Total	151,686	36,186	151,686

Section VIII Financial Reports

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

5.49 Income tax expenses

5.49.1 Table of income tax expenses

Item	Current period	Prior period
Current tax in accordance with tax laws and related regulations	511,964	439,932
Deferred income tax	27,278	60,985
Total	539,242	500,917

5.49.2 Adjustment process of accounting profits and income tax expenses

Item	Current period
Total profits	1,199,290
Income tax expenses calculated at statutory tax rate	299,822
Effect of different tax rates used by subsidiaries	-66,490
Adjustments of current tax in previous years	9,119
Profit and loss of joint ventures and associates accounted for using the equity method	11,012
Effect of non-deductible costs, expenses, and losses	121,917
Effect of unrecognized deferred income tax assets in prior periods	-27,654
Effect of deductible temporary differences or losses from deferred income tax assets unrecognized in current period	291,701
Tax effect of additional deduction of research and development expenses	-100,185
Income tax expenses	539,242

5.50 Items of statement of cash flows

5.50.1 Cash received from other operating activities

Item	Current period	Prior period
Amount paid on behalf	1,391,940	1,405,500
Government grants	391,742	93,961
Temporary receipt and payment	1,527,193	1,507,283
Guarantee	1,109,138	1,029,924
Compensation	55,901	25,531
Deposits	12,451	10,093
Others	58,470	198,147
Total	4,546,835	4,270,439

5.50.2 Cash paid for other operating activities

Item	Current period	Prior period
Temporary receipt and payment	164,957	163,008
Guarantee	954,569	1,029,924
Integrated service	110,751	109,662
Repair and maintenance expenses	721,110	691,339
Other operating expenses	1,745,846	1,814,066
Others	212,058	112,724
Total	3,909,291	3,920,723

Section VIII Financial Reports

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

5.50 Items of statement of cash flows (Continued)

5.50.3 Cash received from other financing activities

Item	Current period	Prior period
Finance lease liabilities	40,000	
Total	40,000	

5.50.4 Cash paid for other financing activities

Item	Current period	Prior period
Lease payments	492,205	676,704
Notes acceptance fee	807	668
Payment of guarantee and commitment fees	69,498	62,992
Share Repurchase	41,969	3,567
Total	604,479	743,931

5.51 Supplementary information to the statement of cash flows

5.51.1 Supplementary information to the statement of cash flows

Supplementary information	Current period	Prior period
1. Net profits adjusted to cash flows from operating activities		
Net profit	660,048	631,606
Plus: Impairment of credit losses	-170,274	-465,785
Impairment losses on assets	1,131	133,218
Depreciation of fixed assets	2,929,802	3,050,357
Depreciation of right-of-use assets	616,345	627,093
Amortization of intangible assets	181,123	204,029
Amortization of long-term deferred expenses	3,227,403	3,228,352
Losses on disposal of fixed assets, intangible assets, and other long-term assets ("-" for gains)	-49,082	-75,400
Losses from scrapping of fixed assets ("-" for gains)	-42,383	-50,842
Financial expenses ("-" for gains)	826,618	653,975
Investment loss ("-" for gains)	-33,303	-17
Decreases in deferred income tax assets ("-" for increases)	36,535	70,382
Increases in deferred income tax liabilities ("-" for decreases)	-9,257	-9,396
Decreases in inventories ("-" for increases)	-115,504	193,997
Decreases in operating receivables ("-" for increases)	1,019,147	-2,314,847
Increases in operating payables ("-" for decreases)	-2,469,107	-2,764,894
Production safety fund	36,704	-10,974
Net cash flows from operating activities	6,645,946	3,100,854
2. Significant investing and financing activities not involving cash receipts and payments		
3. Net change in cash and cash equivalents		
Ending balance of cash and cash equivalents	4,664,046	3,441,398
Less: beginning balance of cash and cash equivalents	3,441,398	2,788,798
Net increase in cash and cash equivalents	1,222,648	652,600

Section VIII Financial Reports

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

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

5.51.2 Breakdowns of cash and cash equivalents

Item	Balance as at December 31, 2025	Balance as at December 31, 2024
I. Cash	4,664,046	3,441,398
Including: cash on hand	1,131	1,100
Unrestricted bank deposits	4,662,460	3,440,298
Other unrestricted monetary funds	455	
II. Cash equivalents		
III. Ending balance of cash and cash equivalents	4,664,046	3,441,398

5.51.3 Supplier financing arrangements

(1) Terms and conditions of the supplier financing arrangement (e.g. extension of payment terms and provision of guarantees, etc.)

The Company has signed agreements with supply chain financing institutions such as Easy-pec and banks, stipulating that they will provide agency payment and accounts payable factoring services for the Company, and the Company shall pay the actual payments within a certain period of time (usually not more than 18 months) on the actual payment date of the supply chain financing institutions. The financing arrangement is unsecured, pledged, etc.

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

Item	Balance as at December 31, 2025	Balance as at December 31, 2024
Accounts payable	2,258,481	4,613,342
Including: The amount that the supplier has received from the financing provider	2,258,481	4,086,075
Short-term borrowing	5,606,231	156,524
Including: The amount that the supplier has received from the financing provider	5,606,231	156,524

(3) The range of payment due dates

	At December 31, 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	Previous period
The financier pays directly to the vendor's account and shows the change in accounts payable internal merchants	5,606,231	156,524

5.52 Assets with restrictions on the ownership or use right

Item	Book value as at December 31, 2025	Reason for restriction
Cash at bank and on hand	344,167	Guarantee and funds that are blocked frozen
Total	344,167	

Section VIII Financial Reports

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

5.53 Foreign currency monetary items

5.53.1 Foreign currency monetary items

Item	Balance in foreign currency as at December 31, 2025	Exchange rate for conversion	RMB amount translated as at December 31, 2025
Monetary funds			2,602,724
Including: USD	232,701	7.03	1,635,607
KWD	1,845	22.82	42,112
SAR	203,540	1.87	380,221
DZD	512,198	0.05	27,800
Others			516,984
Accounts receivable			3,401,591
Including: USD	312,528	7.03	2,196,699
KWD	13,864	22.82	316,438
SAR	243,951	1.87	455,710
DZD	1,000,271	0.05	54,291
Others			378,453
Other receivables			1,111,300
Including: USD	66,981	7.03	470,793
KWD	13,706	22.82	312,838
SAR	104,434	1.87	195,087
DZD	64,876	0.05	3,521
Others			129,061
Accounts payable			927,327
Including: USD	47,385	7.03	333,061
KWD	2,512	22.82	57,329
SAR	228,419	1.87	426,697
DZD	315,915	0.05	17,147
Others			93,093
Other payables			305,832
Including: USD	20,440	7.03	143,669
KWD	2,134	22.82	48,701
SAR	40,802	1.87	76,219
DZD	265,119	0.05	14,390
Others			22,853

Section VIII 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	43,126	38,997
Expense on short-term lease under simplified treatment and included in relevant asset costs or the current profit or loss	2,438,114	1,832,209
Total cash outflows relevant to lease	3,120,008	2,485,937

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	128,823
1 – 2 years	13,878
2 – 3 years	13,834
Over 3 years	46,821
Total	203,356

5.54.2 As the lessor

(1) Operating lease

Item	Current period	Prior period
Revenue from operating lease	132,608	70,214

Undiscounted lease receipts that will be collected after December 31, 2025:

Remaining lease term	Current period	Prior period
Within 1 year	156,051	164,020
1 – 2 years	19,011	24,334
2 – 3 years	5,642	5,774
3 – 4 years	3,018	5,546
4 – 5 years	55	3,014
Over 5 years		101
Total	183,777	202,789

6 R&D EXPENDITURES

(1) R&D expenditures

Item	Current period	Prior period
Labor costs	901,746	830,110
Material costs	990,989	1,062,521
Technical collaboration fee	103,296	82,162
Expenses for scientific research experiments	16,954	21,738
Depreciation	58,034	53,997
Other	211,793	196,583
Total	2,282,812	2,247,111
Including: Expense R&D expenditure	2,282,812	2,247,111
Capitalize R&D expenditures		

(2) Development expenditures

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

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7 CHANGE OF CONSOLIDATION SCOPE

Level-3 subsidiary Beijing Shihua Shuzhi Technology Co., Ltd. added during the reporting period.

8 EQUITY IN OTHER ENTITIES

8.1 Equity in the subsidiaries

8.1.1 Structure of enterprise group

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

Basis for controlling an investee while holding half or less of the voting rights, and for not controlling an investee while holding more than half of the voting rights:

The Company holds 41.55% of the equity interests in Beijing Shihua Shuzhi Technology Co., Ltd. (hereinafter referred to as "Shihua Shuke"). It is a concerted party with Sinopec Group Capital Co., Ltd., which holds 9.91% of the equity interests in Shihua Shuke. The Company occupies 3 out of 5 seats on the board of directors of Shihua Shuke and enjoys 60% of the voting rights, thereby controlling the financial and operating policies of the combinee, enjoying the corresponding returns and bearing the corresponding risks. The Company has substantive control over Shihua Shuke and therefore includes Shihua Shuke in the scope of its consolidated financial statements.

8.2 Equity in joint venture arrangements or associates

8.2.1 Major joint ventures or associates

Name of joint ventures or associates	Principal place of business	Registered place	Business nature	Shareholding ratio (%)		Accounting treatment method for investments in joint ventures or associates
				Direct	Indirect	
Sinopec International Petroleum Engineering Mexico DS Joint Venture	Mexico	Mexico	Oilfield technical services	50.00		Equity method

Section VIII Financial Reports

8 EQUITY IN OTHER ENTITIES (Continued)

8.2 Equity in joint venture arrangements or associates (Continued)

8.2.2 Principal financial information of major joint ventures

	Sinopec International Petroleum Engineering Mexico DS Joint Venture.	
	Balance as at December 31, 2025/Current period	Balance as at December 31, 2024/Prior period
Current assets	777,638	887,379
Including: cash and cash equivalents	120,019	132,404
Non-current assets	1,883,477	1,965,090
Total assets	2,661,115	2,852,469
Current liabilities	1,205,336	1,068,947
Non-current liabilities	699,497	830,289
Total liabilities	1,904,833	1,899,236
Net assets	756,282	953,233
Share of net assets calculated based on the shareholding ratio	378,142	476,617
Provision for asset impairment	274,419	274,419
Carrying amount of equity investments in joint ventures	103,723	202,198
Revenue	134,989	248,027
Financial expenses	74,781	-48,737
Net profit	-102,597	-72,686
Other comprehensive income	-94,353	11,829
Total comprehensive income	-196,950	-60,857
Dividends received from joint ventures		

8.2.3 Summary of financial information on insignificant joint ventures or associates

	Balance as at December 31, 2025/Current period	Balance as at December 31, 2024/Prior period
Joint ventures:		
Total book value of investments	2,270	10,537
Total amount calculated based on the following shareholding proportions		
– Net profit	721	-379
– Other comprehensive income		
– Total comprehensive income	721	-379
Associates:		
Total book value of investments	39,433	38,816
Total amount calculated based on the following shareholding proportions		
– Net profit	10,631	8,129
– Other comprehensive income		
– Total comprehensive income	10,631	8,129

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9 GOVERNMENT GRANTS

9.1 The type, amount and presentation of government subsidies

1. Government subsidies included in the profit or loss for the current period

Asset-related government grants

Balance sheet presentation items	The amount of government subsidy	The amount included in profit or loss for the current period or offset related costs and expenses		Items included in profit or loss for the current period or offset related costs and expenses
		Amount for the current period	The amount of the previous period	
Deferred earnings	29,924	575	39	Other earnings
Total	29,924	575	39	

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	386,576	331,885	87,353
Total	386,576	331,885	87,353

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 December 31, 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		4,577	4,577		Other gains	Income-related
Special funds for national scientific research	Financial appropriation	16,665	104,025	67,322	53,368	Other gains	Income-related
Special National Research Funding – Asset-related	Financial appropriation	114	29,810	575	29,349	Other gains	Asset-related
Grants for enterprise development	Financial appropriation	7,981	22,465	29,123	1,323	Other gains	Income-related
Subsidy for job stabilization	Financial appropriation		14,589	14,589		Other gains	Income-related
Additional VAT deduction	Financial appropriation		20	20		Other gains	Income-related
Government incentive payment	Financial appropriation		1,108	1,108		Other gains	Income-related
Refund of consumption tax on self-used refined oil products	Financial appropriation		215,146	215,146		Other gains	Income-related
Total		24,760	391,740	332,460	84,040		

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10 RISKS RELATED TO FINANCIAL INSTRUMENTS

The major financial instruments of the Group include cash at bank and on hand, accounts receivable, receivables at FVTOCI, other current assets, other equity instrument investments, bills payable, accounts payable, other payables, short-term loans, non-current liabilities due within one year, long-term loans, lease liabilities and long-term payables. The details of these financial instruments are disclosed in the respective notes. The financial risk of these financial instruments and financial management policies used by the Group to minimize the risk are disclosed as below. The management manages and monitors the exposure of these risks to ensure the above risks are controlled in the limited range.

10.1 Risk management objectives and policies

The Group's objective in risk management is to obtain an appropriate equilibrium between risk and return. It also focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Based on the objectives of financial risk management, certain policies are made to recognize and analyze risk and internal control is designed according to proper acceptable in order to monitor the risk position of the Group. Both the policies and internal control will be reviewed and revised regularly to adapt the changes of the market and business activities of the Group. The performance of internal control will be reviewed regularly or randomly in accordance with the financial management policies.

The Group's financial instrument risks mainly include credit risk, liquidity risk and market risk.(Including currency risk and interest rate risk.)

The board of directors is responsible for planning and establishing the risk management structure of the Group, formulating the Group's risk management policies and related guidelines, supervising the implementation of risk management measures. The Group has established risk management policies to identify and analyze the risks faced by the Group. These risk management policies clearly define specific risks, covering market risk, credit risk and liquidity risk. The Group regularly assesses changes in the market environment and the Group's operating activities to determine whether update risk management policies and systems. The risk management of the Group is carried out by the Risk Management Committee in accordance with the policies approved by the Board of Directors. The Risk Management Committee identifies, evaluates and circumvents related risks through close cooperation with other departments of the Group. The internal audit department of the Group reviews regularly on risk management controls and procedures, then reports the audit results to the audit committee of the Group.

The Group diversifies the risk of financial instruments through appropriate diversified investments and business combinations, and reduces the risk of concentration in a single industry, a specific region or a specific counterparty by developing appropriate risk management policies.

10.2 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 56.79% (in 2024: 61.74%); among the other receivable of the Group, the other receivable of the top five customers accounted for 43.47% (2024: 42.45%).

10.3 Liquidity risk

Liquidity risk refers to the risks that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or other financial assets.

Cash flow forecasting is performed by Group's finance department. The Group's finance management monitors cash and cash equivalents to meet operational needs and reduce the effect of floating cash flow. The department monitors the usage of bank loan so that the Group does not breach borrowing limits or covenants while maintaining sufficient headroom on its undrawn committed borrowing facilities from Sinopec Finance Co., LTD and major financial institute to meet the short-term and long-term liquidity requirements. In addition, the Group will also consider negotiating with suppliers to reduce the amount of debt to reduce the company's cash flow pressure.

The Group raises working capital from its operations, bank and other borrowings. As at December 31, 2025, the amount of bank loans not yet used by the Group is RMB 17,162, 296,000. (as at December 31, 2024: RMB7,829,785,000).



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10 RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

10.3 Liquidity risk (Continued)

As at the end of the period, the financial assets, financial liabilities and off-balance sheet guarantee items held by the Company are analyzed based on the maturity of remaining undiscounted contractual cash flows as follows (unit: RMB '000):

Item	Balance as at December 31, 2025				
	Within 1 year	1 – 2 years	2 – 5 years	Over 5 years	Total
Financial assets:					
Cash and cash equivalents	5,008,213				5,008,213
Accounts receivable	11,174,568				11,174,568
Accounts receivable financing	4,029,356				4,029,356
Other receivables	2,416,186				2,416,186
Other current assets	3,010,942				3,010,942
Total financial assets	25,639,265				25,639,265
Financial liabilities:					
Short-term loans	28,976,874				28,976,874
Bills payable	1,773,050				1,773,050
Accounts payable	23,016,953				23,016,953
Other payables	3,452,203				3,452,203
Non-current liabilities due within 1 year	422,278				422,278
Long-term borrowings		1,110,762			1,110,762
Lease liabilities		163,258	167,157	98,896	429,311
Long-term payables		120,556			120,556
Total financial liabilities and contingent liabilities	57,641,358	1,394,576	167,157	98,896	59,301,987

Item	Balance as at December 31, 2024				
	Within 1 year	1 – 2 years	2 – 5 years	Over 5 years	Total
Financial assets:					
Cash and cash equivalents	3,648,514				3,648,514
Accounts receivable	13,294,827				13,294,827
Accounts receivable financing	2,557,311				2,557,311
Other receivables	2,848,479				2,848,479
Other current assets	2,616,835				2,616,835
Total financial assets	24,965,966				24,965,966
Financial liabilities:					
Short-term loans	23,438,618				23,438,618
Bills payable	3,387,769				3,387,769
Accounts payable	28,266,046				28,266,046
Other payables	3,712,039				3,712,039
Non-current liabilities due within 1 year	279,393				279,393
Long-term borrowings					
Lease liabilities		173,712	88,610	45,543	307,865
Long-term payables		90,987			90,987
Total financial liabilities and contingent liabilities	59,083,865	264,699	88,610	45,543	59,482,717

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10 RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

10.4 Market risk

Market risk, includes interest rate risk and foreign currency risk, refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate because of the changes in market price.

10.4.1 Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate because of the floating rate. Interest rate risk arises from recognized interest-bearing financial instrument and unrecognized financial instrument (e.g. loan commitments).

The Group's interest rate risk arises from long-term bank loans and other interest-bearing liabilities. Financial liabilities issued at floating rate expose the Group to cash flows interest rate risk. Financial liabilities issued at fixed rate expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. At the same time, the Group monitors and maintains the combined financial instruments of fixed rate and floating rate.

The Group closely monitors the impact of changes in interest rates on the Group's interest rate risk. The Group currently does not adopt an interest rate hedging policy. However, management is responsible for monitoring interest rate risk and will consider hedging significant interest rate risk when it will be needed. Increase in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial position. The Group's management will make decisions with reference to the latest market conditions. The Group may enter into interest swap agreement to mitigate its exposure to the interest rate risk. For the period ended December 31, 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:

As at 31 December 2025, if the interest rate of borrowings calculated at floating rates had increased or decreased by 50 basis points, with all other factors remaining constant, the net profit and equity of the Group would have decreased or increased by approximately RMB4,813,000.

For financial instruments held as at the balance sheet date that expose the Group to fair value interest rate risk, the impact on the net profit and equity set out in the above sensitivity analysis is the effect resulting from the remeasurement of the aforesaid financial instruments at the new interest rates, assuming that the interest rate changes occurred as at the balance sheet date.

For floating-rate non-derivative instruments held as at the balance sheet date that expose the Group to cash flow interest rate risk, the impact on the net profit and equity set out in the above sensitivity analysis is the effect of the aforesaid interest rate changes on the interest expenses or income estimated on an annual basis. The analysis of the previous period is based on the same hypothesis and method.

Item	Balance as at December 31, 2025	Balance as at December 31, 2024
Fixed interest rate financial instruments		
Financial assets:	845,365	223,827
Monetary funds	845,365	223,827
Financial liabilities:	28,880,389	23,447,242
Short-term borrowings	28,144,032	22,870,449
Lease liabilities	706,207	576,793
Long-term payables	30,150	
Floating interest rate financial instruments		
Financial assets:	4,162,848	3,424,687
Monetary funds	4,162,848	3,424,687
Financial liabilities:	1,283,470	
Short-term borrowings	167,012	
Long-term borrowings	1,116,458	

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10 RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

10.4 Market risk (Continued)

10.4.2 Exchange rate risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. Foreign currency risk arises from the functional currency denominated financial instrument measured at individual entity.

The Group's major operational activities are carried out in Mainland China and most of the transactions are denominated in RMB. However, the Group's recognized foreign currency assets and liabilities and future foreign currency transactions (foreign currency assets and liabilities and foreign currency transactions are mainly denominated in US dollar, Saudi Riyal and Kuwaiti Dinar) still have foreign exchange risks.

As at December 31, 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 December 31, 2025	Amount as at December 31, 2024	Amount as at December 31, 2025	Amount as at December 31, 2024
USD	476,729	728,628	4,303,099	4,541,855
SAR	502,916	671,782	1,031,018	886,464
KWD	106,030	218,482	671,388	632,851
Other foreign currencies	147,481	259,724	1,110,110	732,286
Total	1,233,156	1,878,616	7,115,615	6,793,456

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%	143,489	5%	142,996
USD exchange rate declines	-5%	-143,489	-5%	-142,996
SAR exchange rate rises	5%	19,804	5%	8,051
SAR exchange rate declines	-5%	-19,804	-5%	-8,051
KWD exchange rate rises	5%	21,201	5%	15,539
KWD exchange rate declines	-5%	-21,201	-5%	-15,539

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11 DISCLOSURE OF FAIR VALUE

The input value used for measuring fair value is divided into three levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access on the measurement date.

Level 2 inputs are directly or indirectly observable inputs of relevant assets or liabilities other than first-level inputs;

Level 3 inputs refer to unobservable inputs of relevant assets or liabilities.

The fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

11.1 Fair value of assets and liabilities measured at fair value as at December 31, 2025

Item	Fair value as at December 31, 2025			
	Measurement of fair value at level 1	Measurement of fair value at level 2	Measurement of fair value at level 3	Total
9.1.1 Continuous measurement at fair value				
◆Receivables financing			4,029,356	4,029,356
◆Other equity instrument investments			135,834	135,834
Total assets with continuous measurement at fair value			4,165,190	4,165,190

11.2 Nature and quantitative information of valuation techniques and key parameters adopted for items measured at the fair value of Level 3 on a going and non-going concern

Item	Fair value as at December 31, 2025	Valuation techniques	Unobservable input values	Range (weighted average value)
Receivables financing	4,029,356	Asset-based valuation or Discounted Cash Flow Model	N/A	N/A
Other equity instrument investments	135,834	Net value of assets	N/A	N/A

11.3 Analysis on the measurement items measured at fair value of level 3 on a going concern, adjustment information between the book value as at the end of the last year and the book value as at the end of last period and sensitivity of unobservable parameters

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

Item	Balance as at December 31, 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 December 31, 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				-1,607					135,834	
Total	137,441				-1,607					135,834	

11.4 Fair value of financial assets and financial liabilities not measured at fair value

The Group's financial assets and financial liabilities measured at amortized cost mainly include: monetary funds, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable, other payables, long-term payables and long-term borrowings.

Except for the above-mentioned financial assets and financial liabilities, the book value and fair value of other financial assets and financial liabilities not measured at fair value have a very small difference.

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12 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS

12.1 Parent company of the Company

Name of parent company	Registration place	Business nature	Registered capital (RMB100 million)	Shareholding ratio of the parent company in the Company (%)	Voting ratio of the parent company in the Company (%)
China Petrochemical Corporation ("Sinopec Group")	22 Chaoyangmen North Street, Chaoyang District Beijing	Petroleum and natural gas exploration, exploitation and sales; petroleum refining; production, sales, storage and transportation of petrochemical, chemical fiber and other chemical products; pipeline transportation of oil and natural gas; research, development, and application of technology and information.	3,265.47	52.59	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%.

12.2 Information on subsidiaries of the Company

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

12.3 Joint ventures and associates of the Company

See "Note 8 Equity in other entities" for the details of significant joint ventures or associates of the Company

Other joint ventures and associates that conduct related-party transactions with the Company in the current period or have a balance arising from the related transactions with the Company occurred in the prior period are follows:

Name of joint venture or associate	Relationship with the Company
Qianjiang Hengyun Motor Vehicle Performance Testing Corporation	Associate
Huabei Ruida Oil Service Company Limited	Associate
Xinjiang North China Tianxiang Oil Service Company Limited	Associate
Zhenjiang Huajiang Oil & Gas Engineering Technology Service Co., Ltd	Associate
Henan Zhongyuan Oil & Gas Engineering Technology Service Co., Ltd	Associate
Henan Zhongyou Petroleum and Natural Gas Technical Service Co., Ltd	Associate

Section VIII Financial Reports

12 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (Continued)

12.4 Other related parties

Name of other related parties	Relationship between other related parties and the Company
China Petroleum & Chemical Corporation	Under the common control of Sinopec Group
Sinopec Shengli Petroleum Administrative Bureau Co., Ltd.	Under the common control of Sinopec Group
Sinopec Zhongyuan Petroleum Exploration Bureau Co., Ltd.	Under the common control of Sinopec Group
Sinopec 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
Taiping & Sinopec Financial Leasing Co., Ltd.	Joint venture of Sinopec
Sinopec International Petroleum Exploration and Production Corporation	Associate of Sinopec
China Oil & Gas Pipeline Network Group	Associate of Sinopec
Directors, managers, chief accountant and secretary of the Board of Directors	Key management personnel

12.5 Related-party transactions

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

12.5.1.1 Purchase of goods

Related party	Content of related transaction	Pricing and decision-making process of related transactions	Current period	Prior period
Sinopec Group and its subsidiaries	Purchase of materials and equipment	According to normal commercial terms or related agreements	9,257,019	9,575,704
Joint ventures and associates of Sinopec Group	Purchase of materials and equipment	According to normal commercial terms or related agreements		1

12.5.1.2 Sales of goods

Related party	Content of related transaction	Pricing and decision-making process of related transactions	Current period	Prior period
Sinopec Group and its subsidiaries	Sales of products	According to normal commercial terms or related agreements	103,699	117,205
Joint ventures and associates of Sinopec Group	Sales of products	According to normal commercial terms or related agreements	100	6,818
Associates and joint ventures of the Group	Sales of products	According to normal commercial terms or related agreements	252	454

Section VIII Financial Reports

12 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (Continued)

12.5 Related-party transactions (Continued)

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

12.5.1.3 Rendering of services

Related party	Content of related transaction	Pricing and decision-making process of related transactions	Current period	Prior period
Sinopec Group and its subsidiaries	Petroleum engineering technology service	According to normal commercial terms or related agreements	45,709,510	48,295,689
Joint ventures and associates of Sinopec Group	Petroleum engineering technology service	According to normal commercial terms or related agreements	5,757,256	4,162,131
Associates and joint ventures of the Group	Petroleum engineering technology service	According to normal commercial terms or related agreements	3,064	16,797

12.5.1.4 Receipt of labor services

Related party	Content of related transaction	Pricing and decision-making process of related transactions	Current period	Prior period
Sinopec Group and its subsidiaries	Receipt of labor services	According to normal commercial terms or related agreements	255,865	264,171
Joint ventures and associates of Sinopec Group	Receipt of labor services	According to normal commercial terms or related agreements	200,644	171,100
Associates and joint ventures of the Group	Receipt of labor services	According to normal commercial terms or related agreements	2,173,050	2,128,316

12.5.1.5 Rendering of comprehensive services services

Related party	Content of related transaction	Pricing and decision-making process of related transactions	Current period	Prior period
Sinopec Group and its subsidiaries	Rendering of comprehensive services services	According to normal commercial terms or related agreements	136,636	116,567
Joint ventures and associates of the Sinopec Group	Rendering of comprehensive services services	According to normal commercial terms or related agreements	2,835	970
Associates and joint ventures of the Group	Rendering of comprehensive services services	According to normal commercial terms or related agreements	6,758	919

12.5.1.6 Receipt of comprehensive services services

Related party	Content of related transaction	Pricing and decision-making process of related transactions	Current period	Prior period
Sinopec Group and its subsidiaries	Receipt of community comprehensive services	According to normal commercial terms or related agreements	1,023,332	1,032,240
Joint ventures and associates of Sinopec Group	Receipt of community comprehensive services	According to normal commercial terms or related agreements	1,388	2,471

12.5.1.7 Rendering R&D services

Related party	Content of related transaction	Pricing and decision-making process of related transactions	Current period	Prior period
Sinopec Group and its subsidiaries	Rendering sci-tech R&D services	According to normal commercial terms or related agreements	303,740	240,641
Joint ventures and associates of Sinopec Group	Rendering sci-tech R&D services	According to normal commercial terms or related agreements	294	418

Section VIII Financial Reports

12 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (Continued)

12.5 Related-party transactions (Continued)

12.5.2 Related-party lease

The Company as the lessor:

Name of lessee	Type of leased assets	Pricing and decision-making process of related transactions	Lease revenue recognized in the current period	Lease revenue recognized in the previous period
Sinopec Group and its subsidiaries	Equipment	According to normal commercial terms or related agreements	5,124	2,499
Sinopec Group and its subsidiaries	Housing	According to normal commercial terms or related agreements	1,718	4,109
Joint ventures and associates of Sinopec Group	Equipment	According to normal commercial terms or related agreements		1,417
Joint ventures and associates of Sinopec Group	Housing	According to normal commercial terms or related agreements	945	
Associates and joint ventures of the Group	Equipment	According to normal commercial terms or related agreements	132	

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	355,329	70,147
	Including: short-term lease	According to normal commercial terms or related agreements	114,617	70,147
	Right-of-use assets	According to normal commercial terms or related agreements	240,712	
Sinopec Group and its subsidiaries	Equipment	According to normal commercial terms or related agreements	61,027	138,503
	Including: short-term lease	According to normal commercial terms or related agreements	61,027	138,294
	Right-of-use assets	According to normal commercial terms or related agreements		209
Joint ventures and associates of Sinopec Group	Land and buildings	According to normal commercial terms or related agreements	121,933	
	Of which: Lease of right-of-use assets	According to normal commercial terms or related agreements	121,933	
Joint ventures and associates of Sinopec Group	Equipment	According to normal commercial terms or related agreements	143,440	25,811
	Including: short-term lease	According to normal commercial terms or related agreements	137,440	25,811
	Right-of-use assets	According to normal commercial terms or related agreements	6,000	

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12 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (Continued)

12.5 Related-party transactions (Continued)

12.5.3 Related-party guarantees

The Company acted as guarantor:

The guaranteed	Guarantee type	Guarantee amount	Guarantee commencement date	Guarantee expiry date	Guarantee performance completed or not
Guarantee for subsidiaries					
Sinopec International Petroleum Engineering Co., Ltd	Performance guarantee	USD 98,786 thousand	02/2025	04/2027	No
Sinopec International Petroleum Engineering Co., Ltd	Performance guarantee	USD 24,000 thousand	04/2025	04/2028	No
Central Plains Uganda Branch	Performance guarantee	USD 174,000 thousand	01/2023	02/2028	No
Sinopec International Petroleum Service Corporation	Performance guarantee	USD 611,000 thousand	06/2021	10/2029	No
Sinopec International Petroleum Service Corporation	Performance guarantee	USD 91,664 thousand	02/2022	10/2029	No
Sinopec International Petroleum Service Corporation	Performance guarantee	USD 118,000 thousand	07/2022	06/2026	No
Sinopec International Petroleum Service Corporation	Performance guarantee	USD 359,118 thousand	11/2025	12/2032	No
Guarantee for related parties					
Sinopec International Petroleum Engineering Mexico DS Joint Venture	Performance guarantee	USD 274,950 thousand	06/2022	12/2048	No

12.5.4 Loans to and from related parties

Related party	Content of related-party transaction	Pricing and decision-making process of related-party transactions	Current period	Prior period
Sinopec Group and its subsidiaries	Revenue from deposit interest	Based on normal commercial terms	43,948	37,194
	Loan interest expense	Based on normal commercial terms	561,999	662,794
	Obtaining the borrowing	Based on normal commercial terms	31,990,000	34,012,825
	Payment of the loan	Based on normal commercial terms	32,945,371	31,232,463

12.5.5 Assets transfer and debt restructuring of related parties

Related party	Content of related-party transaction	Pricing and decision-making process of related-party transactions	Current period	Prior period
Sinopec Group and its subsidiaries	Security fund expenditure	Based on normal commercial terms or relevant agreements	85,600	85,950
	Return on security fund	Based on normal commercial terms or relevant agreements	162,338	168,263

12.5.6 Remuneration of key management personnel

Item	Current period	Prior period
Remuneration	8,721	9,851
Retirement scheme contribution	631	604
Total	9,352	10,455

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12 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (Continued)

12.6 Receivables from and payables to related parties

12.6.1 Receivables

Item	Related party	Balance as at December 31, 2025	Balance as at December 31, 2024
		Book balance	Book balance
Bank deposits	Sinopec Finance Co., Ltd.	48,587	10,406
	Sinopec Century Bright Capital Investment Limited	1,162,538	561,266
Accounts receivable	Sinopec Group and its subsidiaries	5,226,551	6,075,263
	Joint ventures of the Group	11,863	17,534
Contract assets	Joint ventures and associates of Sinopec Group	811,804	1,536,133
	Sinopec Group and its subsidiaries	7,318,392	6,794,081
	Joint ventures and associates of Sinopec Group	1,936,535	1,756,518
Prepayments	Sinopec Group and its subsidiaries	43,805	123,112
	Joint ventures and associates of Sinopec Group	191	
Other receivables	Sinopec Group and its subsidiaries	185,100	301,453
	Joint ventures and associates of the Group	152,741	147,228
	Joint ventures and associates of Sinopec Group	593,177	115

12.6.2 Payables

Item	Related party	Balance as at December 31, 2025	Balance as at December 31, 2024
Accounts payable	Sinopec Group and its subsidiaries	2,606,864	4,603,046
	Joint ventures and associates of the Group	5,814	16,891
	Joint ventures and associates of Sinopec Group	2,506	685
Contract liabilities	Sinopec Group and its subsidiaries	4,217,553	3,952,285
	Joint ventures and associates of Sinopec Group	1,706,192	2,333,776
Other payables	Sinopec Group and its subsidiaries	48,120	125,043
	Joint ventures and associates of the Group	1,803	1,289
	Joint ventures and associates of Sinopec Group	868,661	458,870
Short-term borrowings	Sinopec Finance Co., Ltd.	22,704,813	22,713,925
	Sinopec Century Bright Capital Investment Limited	4,328	
Lease liabilities	Sinopec Group and its subsidiaries	81,976	25,297
	Joint ventures and associates of Sinopec Group		403
Non-current liabilities	Sinopec Group and its subsidiaries		12

Section VIII Financial Reports

12 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (Continued)

12.7 Centralized management of funds

12.7.1 The main contents of the centralized management of funds that the company participates in and implements are as follows:

In order to regulate the capital operation of its subsidiaries, accelerate capital turnover, improve capital operation efficiency, improve internal control mechanism, and ensure the maximization of the group's overall benefits, China Petrochemical Corporation (hereinafter referred to as "Sinopec Group") implemented centralized and unified management of the funds of the Sinopec Group and its member units through Sinopec Finance Co., Ltd. ("Sinopec Finance") and Sinopec Century Bright Capital Investment Limited. ("Century Bright") according to relevant laws and regulations.

12.7.2 Funds collected by the Company to the Group

Funds deposited by the Group is directly deposited into the Sinopec Finance and Century Bright without being collected into the account of the parent company of the Group:

As of December 31, 2025, the total amount deposited by the Group in Sinopec Finance and Century Bright was RMB1,211,125,000 (December 31, 2024: RMB571,672,000), which was listed as "Cash at bank and on hand", and there was no withdrawal restriction or impairment.

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

As of December 31, 2025, the balance of funds borrowed by the Group from Sinopec Finance and Century Bright was RMB22,704,813,000 (December 31, 2024: RMB22,713,925,000). As of the relevant date, the balance of factoring financing obtained by the Group from EPEC Commercial Factoring Co., Ltd. was RMB4,328,000 (as of December 31, 2024: RMB156,524,000).

13 COMMITMENTS AND CONTINGENCIES

13.1 Significant commitments

13.1.1 Significant commitments existed on the balance sheet date

	As at December 31, 2025	As at December 31, 2024
Capital commitments contracted for but not yet necessary to be recognized on the balance sheet		
Construction of long-term assets commitments	309,309	221,811
Investment commitments		129,625

13.1.2 Performance of prior commitments

The Group has fulfilled the capital and operating lease commitments as at December 31, 2024.

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13 COMMITMENTS AND CONTINGENCIES (Continued)

13.2 Contingencies

13.2.1 Significant contingencies existed on the balance sheet date

The Group might involve in disputes, litigations and claims for compensation with customers, sub-contractors, and suppliers in the ordinary course of business. The Management has assessed the possibility of adverse results of these contingencies, litigations or other proceedings and believes that any resulting liabilities will not have material adverse effect on the financial position, operating results, or cash flow of the Group, and thus accrues no provision.

(1) Judicial reorganization of the Brazil subsidiary and its financial impact

On August 16, 2018, Sinopec (Brazil) Co., Ltd., an indirectly wholly-owned overseas subsidiary of the Company (the "Brazil Subsidiary") applied for judicial reorganization to the Third State Court of Commercial Enterprises in Rio de Janeiro, Brazil (the "Court of Rio") according to the relevant local laws in Brazil. On August 31, 2018, the Brazil subsidiary received ruling from Court of Rio, approved Brazil Subsidiary's entering judicial reorganization and the law firm Nascimento & Rezende Advogados was appointed as the judicial reorganization manager by Court of Rio.

To obtain approval from creditors' meeting and the Court of Rio in Brazil, the Brazil Subsidiary's reorganization plan shall include full settlement of the amount due to employees in respect of the Project, repaying a proportion of debt due to Three Suppliers, and paying legal fees, fees on judicial authorities and other services fees in relation to the implementation of legal reorganization procedure. After assessing the impact, the management of the Company made an estimated judicial restructuring expenditure of USD69.25 million (equivalent to approximately RMB475 million) in 2018 in accordance with the restructuring plan.

Based on the practice of judicial restructuring in Brazil, the Brazilian subsidiary continued to promote the judicial restructuring work in accordance with the approved judicial restructuring plan, communicated and negotiated with the relevant creditors, and applied to the competent court for the closure of the judicial restructuring procedure in accordance with the relevant laws and regulations of Brazil. On June 25, 2024, the Brazilian subsidiary received a final ruling from the Rio Court in Brazil, which determined that it had fulfilled its obligations of judicial reorganization, concluded the judicial reorganization process, and resumed normal operations.

As of the date of the final ruling, most of the labor litigation and tri-commercial litigation involved in the project of Brazil's third fertilizer plant have been settled.

In view of the resumption of normal operations of the Brazilian subsidiary, the Company accrue the estimated liabilities based on the latest developments in the pending litigation after the end of the judicial reorganization. As of December 31, 2025, the estimated balance of liabilities is RMB51,687,000.

(2) Contingent liabilities arising from overseas tax penalties and their financial impacts

Sinopec International Petroleum Engineering Algeria Co., Ltd. ("Algeria Subsidiary"), a subsidiary of Sinopec International Petroleum Service Corporation (hereinafter referred to as "Sinopec International"), has been operating in Algeria since its establishment. The Algerian tax department is conducting a tax audit on the taxes and chargers generated by the business income of the Algerian subsidiary in 2018-2020, and the Algerian subsidiary and the project departments of Sinogong have hired local agents to conduct tax defense after receiving the preliminary investigation results. Based on the results of previous annual audits and the assessment of the tax risks of the project, the management of the Company has made provision for estimated liabilities for the relevant taxes and fees that may be incurred. As of December 31, 2023, the balance of estimated liabilities was RMB49,366,000. In mid-2024, the Company will pay 20% of the amount upfront. As of December 31, 2025, the estimated balance of liabilities is RMB36,186,000.

The Colombian subsidiary of Sinopec International Petroleum Engineering Co., Ltd has engaged a local intermediary to conduct tax defense due to the tax audit of business income during the historical period. Based on the assessment of the results of historical tax audits and the tax risks of the project, the company's management has made provision for estimated liabilities for the relevant taxes and fees that may be incurred. As of December 31, 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 of December 31, 2025, the amount of guarantees provided by the Company to its subsidiaries was USD1,476,568,000.

The Group has provided a guarantee for the performance obligations under the Production Sharing Contract (PSC) for the EBANO Project in Mexico, which was signed between DS Servicios Petroleros, S.A. de C.V. (the joint venture company of Sinopec Group International Petroleum Engineering in Mexico) and the beneficiary, the National Hydrocarbons Commission of Mexico. The guarantee undertakes that the Group shall perform the obligations on behalf of Mexico DS Company in the event that the latter loses its ability to perform. As of December 31, 2025, the maximum limit of the joint and several liability assumed by the Group under this guarantee during the guarantee period shall not exceed the equivalent of USD274,950,000.

14 POST BALANCE SHEET EVENTS

As at March 16, 2026, there are no post balance sheet events to be disclosed by the Group.



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15 CAPITAL MANAGEMENT

The objective of the Group's capital management policy is to safeguard the Group's ability to continue as a going concern, thereby providing returns to shareholders and benefits to other stakeholders, while maintaining an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the method of financing, adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares and other equity instruments or sell assets to reduce debt.

The Group monitors its capital using the debt-to-capital ratio, which is calculated as net debt divided by total capital. The net debt is total borrowings (including short-term borrowings, long-term borrowings maturing within one-year, long-term borrowings, and long-term payables) less the cash balance shown in the statement of cash flows. Total capital is the sum of shareholders' equity and net debt as presented in the consolidated balance sheet. Total shareholders' equity includes the shareholders' equity attributable to the parent company and the minority interests.

As at the balance sheet date, the Group's debt-to-capital ratio is as follows:

Item	Balance as at December 31, 2025	As at December 31, 2024
Short-term borrowings	28,311,044	22,870,449
Lease liabilities maturing within one year	353,608	272,460
Long-term payables due within one year	30,150	
Long-term borrowings due within one year	20,619	
Long-term borrowings	1,095,839	
Lease liabilities	352,601	304,333
Less: cash balances as shown in the statement of cash flows	4,664,046	3,441,398
Net debt	25,499,815	20,005,844
Shareholders' equity	9,265,702	8,648,802
Total capital	34,765,517	28,654,646
Debt-to-capital ratio	73.35%	69.82%

16 OTHER SIGNIFICANT EVENTS

16.1 Correction of prior accounting errors

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

16.2 Annuity plan

For details about the main components of the annuity plans, please refer to the Note 3.21.2 Accounting treatment of dismissal benefits."

16.3 Discontinued operation

There is no discontinued operation during the reporting period.

16.4 Segment information

16.4.1 Determination criteria and accounting policies for reportable segments

The Group has identified five reportable segments based on its internal structure, management requirements and internal reporting policy. The reportable segments are: geophysics, drilling engineering, logging and mud logging, special down-hole operations, and engineering construction. The segment information is prepared based on the financial information of the Company's daily management requirements. The Group's management reviews reportable segments' financial information periodically for the purposes of allocating resources and assessing the performance.

The Group's reportable segments include:

- (1) Geophysics, which provides geophysical exploration, development and technical services;
- (2) Drilling engineering, which provides customers with drilling construction, technical services and drilling instrumentation;
- (3) Logging and mud logging, which provides logging and mud logging technology services;
- (4) Special down-hole operations, which provides oil engineering technical and construction, including oil (gas) testing, well repair, lateral drilling, fracturing, acidising and oil assignments;
- (5) Engineering construction, which provides a package of services, including feasibility studies, design, procurement, construction for projects of onshore and offshore oil and gas fields, long-distance pipeline projects.

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16 OTHER SIGNIFICANT EVENTS (Continued)

16.4 Segment information (Continued)

16.4.1 Determination criteria and accounting policies for reportable segments (Continued)

The segment information is disclosed in accordance with the accounting policies and measurement standards reported to management by each segment. These accounting policies and measurement standards are consistent with the accounting policies and measurement standards of preparation of the financial statements.

Inter-segment transfers are measured by reference to market price. The assets are allocated based on the operations of the segment and the physical location of the asset.

The resources related to long-term equity investment and investment (loss)/income on joint venture, income tax expenses as well as shared assets of all segments are centrally managed and accounted for by the Company, and thus are not allocated among segments.

16.4.2 Financial information of reportable segments

Current period or As at December 31, 2025	Geophysics	Drilling engineering	Logging and mud logging	Special down-hole operations	Engineering construction	Others	Offset	Total
Operating revenue	5,861,212	39,305,580	7,163,040	11,639,353	20,738,964	9,723,545	-13,719,516	80,712,178
Including: income from external transactions	5,715,378	36,849,733	3,799,081	10,966,129	20,636,722	2,745,135		80,712,178
Income from inter-segment transactions	145,834	2,455,847	3,363,959	673,222	102,242	6,978,412	-13,719,516	
Including: income from primary business	5,861,212	39,305,580	7,163,040	11,639,353	20,738,964	7,820,373	-13,135,272	79,393,250
Operating costs	5,472,975	37,365,249	6,489,841	10,790,666	19,144,512	8,615,126	-13,719,516	74,158,853
Including: costs of primary business	5,472,975	37,365,249	6,489,841	10,790,666	19,144,512	7,212,388	-13,187,890	73,287,741
Operating expenses	336,927	1,903,076	321,825	426,217	1,041,527	1,710,038		5,739,610
Operating profit (loss)	116,037	233,925	358,536	482,127	608,583	-570,648		1,228,560
Total assets	6,677,686	9,433,322	4,979,267	7,722,895	26,663,172	24,252,383	-2,474,132	77,254,593
Total liabilities	5,791,903	5,005,180	2,892,051	3,888,633	25,256,262	27,628,994	-2,474,132	67,988,891
Supplementary information:								
1. Capital expenditure	300,314	1,759,849	197,147	270,018	436,645	485,709		3,449,682
2. Depreciation and amortization expenses	427,708	4,081,635	387,331	1,253,907	321,133	499,418		6,971,132
3. Losses from impairment of assets	7,886	-1,476	-7,908	-91,207	-73,005	-3,433		-169,143

Prior period or As at December 31, 2024	Geophysics	Drilling engineering	Logging and mud logging	Special down-hole operations	Engineering construction	Others	Offset	Total
Operating revenue	6,019,291	42,251,239	6,635,314	11,536,751	17,909,414	9,310,822	-12,566,653	81,096,178
Including: income from external transactions	5,899,180	40,178,343	3,592,013	10,965,379	17,809,820	2,651,443		81,096,178
Income from inter-segment transactions	120,111	2,072,896	3,043,301	571,372	99,594	6,659,379	-12,566,653	
Including: income from primary business	6,019,291	42,251,239	6,635,314	11,536,751	17,909,414	7,577,210	-11,931,480	79,997,739
Operating costs	5,536,284	39,688,218	6,000,954	10,740,268	16,550,362	8,812,865	-12,566,653	74,762,298
Including: costs of primary business	5,536,284	39,688,218	6,000,954	10,740,268	16,550,362	7,557,552	-12,050,802	74,022,836
Operating expenses	330,002	1,703,004	282,953	538,264	930,502	1,675,452		5,460,177
Operating profit (loss)	161,373	960,689	361,458	263,175	453,190	-1,163,373		1,036,512
Total assets	6,391,939	11,289,518	4,477,704	8,463,778	27,642,305	20,762,789	-1,687,928	77,340,105
Total liabilities	5,431,227	7,468,074	2,568,453	4,697,820	25,826,311	24,387,346	-1,687,928	68,691,303
Supplementary information:								
1. Capital expenditure	360,767	1,534,753	235,135	292,601	404,154	647,557		3,474,967
2. Depreciation and amortization expenses	530,496	4,216,123	392,953	1,049,670	335,633	604,835		7,129,710
3. Losses from impairment of assets	5,285	-241,509	-27,398	-108	-61,685	-7,152		-332,567

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16 OTHER SIGNIFICANT EVENTS (Continued)

16.4 Segment information (Continued)

16.4.3 Other segment information

16.4.3.1 Revenue from external transactions of products and services

Item	Current period	Prior period
Geophysics	5,715,378	5,899,180
Drilling engineering	36,849,733	40,178,343
Logging and mud logging	3,799,081	3,592,013
Special down-hole operations	10,966,129	10,965,379
Engineering construction	20,636,722	17,809,820
Others	2,745,135	2,651,443
Total	80,712,178	81,096,178

16.4.3.2 Area information

Current period or As at December 31, 2025	China	Other countries	Offset	Total
Operating revenue	60,664,588	20,047,590		80,712,178
Non-current assets	24,665,052	8,245,156		32,910,208
Prior period or As at December 31, 2024	China	Other countries	Offset	Total
Operating revenue	62,866,445	18,229,733		81,096,178
Non-current assets	26,190,899	7,814,238		34,005,137

16.4.3.3 Dependence to principal customers:

The Group obtained over 50% of the total geophysics, drilling engineering, logging, and mud logging, special down-hole operations and engineering construction revenue from a single customer.

Section VIII Financial Reports

17 NOTES TO MAIN ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY

17.1 Accounts receivable

(1) Accounts receivable are disclosed by ageing

Aging	Balance as at December 31, 2025	Balance as at December 31, 2024
Within 1 year	4,889	81,826
Sub-total	4,889	81,826
Less: provision for bad debts		
Total	4,889	81,826

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

Category	Balance as at December 31, 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	4,889	100.00			4,889	81,826	100			81,826
Including:										
Related-party portfolio	4,889	100.00			4,889	81,826	100			81,826
Total	4,889	100.00			4,889	81,826	100			81,826

Provision for bad debts based on credit risk characteristics:

Portfolio accrual items:

Category	Balance as at December 31, 2025		
	Accounts receivable	provision for bad debts	loss rate in the next 12 months (%)
Related-party portfolio-Receivables from wholly-owned subsidiaries	4,889		
Total	4,889		

Category	Balance as at December 31, 2024		
	Accounts receivable	provision for bad debts	loss rate in the next 12 months (%)
Related-party portfolio-Receivables from wholly-owned subsidiaries	81,826		
Total	81,826		

(3) Top 5 of accounts receivable and contract assets as at December 31, 2025, presented by debtor

The aggregate ending balance of accounts receivable for the top five customers by concentration of debtor balances amounted to RMB4,836,000, and the aggregate ending balance of contract assets amounted to RMB9,894,000. The total ending balance of accounts receivable and contract assets was RMB14,730,000, accounting for 99.64% of the total ending balance of accounts receivable and contract assets. The aggregate ending balance of allowance for bad debts on accounts receivable and provision for impairment of contract assets was RMB30,000.

Section VIII Financial Reports

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

17.2 Other receivables

Item	Balance as at December 31, 2025	Balance as at December 31, 2024
Other receivables	24,466,371	24,296,880
Total	24,466,371	24,296,880

17.2.1 Other receivables

(1) Disclosure of other receivables by aging

Aging	Balance as at December 31, 2025	Balance as at December 31, 2024
Within 1 year	24,465,372	24,131,548
1 – 2 years	1,000	
2 – 3 years		165,333
3 – 4 years		7
4 – 5 years	7	109
Over 5 years	109	
Sub-total	24,466,488	24,296,997
Less: provision for bad debts	117	117
Total	24,466,371	24,296,880

(2) Details of provision for bad debts

Category	Balance as at December 31, 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	24,466,488	100.00	117		24,466,371	24,296,997	100.00	117		24,296,880
Including:										
Related-party portfolio	24,350,091	99.52			24,350,091	24,295,362	99.99			24,295,362
Non-related-party portfolio	116,397	0.48	117	0.10	116,280	1,635	0.01	117	7.16	1,518
Total	24,466,488	100.00	117		24,466,371	24,296,997	100.00	117		24,296,880

(3) Classification by nature

Category	Balance as at December 31, 2025	Balance as at December 31, 2024
Other receivables from wholly-owned subsidiaries	24,349,091	24,295,362
Others	117,397	1,635
Total	24,466,488	24,296,997

Section VIII Financial Reports

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

17.2 Other receivables (Continued)

17.2.1 Other receivables (Continued)

(4) Top 5 of other receivables as at December 31, 2025, presented by debtor

Company	Nature	Balance as at December 31, 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	9,100,091	Within 1 year	37.19	
Sinopec Zhongyuan Petroleum Engineering Corporation	Amount from wholly-owned subsidiaries	5,580,000	Within 1 year	22.81	
Sinopec Geophysical Corporation	Amount from wholly-owned subsidiaries	3,130,000	Within 1 year	12.79	
Sinopec East China Petroleum Engineering Corporation	Amount from wholly-owned subsidiaries	2,945,000	Within 1 year	12.04	
Sinopec Shengli Petroleum Engineering Corporation	Amount from wholly-owned subsidiaries	2,544,000	Within 1 year	10.40	
Total		23,299,091		95.23	

17.3 Long-term equity investments

Item	Balance as at December 31, 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
Total	36,183,582		36,183,582	36,192,571		36,192,571

17.3.1 Investments in subsidiaries

Investee	Balance as at December 31, 2024	Increase in the current period	Decrease in the current period	Balance as at December 31, 2025	Provision for impairment made in the current period	Balance of provision for impairment as at December 31, 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		
Total	36,183,582			36,183,582		

Section VIII Financial Reports

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

17.3 Long-term equity investments (Continued)

17.3.2 Investment in associates and joint ventures

Investee	Balance at the end of last year	Intra group transfer	Increase/decrease in the current period								Ending balance	Ending balance of provision for impairment
			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			8,953			-36					
Total	8,989			8,953			-36					

17.4 Operating income and operating costs

Item	Current period		Prior period	
	Revenue	Cost	Revenue	Cost
Major business	572,227	523,195	477,460	415,838
Other business	89,456	11,770	17,977	2,257
Total	661,683	534,965	495,437	418,095

17.5 Investment income

Item	Current period	Prior period
Long-term equity investment income accounted for by the cost method		176,976
Investment income from long-term equity investments under equity method		-904
Investment income arising from the disposal of long-term equity investments	9	
Investment income arising from debt restructuring	74	
Total	83	176,072

18 SUPPLEMENTARY INFORMATION

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

Item	Amount	Remark
Profit or loss from disposal of non-current assets	91,474	
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)	98,286	
Reversal of impairment charges for receivables that are tested separately for impairment	68,142	
Profit or loss from debt restructuring	70,217	
Other items of profit or loss subject to the definition of non-recurring profit or loss	-71,653	
Sub-total	256,466	
Affected amount of income tax	48,678	
Total	207,788	

Section VIII Financial Reports

18 SUPPLEMENTARY INFORMATION (Continued)

18.2 ROE and earnings per share

Profit during the reporting period	Weighted average ROE (%)	Earnings per share (RMB)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	7.35	0.035	0.035
Net profit attributable to ordinary shareholders of the Company after deducting the non-recurring profit or loss	5.03	0.024	0.024

18.3 Accounting data difference between the domestic and overseas accounting standards

16.3.1 Reconciliation of differences between CASBE and IFRS financial statements

	Net profit		Net assets	
	Current period	Prior period	Balance as at December 31, 2025	Balance as at December 31, 2024
Based on CASBE	660,048	631,606	9,265,702	8,648,802
Adjusted items and amounts in accordance with IFRS:				
Special reserves	36,703	-10,975		
Based on IFRS	696,751	620,631	9,265,702	8,648,802

18.3.2 Related notes

In accordance with 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

March 16, 2026

Section VIII Financial Reports

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Sinopec Oilfield Service Corporation

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

OPINION

We have audited the consolidated financial statements of Sinopec Oilfield Service Corporation (the "Company") and its subsidiaries (together, the "Group") set out on pages 164 to 225, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and informing our opinion thereon, and we do not provide a separate opinion on these matters.



REVENUE RECOGNITION

Refer to note 2.19 (Revenue recognition), note 4(6) (Critical accounting judgement and estimates), note 5 (Revenue and segment information) and notes 23 (Contract assets and cost to fulfil contracts/contract liabilities) to the consolidated financial statements for related disclosures and accounting policies respectively.

Revenue related to rendering of services and construction contracts is derived from provision of petroleum engineering and technical services to the People's Republic of China (the "PRC") and overseas petroleum exploration and development companies, including geophysics, drilling engineering, logging and mud logging, special downhole operations and engineering construction services.

When the progress towards satisfaction of a performance obligation can be reasonably measured, the Group should recognise revenue over time in accordance with the progress of performance obligation being satisfied at the end of reporting period. The recognition of revenue mainly depends on the management's critical estimation and judgement, including total amount of consideration to which the Group will be entitled, total budgeted costs, remaining contract costs and estimated progress completed-to-date. If there is any change on the final contract billing amount or actual execution progress, actual results may differ from the management's estimates. Hence, we have identified the revenue recognition related to rendering of services and construction contracts as a key audit matter.

Our response:

Our key procedures in relation to the revenue recognition related to provision of petroleum engineering and technical services included:

- evaluating the appropriateness of the application of accounting policies for recognising revenue associated with the rendering of services and construction contracts in light of business nature, contract terms and IFRS 15 "Revenue from contracts with customers";
- understanding, assessing and testing the design and implementation of internal controls about management's determination on the total budgeted contract revenue, the total budgeted contract costs, the actual contract costs incurred, remaining contract costs and progress of performance obligation being satisfied for contract to evaluate the operating effectiveness of such internal controls;
- reviewing contracts and interviewing with the management to understand and assess the reasonableness of the basis and assumptions of the total budgeted revenue and total budgeted contract costs, and checking the consistency of the preparation and assumptions of various types of projects;
- performing variance analysis by comparing the accumulated costs incurred as at 31 December 2025 with the budgeted contract costs, checking the significant costs incurred subsequent to the end of the reporting period and assessing the reasonableness of the management's estimation on workload forecast and remaining contract costs;
- testing, on a sample basis, the application of progress of performance obligation being satisfied by cross-checking the principal terms set out in the relevant contracts to supporting documents such as progress billing reports or acceptance certificates and progress reports being issued by customers;
- evaluating the reasonableness about budgeted revenue, budgeted costs and budgeted gross profit of sub-divisional contracts by analysis and calculation; and
- testing, on a sample basis, the amount and period of the aforesaid revenue recognised having regard to respective progress of performance obligation being satisfied at the end of the reporting period, and comparing, on a sample basis, the accumulated costs incurred up to the end of the reporting period with the budgeted costs to verify the existence of cost overrun.

EXPECTED CREDIT LOSSES ("ECL") ON TRADE RECEIVABLES AND CONTRACT ASSETS

Refer to note 2.7 (Financial instruments), note 4(2) (Critical accounting judgement and estimates), note 21 (Trade receivables) and note 23(a) (Contract assets and cost to fulfil contracts) to the consolidated financial statements for related disclosures and accounting policies respectively.

As at 31 December 2025, the Group's gross amount of trade receivables and contract assets are RMB12.74 billion and RMB17.12 billion respectively, net of accumulated ECL allowance as stated below, representing 37% of total assets. As at 31 December 2025, the accumulated ECL allowance for trade receivables and contract assets amounted to RMB1.56 billion and RMB0.06 billion respectively.

We have identified ECL measurement of trade receivables and contract assets as a key audit matter because the ECL measurement of trade receivables and contract assets is inherently uncertain as it requires the management's subjective judgment and the aforesaid balance has a significant impact on the Group's consolidated financial statements.



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Our response:

Our key procedures in relation to the ECL on trade receivables and contract assets included:

- assessing and testing the related internal controls of the measurement of ECL established by the management, and testing the effectiveness of key control executions;
- evaluating the management's relevant considerations and objective evidence for ECL measurement of trade receivables and contract assets (including historical records and circumstances of bad debts of trade receivables and contract assets with similar characteristics, customer credit and market environment, etc.), and assessing the appropriateness of the methods being applied in grouping of the trade receivables and contract assets and calculation for the ECL;
- gathering public information about the customers whose balances of trade receivables and contract assets is material or exceeds the credit period, or their industry development status to identify any situations affecting the Group's ECL assessment results of trade receivables and contract assets;
- assessing the accuracy and classification on trade receivables by obtaining ageing analysis of the trade receivables as at 31 December 2025 and reviewing, on a sample basis, key information such as aging, overdue days, and relationship by checking supporting documents such as accounting vouchers and invoices;
- arranging audit confirmations to those customers with significant balance of trade receivables, and comparing the results to the returned confirmations with the Group's record;
- recalculating the ECL on trade receivables and contract assets and comparing the results with the amounts recorded by the Group; and
- evaluating the reasonableness of management's ECL assessment by considering the customer's settlement subsequent to the reporting period.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises all the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTOR'S RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair value in accordance with IFRS Accounting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATES FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited

Certified Public Accountants

Chan Tsz Hung

Practising Certificate no. P06693

Hong Kong, 16 March 2026



Section VIII Financial Reports

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

	Notes	2025 RMB' 000	2024 RMB' 000
Revenue	5	80,712,178	81,096,178
Cost of sales and taxes and surcharges		(74,495,718)	(75,099,241)
Gross profit		6,216,460	5,996,937
Selling expenses		(82,209)	(84,485)
General and administrative expenses		(2,287,587)	(2,405,659)
Research expenses		(2,282,812)	(2,247,111)
Finance expenses, net	6	(882,578)	(729,521)
Reversal of expected credit loss		169,143	603,919
Reversal of other impairments		–	3,864
Write down of inventories to net realisable value		–	(797)
Reversal of expected credit loss and other impairments and write-down of inventories to net realisable value	7	169,143	606,986
Impairment loss in interests in a joint venture	19	–	(274,419)
Investment income	8	3,023	500
Share of loss from joint ventures	19(a)	(50,578)	(36,722)
Share of profit from associates	19(b)	10,632	8,129
Other income	9	574,185	323,099
Other expenses, net	10	(151,686)	(36,186)
Profit before income tax	11	1,235,993	1,121,548
Income tax expense	12	(539,242)	(500,917)
Profit for the year		696,751	620,631
Other comprehensive income for the year, net of tax			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Net movement in fair value of financial assets at fair value through other comprehensive income (non-recycling) ("FVTOCI")		(1,205)	1,302
<i>Items that will or may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of overseas joint venture		(47,177)	5,915
Total comprehensive income for the year		648,369	627,848
Profit for the year attributable to:			
Owners of the Company		695,544	620,631
Non-controlling interests		1,207	–
		696,751	620,631
Total comprehensive income attributable to:			
Owners of the Company		647,162	627,848
Non-controlling interests		1,207	–
		648,369	627,848
Earnings per share for profit attributable to owners of the Company (presented in RMB per share)	13	RMB	RMB
Basic and diluted		0.037	0.033

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	Notes	As at 31 December 2025 RMB' 000	As at 31 December 2024 RMB' 000
Assets			
Non-current assets			
Property, plant and equipment	17(a)	25,230,737	25,690,139
Other non-current assets	17(b)	6,775,975	7,208,900
Intangible assets	18	236,074	301,802
Interests in joint ventures	19(a)	105,993	212,735
Interests in associates	19(b)	39,433	38,815
Financial assets at FVTOCI	20	135,834	137,441
Deferred tax assets	35	293,770	330,305
Total non-current assets		32,817,816	33,920,137
Current assets			
Inventories	24	1,018,413	913,530
Financial assets at FVTOCI	20	4,029,356	2,557,311
Trade receivables	21	11,174,568	13,294,827
Prepayments and other receivables	22	6,033,673	6,146,060
Contract assets and cost to fulfil contracts	23(a)	17,172,554	16,859,726
Restricted cash	25	344,166	207,116
Cash and cash equivalents	26	4,664,047	3,441,398
Total current assets		44,436,777	43,419,968
Total assets		77,254,593	77,340,105
Equity			
Share capital	27	18,957,046	18,979,412
Reserves		(9,702,642)	(10,330,610)
Equity attributable to owners of the Company		9,254,404	8,648,802
Non-controlling interests		11,298	—
Total equity		9,265,702	8,648,802
Liabilities			
Non-current liabilities			
Long-term borrowings	34	1,448,440	304,333
Deferred income	31	84,040	24,758
Deferred tax liabilities	35	68,406	78,065
Provisions	38	88,829	90,365
Total non-current liabilities		1,689,715	497,521
Current liabilities			
Notes and trade payables and liabilities under supplier finance arrangement	32	24,790,003	31,653,814
Other payables	33	5,096,830	5,351,550
Contract liabilities	23(b)	7,617,701	7,909,917
Short-term borrowings	34	28,664,652	23,142,909
Current income tax payable		129,990	135,592
Total current liabilities		66,299,176	68,193,782
Total liabilities		67,988,891	68,691,303
Total equity and liabilities		77,254,593	77,340,105
Net current liabilities		(21,862,399)	(24,773,814)
Total assets less current liabilities		10,955,417	9,146,323

On behalf of the board of directors

Chairman of the Board:
WU Baizhi

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Share capital RMB'000 (Note 27)	Share premium RMB'000 (Note 29(i))	Other capital reserve RMB'000 (Note 29(ii))	Surplus reserve RMB'000 (Note 29(iii))	Specific reserve RMB'000 (Note 29(iii))	Translation reserve RMB'000	FVTOCI reserve (non-recycling) RMB'000 (Note 29(iv))	Accumulated losses RMB'000	Attributable to owners of the Company RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
At 1 January 2024	18,984,340	11,622,283	95,490	200,383	313,571	16,447	6,170	(23,215,482)	8,023,202	-	8,023,202
Profit for the year	-	-	-	-	-	-	-	620,631	620,631	-	620,631
Other comprehensive income for the year:											
Net movement in fair value of financial assets at FVTOCI	-	-	-	-	-	-	1,302	-	1,302	-	1,302
Exchange differences on translation of financial statements of overseas joint venture	-	-	-	-	-	5,915	-	-	5,915	-	5,915
Total comprehensive income	-	-	-	-	-	5,915	1,302	620,631	627,848	-	627,848
Transactions with owners:											
Appropriation of specific reserve	-	-	-	-	1,208,060	-	-	(1,208,060)	-	-	-
Utilisation of specific reserve	-	-	-	-	(1,218,757)	-	-	1,218,757	-	-	-
Purchase of own shares	(4,928)	2,680	-	-	-	-	-	-	(2,248)	-	(2,248)
Transfer of OCI reserve	-	-	-	-	-	-	358	(358)	-	-	-
Total transactions with owners	(4,928)	2,680	-	-	(10,697)	-	358	10,339	(2,248)	-	(2,248)
At 31 December 2024 and 1 January 2025	18,979,412	11,624,963	95,490	200,383	302,874	22,362	7,830	(22,584,512)	8,648,802	-	8,648,802
Profit for the year	-	-	-	-	-	-	-	695,544	695,544	1,207	696,751
Other comprehensive income for the year:											
Net movement in fair value of financial assets at FVTOCI	-	-	-	-	-	-	(1,205)	-	(1,205)	-	(1,205)
Exchange differences on translation of financial statements of overseas joint venture	-	-	-	-	-	(47,177)	-	-	(47,177)	-	(47,177)
Total comprehensive income	-	-	-	-	-	(47,177)	(1,205)	695,544	647,162	1,207	648,369
Transactions with owners:											
Appropriation of specific reserve	-	-	-	-	1,183,966	-	-	(1,183,966)	-	-	-
Utilisation of specific reserve	-	-	-	-	(1,147,263)	-	-	1,147,263	-	-	-
Purchase of own shares	(22,366)	(19,194)	-	-	-	-	-	-	(41,560)	10,091	(31,469)
Total transactions with owners	(22,366)	(19,194)	-	-	36,703	-	-	(36,703)	(41,560)	10,091	(31,469)
At 31 December 2025	18,957,046	11,605,769	95,490	200,383	339,577	(24,815)	6,625	(21,925,671)	9,254,404	11,298	9,265,702

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CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

		2025	2024
	Notes	RMB' 000	RMB' 000
Cash flows from operating activities			
Cash flows generated from operations	37(a)	7,041,382	3,531,735
Interests received		73,318	63,109
Income tax paid		(468,754)	(493,990)
Net cash generated from operating activities		6,645,946	3,100,854
Cash flows from investing activities			
Purchases of property, plant and equipment, intangible assets and other non-current assets		(2,763,820)	(3,681,379)
Proceeds from disposal of property, plant and equipment and other non-current assets		206,818	217,557
Proceeds from disposal of joint ventures		9	—
Dividends received from associates		10,422	4,849
Proceeds from other investments		11,689	509
Net cash used in investing activities		(2,534,882)	(3,458,464)
Cash flows from financing activities	37(b)		
Proceeds from borrowings		33,107,991	34,289,050
Repayments of borrowings		(34,756,369)	(31,827,424)
Payment of lease liabilities		(414,275)	(665,479)
Interests paid		(730,896)	(749,254)
Repurchase of shares		(41,560)	(2,248)
Net cash (used in)/generated from financing activities		(2,835,109)	1,044,645
Net increase in cash and cash equivalents		1,275,955	687,035
Effect of foreign exchange rate changes on cash and cash equivalents		(53,306)	(34,435)
Cash and cash equivalents at beginning of year		3,441,398	2,788,798
Cash and cash equivalents at end of year	26	4,664,047	3,441,398

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NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 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. 22, Chaoyangmen North Street, Chaoyang District, Beijing, the PRC and the headquarter address is No. 9, Jishikou Road, Chaoyang District, Beijing, the PRC.

The immediate and ultimate holding company of the Company is China Petrochemical Corporation (hereinafter referred to as the “Sinopec Group”) which is a state wholly-owned enterprise established in the PRC. The principal activities of the Group are the provision of onshore and offshore oil, natural gas and other mineral prospecting, exploration, drilling and exploitation and provision of general contracting, design and construction services for the oil and gas and other types of construction projects.

These consolidation financial statements are presented in Renminbi (“RMB”), unless otherwise stated. These consolidation financial statements have been approved and authorised for issue by the Board of Directors on 16 March 2026.

2. SUMMARY OF ACCOUNTING POLICIES

The accounting policies applied in the preparation of the consolidation financial statements are set out below.

2.1 Basis of preparation

(1) Statement of compliance

The consolidation financial statements set out in this report have been prepared in accordance with International Financial Reporting Standards and International Accounting Standards as issued by the International Accounting Standards Board (the “IASB”) and interpretations (collectively IFRS Accounting Standards). These consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “Listing Rules”).

(2) Basis of preparation of the consolidated financial statements and going concern assumption

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income, which are carried at fair value.

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are set out in Note 4.

As at 31 December 2025, the Group had net current liabilities of approximately RMB21,862,399,000 and capital commitments of approximately RMB309,309,000 (Note 36(a)). For assessing the appropriateness of the use of the going concern basis for the preparation of these consolidated financial statements, the directors of the Company have prepared a cash flow forecast covering a period of 12 months from the year ended 31 December 2025, taking account of the following events and measures:

- (i) As at 31 December 2025, the Group has obtained credit facility from Sinopec group’s subsidiaries that includes a line of credit of RMB43.0 billion and USD80 million (Total: approximately RMB43.6 billion), a line of credit promissory note of RMB5.5 billion and a line of letter of guarantee of RMB5.8 billion and USD550 million (Total: approximately RMB9.7 billion). The facility remains valid until 28 February 2026;
- (ii) On 10 March 2026, the Group has renewed the credit facility from Sinopec group’s subsidiaries as detailed in note (i) above that includes a line of credit of RMB32.4 billion and USD150 million (total: approximately RMB33.5 billion), a line of credit promissory note of RMB5.0 billion and a line of letter of guarantee of RMB5.5 billion and USD0.6 billion (total: approximately RMB9.7 billion). The facility remains valid until 28 February 2027;
- (iii) As disclosed in Note 34(i), the Group’s borrowings amounted to approximately RMB22.7 billion are sourced from Sinopec Group and its subsidiaries, where the Group maintains ongoing good relationship with these companies, which enables the Group to secure sufficient financial support from these companies; and
- (iv) 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, if necessary.

The directors of the Company are in the opinion that the above measures are sufficient enabling the Group to meet its expected liquidity, daily operation and capital needs, and the Group is expected to be able to generate net operating cash inflows in the next twelve months. Accordingly, the directors of the Company consider that the use of the going concern basis of accounting in preparing these consolidated financial statements is appropriate.

2.2 Basis of preparation of the consolidated financial statements

Scope of consolidation

The scope of consolidation is on the basis of control. Control refers to the power over investee of the Group, exposure or rights to variable returns in participating in the investee’s related activities and the ability to use the power to affect those variable returns.

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2. SUMMARY OF ACCOUNTING POLICIES (Continued)

2.2 Basis of preparation of the consolidated financial statements (Continued)

Scope of consolidation (Continued)

Subsidiaries

Subsidiaries are entities over which the Group has control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that the Group ceases control.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's shares of its associates' post-acquisition profits or losses is recognised in the consolidated statement of comprehensive income and its share of post acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amounts of the investments.

Joint ventures

A joint venture is a joint arrangement whereby the Group that has joint control of the arrangement has rights to the net assets of the arrangement.

The accounting treatment is in accordance with the provisions of long-term investment under equity method.

2.3 Foreign currency transactions and translation of foreign currency statements

(1) Foreign currency transactions

When foreign currency transactions occur, they are translated into the reporting currency at spot exchange rate at the dates of the transactions.

At the reporting date, foreign currency monetary items are translated using the spot exchange rate at the reporting date. Exchange differences arising from the differences between the spot exchange rate prevailing at the reporting date and those spot rates used on initial recognition or at the previous reporting date are recognised in profit or loss in current period; foreign currency non-monetary items carried at historical cost continue to be measured at the amounts using the spot exchange rates at the dates of the transactions; foreign currency non-monetary items carried at fair value are translated using the spot exchange rates at the date when the fair value was determined. Differences arising from retranslation are included in profit or loss in current period except for differences arising on retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

(2) Translation of foreign currency statements

At the reporting date, when translating the foreign currency financial statements of overseas subsidiaries, the assets and liabilities of the statement of financial position are translated using the spot exchange rate at the reporting date.

The revenue and expenses in the consolidated statement of comprehensive income are translated using at spot rates with reasonable approximation of the exchange rates prevailing on the transaction dates.

All items in the statement of cash flows are translated using at spot rates with reasonable approximation of the exchange rates prevailing on the transaction dates. The impact of exchange rate changes on cash amount is reflected separately in the cash flow as "Effect of foreign exchange rate changes on cash and cash equivalents."

Differences arising from the translation of foreign currency financial statements are separately reflected in "other comprehensive income."

2.4 Property, plant and equipment (including other non-current assets)

(1) Recognition and initial measurement

The Group's property, plant and equipment and other non-current asset are tangible assets that are held for use in production, rendering of services, for rentals, or for administrative purposes and have useful lives of more than one accounting year.

Property, plant and equipment and other non-current asset of the Group are stated at cost less accumulated depreciation and accumulated impairment loss.

(2) Depreciation methods, estimated useful lives and residual value

The Group uses the straight-line method for depreciation. The Group's annual depreciation rates are shown as follows according to the category, expected useful lives and estimated net residual values rates.

Buildings	12 – 50 years
Oil engineering equipment and others	4 – 30 years

Among these, property, plant and equipment which have been impaired should deduct the cumulative amount of impairment provision to determine the depreciation rate. Other non-current assets, such as specific drilling and logging equipment, were depreciated over their estimated useful life or units of production. Other non-current assets that cannot generate future benefits are recognised in the profit or loss in the period of relevant cost being incurred.

Section VIII Financial Reports

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

2.4 Property, plant and equipment (including other non-current assets) (Continued)

(2) Depreciation methods, estimated useful lives and residual value (Continued)

The Group reviews the useful life and estimated residual value of a property, plant and equipment and other non-current assets and the depreciation method applied annually at each of the period end.

The estimated useful lives and residual values of property, plant and equipment and other non-current assets are adjusted if they are different from the original estimates.

(3) Overhaul costs

The overhaul costs occurred in regular inspection of property, plant and equipment and other non-current assets are recognised in the cost of property, plant and equipment and other non-current assets if there is undoubted evidence to confirm that they meet the recognition criteria, otherwise, the overhaul costs are recognised in profit or loss for the current period. Property, plant and equipment and other non-current assets are depreciated during the intervals of the regular overhaul.

(4) Construction in progress

The cost of construction in progress is determined according to the actual expenditure incurred for the construction, including all necessary construction expenditures incurred during the construction period, borrowing costs that shall be capitalised before the construction reaches the condition for intended use and other relevant expenses.

Construction in progress is transferred to other classes of property, plant and equipment when the assets are ready for their intended use.

2.5 Intangible assets

Intangible assets include software, etc.

The Group initially measures the intangible asset at cost, and analyses and judges its useful life when it is acquired. An intangible asset is amortised using straight-line method as follows:

Software	5 years
Others	10 years/unit of production method

The Group reviews the useful life and amortisation method at the end of each financial year, if it is different from the previous estimate, adjustment is made at previous estimates and accounted for according to changes in accounting estimates.

The carrying amount of an intangible asset should be transferred to profit or loss in current period when it is estimated that no further economic benefits can be brought to the Group as at the reporting date.

2.6 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment of non-financial assets such as subsidiaries, associates, joint ventures, property, plant and equipment (including right-of-use assets and other non-current assets) and intangible assets are determined as follows:

At the reporting date, the Group perform impairment test if there is any such evidence.

The recoverable amount of an asset is determined by the higher amount of fair value deducting disposal costs and net present value of future cash flows expected from the assets. When the asset or asset group's recoverable amount is lower than its carrying amount, the Group reduces its carrying amount to its recoverable amount. The reduced amount is included in profit or loss, while the provision for impairment of assets is recognised.

2.7 Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provision of the financial instrument.

A financial asset or financial liability (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Section VIII Financial Reports

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

2.7 Financial instruments (Continued)

(1) Classification and measurement of financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVTOCI") – debt investment; FVTOCI – equity investment; or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- (i) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

Financial assets: Subsequent measurement and gains and losses

Financial assets at amortised cost

Trade receivables, other receivables, restricted cash and cash and cash equivalents are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the profit or loss. Any gain or loss on derecognition is recognised in the profit or loss.

Financial assets at FVTOCI – equity investments

They are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the other comprehensive income reserve (non-recycling); and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the other comprehensive income reserve (non-recycling).

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

Financial assets at FVTOCI – debt investments

Notes receivables held by the Group are classified as at FVTOCI. Notes receivables are initially measured at fair value plus transaction costs. Subsequently, changes in their carrying amount as a result of foreign exchange gains and losses, impairment gains or losses, and interest income calculated using the effective interest method are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these notes receivables had been measured at amortised cost. All other changes in their carrying amount are recognised in other comprehensive income and accumulated under the heading of other comprehensive income (recycling). When these notes receivables are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(2) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

(3) Impairment of financial assets

The Group recognises loss allowances for expected credit losses ("ECL") on financial assets measured at amortised cost and debt instruments that are measured at FVTOCI. The Group has the following types of assets that are subject to IFRS 9's ECL model:

- notes and trade receivables
- contract assets
- cash and cash equivalents
- restricted cash
- other receivables

The Group generally measures loss allowances at an amount equal to lifetime ECL, except that the credit risk of a financial assets has not been increased significantly since initial recognition, in which case, measured at 12-month ECL. ECL are a probability-weighted estimation of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For notes and trade receivables, and contract assets, the Group applies the simplified approach to provide for ECL as prescribed by IFRS 9 and has calculated ECL based on lifetime ECL, using provision matrix. The provision matrix is determined based on historical observed default rates over the expected life of the notes and trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Section VIII Financial Reports

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

2.7 Financial instruments (Continued)

(3) Impairment of financial assets (Continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, in particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indication of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Credit-impaired financial assets

At each reporting date, the Group assesses on a forward-looking basis whether financial assets carried at amortised cost are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- (i) significant financial difficulty of the borrower or issuer;
- (ii) a breach of contract such as a default or past due event;
- (iii) the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- (iv) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (v) the disappearance of an active market for a security because of financial difficulties.

The Group recognises an impairment loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, other receivables, contract assets, restricted cash and cash and cash equivalents etc., where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the other comprehensive income reserve (recycling) without reducing the carrying amounts of these debt instruments.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(4) Classification and measurement of financial liabilities

The Group's financial liabilities include notes and trade payables, other payables, long-term borrowings and short-term borrowings. Financial liabilities (other than lease liabilities) are classified as measured at amortised cost. Accounting policies for lease liability are set out in Note 2.20.

(5) Derecognition of financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.



Section VIII Financial Reports

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

2.8 Inventories

Inventories are recognised at its actual cost when acquired. Inventories are calculated by weighted average method when issued.

Net realisable value is based on the estimated selling price deducting the estimated costs to be, the estimated selling expenses and related taxes amount incurred when it is completed. Recognition of the net realisable value is based on the verified evidence and considers the purpose of holding inventories and the effect of post balance sheet events to the extent that such events confirm conditions existing at the end of the reporting period.

At the reporting date, if the cost of inventory of the Group exceeds its net realisable value, the inventories is written down to their net realisable value, if the factors caused the inventory previously written-down have disappeared, the amount of write down is reversed to the extent that the new carrying amount is the lower of the cost and the net realisable value.

2.9 Contract assets and contract liabilities

The contract asset is the Group's right to consideration in the exchange for services that the Group has transferred to customer. The contract assets are transferred to trade receivables when receipt of the consideration is conditional only on the passage of time.

The Group expects that contract assets have the same risk characteristics as notes and trade receivables.

The contract liabilities are due to the non-refundable advance payment made by customers. Such liabilities fluctuated as a result of the terms of different projects. A contract liability is the Group's obligation to render services to a customer for which the Group has received consideration. A contract liability is recognised by the Group when the customer pays consideration but before the Group recognised the related revenue.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

2.10 Cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily drawn on demand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

2.11 Share capital

Ordinary shares are classified as equity. Share capital is recognised at the amount of consideration of shares issued, after deducting any transaction costs associated with the issuing of shares (net of any related income tax benefit) to the extent that they are incremental costs directly attributable to the equity transaction.

2.12 Borrowing costs

(1) Recognition principle of capitalisation of borrowing costs

For borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, they shall be capitalised and included in the cost of related assets; other borrowing costs are recognised as expenses and included in profit or loss when incurred. Capitalisation of such borrowing costs can commence only when all of the following conditions are satisfied:

- (1) Capital expenditures for the asset are being incurred, which includes the expenditure in the form of cash payment, transfer of non-cash assets or the interest bearing liabilities for the purpose of acquiring or constructing assets eligible for capitalisation;
- (2) Borrowing costs are being incurred; and
- (3) Activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced.

(2) Capitalisation period of borrowing costs

Capitalisation of such borrowing costs ceases when the qualifying assets being acquired, constructed or produced become ready for their intended use or sale. The borrowing cost incurred after that is recognised as an expense in the period in which they are incurred and included in profit or loss for the period incurred.

Capitalisation of borrowing costs is suspended during the periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally and when the interruption is for a continuous period of more than 3 months; the borrowing costs in the normally interrupted period are continued to be capitalised.

(3) Calculation of rate and amount of borrowing costs to be capitalised

Interest expenses for specific borrowings incurred in the period, less interest income of unused specific borrowings deposited with bank or investment income arising from temporary investment are capitalised. The capitalisation rate of the general borrowing is determined by reference to the weighted average effective interest rate of general borrowings. The amount of capitalisation of general borrowings is determined by reference to the weighted average of the amount of cumulative expenditures of the asset over the amount of specific borrowings and the capitalisation rate of general borrowings.

Section VIII Financial Reports

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

2.13 Deferred tax assets and deferred tax liabilities

Tax expense comprises current tax expense and deferred tax expense. Current tax and deferred tax are included in profit or loss for the current period as tax expense, except for deferred tax related to transactions or events that are recognised in other comprehensive income or directly recognised in shareholders' equity, which are recognised in other comprehensive income or directly in shareholders' equity.

Temporary differences are recognised as deferred tax using the balance sheet liability method.

All the taxable temporary differences are recognised as deferred tax liabilities except for those incurred in the following transactions:

- (1) The initial recognition of an asset or liability in a transaction which is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) and does not give rise to equal taxable and deductible temporary difference when the transaction occurs;
- (2) The taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, and the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The Group recognised deductible temporary differences, deductible tax losses as deferred tax assets to the extent that they are available for set-off future taxable income unless such timing difference was arisen from the following transactions:

- (1) The transaction is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) and does not give rise to equal taxable and deductible temporary difference when the transaction occurs;
- (2) The deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, the corresponding deferred tax asset is recognised when both of the following conditions are satisfied: it is probable that the temporary difference will reverse in the foreseeable future, it is probable that taxable profits will be available in the future, against which the temporary difference can be utilised.

The Group has also applied the mandatory exception to the recognition and disclosure of information about deferred tax assets and liabilities related to Pillar Two income taxes (i.e. income taxes arising from the jurisdictional implementation of OECD's Pillar Two model rules).

At the reporting date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their tax effect is reflected.

2.14 Employee Benefits

(1) Scope of employee benefits

Employee benefits are all forms of consideration and compensation given by the Group in exchange for service rendered by employees. Employee benefits include short-term employee benefits, post-employment benefits and other long-term employee benefits. Employee benefits include benefits provided to employees' spouses, children, and other dependants, survivors of the deceased employees or to other beneficiaries.

(2) Short-term employee benefits

Wages, bonuses, contribution to the social welfare (including medical insurance, injury insurance, birth insurance, etc.) and house funding are recognised as liability and to the profit or loss or cost of related assets in the period of relevant costs being incurred. If related liabilities in which the employees render their services are not expected to be wholly payable within twelve months after the financial period of relevant expenses being incurred and the financial impact is significant, relevant liabilities will be measured at discounted values.

(3) Post employment benefits

Post-employment comprised of defined contribution plan. The Group's obligations under the defined contribution plan are limited to the fixed amount of contribution to the independent trustee.

Defined contribution plans

Defined contribution plans include the basic pension insurance, unemployment insurance and annuity scheme.

In addition to the basic social pension insurance, the Group sets up annuity scheme according to the relevant policies of annuity system, employees may voluntarily participate in the annuity scheme. The Group has no other significant commitments of social security of employees.

The Group recognised the contribution payable under the defined contribution plan as liabilities with corresponding amount recognised in the profit or loss of the financial period of services rendered by employees.

Section VIII Financial Reports

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

2.15 Provision

An obligation for additional losses of investees related to a contingency is recognised as a provision when all of the following conditions are satisfied:

1. The obligation is a present obligation of the Group;
2. It is probable that an outflow of economic benefits will be required to settle the obligation;
3. The amount of the obligation can be measured reliably.

Provisions are initially measured at the best estimate of the payment to settle the associated obligations and consider the relevant risk, uncertainty and time value of money. If the impact of time value of money is significant, the best estimate is determined as its present value of future cash outflow. The Group reviews the carrying amount of provisions at the reporting date and adjusts the carrying amount to reflect the best estimate.

If the expenses for clearing of predictive liability is fully or partially compensated by a third party, and the compensated amount can be definitely received, it is recognised separately as an asset. The compensated amount shall not be greater than the carrying amount of the predictive liability.

2.16 Research and development expenditure

Expenditure on the research phase is related to theories of oil-gas exploration and development, oil-gas exploration and development experiments, pilot tests for oil-gas exploration, researches of software, etc.; Expenditure on the development phase is related to applications of oil-gas exploration and development technology, pilot tests of oil-gas development, adaptability of technologies in a development process, software developments, etc.

Expenditure on the research phase is recognised in profit or loss when incurred.

Expenditure on the development phase is capitalised only when the Group can satisfy all of the following conditions: the technical feasibility of completing the intangible asset so that it will be available for use or sale; its intention to complete the intangible asset is to use or sell it; how the intangible asset will generate economic benefits. Among other things, the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset; the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; its ability to measure reliably the expenditure attributable to the intangible asset during its development phase. Otherwise, it is charged to profit or loss.

The research and development projects of the Group will enter into the development stage after meeting the above conditions and passing through the technical feasibility and economic feasibility studies and the formation of the project.

Capitalised expenditure on the development phase is presented as “development costs” in the statement of financial position and shall be transferred to intangible assets when the project is completed to its intended use state.

2.17 Government grants

Grants from the government are recognised only when there is a reasonable assurance that the grant will be received and the Group can comply with the attached conditions.

If a government grant is in the form of a transfer of a monetary asset, the item is measured at the amount received or receivable. Where there is undoubted evidence that the grants can meet the relevant conditions of financial support policy and is expected that the financial support fund is receivable, they can be measured in accordance with the receivable amount, and otherwise, they shall be measured according to the amount actually received. If a government grant is in the form of a transfer of a non-monetary asset, the item is measured at fair value. When fair value is not reliably determinable, the item is measured at nominal amount.

Government grant related to assets represents the government grant received for acquisition, construction of long-term assets. Except for these, all government grants are related to income.

Regarding to the government grant not clearly defined in the official documents and can be used for long-term assets, the part of government grant which can be referred to the value of the assets is classified as government grant related to assets and the remaining part is government grant related to income. For the government grant that is difficult to distinguish, the entire government grant is classified as government grant related to income.

A government grant related to an asset is recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset. For a government grant related to income, if the grant is a compensation for related expenses or losses already incurred, the grant is recognised immediately in profit or loss for the current period; if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and then recognised in profit or loss over the periods in which the costs are recognised.

When recognised government grants need to be returned, the repayment is offset against book balance of deferred income and the excess is recognised in profit or loss for the current period; if there is no related deferred income, it is directly recognised in profit or loss for the current period.



Section VIII Financial Reports

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

2.18 Cost to fulfil contracts

If the costs incurred in fulfilling a contract with a customer are not within the scope of an accounting standard other than IFRS 15, the Group shall recognise an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- (a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- (b) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- (c) the costs are expected to be recovered.

A recognised asset shall be subsequently amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. The assets shall be subjected to impairment review.

Capitalised cost to fulfil contracts is stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

2.19 Revenue recognition and other income

(1) Sales of products

Revenue from sales of products is recognised when control of the products has been transferred, being when the products are delivered to the customers and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

(2) Revenue from construction contracts and service contracts

Drilling engineering and geophysics

Revenues from drilling engineering and geophysics service contracts are recognised progressively over time using the output method, based on total value of contract work performed as a percentage of total contract sum, as customer simultaneously receives and consumes benefits provided by the Group's performance as the Group performs.

Engineering construction

Revenue from engineering construction contracts is recognised progressively over time using the input method, based on the contract costs incurred to date as a percentage of total forecast costs, as the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

Special downhole operations and Logging and mud logging

Revenue from special downhole operation and logging and mud logging service contract is recognised overtime using the output method when services are rendered as customer simultaneously receives and consumes benefits provided by the Group's performance as the Group performs.

(3) Dividend income

Dividend income is recognised when the right to receive payment is established.

(4) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

2.20 Leases

(1) The Group as a lessee

For entering any new contracts, the Group considers whether a contract is, or contains a lease. The Group assesses whether the contract meets three key evaluations which are whether:

- (i) the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- (ii) the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- (iii) the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone selling price of the lease component and the aggregate stand-alone selling price of the non-lease components.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

The Group remeasures lease liabilities whenever:

- there are changes in lease term or in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- there are changes in lease payments due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 months or less.

The Group presents right-of-use assets in "property, plant and equipment", the same line item as that within which the corresponding underlying assets would be presented if they were owned.

(2) The Group as a lessor

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.



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3. NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

3.1 Application of new and amendments to IFRS Accounting Standards

The IASB has issued a number of new and amendments to IFRS Accounting Standards. The Group has adopted all these new and amendments to IFRS Accounting Standards, which are effective for the Group's consolidated financial statements for the accounting period beginning on or after 1 January 2025:

Amendments to IAS 21 and IFRS 1

Lack of Exchangeability

None of these amended IFRS Accounting Standards has a material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended IFRS Accounting Standards that is not yet effective for the current accounting period.

The amendments do not have a material impact on the consolidated financial statements.

3.2 New and amendments to IFRS Accounting Standards that have been issued but are not yet effective and not early adopted

The new and amendments to accounting standards issued but not yet effective for the accounting period ended 31 December 2025 which the Group has not early adopted are set out below:

Amendments to IFRS 9 and IFRS 7

Classification and Measurement of Financial Instruments¹

Amendments to IFRS 9 and IFRS 7

Contracts Referencing Nature-dependent Electricity¹

Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7

Annual Improvements to IFRS Accounting Standards – Volume 11¹

IFRS 18

Presentation and Disclosure in Financial Statements²

IFRS 19

Subsidiaries without Public Accountability: Disclosures²

Amendments to IFRS 10 and IAS 28

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³

¹ Effective for annual periods beginning on or after 1 January 2026

² Effective for annual periods beginning on or after 1 January 2027

³ The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined

The Group is currently assessing the impact of these new or amended accounting standards and amendments.

IFRS 18 Presentation and Disclosure in Financial Statements, which was issued by the IASB in July 2024 supersedes IAS 1 and will result in major consequential amendments to IFRS Accounting Standards including IAS 8 Basis of Preparation of Financial Statements (renamed from Accounting Policies, Changes in Accounting Estimates and Errors). Even though IFRS 18 will not have any effect on the recognition and measurement of items in the consolidated financial statements, it is expected to have a significant effect on the presentation and disclosure of certain items. These changes include categorisation and sub-totals in the statement of profit or loss, aggregation/disaggregation and labelling of information, and disclosure of management-defined performance measures.

The adoption of IFRS 19 is optional. IFRS 19 specifies the disclosure requirements that an entity is permitted to apply to substitute the disclosure requirements in other IFRS Accounting Standards. The Company's shares are listed and traded in The Stock Exchange of Hong Kong Limited. Therefore, it has public accountability according to IFRS 19 and does not qualify for electing to apply the standard to prepare its financial statements.

Except for the above, these new or amended IFRS Accounting Standards are preliminary assessed and are not expected to have any significant impact on the Group's financial statements.

4. CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATES

The Group continually evaluates the critical accounting estimates and key assumptions based on its historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

The critical accounting estimates and key assumptions that are likely to have significant risks of causing material adjustments to the carrying amounts of assets and liabilities in the next financial year are set out as below:

(1) Classification of financial assets

The Group's critical judgements on determining the classification of financial assets, including the business model and analysis of contractual cash flow characteristics.

The Group's assessment of the business model is performed on a financial assets portfolio basis, taking into consideration of the way for how the performance of the financial assets are evaluated and reported to the Group's key management personnel, the way for how the risks for being affected by the performance of the financial assets are evaluated and managed, and the way for how managers are compensated and etc.

The Group's critical judgements on whether the cash flows are consistent with the loan arrangement include whether principal amount may change (including future cash flow and amount) over the life of the financial asset (for example, if there are early repayments of principal) and whether interest only consists of consideration for the time value of money, for the credit risk, and for other basic lending risks and costs, as well as a profit margin. For examples, whether the amount for early repayment solely reflects the outstanding principal and related interest and the reasonable compensation for the early termination of agreement.

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4. CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATES (Continued)

(2) Provision for ECL of trade receivables and contract assets

The Group makes allowances on trade receivables (Note 21) and contract assets (Note 23) based on assumptions about risk of default and expected loss rates. The Group applies judgment in making these assumptions and selecting the inputs to the ECL calculation, based on the Group's past collection history, existing market conditions as well as forward looking estimates at the end of each reporting period. During the year ended 31 December 2025, reversal of ECL allowance on trade receivables of RMB137,218,000 (2024: reversal of ECL allowance of RMB435,936,000) and reversal of ECL allowance on contract assets of RMB1,131,000 (2024: ECL allowance of RMB138,134,000) respectively are recognised in profit or loss.

(3) Write down of inventories

The Group regularly reviews the net realisable value of inventories and inventories write-down is recognised at the excess of the carrying amounts of inventories over their net realisable value. When making estimation of the net realisable value of inventories, the Group considers the purpose of the inventories held on hand and other information available to form the underlying assumptions, including the market prices of inventories and the Group's historical operating costs. The actual selling price, costs of completion, selling expenses and taxes may vary according to the changes in market conditions, technology or the actual use of the inventories. The profit or loss for the period will be affected by the adjustment in carrying amount of inventories. The carrying amount of inventories is set out in Note 24.

(4) Research and development costs

Research costs are expensed as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognised as an intangible asset where the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the asset that will generate probable future economic benefit. Significant judgement is required in determining the capitalisation of development costs. Development costs that do not meet the above criteria are expensed as incurred.

(5) Depreciation and amortisation of property, plant and equipment, intangible assets and other non-current assets

The Group takes into account of residual value before calculating the depreciation and amortisation of property, plant and equipment, intangible assets and other non-current assets. The Group regularly review the estimated useful lives of the assets to determine the depreciation and amortisation charged in each reporting period. The useful lives of the assets are determined based on historical experiences of similar assets and the estimated technical changes, the amortisation periods for other non-current assets are determined by the Group in accordance with the expected benefit period of each assets. Depreciation and amortisation charges is revised if there is material effect on the previous estimation.

Carrying amount of property, plant and equipment and other non-current asset as well as intangible assets is set out in Notes 17 and 18.

(6) Revenue recognition

The contract revenue of petroleum engineering and technical services provided by the Group is recognised over time. The recognition of related revenue depends on the total budgeted costs and the estimation of progress towards satisfaction of a performance obligation by the Group. The management of the Group adopts the expected value method to estimate the total amount of consideration to which the Group will be entitled, and evaluates the total budgeted costs according to historical information and construction plan. Consideration is included in the transaction price until it is highly probable that such an inclusion will not result in a significant revenue reversal in the future. In view of the fact that the construction service contract cycle may span multiple accounting periods, the Group will continuously and periodically review and revise the estimated amount of consideration to which the Group will be entitled, estimated contract costs and the progress towards satisfaction of a performance obligation. If the total amount of consideration to which the Group will be entitled, and total contract costs are actually higher or lower than the management's estimated value, the amount of revenue recognised will be affected in the future.

(7) Provision for litigation claims

For the legal proceedings and claims, the Group derives the best estimate of the expenditure required to settle the related current obligations based on the legal advices consulted and according to the process and solutions of the legal proceedings and claims. The estimated losses will change according to the progress of the legal proceedings. The related information is set out in Note 39.

(8) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and deductible temporary differences when the Group is probable to have sufficient taxable profits to utilise them. The management estimates the timing and amount in relation to the future taxable profits, including the availability of tax planning strategy to recognise the appropriate amount of deferred tax assets. If the taxable profits in future accounting period is lower than the expected amount or the actual tax rate is lower than the expected tax rate, the deferred tax assets recognised will be reversed and included in the consolidated statement of comprehensive income. The related information is set out in Note 35.

(9) Taxation

There are various uncertainties on interpretation of the complicated tax regulations (including related tax incentive regulations) and timing and extent of the taxable profits. Regarding to various international business and complexity of current contract, there may be adjustment to the recognised taxable income and expenses in the future. The Group has reasonably estimated the provision of taxation in the countries where the Group operates. Such provision of taxation is based on different factors, such as previous tax audit experience and interpretation by related tax authorities. Since the Group operates in different tax regions, different interpretations may be resulted from various events. Relevant information is set out in Notes 12.

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4. CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATES (Continued)

(10) Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the financing plan assessed as detailed in note 2.1 to these consolidated financial statements. However, because not all future events or conditions can be predicted, this assumption is not a guarantee as to the Group's and Company's ability to continue as a going concern.

5. REVENUE AND SEGMENT INFORMATION

The Group's revenue is as follows:

	2025	2024
	RMB' 000	RMB' 000
Geophysics	5,715,378	5,899,180
Drilling engineering	36,849,733	40,178,343
Logging and mud logging	3,799,081	3,592,013
Special downhole operations	10,966,129	10,965,379
Engineering construction	20,636,722	17,809,820
Others	2,745,135	2,651,443
	80,712,178	81,096,178

Segment information

The Group identifies its operating segments based on the internal organisation structure, senior executive management requirements and internal reporting system. The Group has identified five operating segments including geophysics, drilling engineering, logging and mud logging, special downhole operations and engineering construction. These operating segments are identified based on the regular internal financial information reported to the senior executive management. Senior executive management of the Company regularly reviews the segment information for their decision about the resources allocation and performance assessment.

Five reportable operating segments are as follows:

- Geophysics, which provides terrestrial and marine geophysical exploration, development and technical services;
- Drilling engineering, which provides customers with land and ocean drilling design, construction, technical services and drilling instrumentation;
- Logging and mud logging, which provides land and ocean project contracting and technical services for collection, monitoring, transmission, processing and interpretation and evaluation of wellbore oil and gas, geology and engineering information;
- Special downhole operations, which provides oil engineering technical and construction, including oil (gas) testing, well repair, lateral drilling, fracturing, acidising and oil assignments; and
- Engineering construction, which provides a package of services, including feasibility studies, design, procurement, construction for projects of onshore and offshore oil and gas fields, long-distance pipeline projects, oil and gas transporting process projects, storage and transportation projects, petrochemical supporting projects, building construction, water resources and hydropower, ports and waterways, electricity transmission and distribution projects, manufacturing of pressure vessels, LNG projects, coal chemical engineering, geothermal utilisation, energy saving and municipal roads and bridges.

Inter-segment transfers are measured by reference to market price. The assets are allocated based on the operations of the segment and the physical location of the asset.

All assets are allocated to reportable segments other than certain property, plant and equipment, certain intangible assets, certain other non-current assets, certain inventories, certain contract assets and cost to fulfil contracts, certain notes and trade receivables, certain prepayment and other receivables, certain cash and cash equivalents, and certain deferred tax assets.

All liabilities are allocated to reportable segments other than certain borrowings, certain deferred income, certain deferred tax liabilities, certain notes and trade payables, certain other payables, certain contract liabilities, and certain current income tax payable.

The resources related to interest income, interest expenses, interests in joint ventures, interests in associates, gain on investment, income tax expense as well as shared assets of all segments are centrally managed and accounted for by the Company, and thus are not allocated among segments.

Segment information of each reportable segment were reported and disclosed to the senior executive management in accordance with the accounting policies and the respective measurement bases. These accounting policies and measurement bases were the same as those used in for the preparation of the consolidated financial statements.

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

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5. REVENUE AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

(a) Segment results, assets and liabilities

For the year ended 31 December 2025 and as at that date, the segment results, assets and liabilities were as follows:

	Geophysics	Drilling engineering	Logging and mud logging	Special downhole operations	Engineering construction	Unallocated	Eliminated	Total
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
During the year ended 31 December 2025								
Segment revenue and results								
Revenue from external customers	5,715,378	36,849,733	3,799,081	10,966,129	20,636,722	2,745,135	–	80,712,178
Inter-segment revenue	145,834	2,455,847	3,363,959	673,222	102,242	6,394,168	(13,135,272)	–
Segment revenue	5,861,212	39,305,580	7,163,040	11,639,351	20,738,964	9,139,303	(13,135,272)	80,712,178
Reportable segment profit/(loss)/(loss)	181,387	633,574	358,847	439,044	540,443	(1,339,801)	–	813,494
Other income	70,494	270,804	9,742	71,344	63,070	88,731	–	574,185
Other expenses	(6,213)	(83,080)	(8,817)	(12,808)	(13,908)	(26,860)	–	(151,686)
Profit/(loss)/(loss) before income tax	245,668	821,298	359,772	497,580	589,605	(1,277,930)	–	1,235,993
Income tax expense								(539,242)
Profit for the year								696,751
Supplementary information								
Depreciation and amortisation								
– Property, plant and equipment	354,030	1,958,786	208,520	477,148	296,489	255,262	–	3,550,235
– Other non-current assets	73,502	2,121,595	176,926	768,941	12,692	90,206	–	3,243,862
– Intangible assets	176	1,255	1,885	7,818	11,952	153,947	–	177,033
During the year ended 31 December 2025								
Capital expenditure								
– Property, plant and equipment	300,314	1,747,213	189,448	270,018	434,086	412,991	–	3,354,070
– Intangible assets	–	12,665	7,699	–	2,559	88,382	–	111,305
– Other non-current assets	56,459	1,869,781	175,138	674,521	6,284	62,166	–	2,844,349
Provision/(reversal of provision) for ECL on trade receivables, net/(reversal)	7,718	(4,234)	(7,941)	(91,565)	(40,780)	(416)	–	(137,218)
(Reversal of provision)/provision for ECL on other receivables, net	(98)	2,571	(19)	64	(32,527)	(3,047)	–	(33,056)
Provision for ECL on contract assets	266	187	52	295	302	29	–	1,131
As at 31 December 2025								
Assets								
Segment assets	6,677,686	9,433,322	4,979,267	7,722,895	26,663,172	24,252,383	(2,474,132)	77,254,593
Liabilities								
Segment liabilities	5,791,903	5,005,180	2,892,051	3,888,633	25,256,262	27,628,994	(2,474,132)	67,988,891

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5. REVENUE AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

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

For the year ended 31 December 2024 and as at that date, the segment results, assets and liabilities were as follows:

	Geophysics	Drilling engineering	Logging and mud logging	Special downhole operations	Engineering construction	Unallocated	Eliminated	Total
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
During the year ended 31 December 2024								
Segment revenue and results								
Revenue from external customers	5,899,180	40,178,343	3,592,013	10,965,379	17,809,820	2,651,443	–	81,096,178
Inter-segment revenue	120,111	2,072,896	3,043,301	571,372	99,594	6,024,207	(11,931,481)	–
Segment revenue	6,019,291	42,251,239	6,635,314	11,536,751	17,909,414	8,675,650	(11,931,481)	81,096,178
Reportable segment profit/(loss)	198,746	906,987	314,860	259,202	438,865	(1,284,025)	–	834,635
Other income	9,897	166,080	11,577	7,073	38,638	89,834	–	323,099
Other expenses	(5,585)	(68,348)	(7,947)	(8,017)	83,853	(30,142)	–	(36,186)
Profit/(loss) before income tax	203,058	1,004,719	318,490	258,258	561,356	(1,224,333)	–	1,121,548
Income tax expense								(500,917)
Profit for the year								620,631
Supplementary information								
Depreciation and amortisation								
– Property, plant and equipment	347,808	1,947,828	225,455	530,249	316,644	314,588	–	3,680,572
– Other non-current assets	182,510	2,267,266	166,621	511,344	8,767	112,164	–	3,248,672
– Intangible assets	178	1,029	878	8,077	12,222	181,553	–	203,937
During the year ended 31 December 2024								
Capital expenditure								
– Property, plant and equipment	360,743	1,530,249	232,272	292,601	394,191	545,409	–	3,355,465
– Intangible assets	25	4,504	2,863	–	9,963	157,803	–	175,158
– Other non-current assets	52,493	1,612,916	144,337	540,844	27,019	179,125	–	2,556,734
Provision/(reversal of provision) for ECL on trade receivables, net	3,659	(248,034)	(26,336)	14	(25,342)	(139,897)	–	(435,936)
Provision/(reversal of provision) for ECL on other receivables, net	819	7,075	(1,013)	(10)	(35,160)	(1,560)	–	(29,849)
Provision/(reversal of provision) for ECL on contract assets, net	806	(551)	(49)	(112)	1,884	(140,112)	–	(138,134)
As at 31 December 2024								
Assets								
Segment assets	6,391,939	11,289,518	4,477,704	8,463,778	27,642,305	20,762,789	(1,687,928)	77,340,105
Liabilities								
Segment liabilities	5,431,227	7,468,074	2,568,453	4,697,820	25,826,311	24,387,346	(1,687,928)	68,691,303

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5. REVENUE AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

(b) Geographical information

The following table presents the geographical information. Revenue is based on the location at which revenue were derived. Specified non-current assets include property, plant and equipment, other non-current assets, intangible assets, interests in joint ventures and interests in associates, which are based on the physical location of the assets or operations.

	Revenue from external customers	
	2025	2024
	RMB' 000	RMB' 000
The PRC	60,664,588	62,866,445
Middle East (Note)	11,315,515	12,385,368
Other countries	8,732,075	5,844,364
	80,712,178	81,096,178

	Specified non-current assets	
	2025	2024
	RMB' 000	RMB' 000
The PRC	24,665,053	26,393,096
Saudi Arabia	4,321,621	5,148,372
Other countries	3,401,538	1,910,923
	32,388,212	33,452,391

Note: Middle East and other countries are mainly represented Saudi Arabia and Kuwait.

(c) Major customer

For the years ended 31 December 2025 and 2024, revenue from customers which individually contributed over 10% of the Group's revenue is as follows:

	2025	2024
	RMB' 000	RMB' 000
Customer A	46,260,427	48,987,648

Revenue from this customer was derived from the operating segments of geophysics, drilling engineering, logging and mud logging, special downhole operations and engineering construction accounted for approximately 57% (2024: 60%) of the Group's revenue.

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5. REVENUE AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

(d) Analysis on revenue from contracts

For the years ended 31 December 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 segment for 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
During the year ended 31 December 2025							
Timing of revenue recognition:							
– At a point in time	–	–	–	–	44,688	770,632	815,320
– Over time	5,715,378	36,849,733	3,799,081	10,966,129	20,592,034	1,974,503	79,896,858
Total	5,715,378	36,849,733	3,799,081	10,966,129	20,636,722	2,745,135	80,712,178
During the year ended 31 December 2024							
Timing of revenue recognition:							
– At a point in time	–	2,377	–	924	37,383	790,174	830,858
– Over time	5,899,180	40,175,966	3,592,013	10,964,455	17,772,437	1,861,269	80,265,320
Total	5,899,180	40,178,343	3,592,013	10,965,379	17,809,820	2,651,443	81,096,178

(e) Performance obligation of contracts with customers

The Group enters into petroleum engineering technical service contracts or construction contracts with customers to provide geophysical exploration, drilling, logging and mud logging, special downhole operations and surface engineering construction services of which rendering of services and construction contracts is completed according to the agreed schedule. When value of the completed work is confirmed and is certified, customers pay progress payments within 30-180 days after billing. Final billing and payment are made upon the completion and acceptance of the work.

In accordance with contracts and relevant legal requirement, the Group's engineering construction business provides quality assurance for the constructed assets. This type of quality assurance is an assurance-type warranty that ensures that the constructed assets fulfil the established quality standards and cannot be purchased separately, which does not constitute a single performance obligation.

6. FINANCE EXPENSES, –NET

	2025	2024
	RMB' 000	RMB' 000
Finance income		
Interest income		
– Sinopec Group's subsidiaries	43,948	37,194
– Third-parties and other financial institutions	29,370	25,915
	73,318	63,109
Finance expenses		
Interest expenses on loans wholly repayable within 5 years		
– Sinopec Group and its subsidiaries	(561,999)	(662,794)
– Third parties and other financial institutions	(125,771)	(47,463)
Interest expenses on lease liabilities		
– Sinopec Group and its subsidiaries	(14,839)	(9,287)
– Associates and joint ventures of Sinopec Group	–	(155)
– Third parties	(28,288)	(29,555)
Exchange (loss)/gain, net	(118,209)	61,836
Bank and other charges	(106,790)	(105,212)
	(955,896)	(792,630)
	(882,578)	(729,521)

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7. REVERSAL OF EXPECTED CREDIT LOSS (“ECL”) AND OTHER IMPAIRMENTS AND WRITE-DOWN OF INVENTORIES TO NET REALISABLE VALUE

	2025	2024
	RMB' 000	RMB' 000
Reversal of ECL on trade and other receivables, net	(170,274)	(465,785)
ECL/(reversal of ECL) on contract assets, net	1,131	(138,134)
Write-down of inventories to net realisable value	—	797
Others	—	(3,864)
	(169,143)	(606,986)

8. INVESTMENT INCOME

	2025	2024
	RMB' 000	RMB' 000
Investment income from financial assets at FVTOCI	3,023	500

9. OTHER INCOME

	2025	2024
	RMB' 000	RMB' 000
Gains on disposal of property, plant and equipment, net	44,464	62,853
Gains on disposal of other non-current assets, net	4,628	12,547
Gains on debt restructuring	70,217	28,110
Government grants (Note)	332,460	87,392
Waived payables	9,265	31,200
Penalty income	3,857	3,223
Compensation received	18,590	7,685
Insurance claims	8,293	8,357
Asset surplus	78,764	77,535
Others	3,657	4,197
	574,185	323,099

Note:

For the years ended 31 December 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.

10. OTHER EXPENSES, NET

	2025	2024
	RMB' 000	RMB' 000
Loss on scraps of assets	36,381	29,586
Penalty	2,862	3,236
Donation	1,289	3,214
Compensation	24,964	4,053
Impairment loss on property, plant and equipment	—	111
Reversal of provision for loss on judicial re-organisation (Note 38)	—	(95,214)
Others	86,190	91,200
	151,686	36,186

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11. PROFIT BEFORE INCOME TAX

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

	2025	2024
	RMB' 000	RMB' 000
Staff costs, including directors and supervisors emoluments (Note 16)	18,631,937	19,007,330
Retirement benefit plan contribution (including in the above mentioned staff costs)		
– Municipal retirement scheme costs	1,506,608	1,498,206
– Supplementary retirement scheme costs	771,539	753,555
Changes in inventories of finished goods and work in progress	66,617	(1,140)
Raw materials and consumables used	33,028,448	30,974,027
Depreciation and amortisation		
– Property, plant and equipment	3,550,235	3,680,572
– Other non-current assets	3,243,862	3,248,672
– Intangible assets	177,033	203,937
Short-term leases and leases with lease term of 12 months or less	2,438,114	2,490,508
ECL, net		
– Trade and other receivables	(170,274)	(465,785)
– Contract assets	1,131	(138,134)
Write-down of inventories to net realisable value	–	797
Impairment loss on property, plant and equipment	–	111
Rental income from property, plant and equipment after relevant expenses	(163,117)	(28,248)
Gains on disposal of property, plant and equipment, net	(44,465)	(62,853)
Gains on disposal of other non-current assets, net	(4,627)	(12,547)
Auditors' remuneration	7,200	7,200
Exchange loss/(gain), net	118,211	(61,836)

12. INCOME TAX EXPENSE

	2025	2024
	RMB' 000	RMB' 000
Current tax		
PRC corporate income tax	197,599	160,730
Overseas corporate income tax	314,365	279,202
	511,964	439,932
Deferred tax		
Origination and reversal of temporary difference (Note 35)	27,278	60,985
Income tax expense	539,242	500,917

According to the Corporate Income Tax Law of the PRC, the applicable income tax rate of the years ended 31 December 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 15% preferential tax rate during the years ended 31 December 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 where the related companies of the Group operate.

During the year ended 31 December 2024, Pillar Two legislation was enacted in Kuwait in which the Group operates. The legislation is effective for the year ended 31 December 2025 and introduced a Domestic Minimum Top-Up Tax of 15% for qualifying multinational enterprises.

The Group is in the progress of assessing the impacts. Due to the complexity of the tax laws, the Group has yet to complete their assessment and therefore the effect is not yet reasonably estimated.

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12. INCOME TAX EXPENSE (CONTINUED)

Reconciliation between income tax expense and profit before income tax calculated at the statutory tax rate is as follows:

	2025	2024
	RMB' 000	RMB' 000
Profit before income tax	1,235,993	1,121,548
Taxation calculated at the statutory tax rate	308,998	280,387
Income tax effects of:		
Difference in overseas profits tax rates	(66,490)	(11,598)
Non-deductible expenses	112,741	99,573
Utilisation of unrecognised tax losses and deductible temporary differences	(27,654)	(30,853)
Unrecognised tax losses and deductible temporary differences	291,701	297,118
Adjustment of current tax in previous years	9,119	(13,283)
Equity method accounting for the joint ventures and associates' profit or loss	11,012	7,926
Research and development expenses	(100,185)	(128,353)
Income tax expense	539,242	500,917

13. EARNINGS PER SHARE

(a) Basic

For the years ended 31 December 2025 and 2024, the basic earnings per share is calculated by dividing the profit attributable to owners of the Company.

	2025	2024
Profit for the year attributable to owners of the Company (RMB' 000)	695,544	620,631
Weighted average number of ordinary shares in issue (Shares)	18,966,666,363	18,982,939,727
Basic earnings per share (RMB)	0.037	0.033

(b) Diluted

For the years ended 31 December 2025 and 2024, the diluted earnings per share was the same as the basic earnings per share for the years as there were no dilutive potential ordinary shares in existence during both years.

14. DIVIDENDS

The Board of Directors of the Company did not recommend the payment of any dividends for the years ended 31 December 2025 and 2024.

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15. DIRECTORS', SUPERVISORS', AND FIVE HIGHEST INDIVIDUALS' EMOLUMENTS

Directors', supervisors' and highest individuals' emoluments, disclosed pursuant to the Listing Rules and the Hong Kong Companies Ordinance is as follows:

(a) Directors' and supervisors' emoluments

Details of directors and supervisors of the Company are as follows:

(i) For the year ended 31 December 2025

	Fee	Salary and allowance	Bonus	Contributions to pension plans	Share-based payment	Total
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Executive directors:						
WU Baizhi	–	284	649	68	–	1,001
ZHANG Jiankuo	–	270	625	68	–	963
	–	554	1,274	136	–	1,964
Non-executive directors:						
DU Kun	–	–	–	–	–	–
ZHANG Lili	–	–	–	–	–	–
Wang Minsheng (i)	–	–	–	–	–	–
Xu Keyu (ii)	–	–	–	–	–	–
	–	–	–	–	–	–
Independent non-executive directors:						
LIU Jiangning	200	–	–	–	–	200
WANG Pengcheng	200	–	–	–	–	200
ZHENG Weijin	200	–	–	–	–	200
	600	–	–	–	–	600
Supervisors:						
CHENG Zhongyi	–	252	554	68	–	874
KE Yuehua	–	255	540	68	–	863
SUN Bingxiang	–	242	541	68	–	851
WANG Jun	–	254	549	68	–	871
WANG Zhonghong	–	309	648	68	–	1,025
ZHANG Bailing	–	264	487	43	–	794
ZHANG Congbang	–	277	742	68	–	1,087
ZHANG Zongjing	–	246	732	42	–	1,020
	–	2,099	4,793	493	–	7,385
	600	2,653	6,067	629	–	9,949

Notes:

- (i) Appointed on 18 December 2025.
- (ii) Retired on 8 July 2025.

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15. DIRECTORS', SUPERVISORS', AND FIVE HIGHEST INDIVIDUALS' EMOLUMENTS (CONTINUED)

(a) Directors' and supervisors' emoluments (Continued)

Details of directors and supervisors of the Company are as follows: (Continued)

(ii) For the year ended 31 December 2024

	Fee	Salary and allowance	Bonus	Contributions to pension plans	Share-based payment	Total
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Executive directors:						
WU Baizhi (i)	–	146	373	34	–	553
ZHANG Jiankuo (i)	–	270	741	66	–	1,077
CHEN Xikun (ii)	–	156	366	33	–	555
	–	572	1,480	133	–	2,185
Non-executive directors:						
DU Kun (i)	–	123	321	34	–	478
XU Keyu (i)	–	–	–	–	–	–
ZHANG Lili (i)	–	–	–	–	–	–
FAN Zhonghai (ii)	–	–	–	–	–	–
WEI Ran (ii)	–	–	–	–	–	–
ZHOU Meiyun (ii)	–	–	–	–	–	–
ZHAO Jinhai (i),(iii)	–	–	–	–	–	–
	–	123	321	34	–	478
Independent non-executive directors:						
LIU Jiangning (i)	100	–	–	–	–	100
WANG Pengcheng (i)	100	–	–	–	–	100
CHEN Weidong (ii)	100	–	–	–	–	100
DONG Xiucheng (ii)	100	–	–	–	–	100
ZHENG Weijin	200	–	–	–	–	200
	600	–	–	–	–	600
Supervisors:						
CHENG Zhongyi	–	248	642	66	–	956
DU Guangyi	–	158	366	33	–	557
KE Yuehua	–	85	171	23	–	279
SUN Bingxiang	–	235	639	66	–	940
SUN Yongzhuang	–	137	385	20	–	542
WANG Jun	–	246	661	66	–	973
WANG Zhonghong	–	158	355	34	–	547
ZHANG Bailing	–	254	480	41	–	775
ZHANG Congbang	–	272	716	66	–	1,054
ZHANG Qin	–	30	–	–	–	30
ZHANG Zongjing	–	131	385	21	–	537
	–	1,954	4,800	436	–	7,190
	600	2,649	6,601	603	–	10,453

Notes:

- (i) Appointed on 12 June 2024.
- (ii) Retired on 12 June 2024.
- (iii) Retired on 10 December 2024.

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15. DIRECTORS', SUPERVISORS', AND FIVE HIGHEST INDIVIDUALS' EMOLUMENTS (CONTINUED)

(b) Five highest paid individuals

The number of director or supervisor and non-director or supervisor included in the five highest paid individuals for the years ended 31 December 2025 and 2024 are as follows:

	2025	2024
Director or supervisor	4	5
Non-director or non-supervisor	1	–
–	5	5

The aggregate of the emoluments in respect of the highest paid non-director or supervisor are as follows:

	2025	2024
	RMB' 000	RMB' 000
Salaries, allowances and bonus	1,019	–
Contributions to pensions plans	68	–
	1,087	–

For the year ended 31 December 2025, one of the five highest paid individuals who are non-director or supervisor is within the following bands:

	2025	2024
Nil to HK\$1,000,000	–	–
HK\$1,000,001 to HK\$1,500,000	1	–

16. STAFF COSTS

	2025	2024
	RMB' 000	RMB' 000
Salaries, wages and other benefits	16,353,790	16,755,569
Contribution to pension plans (Note)		
– Municipal retirement scheme costs	1,506,608	1,498,206
– Supplementary retirement scheme costs	771,539	753,555
	18,631,937	19,007,330

Note:

Retirement benefits

As stipulated by the regulations of the PRC, the Group participates in basic defined contribution retirement schemes organised by respective municipal government. For the year ended 31 December 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.

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17. PROPERTY, PLANT AND EQUIPMENT AND OTHER NON-CURRENT ASSETS

(a) Property, plant and equipment

For the year ended 31 December 2025

	Buildings	Oil engineering equipment and others	Land	Prepaid land leases	Construction in progress	Total
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Cost						
At 1 January 2025	2,915,672	66,530,950	151,277	164,176	796,989	70,559,064
Additions	470,508	276,573	60,375	11,383	2,535,231	3,354,070
Expiration of or early termination of leases	(492,002)	(127,764)	(74,951)	–	–	(694,717)
Disposals/Write-off	(33,198)	(2,374,712)	–	–	–	(2,407,910)
Transferred from construction in progress	43,177	2,660,345	–	–	(2,703,522)	–
At 31 December 2025	2,904,157	66,965,392	136,701	175,559	628,698	70,810,507
Accumulated depreciation and impairment						
At 1 January 2025	1,592,576	43,133,599	97,496	41,752	3,502	44,868,925
Depreciation	430,124	3,070,394	45,628	4,089	–	3,550,235
Expiration of or early termination of leases	(471,430)	(125,770)	(67,872)	–	–	(665,072)
Disposals/Write-off	(23,133)	(2,147,683)	–	–	(3,502)	(2,174,318)
At 31 December 2025	1,528,137	43,930,540	75,252	45,841	–	45,579,770
Carrying amounts						
At 31 December 2025	1,376,020	23,034,852	61,449	129,718	628,698	25,230,737

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

(a) Property, plant and equipment (Continued)

For the year ended 31 December 2024

	Buildings	Oil engineering equipment and others	Land	Prepaid land leases	Construction in progress	Total
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Cost						
At 1 January 2024	2,800,709	67,113,289	141,104	150,387	699,115	70,904,604
Additions	288,714	304,088	68,514	13,789	2,680,360	3,355,465
Remeasurement of leases	–	(52,570)	3,928	–	–	(48,642)
Expiration of or early termination of leases	(262,833)	(364,456)	(62,269)	–	–	(689,558)
Disposals/Write-off	(4,841)	(2,957,964)	–	–	–	(2,962,805)
Transferred from construction in progress	93,923	2,488,563	–	–	(2,582,486)	–
At 31 December 2024	2,915,672	66,530,950	151,277	164,176	796,989	70,559,064
Accumulated depreciation and impairment						
At 1 January 2024	1,408,610	42,943,329	109,844	38,190	3,502	44,503,475
Depreciation	451,066	3,176,023	49,921	3,562	–	3,680,572
Impairment loss	–	111	–	–	–	111
Expiration of or early termination of leases	(262,775)	(318,098)	(62,269)	–	–	(643,142)
Disposals/Write-off	(4,325)	(2,667,766)	–	–	–	(2,672,091)
At 31 December 2024	1,592,576	43,133,599	97,496	41,752	3,502	44,868,925
Carrying amounts						
At 31 December 2024	1,323,096	23,397,351	53,781	122,424	793,487	25,690,139

Notes:

(i) Recognised depreciation is analysed as follows:

	2025	2024
	RMB' 000	RMB' 000
Cost of sales	3,384,168	3,518,369
Selling expenses	856	629
General and administrative expenses	98,674	99,124
Research expenses	66,537	62,450
	3,550,235	3,680,572

(ii) As at 31 December 2025, right-of-use assets with carrying amounts of RMB891,261,000 are included in property, plant and equipment (2024: right-of-use assets with carrying amounts of RMB742,837,000).

	Carrying amounts		Depreciation
	As at 31 December 2025	As at 1 January 2025	During the year 31 December 2025
	RMB' 000	RMB' 000	RMB' 000
Buildings	465,182	386,900	371,654
Oil engineering equipment and others	234,912	179,732	198,737
Land	61,449	53,781	45,628
Prepaid land leases	129,718	122,424	4,089
	891,261	742,837	620,108

(iii) For the year ended 31 December 2025, the total increase in the right-of-use assets included in property, plant and equipment was RMB745,326,000 (2024: RMB542,930,000).

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

(b) Other non-current assets

For the year ended 31 December 2025

	Special tools of petroleum engineering	Other tools of petroleum engineering	Camping house	Other long- term deferred expenses	Total
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Cost					
At 1 January 2025	20,124,343	4,039,024	2,952,399	79,398	27,195,164
Additions	1,709,162	928,443	194,795	11,949	2,844,349
At 31 December 2025	21,833,505	4,967,467	3,147,194	91,347	30,039,513
Accumulated depreciation					
At 1 January 2025	14,736,145	2,896,265	2,301,895	51,959	19,986,264
Amortisation	2,041,082	913,851	278,933	9,996	3,243,862
Other decrease	20,369	7,110	5,933	–	33,412
At 31 December 2025	16,797,596	3,817,226	2,586,761	61,955	23,263,538
Carrying amounts					
At 31 December 2025	5,035,909	1,150,241	560,433	29,392	6,775,975

For the year ended 31 December 2024

	Special tools of petroleum engineering	Other tools of petroleum engineering	Camping house	Other long- term deferred expenses	Total
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Cost					
At 1 January 2024	18,449,825	3,310,886	2,826,505	51,214	24,638,430
Additions	1,674,518	728,138	125,894	28,184	2,556,734
At 31 December 2024	20,124,343	4,039,024	2,952,399	79,398	27,195,164
Accumulated depreciation					
At 1 January 2024	12,558,084	2,105,678	1,991,235	44,666	16,699,663
Amortisation	2,160,821	775,393	305,165	7,293	3,248,672
Other decrease	17,240	15,194	5,495	–	37,929
At 31 December 2024	14,736,145	2,896,265	2,301,895	51,959	19,986,264
Carrying amounts					
At 31 December 2024	5,388,198	1,142,759	650,504	27,439	7,208,900

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18.INTANGIBLE ASSETS

For the year ended 31 December 2025

	Computer software	Others	Total
	RMB' 000	RMB' 000	RMB' 000
Cost			
At 1 January 2025	339,504	1,070,044	1,409,548
Additions	22,928	88,377	111,305
At 31 December 2025	362,432	1,158,421	1,520,853
Accumulated amortisation			
At 1 January 2025	215,553	892,193	1,107,746
Amortisation	43,939	133,094	177,033
At 31 December 2025	259,492	1,025,287	1,284,779
Carrying amounts			
At 31 December 2025	102,940	133,134	236,074

For the year ended 31 December 2024

	Computer software	Others	Total
	RMB' 000	RMB' 000	RMB' 000
Cost			
At 1 January 2024	300,742	946,709	1,247,451
Additions	48,322	126,836	175,158
Disposals/Write-off	(9,560)	(3,501)	(13,061)
At 31 December 2024	339,504	1,070,044	1,409,548
Accumulated amortisation			
At 1 January 2024	187,687	729,183	916,870
Amortisation	37,426	166,511	203,937
Disposals/Write-off	(9,560)	(3,501)	(13,061)
At 31 December 2024	215,553	892,193	1,107,746
Carrying amounts			
At 31 December 2024	123,951	177,851	301,802

Recognised amortisation is analysed as follows:

	2025	2024
	RMB' 000	RMB' 000
Cost of sales	143,742	178,144
Selling expenses	—	1
General and administrative expenses	32,531	25,265
Research expenses	760	527
	177,033	203,937

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19.INTERESTS IN JOINT VENTURES AND ASSOCIATES

(a) Interests in joint ventures

	2025	2024
	RMB' 000	RMB' 000
At 1 January	212,735	517,961
Deregister	(8,952)	–
Share of total comprehensive income	(50,578)	(36,722)
Exchange adjustments	(47,176)	5,915
Distribution	(36)	–
Impairment	–	(274,419)
At 31 December	105,993	212,735

The interests in each joint venture are as follows:

	2025	2024
	RMB' 000	RMB' 000
Zhong Wei Energy Service Co. Limited ("Zhong Wei")	–	8,988
EBAPAN, S.A. DE C.V. ("EBAPAN")	2,270	1,550
DS Servicios Petroleros, S.A.de C.V. ("Mexico DS Company")	103,723	202,197
	105,993	212,735

Impairment loss

	2025	2024
	RMB' 000	RMB' 000
At 1 January	274,419	–
Impairment	–	274,419
At 31 December	274,419	274,419

The Company has not recognized any additional impairment for the Impairment of RMB274,419,000 is provided for interests in Mexico DS Company to adjust it to its recoverable amount as at 31 December 2024.

The details of joint ventures, unlisted and established as limited companies, of the Group are as follows:

Name	Place of incorporation/ registration	Registered capital		Actual interest held indirectly	Principal activities and place of operation
		RMB' 000	MXN' 000		
Zhong Wei	The PRC	– (2024: 305,000)	–	– (2024: 50.00%)	Oilfield technical service/ The PRC
EBAPAN	Mexico	–	50 (2024: 50)	50.00% (2024: 50.00%)	Oil and gas extraction professional and auxiliary activities/Mexico
Mexico DS Company	Mexico	–	5,250 (2024: 5,250)	50.00% (2024: 50.00%)	Oil and gas extraction professional and auxiliary activities/Mexico

The above joint ventures are accounted for using equity method.

Notes:

- The decision of financial and operating strategies requires unanimous consent from the Group and other ventures as stated in the contracts signed by the both parties.
- Commitments and contingent liabilities of the joint ventures
As at 31 December 2025 and 2024, there is no material contingent liability and commitment between the Group and its joint ventures or the joint ventures themselves.
- Zhong Wei was deregistered during the year ended 31 December 2025.

The summarised financial information of non-major joint ventures of the Group is as follows:

	2025	2024
	RMB' 000	RMB' 000
Loss for the year from continuing operations	(101,156)	(73,444)
Other comprehensive income	(94,353)	11,828
Total comprehensive income	(195,509)	(61,616)

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19. INTERESTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

(b) Interest in associates

	2025	2024
	RMB' 000	RMB' 000
At 1 January	38,815	35,535
Additions	408	—
Share of total comprehensive income	10,632	8,129
Distribution	(10,422)	(4,849)
At 31 December	39,433	38,815

The details of associates, unlisted and established as limited companies, of the Group are as follows:

Name	Place of incorporation/ registration	Registered capital		Actual interest held indirectly	Principal activities and place of operation
		RMB' 000	USD' 000		
Ordos North China Ruida Oil Service Company Limited ("Ordos North")	The PRC	10,000 (2024: 10,000)	—	35.00% (2024: 35.00%)	Oil and natural gas exploration/The PRC
Xinjiang North China Tianxiang Oil Service Company Limited ("Xinjiang North")	The PRC	10,000 (2024: 10,000)	—	20.00% (2024: 20.00%)	Oil and natural gas exploration/The PRC
Zhenjiang Huajiang Oil Service Company Limited ("Huajiang Oil")	The PRC	5,000 (2024: 5,000)	—	37.00% (2024: 37.00%)	Oil and natural gas exploration/The PRC
Henan Zhongyuan Petroleum Technology Service Company Limited ("Henan Zhongyuan")	The PRC	10,000 (2024: 10,000)	—	20.00% (2024: 20.00%)	Oil and natural gas exploration/The PRC
Henan Zhongyou Petroleum Technology Service Company Limited ("Henan Zhongyou")	The PRC	10,000 (2024: 10,000)	—	20.00% (2023: 20.00%)	Oil and natural gas exploration/The PRC
Qianjiang HengYun Comprehensive Vehicle Performance Inspecting Company Limited ("Qianjiang HengYun")	The PRC	2,100 (2024: 2,100)	—	49.10% (2024: 49.10%)	Transportation services/The PRC
Beijing Shigong Intelligent Control Technology Company Limited ("Beijing Shigong")	The PRC	20,043 (2024: 20,043)	—	30.00% (2024: 30.00%)	Oil and natural gas exploration/The PRC

The above associates are accounted for using equity method.

Note:

Commitments and contingent liabilities of the associates

As at 31 December 2025 and 2024, there is no material contingent liability and commitment between the Group and its associates or associates themselves.

20. FINANCIAL ASSETS AT FVTOCI

	2025	2024
	RMB' 000	RMB' 000
Non-current asset:		
Financial assets at FVTOCI (non-recycling)		
Unlisted securities: Equity securities – the PRC	135,834	137,441
Current assets:		
Financial assets at FVTOCI		
Notes receivable	4,029,356	2,557,311

Notes:

- (i) Unlisted securities represent the Groups' equity interests in the unlisted entities in the PRC. They are mainly engaged in drilling and technical services operations.

The Group designated its investment in unlisted securities as financial assets at FVTOCI (non-recycling), as the investment is held for strategic purpose.

- (ii) As at 31 December 2025 and 2024, notes receivable were classified as financial assets at FVTOCI, as the Group's business model is achieved both by collecting contractual cash flows and by selling of these assets.

- (iii) Financial assets at FVTOCI are measured at fair value. Refer to Note 41.4 for details. All financial assets at FVTOCI are denominated in RMB.

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21. TRADE RECEIVABLES

	2025	2024
	RMB' 000	RMB' 000
Trade receivables		
– Sinopec Group and its subsidiaries	5,226,551	6,075,263
– Joint ventures of the Group	11,863	17,534
– Joint ventures and associates of Sinopec Group	23,414	125,362
– Third parties	7,481,813	8,865,528
	12,743,641	15,083,687
Less: ECL allowance	(1,569,073)	(1,788,860)
Trade receivables – net	11,174,568	13,294,827

As at 31 December 2025 and 2024, the carrying amounts of Group's trade receivables approximate their fair values.

The Group usually provides customers with a credit term between 90 to 180 days. For the settlement of trade receivables from provision of services, the Group usually reaches an agreement on the term of each payment with the customer by taking into account factors such as, among other things, the credit history of the customer, its liquidity position and the Group's working capital needs, which varies on a case-by-case basis that requires the judgment and experience of the management. The Group does not hold any collateral as security.

Ageing analysis of trade receivables, net of ECL allowance based on invoice date is as follows:

	2025	2024
	RMB' 000	RMB' 000
Within 1 year	10,546,327	12,606,210
1 to 2 years	466,971	456,985
2 to 3 years	98,897	152,307
Over 3 years	62,373	79,325
	11,174,568	13,294,827

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

	2025	2024
	RMB' 000	RMB' 000
Balance at beginning of the year	1,788,860	2,233,361
ECL	–	21,662
Reversal of ECL	(137,218)	(457,598)
Write-off of uncollectible receivables	(59,742)	(4,559)
Others	(22,827)	(4,006)
At 31 December	1,569,073	1,788,860

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22. PREPAYMENTS AND OTHER RECEIVABLES

	2025	2024
	RMB' 000	RMB' 000
Prepayments (Note (i))	514,153	595,747
Less: Impairment	—	—
	514,153	595,747
Other receivables (Note (ii))		
Petty cash funds	2,097	1,642
Guarantee deposits	1,169,777	1,743,401
Disbursement of funds	776,987	697,282
Temporary payment	528,060	600,190
Escrow payments	4,808	4,770
Deposits	26,765	29,145
Export tax refund receivables	16,909	1,222
Excess value-added tax paid	1,033,485	969,601
Value added tax to be certified	103,880	84,727
Prepaid value-added tax	1,752,315	1,504,051
Prepaid income tax	121,262	58,456
Dividend receivable	469	424
Others	493,755	398,303
	6,030,569	6,093,214
Less: ECL allowance	(511,049)	(542,901)
	5,519,520	5,550,313
Prepayments and other receivables – net	6,033,673	6,146,060

Notes:

- (i) As at 31 December 2025, the prepayments included related party balances with Sinopec Group and its subsidiaries amounting to RMB43,805,000 (2024: RMB123,112,000).
- (ii) As at 31 December 2025, the other receivables included related party balances: Sinopec Group and its subsidiaries amounting to RMB185,100,000 (2024: RMB301,453,000), the joint ventures of the Group amounting to RMB152,741,000 (2024: RMB147,228,000) and associates and the joint ventures of Sinopec Group amounting to RMB593,176,000 (2024: RMB115,000).
- (iii) The amounts due from related parties are unsecured, interest free and repayable on demand.
- (iv) The carrying amounts of the Group's prepayments and other receivables as at 31 December 2025 and 2024 approximate their fair values.

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

	2025	2024
	RMB' 000	RMB' 000
Balance at the beginning of the year	542,901	591,143
ECL	72,691	118,162
Reversal of ECL	(105,747)	(148,011)
Write-off of uncollectible receivables	6,319	(201)
Others	(5,115)	(18,192)
At 31 December	511,049	542,901

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23.CONTRACT ASSETS AND COST TO FULFIL CONTRACTS/CONTRACT LIABILITIES

(a) Contract assets and cost to fulfil contracts

	2025	2024
	RMB' 000	RMB' 000
Contract assets arising from construction and service contracts (Note (a))	17,124,416	16,821,077
Cost to fulfil contracts (Note (b))	106,592	95,972
Less: ECL allowance	(58,454)	(57,323)
	17,172,554	16,859,726

Notes:

- (a) Typical payment terms which impact on the amount of contract assets recognised are as follows:

The Group's construction and service contracts include payment schedules which require progress payments over the construction period once certain specified milestones are reached. Approximate 5% of progress billings of engineering construction service would be retained as quality guarantee. This amount is included in contract assets and the Group's entitlement to this final payment is until the end of guarantee period.

The amount of contract assets that is expected to be recovered after more than one year is RMB2,949,424,000 (31 December 2024: RMB1,644,141,000).

- (b) Cost to fulfil contracts represented costs directly related to existing contracts or to specifically identifiable anticipated contracts, including direct labor, direct materials, cost allocation and costs clearly payable by the customer. Managements consider the cost to fulfil contracts is recoverable and the cost is deferred and amortised in the profit or loss when relevant contract revenue is recognised.

The movements of ECL allowance on contract assets are as follows:

	2025	2024
	RMB' 000	RMB' 000
Balance at the beginning of the year	57,323	199,560
ECL allowance	1,131	—
Reversal	—	(138,134)
Others	—	(4,103)
At 31 December	58,454	57,323

(b) Contract liabilities

	2025	2024
	RMB' 000	RMB' 000
Contract liabilities arising from construction and service contracts	7,617,701	7,909,917

Note:

When the Group received the deposits in advance to the commencement of construction period/provision of services, the amount will be recognised as contract liabilities at contract inception until the amount of recognised revenue is greater than the deposits.

The balance of contract liabilities as at 1 January 2025 is RMB7,909,917,000 (2024: RMB5,361,274,000), in which RMB6,105,185,000 (2024: RMB5,355,804,000) was recognised as revenue during the year.

Unsatisfied performance obligation:

The Group has signed engineering service contracts with several customers to provide petroleum engineering and technical service and construction engineering contracts, which will be completed within the agreed period and regarded as a single performance obligation as a whole. As at 31 December 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 performance obligation was RMB44.29 billion (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.

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24. INVENTORIES

	2025 RMB' 000	2024 RMB' 000
Raw materials	804,607	800,381
Finished goods	159,473	92,857
Work in progress	3,798	3,852
Turnover materials	62,981	33,732
	1,030,859	930,822
Less: Inventories write-down	(12,446)	(17,292)
	1,018,413	913,530

For the years ended 31 December 2025 and 2024, cost of inventories recognised as expenses and included in “cost of sales” amounting to RMB33,028,448,000 and RMB30,974,027,000 respectively. During the year ended 31 December 2025, no provision for inventories was made to write down inventories to their net realisable values (2024: addition of provision for inventories of RMB797,000) and inventory previously written down of RMB4,846,000 were written off during the year (2024: RMB Nil).

25. RESTRICTED CASH

	2025 RMB' 000	2024 RMB' 000
Letter of credit guarantee deposits	253,348	122,251
Guarantee deposits	90,818	84,865
	344,166	207,116

As at 31 December 2025 and 2024, restricted cash represents the deposits in banks with initial maturity due for six months.

As at 31 December 2025 and 2024, the annual interest rates on restricted cash are determined in accordance with the annual interest rates of bank current account.

At the end of the respective reporting periods, the maximum exposure to credit risk approximates to carrying amounts of the Group's restricted cash.

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26. CASH AND CASH EQUIVALENTS

	2025	2024
	RMB' 000	RMB' 000
Cash on hand	1,131	1,100
An initial term of less than three months:		
– Sinopec Finance Company Limited	48,587	10,406
– Sinopec Century Bright Capital Investment Company Limited	1,162,538	561,265
– Third party banks and other financial institutions	3,451,791	2,868,627
	4,664,047	3,441,398

As at 31 December 2025 and 2024, the annual interest rates on cash at bank are determined in accordance with the annual interest rates of bank current account.

At the end of the respective reporting periods, the maximum exposure to credit risk approximates the carrying amounts of the Group's cash and cash equivalents.

27. SHARE CAPITAL

	2025		2024	
	Number of shares	Amount	Number of shares	Amount
	Share	RMB' 000	Share	RMB' 000
Registered:				
– Domestic non-public legal person shares of RMB1.00 each	11,674,988,900	11,674,989	11,674,988,118	11,674,989
– Social public A shares of RMB1.00 each	1,872,023,933	1,872,024	1,894,390,433	1,894,390
– H shares of RMB1.00 each	5,410,033,000	5,410,033	5,410,033,482	5,410,033
	18,957,045,833	18,957,046	18,979,412,033	18,979,412
	2025		2024	
	Number of shares	Amount	Number of shares	Amount
	Share	RMB' 000	Share	RMB' 000
Issued and paid:				
At beginning of the 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)
At end of the year	18,957,045,833	18,957,046	18,979,412,033	18,979,412

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.

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28. THE STATEMENT OF FINANCIAL POSITION AND THE STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

(i) The statement of financial position of the Company

	As at 31 December 2025 RMB' 000	As at 31 December 2024 RMB' 000
Assets		
Non-current assets		
Property, plant and equipment	65,445	71,016
Intangible assets	55,365	66,246
Interests in subsidiaries	36,183,581	36,192,571
Deferred tax assets	119	2,401
Total non-current assets	36,304,510	36,332,234
Current assets		
Inventories	37,404	51,845
Trade receivables	190,089	81,826
Other receivables	116,330	118,290
Contract assets	9,864	15,655
Amounts due from subsidiaries	24,350,091	24,178,590
Other current assets	23,204	17,156
Cash and cash equivalents	48,853	8,571
Total current assets	24,775,835	24,471,933
Total assets	61,080,345	60,804,167
Equity		
Share capital	18,957,046	18,979,412
Reserves	9,703,593	9,713,704
Total equity	28,660,639	28,693,116
Liabilities		
Non-current liabilities		
Long-term borrowings	15,192	–
Deferred income	104	–
Total non-current liabilities	15,296	–
Current liabilities		
Trade payables	69,329	125,343
Other payables	474,216	2,362,874
Amounts due to subsidiaries	11,557,599	9,308,909
Short-term borrowings	20,303,266	20,313,925
Total current liabilities	32,404,410	32,111,051
Total liabilities	32,419,706	32,111,051
Total equity and liabilities	61,080,345	60,804,167
Net current liabilities	(7,628,575)	(7,639,118)
Total assets less current liabilities	28,675,935	28,693,116

Approved and authorised for issue by the board of directors on 16 March 2026.

Chairman of the Board:
WU Baizhi

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28. THE STATEMENT OF FINANCIAL POSITION AND THE STATEMENT OF CHANGES IN EQUITY OF THE COMPANY (CONTINUED)

(ii) The statement of changes in equity of the Company

	Share capital	Share premium	Other capital reserve	Surplus reserve	Accumulated losses	Total
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
		(Note 29(i))	(Note 29(i))	(Note 29(ii))		
As at 1 January 2024	18,984,340	13,919,394	(3,187,594)	200,383	(1,301,301)	28,615,222
Total comprehensive income	–	–	–	–	80,142	80,142
Purchase of own shares	(4,928)	2,680	–	–	–	(2,248)
At 31 December 2024 and 1 January 2025	18,979,412	13,922,074	(3,187,594)	200,383	(1,221,159)	28,693,116
Total comprehensive income	–	–	–	–	9,492	9,492
Purchase of own shares	(22,366)	(19,603)	–	–	–	(41,969)
At 31 December 2025	18,957,046	13,902,471	(3,187,594)	200,383	(1,211,667)	28,660,639

As at 31 December 2025 and 2024, the accumulated losses of Company are RMB1,211,667,000 and RMB1,221,159,000 respectively. Therefore, no distributable profits is available as at 31 December 2025 and 2024.

29. RESERVES

(i) Share premium and other capital reserve

In accordance with the relevant laws and regulations of the PRC, at the restructuring in 2014, the surplus of related asset revaluation, transaction with Sinopec Group, issue of share capital and share repurchases are reflected in these reserves. Other capital reserve includes the fair value of recognised share options.

(ii) Surplus reserve

In accordance with the relevant laws and regulations of the PRC and the articles of association of the Company and subsidiaries in PRC, it is required to appropriate 10% of their net profit to the statutory surplus reserve. When the balance of such a reserve reaches 50% of the respective companies registered capital, any further appropriation is optional. The statutory surplus reserve can be used to offset losses, if any, and may be converted into share capital by issuing new shares.

(iii) Specific reserve

Pursuant to certain regulations issued by the State Administration of Work Safety of the PRC, the Group is required to set aside an amount to a safety fund for its oil construction business. The fund can be used for improvements of safety at the worksite, and is not available for distribution to shareholders. Upon incurring qualifying safety expenditures, an equivalent amount is transferred from safety fund to retained earnings.

(iv) FVTOCI reserve (non-recycling)

FVTOCI reserve (non-recycling) includes net accumulated movement in fair value of equity investment at FVTOCI (refer to Note 2.7 to the consolidated financial statements for the accounting policies).

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30.SHARE-BASED PAYMENTS

Pursuant to the resolution of the fourteen meeting of the eighth session of the Board of Directors of the Company on 1 November 2016, the proposal regarding “the Adjustment of the List of Participants and the Number of the Share Options under the Proposed Grant of the Share Option Incentive Scheme” and the proposal regarding “the Proposed Grant under Share Option Incentive Scheme” was approved.

According to the Company’s share option incentive scheme, the grant date of share options was 1 November 2016, and there were a total of 49,050,000 share options granted to 477 participants (0.3469% of the total ordinary share capital issued). Each share option has a right to purchase an ordinary A share listed in PRC on vesting date at an exercise price of RMB5.63 under vesting conditions. The options are exercisable starting two years from the grant date, subject to the following vesting conditions:

- (i) achieving compound annual growth rate of no less than 6% in profit before income tax for 2017, 2018 and 2019, respectively based on the profit before income tax of 2015;
- (ii) ratio of earnings before interest, tax, depreciation and amortisation to net asset of the Group should be no less than 32% for 2017, 2018 and 2019 in respect to the three vesting periods;
- (iii) the above (i) and (ii) conditions should be no lower than the 75% level of peer companies; and
- (iv) the performance of the indicator for economic value added has reached the target set by the Sinopec Group for 2017, 2018 and 2019, and the changes of economic value added should be large than zero.

The total fair value of share options at the grant date was RMB54,229,200 for 49,050,000 share options, which has been valued by an external valuation expert using Black-Scholes valuation model. The Third Exercise Period under the First Grant of the A Share Option Incentive Scheme of the Company is from 1 November 2020 to 30 October 2021. On 28 October 2021, the outstanding Share Options granted to the Participants were cancelled in view of the relatively substantial difference between the Company’s A Share price and the exercise price. As at 31 December 2024 and 2025, there is no outstanding share options.

No share-based payment expenses has been recognised in the consolidated statement of comprehensive income for the year ended 31 December 2024 and 31 December 2025.

31.DEFERRED INCOME

	2025	2024
	RMB' 000	RMB' 000
At 1 January	24,758	18,189
Government grants received during the year	171,999	54,591
Recognised in the statement of comprehensive income for the year	(112,717)	(48,022)
At 31 December	84,040	24,758

Deferred income mainly related to income from the national special research government grants.

32.NOTES AND TRADE PAYABLES AND LIABILITIES UNDER SUPPLIER FINANCE ARRANGEMENT

	2025	2024
	RMB' 000	RMB' 000
Trade payables		
– Sinopec Group and its subsidiaries	2,606,864	4,603,046
– Joint ventures	5,814	16,891
– Sinopec Group’s joint ventures and associates	2,505	685
– Third parties	18,143,289	19,205,285
	20,758,472	23,825,907
Notes payables	1,773,050	3,387,768
Liabilities under supplier finance arrangement	2,258,481	4,440,139
	24,790,003	31,653,814

As at 31 December 2025 and 2024, the carrying amounts of Group’s notes and trade payables approximate their fair values.

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

Ageing analysis of notes and trade payables and liabilities under supplier finance arrangement based on invoice date is as follows:

	2025	2024
	RMB' 000	RMB' 000
Within 1 year	24,751,015	31,136,345
1 and 2 years	2,018	327,915
2 and 3 years	3	70,429
Over 3 years	36,967	119,125
	24,790,003	31,653,814

Liabilities under supplier finance arrangement

During the year, the Group has entered into agreements with supply chain financing institutions such as Easy-Pec and banks (the "Institutions"), agreeing that they will provide the Group with agency payment and accounts payable factoring services. The Group is required to repay the amount to the Institutions within agreed period (usually not more than 18 months) from the actual payment date of the Institutions. The financing arrangement does not involve any guarantees or pledges.

The trade payables subject to the supplier finance arrangement described above are included in trade and other payables in the consolidated statement of financial position:

Range of payment due dates	As at 31 December 2025	As at 31 December 2024
Liabilities under supplier finance arrangement	12 to 18 months	6 to 36 months
Comparable trade payables that are not part of the supplier finance arrangement	12 to 18 months	3 to 18 months

Carrying amount of liabilities under supplier financing arrangement	As at 31 December 2025	As at 31 December 2024
	RMB' 000	RMB' 000
Carrying amount of trade payables that are part of a supplier finance arrangement	2,258,481	4,440,139
Carrying amounts of trade payables for which the suppliers have already received payment and included in trade and other payable	2,258,481	4,193,879

33. OTHER PAYABLES

	2025	2024
	RMB' 000	RMB' 000
Salaries payables	585,740	719,036
Other tax payables	885,042	829,487
Other payables (Note (i))		
Guarantee deposits	1,043,411	1,145,101
Deposits	101,803	172,753
Disbursement of funds	727,824	865,540
Temporary receipts	591,152	531,755
Escrow payments	28,084	33,876
Withheld payments	51,387	53,179
Project expenses payable	200,236	690,698
Others	882,151	310,125
	5,096,830	5,351,550

Notes:

- (i) As at 31 December 2025, the other payables include related party balances: Sinopec Group and its subsidiaries amounting to RMB48,120,000 (2024: RMB125,043,000), joint ventures of the Group amounting to RMB1,803,000 (2024: RMB1,289,000) and the joint ventures of Sinopec Group amounting to RMB1,000 (2024: nil).
- (ii) Amounts due to related parties are unsecured, interest free and repayable on demand.

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34. BORROWINGS

	2025	2024
	RMB' 000	RMB' 000
Current liabilities		
Loans from Sinopec Finance Company Limited (Note (i))	22,690,000	22,690,000
Loans from Sinopec Century Bright Capital Investment Limited (Note (i))	14,813	23,925
Other loan	5,606,231	156,524
Lease liabilities (Note (ii))	353,608	272,460
	28,664,652	23,142,909
Non-current liabilities		
Bank borrowings (Note (i))	1,095,839	–
Lease liabilities (Note (ii))	352,601	304,333
	1,448,440	304,333
	30,113,092	23,447,242

Notes:

- (i) The loans of the Group are repayable as follows:

	2025	2024
	RMB' 000	RMB' 000
Within 1 year	28,311,044	22,870,449
1 to 2 years	1,095,839	–
	29,406,883	22,870,449

As at 31 December 2025, annual interest rates of credit loans from related parties and bank ranged from 0.74% to 2.34% (2024: 2.70% to 3.60%).

- (ii) Lease liabilities

	2025	2024
	RMB' 000	RMB' 000
Total future lease payments		
– Within 1 year	368,990	284,312
– 1 to 2 years	163,258	178,632
– 2 to 5 years	167,157	103,382
– Over 5 years	98,896	55,383
	798,301	621,709
Future finance charges on lease liabilities	(92,092)	(44,916)
Present value of lease liabilities	706,209	576,793
	2025	2024
	RMB' 000	RMB' 000
Present value of future lease payments:		
– Within 1 year	353,608	272,460
– 1 to 2 years	115,720	160,652
– 2 to 5 years	145,136	92,111
– Over 5 years	91,745	51,570
	706,209	576,793
Less: Portion due within one year included under current liabilities	353,608	(272,460)
Portion due after one year included under non-current liabilities	352,601	304,333

Notes:

- (a) For the year ended 31 December 2025, the Group leases various residential properties, office and equipment under non-cancellable operating lease agreements. The leases run for an initial period of 1 to 30 years (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.
- (b) As at 31 December 2025, lease liabilities included related party balances: Sinopec Group and its subsidiaries amounting to RMB81,976,000 (2024: Sinopec Group and its subsidiaries amounting to RMB25,297,000), the associates and joint ventures of Sinopec Group amounting to RMBNil (2024: the associates and joint ventures of Sinopec Group amounting to RMB403,000).

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35. DEFERRED TAX

Deferred tax assets and liabilities recognised:

The analysis of deferred tax assets and liabilities is as follows:

	2025	2024
	RMB' 000	RMB' 000
Deferred tax assets	293,770	330,305
Deferred tax liabilities	(68,406)	(78,065)
Deferred tax assets, net	225,364	252,240

The movement of the deferred tax account is as follows:

	2025	2024
	RMB' 000	RMB' 000
At 1 January	252,240	313,659
Debited to profit or loss (Note 12)	(27,278)	(60,985)
Credited/(Debited) to other comprehensive income	402	(434)
At 31 December	225,364	252,240

The movement of deferred tax assets/(liabilities) during the years ended 31 December 2025 and 2024, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets

	Deferred income	Provision for impairment on assets	Net movement in fair value of financial assets at FVTOCI	Tax losses	Lease liabilities	Total
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
At 1 January 2024	1,227	168,543	1	114,653	116,263	400,687
Credited/(Debited) to:						
Profit or loss	418	100,806	–	(61,526)	(110,080)	(70,382)
At 31 December 2024 and 1 January 2025	1,645	269,349	1	53,127	6,183	330,305
Credited/(Debited) to:						
Profit or loss	1,173	(27,913)	–	(9,056)	(739)	(36,535)
At 31 December 2025	2,818	241,436	1	44,071	5,444	293,770

Deferred tax liabilities

	Accelerated depreciation allowance	Revaluation on assets	Net movement in fair value of financial assets at FVTOCI	Right-of-use assets	Total
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
At 1 January 2024	77,063	7,729	2,177	59	87,028
(Credited)/Debited to					
Profit or loss	(1,669)	(7,729)	–	2	(9,396)
Other comprehensive income	–	–	433	–	433
At 31 December 2024 and 1 January 2025	75,394	–	2,610	61	78,065
Credited to					
Profit or loss	(9,244)	–	–	(13)	(9,257)
Other comprehensive income	–	–	(402)	–	(402)
At 31 December 2025	66,150	–	2,208	48	68,406

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35. DEFERRED TAX (CONTINUED)

Deferred tax assets represent the recognised deductible temporary difference and tax losses carried forward to the extent that the realisation of the related income tax benefits through the future taxable profits is probable. In accordance with the PRC tax law applicable to those companies in their respective jurisdictions, tax losses may be carried forward against future taxable income. Tax losses and deductible temporary differences not recognised as deferred tax assets in the Group is as follow:

	2025	2024
	RMB' 000	RMB' 000
Tax losses not recognised as deferred tax assets	14,748,236	14,976,406
Deductible temporary differences not recognised as deferred tax assets	1,888,420	2,181,353

The Group did not recognise the above as deferred tax assets as the management believes that it is less likely such deductible temporary differences and tax losses would be realised. The said tax losses would be expired within five years.

36. COMMITMENTS

(a) Capital commitments

Capital commitments for the purchase of property, plant and equipment outstanding as at 31 December 2025 and 2024 not provided for in the financial statements are as follows:

	2025	2024
	RMB' 000	RMB' 000
Contracted but not provided for	309,309	221,811

(b) Lease commitments

The Group as a lessee

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

	2025	2024
	RMB' 000	RMB' 000
Within 1 year	128,823	139,535

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

The Group as a lessor

The Group has entered into operating leases on its property, plant and equipment. Rental income recognised by the Group during the year was RMB132,608,000 (2024: RMB70,214,000).

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	2025	2024
	RMB' 000	RMB' 000
Within 1 year	156,051	164,020
1 to 2 years	19,011	24,334
2 to 3 years	5,642	5,774
3 to 4 years	3,018	5,546
4 to 5 years	55	3,014
Over 5 years	—	101
	183,777	202,789

(c) Investment commitments

As at 31 December 2025, the Group does not have any outstanding investment commitment. As at 31 December 2024, the Group has outstanding commitments of RMB129,625,000 in respect of its investment in joint ventures.

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36. COMMITMENTS (CONTINUED)

(d) Fulfilment of commitments for the previous period

The Group has fulfilled the capital and operating lease commitments as at 31 December 2025.

37(a). CASH GENERATED FROM OPERATIONS

	Notes	2025 RMB' 000	2024 RMB' 000
Profit before income tax		1,235,993	1,121,548
Adjustments for:			
– Depreciation of property, plant and equipment	11	3,550,235	3,680,572
– Gains on disposal of property, plant and equipment	9	(44,464)	(62,853)
– Amortisation of other non-current assets	11	3,243,862	3,248,672
– Amortisation of intangible assets	11	177,033	203,937
– Gains on disposal of other non-current assets	9	(4,618)	(12,547)
– Gains on debt restructuring	9	(70,217)	(28,110)
– Waived payables		(9,265)	(31,200)
– Interest income	6	(73,318)	(63,109)
– Interest expense	6	730,897	749,254
– Share of loss/(profit) from joint ventures	19(a)	50,578	36,722
– Share of profit from associates	19(b)	(10,632)	(8,129)
– Reversal of provision for ECL on trade receivables, net	21	(137,218)	(435,936)
– Reversal of provision for ECL on other receivables, net	22	(33,056)	(29,849)
– Provision/(reversal of provision) for ECL on contract assets	23	1,131	(138,134)
– Reversal of provision for loss on judicial reorganisation	10	–	(95,214)
– Impairment loss on property, plant and equipment	10	–	111
– Write down of inventories to net realisable value	7	–	797
– Investment income from financial assets at FVTOCI	8	(3,023)	(500)
Cash flows generated from operating activities before changes in working capital		8,603,918	8,136,032
Changes in working capital:			
– Inventories		(100,037)	193,997
– Trade receivables		2,340,046	(2,248,084)
– Prepayments and other receivables		144,239	(254,383)
– Contract assets and cost to fulfil contracts		(313,959)	(352,505)
– Restricted cash		(137,050)	(179,798)
– Deferred income		59,282	6,569
– Provisions		1,536	(122,344)
– Notes and trade payables		(4,682,153)	(3,385,350)
– Other payables		1,417,776	(811,042)
– Contract liabilities		(292,216)	2,548,643
Cash generated from operations		7,041,382	3,531,735

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37(b). RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

For the year ended 31 December 2025, the details changes in the Group's liabilities arising from financing activities are as below:

	Borrowings	Lease liabilities	Total
	RMB' 000	RMB' 000	RMB' 000
At 1 January 2025	22,870,449	576,793	23,447,242
Changes from financing cash flows:			
Proceeds from borrowings	33,107,991	–	33,107,991
Repayments of borrowings	(34,756,369)	–	(34,756,369)
Interest paid	(687,770)	–	(687,770)
Capital element of lease rentals paid	–	(414,275)	(414,275)
Interest element of lease rentals paid	–	(43,127)	(43,127)
Total changes from financing cash flows	(2,336,148)	(457,402)	(2,793,550)
Other changes:			
Addition of lease liabilities	–	745,326	745,326
Remeasurement of leases	–	37,485	37,485
Expiry write-off or early termination of lease liabilities	–	(29,645)	(29,645)
Settlement on behalf of the Group	2,599,006	–	2,599,006
Financing under supplier finance arrangement	5,606,231	–	5,606,231
Interest expenses on borrowings	687,770	–	687,770
Interest expenses on lease liabilities	–	43,127	43,127
Exchange difference	(20,425)	(209,475)	(229,900)
Total other changes	8,872,582	586,818	9,459,400
At 31 December 2025	29,406,883	706,209	30,113,092

For the year ended 31 December 2024, the details changes in the Group's liabilities arising from financing activities are as below:

	Borrowings	Lease liabilities	Total
	RMB' 000	RMB' 000	RMB' 000
At 1 January 2024	20,226,157	753,241	20,979,398
Changes from financing cash flows:			
Proceeds from borrowings	34,289,050	–	34,289,050
Repayments of borrowings	(31,827,424)	–	(31,827,424)
Interest paid	(710,257)	–	(710,257)
Capital element of lease rentals paid	–	(665,479)	(665,479)
Interest element of lease rentals paid	–	(38,997)	(38,997)
Total changes from financing cash flows	1,751,369	(704,476)	1,046,893
Other changes:			
Addition of lease liabilities	–	542,930	542,930
Remeasurement of leases	–	619	619
Expiry write-off or early termination of lease liabilities	–	(44,928)	(44,928)
Settlement on behalf of the Group	156,524	–	156,524
Interest expenses on borrowings	710,257	–	710,257
Interest expenses on lease liabilities	–	38,997	38,997
Exchange difference	26,142	(9,590)	16,552
Total other changes	892,923	528,028	1,420,951
At 31 December 2024	22,870,449	576,793	23,447,242

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38. PROVISIONS

	Provision for onerous contracts	Provision for loss on judicial reorganisation	Others	Total
	RMB' 000 (Note (a))	RMB' 000 (Note (b))	RMB' 000	RMB' 000
At January 2024	3,948	150,743	58,018	212,709
Provision during the year	59	–	873	932
Reversal during the year	–	(95,214)	(4,182)	(99,396)
Realisation during the year	(2,595)	(3,636)	(17,649)	(23,880)
At 31 December 2024 and 1 January 2025	1,412	51,893	37,060	90,365
Realisation during the year	(1,330)	(206)	–	(1,536)
At 31 December 2025	82	51,687	37,060	88,829

Notes:

- (a) As at 31 December 2025, the Group had a provision of approximately RMB82,000 (2024: RMB1,412,000) for onerous contracts, of which the expected unavoidable costs of meeting the performance obligation as stated in construction contracts have exceeded the economic benefits expected to be received. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The provision was recognised for the contract based on the estimated minimum net cost of completing the contract.
- (b) On 16 August 2018, Sinopec (Brazil) Co., Ltd., an indirectly wholly-owned subsidiary of the Company (the "Brazil Subsidiary") applied for judicial reorganisation to the Third State Court of Commercial Enterprises in Rio de Janeiro, Brazil (the "Court of Rio") according to the relevant local laws in Brazil. On 31 August 2018, the Brazil Subsidiary received ruling from Court of Rio, which approved Brazil subsidiary's entered into judicial reorganisation and Nascimento & Rezende Advogados, the law firm, was appointed as the judicial reorganisation manager by Court of Rio.

According to relevant laws of Brazil, the Brazil Subsidiary is required to prepare a reorganisation plan upon the court of Rio has approved that the Brazil Subsidiary is allowed to implement the legal reorganisation procedure. Such legal reorganisation is conditional upon the approval of the reorganisation plan from the creditors' meeting and the court of Rio.

The Brazil Subsidiary continues to proceed with the judicial reorganisation work in accordance with the approved judicial reorganisation plan based on Brazil's judicial reorganisation practice. Upon communication and consultation with relevant creditors and in accordance with relevant Brazilian laws and regulations, the Brazil Subsidiary has applied to the competent court to close the judicial reorganisation process. In late of June 2024, the Brazil Subsidiary received a final ruling from the Court of Rio, which ruled that it had fulfilled its judicial reorganisation obligations and the judicial reorganisation process shall be terminated and the normal operations of the Brazil Subsidiary was resumed.

As at 31 December 2025, the Brazil Subsidiary is also expected to further pay creditors another amount equivalent to RMB51.7 million (2024: RMB51.9 million) in total based on estimation.

39. CONTINGENCIES AND GUARANTEES

(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 31 December 2025, the estimated liability balance is RMB36,186,000 (2024: RMB36,186,000).

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

As at 31 December 2025 and 2024, there is no material contingency from guarantee provided for other entities except for disclosed in note 39(c) below.

(c) Performance guarantee

As at 31 December 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 (2024: USD274,950,000).

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40. SIGNIFICANT RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. The Group is subject to the control of the PRC government which also controls a significant portion of the productive assets and entities in the PRC (collectively known as the "state-owned enterprises").

In accordance with IAS 24 "Related party disclosures", other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC government are regarded as related parties of the Group ("other state-owned enterprises"). For the purpose of related party disclosures, the Group has in place procedures to identify the immediate ownership structure of its customers and suppliers to determine whether they are state-owned enterprises. Many state-owned enterprises have multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatisation programs. Nevertheless, management believes that meaningful information relating to related party transaction has been adequately disclosed.

In addition to the related party transactions and balances shown elsewhere in these financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, including other state-owned enterprises, during the years ended 31 December 2025 and 2024.

The transactions with related parties are carried out on normal commercial terms or relevant agreements with counter parties in the ordinary course of business.

The majority of these significant related party transactions with Sinopec Group and its fellow subsidiaries also constitute continuing connected transactions as defined under Chapter 14A of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

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

	2025	2024
	RMB' 000	RMB' 000
Purchases of materials		
– Sinopec Group and its subsidiaries	9,257,019	9,575,704
Sales of products		
– Sinopec Group and its subsidiaries	103,699	117,205
Rendering of engineering services		
– Sinopec Group and its subsidiaries	45,709,510	48,295,689
Receiving of engineering services		
– Sinopec Group and its subsidiaries	255,865	264,171
Receiving of community services		
– Sinopec Group and its subsidiaries	29,511	30,711
Rendering of integrated services		
– Sinopec Group and its subsidiaries	136,636	116,567
Receiving of integrated services		
– Sinopec Group and its subsidiaries	993,821	1,001,529
Rendering of technology development services		
– Sinopec Group and its subsidiaries	303,740	240,641
Rental income – Buildings		
– Sinopec Group and its subsidiaries	1,718	4,109
Rental income – Equipment		
– Sinopec Group and its subsidiaries	5,124	2,499
Lease payment – Lands and buildings – short-term leases		
– Sinopec Group and its subsidiaries	114,617	70,147
Lease payment – Lands and buildings – right-of-use assets		
– Sinopec Group and its subsidiaries	240,712	–
Lease payment – equipment and vehicles – short-term leases		
– Sinopec Group and its subsidiaries	61,027	138,294
Lease payment – equipment and vehicles – right-of-use assets		
– Sinopec Group and its subsidiaries	–	209
Deposits interest income		
– Sinopec Group's subsidiaries	43,948	37,194
Loans interest expenses		
– Sinopec Group and its subsidiaries	561,999	662,794

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40. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

	2025	2024
	RMB' 000	RMB' 000
Interest expenses on lease liabilities		
– Sinopec Group and its subsidiaries	14,839	9,287
Borrowings obtained		
– Sinopec Group and its subsidiaries	31,990,000	34,012,825
Borrowings repaid		
– Sinopec Group and its subsidiaries	32,945,371	31,232,463
Safety and insurance fund expenses		
– Sinopec Group	85,600	85,950
Safety and insurance fund refund		
– Sinopec Group	162,338	168,263

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

	2025	2024
	RMB' 000	RMB' 000
Sales of products		
– Associates and joint ventures of the Group	251	454
Rendering of engineering services		
– Associates and joint ventures of the Group	3,064	16,797
Receiving of engineering services		
– Associates and joint ventures of the Group	2,173,050	2,128,316

(c) Significant related party transactions arising with Sinopec Group's associates and joint ventures:

	2025	2024
	RMB' 000	RMB' 000
Purchases of materials		
– Sinopec Group's associates and joint ventures	–	1
Sales of products		
– Sinopec Group's associates and joint ventures	100	6,818
Rendering of engineering services		
– Sinopec Group's associates and joint ventures	5,757,256	4,162,131
Receiving of engineering services		
– Sinopec Group's associates and joint ventures	200,644	171,100
Rendering of integrated services		
– Sinopec Group's associates and joint ventures	2,777	–
Lease payment – equipment and vehicles – short-term leases		
– Sinopec Group's associates and joint ventures	137,440	25,811
Lease payment – equipment and vehicles – right-of-use assets		
– Sinopec Group's associates and joint ventures	6,000	–
Interest expenses on lease liabilities		
– Sinopec Group's associates and joint ventures	–	155

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40. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Remuneration of key management personnel

Key management includes directors, supervisors, president, vice presidents, chief financial officer and secretary to the Board of Directors. The compensation paid or payable to key management from employee services is shown below:

	2025	2024
	RMB' 000	RMB' 000
Fee	600	600
Salaries, allowances and bonus	8,720	9,851
Contributions to pension plans	629	604
	9,949	11,055

Senior management, excluding directors and supervisors, whose remuneration fell within the following bands is as follows:

	2025	2024
	Number of Individuals	Number of Individuals
RMB0 to RMB500,000	—	5
RMB500,001 to RMB1,000,000	4	—
RMB1,000,001 to RMB2,000,000	1	—
	5	5

(e) Provision for counter guarantee

As at 31 December 2025, the Group has not provided the counter guarantee to Sinopec Group (31 December 2024: RMB100,000,000).

41. FINANCIAL AND CAPITAL RISKS MANAGEMENT

The Group established certain risk management policies to recognise and analyse the potential risk of the Group. The Group designed an internal control procedure according to proper acceptable risk level in order to monitor the risk position of the Group. Both risk management policies and related internal control system will be reviewed regularly to adapt the market condition or changes in operating activities of the Group. The implementation of internal control system will be reviewed regularly or randomly by the internal audit department in accordance to the risk management policies.

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41. FINANCIAL AND CAPITAL RISKS MANAGEMENT (CONTINUED)

41.1 Category of financial assets and liabilities

	2025	2024
	RMB' 000	RMB' 000
Financial assets		
<i>Financial assets at FVTOCI (non-recycling)</i>		
– Unlisted equity investment	135,834	137,441
<i>Financial assets at FVTOCI (recycling)</i>		
– Notes receivables	4,029,356	2,557,311
	4,165,190	2,694,752
<i>Financial assets measured at amortised cost</i>		
– Restricted cash and cash and cash equivalents	5,008,213	3,648,515
– Trade receivables	11,174,568	13,294,827
– Other receivables	2,179,665	2,551,564
	18,362,446	19,494,906
	22,527,636	22,189,658
Financial liabilities		
<i>Financial liabilities measured at amortised cost</i>		
– Notes and trade payables	24,790,003	31,653,814
– Other payables	3,626,048	3,803,027
– Borrowings	30,113,092	23,447,242
	58,529,143	58,904,083

41.2 Financial risk factors

The Group's financial instrument risks mainly include market risk (including interest rate risk and currency risk), credit risk and liquidity risk. The Group's objective in risk management is to obtain an appropriate equilibrium between risk and return. It also focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

Market risk includes interest rate risk and currency risk, refers to the risk that the fair value or future cash flow of a financial instrument will be fluctuated due to the changes in market price.

(i) Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate due to the floating rate. Interest rate risk arises from recognised interest-bearing financial instrument and unrecognised financial instrument (e.g. loan commitments).

The Group's interest rate risk arises from cash and cash equivalents, borrowings and interest-bearing liabilities. Financial liabilities issued at floating rate expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rate expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions and to maintain an appropriate combination of financial instruments at fixed rate and floating rate through regular reviews and monitors.

The Group's finance department continuously monitors the interest rate position of the Group. Increase in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Group's outstanding floating rate interest-bearing borrowings, and therefore could have a material adverse effect on the Group's financial result. The management will make adjustments with reference to the latest market conditions. These adjustments may include enter into interest swap agreement to mitigate its exposure to the interest rate risk. For the years ended 31 December 2025 and 2024, the Group did not enter into any interest rate swap arrangements. The fair value interest rate risk of the deposit with bank was not significant because the fixed term deposits are short-term deposits.

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Interest-bearing financial instruments held by the Group are as below:

41. FINANCIAL AND CAPITAL RISKS MANAGEMENT (CONTINUED)

41.2 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Interest rate risk (Continued)

	2025		2024	
	%	RMB' 000	%	RMB' 000
Fixed rate financial instruments				
Restricted cash and cash and cash equivalents (Notes 25 and 26)	1.95%	845,365	1.95%	223,827
Borrowings (Note 34)	0.74%-2.34%	28,311,044	2.70%-3.60%	22,870,449
Floating rate financial instruments				
Restricted cash and cash and cash equivalents (Notes 25 and 26)	0.35%-0.5%	4,162,848	0.10%-0.15%	3,424,688
Borrowings (Note 34)	—	—	—	—

As at 31 December 2025, it is estimated that a general increase of 50 basis points in the borrowings with variable interest rates, with all other variables held constant, would decrease the Group's net profit and decrease the shareholder's equity for the year by approximately RMB4,813,000. There was no borrowings with variable interest rates as at 31 December 2024.

As at 31 December 2025, a general decrease of 50 basis points in variable interest rates would have had the same magnitude but of opposite effect, on the basis that all other variables remain constant.

The financial instruments held by the Group at the reporting date expose the Group to fair value interest rate risk. This sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the reporting date and arisen from the recalculation of the above financial instrument issued at new interest rates. The non-derivative financial instruments issued at floating interest rate held by the Group at the reporting date expose the Group to cash flow interest rate risk. The effect to the net profit and shareholder's equity illustrated in the sensitivity analysis above is arisen from the effect the annual estimate amount of interest expenses or revenue at the floating interest rate. The analysis is performed on the same basis for last year.

(ii) Currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign currency rates. Foreign currency risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured.

The Group's major operational activities are carried out in the PRC and a majority of the transactions are denominated in RMB. The Group is exposed to foreign currency risk arising from the recognised assets and liabilities, and future transactions denominated in foreign currencies, primarily denominated in US Dollars, Saudi Riyals and Kuwait Dinars.

The foreign currency assets and liabilities include restricted cash, cash and cash equivalents, trade and other receivables, trade and other payables and borrowings which are denominated in foreign currencies.

The following table details the financial assets and liabilities held by the Group which denominated in foreign currencies and amounted to RMB are as follows:

As at 31 December 2025	USD	SAR	KWD	Others
	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Restricted cash and cash and cash equivalents	1,635,607	380,221	42,112	319,857
Trade and other receivables	2,667,492	650,797	629,276	565,326
Trade and other payables	(476,730)	(502,916)	(106,030)	(147,483)
Net exposure in RMB	3,826,369	528,102	565,358	737,700
As at 31 December 2024	USD	SAR	KWD	Others
	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Restricted cash and cash and cash equivalents	746,434	88,421	81,467	326,036
Trade and other receivables	3,795,421	798,042	551,384	406,250
Trade and other payables	(728,628)	(671,782)	(218,482)	(259,724)
Borrowings	—	—	—	—
Net exposure in RMB	3,813,227	214,681	414,369	472,562

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41. FINANCIAL AND CAPITAL RISKS MANAGEMENT (CONTINUED)

41.2 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Currency risk (Continued)

The Group's finance department is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies in order to minimise foreign exchange risk. The Group may sign a forward exchange contracts or currency swap contracts to mitigate the foreign exchange risk. In 2025 and 2024, the Group did not enter into any forward exchange contracts or currency swap contracts to mitigate the foreign currency risk.

The following table illustrates the effect on the Group's net profit in regard to a 5% appreciation in RMB against the following currencies, with other variables were held constant as at 31 December 2025 and 2024:

	2025	2024
	RMB' 000	RMB' 000
	Decrease in net profit	Decrease in net profit
– USD	(143,489)	(142,996)
– SAR	(19,804)	(8,051)
– KWD	(21,201)	(15,539)

As at 31 December 2025 and 2024, the same 5% depreciation in RMB against the respective foreign currencies would have the same magnitude but of opposite effect, on the basis that all other variables remain constant.

(b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from restricted cash, cash and cash equivalent, notes and trade receivables, contract assets and other receivables.

In order to minimise credit risk, the Group has developed and maintains the Group's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is based on the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

For receivables, the Group has policies to limit the credit risk exposure. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, shorten or cancel credit periods, to ensure the overall credit risk is limited to a controllable extent.

The Group has certain concentration of credit risk in respect of trade receivables as 35.58% (2024: 22.31%) of the total trade receivables was due from the Group's five largest trade debtors. The Group has certain concentration of credit risk in respect of other receivables as 42.64% (2024: 27.38%) of the total other receivables was due from the Group's five largest other debtors.

For financial assets at amortised cost and contract assets, the exposures to credit risk are monitored such that any outstanding debtors are reviewed and followed up on an ongoing basis. The Group does not hold any collateral from its debtors.

Impairment assessment under ECL model

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL	
		Trade receivables and contract assets	Other financial assets
Performing	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
In default	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit impaired	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

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41. FINANCIAL AND CAPITAL RISKS MANAGEMENT (CONTINUED)

41.2 Financial risk factors (Continued)

(b) Credit risk (Continued)

Impairment assessment under ECL model (Continued)

Trade receivables and contract assets

As set out in Note 2.7, the Group assesses ECL under IFRS 9 on trade receivables and contract assets based on provision matrix, the expected loss rates are based on the payment profile for sales in the past years as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. At each reporting date, the historical default rates are updated and changes in the forward-looking estimates are analysed.

As at 31 December 2025, the gross carrying amount of trade receivables of RMB661,056,000 (2024: RMB748,668,000) has been individually assessed and impaired in full. For remaining trade receivables and contract assets, based on the historical credit loss experience of the existing debtors and all available forward-looking information, the Group assessed the losses for trade receivables and contract assets based on aging for classes of debtors with similar credit risk characteristics and exposures.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2025 and 2024:

Type	As at 31 December 2025				
	Gross carrying amount RMB' 000	Proportion (%)	ECL allowance RMB' 000	ECL (%)	Net carrying amount RMB' 000
Provision made on individual basis	661,056	5.19	661,056	100.00	—
Provision made on collective basis	12,082,585	94.81	908,017	7.52	11,174,568
Including:					
Related party grouping	5,261,828	41.29	55,945	1.06	5,205,883
Third party grouping	6,820,757	53.52	852,072	12.49	5,968,685
Total	12,743,641	100.00	1,569,073		11,174,568

Type	As at 31 December 2024				
	Gross carrying amount RMB' 000	Proportion (%)	ECL allowance RMB' 000	ECL (%)	Net carrying amount RMB' 000
Provision made on individual basis	748,668	4.96	748,668	100.00	—
Provision made on collective basis	14,335,019	95.04	1,040,192	7.26	13,294,827
Including:					
Related party grouping	6,218,159	41.22	62,360	1.00	6,155,799
Third party grouping	8,116,860	53.81	977,832	12.05	7,139,028
Total	15,083,687	100.00	1,788,860		13,294,827

Provision made on an individual basis:

Name	As at 31 December 2025			
	Gross carrying amount RMB' 000	ECL allowance RMB' 000	ECL (%)	Reason of provision
Entity A	573,850	573,850	100.00	The debtor is short of funds and the amount is outstanding for a long time.
Entity B	46,819	46,819	100.00	The debtor is short of funds and the amount is outstanding for a long time.
Entity C	27,981	27,981	100.00	The debtor is short of funds and the amount is outstanding for a long time.
Others	12,406	12,406	100.00	The debtor is short of funds and the amount is outstanding for a long time.
Total	661,056	661,056		

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41. FINANCIAL AND CAPITAL RISKS MANAGEMENT (CONTINUED)

41.2 Financial risk factors (Continued)

(b) Credit risk (Continued)

Impairment assessment under ECL model (Continued)

Trade receivables and contract assets (Continued)

Name	As at 31 December 2024			Reason of provision
	Gross carrying amount RMB' 000	ECL allowance RMB' 000	ECL (%)	
Entity A	662,359	662,359	100.00	The debtor is short of funds and the amount is outstanding for a long time.
Entity B	47,882	47,882	100.00	The debtor is short of funds and the amount is outstanding for a long time.
Entity C	25,569	25,569	100.00	The debtor is short of funds and the amount is outstanding for a long time.
Others	12,858	12,858	100.00	The debtor is short of funds and the amount is outstanding for a long time.
Total	748,668	748,668		

Provision made on collective basis: Related party grouping

Category	As at 31 December 2025			As at 31 December 2024		
	Gross carrying amount RMB' 000	ECL allowance RMB' 000	ECL (%)	Gross carrying amount RMB' 000	ECL allowance RMB' 000	ECL (%)
Within 1 year	5,017,864	18,439	0.37	5,822,053	25,744	0.44
Including:						
Not overdue	4,457,202	14,886	0.33	4,764,611	18,526	0.39
Overdue within 1 year	560,662	3,553	0.63	1,057,442	7,218	0.68
1 to 2 years	187,831	12,290	6.54	236,369	8,973	3.80
2 to 3 years	32,264	4,109	12.74	111,091	8,065	7.26
Over 3 years	23,869	21,107	88.43	48,646	19,578	40.25
Total	5,261,828	55,945	1.06	6,218,159	62,360	1.00

Provision made on collective basis: Third party grouping

Category	As at 31 December 2025			As at 31 December 2024		
	Gross carrying amount RMB' 000	ECL allowance RMB' 000	ECL (%)	Gross carrying amount RMB' 000	ECL allowance RMB' 000	ECL (%)
Within 1 year	5,528,463	28,396	0.51	6,858,607	48,706	0.71
Including:						
Not overdue	4,337,046	11,497	0.27	4,318,901	8,725	0.20
Overdue within 1 year	1,191,417	16,899	1.42	2,539,706	39,981	1.57
1 to 2 years	338,159	30,782	9.10	269,809	40,220	14.91
2 to 3 years	129,921	38,934	29.97	79,939	30,658	38.35
Over 3 years	824,214	753,960	91.48	908,505	858,248	94.47
Total	6,820,757	852,072	12.49	8,116,860	977,832	12.05

Section VIII Financial Reports

41. FINANCIAL AND CAPITAL RISKS MANAGEMENT (CONTINUED)

41.2 Financial risk factors (Continued)

(b) Credit risk (Continued)

Impairment assessment under ECL model (Continued)

Trade receivables and contract assets (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for contract assets as at 31 December 2025 and 2024:

Type	As at 31 December 2025				
	Gross carrying amount RMB' 000	Proportion (%)	ECL allowance RMB' 000	ECL (%)	Net carrying amount RMB' 000
Provision made on individual basis	13,566	0.08	6,783	50.00	6,782
Provision made on collective basis	17,110,851	99.92	51,671	0.30	17,059,180
Including:					
Petroleum engineering	8,948,317	52.25	26,564	1.68	8,921,753
Construction and Engineering	8,162,534	47.67	25,107	0.18	8,137,427
Total	17,124,417	100.00	58,454		17,065,962

Type	As at 31 December 2024				
	Gross carrying amount RMB' 000	Proportion (%)	ECL allowance RMB' 000	ECL (%)	Net carrying amount RMB' 000
Provision made on individual basis	13,566	0.08	6,783	50.00	6,783
Provision made on collective basis	16,807,511	99.92	50,540	0.30	16,756,971
Including:					
Petroleum engineering	8,587,026	51.05	25,729	0.30	8,561,307
Construction and Engineering	8,220,485	48.87	24,821	0.30	8,195,664
Total	16,821,077	100.00	57,323		16,763,754

Other receivables

As at 31 December 2025, lifetime ECL is applied for credit impaired other receivables with gross carrying amount RMB466,162,000 (2024: RMB514,949,000).

Other than abovesaid other receivables, the Group measures the loss allowance equal to 12-month ECL of remaining other receivables. There is no significant increase in credit risk since initial recognition, the Group apply 12-month ECL based on aging for classes of debtors with similar credit risk characteristics and exposures.

The following table provides information about the Group's exposure to credit risk and ECLs for other receivables as at 31 December 2025 and 2024:

As at 31 December 2025

	Gross carrying amount	ECLs allowance		Net carrying amount
	RMB' 000	%	RMB' 000	RMB' 000
Petty cash funds	2,097	9.25	194	1,903
Guarantee deposits	1,169,777	5.06	59,175	1,110,602
Disbursement of funds	776,987	22.31	173,337	603,650
Escrow payments	4,808	34.75	1,671	3,137
Deposits	26,765	14.28	3,822	22,943
Dividend receivable	469	–	–	469
Others	493,755	11.50	56,794	436,961
Total	2,474,658	11.92	294,993	2,179,665

Section VIII Financial Reports

41. FINANCIAL AND CAPITAL RISKS MANAGEMENT (CONTINUED)

41.2 Financial risk factors (Continued)

(b) Credit risk (Continued)

Impairment assessment under ECL model (Continued)

Other receivables (Continued)

ECL provision in the first stage:

Category	Gross carrying amount RMB' 000	ECL (%)	ECL allowance RMB' 000	Net carrying amount RMB' 000
Provision made on collective basis:				
– Petty cash funds	1,903	–	–	1,903
– Guarantee and other deposits	1,144,387	1.23	14,120	1,130,267
– Others	709,636	3.25	23,061	686,575
Total	1,855,926	2.00	37,181	1,818,745

ECL provision in the second stage:

Category	Gross carrying amount RMB' 000	ECL (%)	ECL allowance RMB' 000	Net carrying amount RMB' 000
Provision made on collective basis:				
– Others	152,570	7.23	11,029	141,541
Total	152,570	7.23	11,029	141,541

ECL provision in the third stage:

Category	Gross carrying amount RMB' 000	ECL (%)	ECL allowance RMB' 000	Net carrying amount RMB' 000
Provision made on collective basis:				
– Petty cash funds	194	100.00	194	–
– Guarantee and other deposits	52,155	93.71	48,877	3,278
– Others	413,813	47.78	197,712	216,101
Total	466,162	52.94	246,783	219,379

As at 31 December 2024

	Gross carrying amount RMB' 000	ECLs allowance %	ECL allowance RMB' 000	Net carrying amount RMB' 000
Petty cash funds	1,642	13.64	224	1,418
Guarantee deposits	1,743,401	6.11	106,523	1,636,878
Disbursement of funds	697,282	24.71	172,306	524,976
Escrow payments	4,770	2.62	152	4,645
Deposits	29,145	13.60	3,963	25,182
Dividend receivable	424	–	–	424
Others	398,303	10.03	39,962	358,341
Total	2,874,967		323,103	2,551,564

Section VIII Financial Reports

41. FINANCIAL AND CAPITAL RISKS MANAGEMENT (CONTINUED)

41.2 Financial risk factors (Continued)

(b) Credit risk (Continued)

Impairment assessment under ECL model (Continued)

Other receivables (Continued)

ECL provision in the first stage:

Category	Gross carrying amount RMB' 000	ECL (%)	ECL allowance RMB' 000	Net carrying amount RMB' 000
Provision made on collective basis:				
– Petty cash funds	1,418	0.07	1	1,417
– Guarantee and other deposits	1,660,093	1.12	18,672	1,641,421
– Others	551,425	5.06	27,917	523,508
Total	2,212,936	2.11	46,590	2,166,346

ECL provision in the second stage:

Category	Gross carrying amount RMB' 000	ECL (%)	ECL allowance RMB' 000	Net carrying amount RMB' 000
Provision made on collective basis:				
– Others	147,082	7.23	10,632	136,450
Total	147,082	7.23	10,632	136,450

ECL provision in the third stage:

Category	Gross carrying amount RMB' 000	ECL (%)	ECL allowance RMB' 000	Net carrying amount RMB' 000
Provision made on collective basis:				
– Petty cash funds	224	100.0	224	–
– Guarantee and other deposits	112,453	81.65	91,813	20,640
– Others	402,272	43.22	173,844	228,428
Total	514,949	51.63	265,881	249,068

Restricted cash and cash and cash equivalents

The Group's bank deposits are mainly deposited in state-owned banks and other large and medium-sized listed banks, and the Group considers the credit risk to be insignificant that the losses due to the breach of contract is minimal.

Notes receivables measured at FVTOCI

The Group's notes receivables measured at FVTOCI issued by banks and other financial institutions with high credit ratings, and the Group considers the credit risk to be insignificant that the losses due to the breach of contract is minimal.

The Group's maximum exposure to credit risk is the carrying amount of each financial asset in the statement of financial position as stated in Note 41.1. Except as disclosed in Note 40(e), the Group did not provide any financial guarantees that may pose credit risk to the Group.

Section VIII Financial Reports

41. FINANCIAL AND CAPITAL RISKS MANAGEMENT (CONTINUED)

41.2 Financial risk factors (Continued)

(c) Liquidity risk

Liquidity risk refers to the risks that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or other financial assets.

Regarding to the management of liquidity risk, the Group's management monitors cash and cash equivalents to meet operational needs and reduce the effect of floating cash flow. The Group's management monitors the usage of bank loan so that the Group does not breach borrowing limits or covenants while maintaining sufficient commitment on reserve fund from major financial institute to meet needs of short-term and long-term liquidity. Besides, to improve the cash flow position, the Group also considers to negotiate with suppliers with a view to lower the amount due.

The Group raised working capital through its operations, bank and other borrowings. As at 31 December 2025, the Group's unused line of credit was RMB17,162,290,000 (2024: RMB7,829,785,000).

The financial assets and liabilities of the Group at the reporting date are analysed by their maturity date as below at their undiscounted contractual cash flows:

	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
As at 31 December 2025						
Restricted cash and cash and cash equivalents	5,008,213	—	—	—	5,008,213	5,008,213
Trade receivables	11,174,568	—	—	—	11,174,568	11,174,568
Financial assets at FVTOCI – Notes receivables	4,029,356	—	—	—	4,029,356	4,029,356
Other receivables	2,179,665	—	—	—	2,179,665	2,179,665
Notes and trade payables	(24,790,003)	—	—	—	(24,790,003)	(24,790,003)
Other payables	(3,626,048)	—	—	—	(3,626,048)	(3,626,048)
Borrowings	(28,976,873)	(1,274,020)	(167,157)	(98,896)	(30,516,946)	(30,113,092)
	(35,001,122)	(1,274,020)	(167,157)	(98,896)	(36,541,195)	(36,137,341)
As at 31 December 2024						
Restricted cash and cash and cash equivalents	3,648,515	—	—	—	3,648,515	3,648,515
Trade receivables	13,294,827	—	—	—	13,294,827	13,294,827
Financial assets at FVTOCI – Notes receivables	2,557,311	—	—	—	2,557,311	2,557,311
Other receivables	2,551,864	—	—	—	2,551,864	2,551,864
Notes and trade payables	(31,653,814)	—	—	—	(31,653,814)	(31,653,814)
Other payables	(3,803,027)	—	—	—	(3,803,027)	(3,803,027)
Borrowings	(23,722,930)	(178,632)	(103,382)	(55,583)	(24,060,527)	(23,447,242)
	(37,127,254)	(178,632)	(103,382)	(55,583)	(37,464,851)	(36,851,566)

41.3 Capital risk management

The objectives of the Group's capital risk management are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or disposes assets to reduce its liabilities.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net liabilities divided by total capital. Net liabilities are calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is the sum of total equity and net liabilities as shown in the consolidated statement of financial position. Total equity includes the equity attributable to shareholders of the parent and non-controlling interests.

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41. FINANCIAL AND CAPITAL RISKS MANAGEMENT (CONTINUED)

41.3 Capital risk management (Continued)

At the reporting date, the gearing ratio is set out as below:

	2025	2024
	RMB' 000	RMB' 000
Total borrowings (Note 34)	30,113,092	23,447,242
Less: Cash and cash equivalents (Note 26)	(4,664,047)	(3,441,398)
Net debts	25,449,045	20,005,844
Total equity	9,265,702	8,648,802
Total capital	34,714,747	28,654,645
Gearing ratio	73%	70%

41.4 Fair value estimation

Fair value measurements

Other than noted as below, the carrying value of the Group's financial assets and liabilities stated at the consolidated statement of financial position are not materially different from their fair values.

Fair value is the price that would be received to sell assets or paid to transfer liabilities in an orderly transaction between market participants at the measurement date. The Group discloses fair value measurements of financial instruments by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2).
- Inputs for the asset or liability that are not based on observable market data (level 3).

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

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

	Level 3	
	2025	2024
	RMB' 000	RMB' 000
<i>Financial assets at FVTOCI (non-recycling)</i>		
– Unlisted equity investments	135,834	137,441
<i>Financial assets at FVTOCI</i>		
– Notes receivable	4,029,356	2,557,311
	4,165,190	2,694,752

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

	2025	2024
	RMB' 000	RMB' 000
At 1 January	2,694,752	2,870,844
Issues	26,717,526	35,499,441
Settlements	(25,245,481)	(35,677,211)
Movement in fair value recognised in other comprehensive income	(1,607)	1,678
At 31 December	4,165,190	2,694,752

The fair value of the unlisted equity securities and notes receivables is measured using valuation techniques with reference to the net asset value and asset-based valuation and discounted cash flow, where appropriate. The Directors believe that the change in fair value (which is included in other comprehensive income) derived from the valuation technique is reasonable and is the most appropriate value at the end of the reporting period.

There have been no transfers into or out of Level 3 during the year ended 31 December 2025 (2024: Nil).

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

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

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42. POST BALANCE SHEET EVENTS

As at 16 March 2026, there are no other material events after reporting period to be disclosed.

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES

As at 31 December 2025 and 2024, the Group has direct and indirect interests in the following principal subsidiaries:

Name	Establishment/Place of incorporation and type of legal entity	Registered capital	Actual interest held		Principal activities and place of operation
			Direct held	Indirect held	
Sinopec Oilfield Service Co., Ltd.	The PRC/Limited Company	RMB4,000,000	100% (2024: 100%)	–	Petroleum engineering and technical services/The PRC
Sinopec Shengli Oil Engineering Company Limited	The PRC/Limited Company	RMB700,000	100% (2024: 100%)	–	Petroleum engineering and technical services/The PRC
Sinopec Zhongyuan Oil Engineering Company Limited	The PRC/Limited Company	RMB450,000	100% (2024: 100%)	–	Petroleum engineering and technical services/The PRC
Sinopec Jiangnan Oil Engineering Company Limited	The PRC/Limited Company	RMB250,000	100% (2024: 100%)	–	Petroleum engineering and technical services/The PRC
Sinopec East China Oil Engineering Company Limited	The PRC/Limited Company	RMB864,297	100% (2024: 100%)	–	Petroleum engineering and technical services/The PRC
Sinopec North China Oil Engineering Company Limited	The PRC/Limited Company	RMB886,300	100% (2024: 100%)	–	Petroleum engineering and technical services/The PRC
Sinopec Southwest China Oil Engineering Company Limited	The PRC/Limited Company	RMB300,000	100% (2024: 100%)	–	Petroleum engineering and technical services/The PRC
Sinopec Oil Engineering Geophysical Company Limited	The PRC/Limited Company	RMB300,000	100% (2024: 100%)	–	Petroleum engineering and technical services/The PRC
Sinopec Oil Engineering and Construction Corporation	The PRC/Limited Company	RMB500,000	100% (2024: 100%)	–	Engineering and Construction/The PRC
Sinopec Shanghai Offshore Oil Engineering Company Limited	The PRC/Limited Company	RMB2,000,000	100% (2024: 100%)	–	Offshore Oil engineering and technical services/The PRC
Sinopec International Oil Engineering Company Limited	The PRC/Limited Company	RMB700,000	100% (2024: 100%)	–	Petroleum engineering and technical services/The PRC
Sinopec Jingwei Company Limited	The PRC/Limited Company	RMB1,000,000,000	100% (2024: 100%)	–	Testing, logging and locating service/The PRC

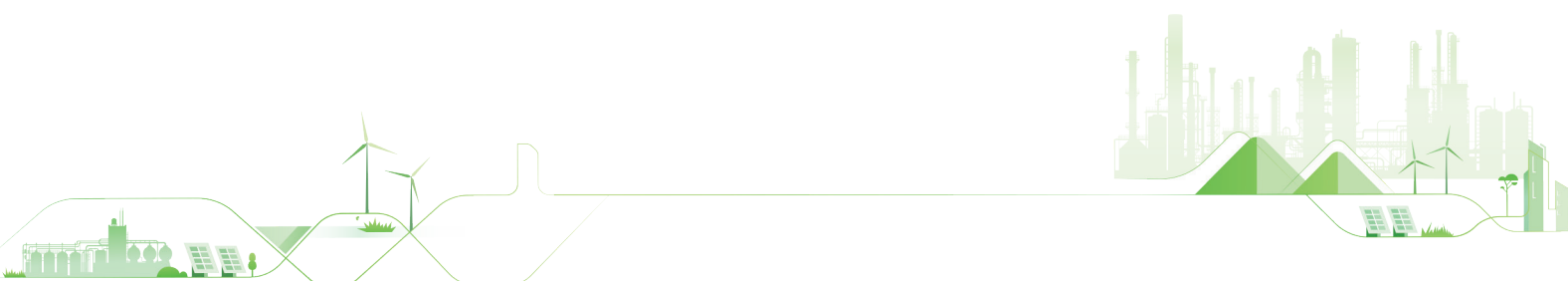
The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Section IX Documents Available for Inspection

The following documents are available for inspection at the legal address of the Company from 17 March 2026 (Wednesday) upon requests by related supervisory institute and shareholders in accordance with the Articles of Association of the Company and relevant regulations:

1. The original copy of the annual report signed by the Chairman of the Company;
2. The financial statements signed by the Chairman, General Manager, Chief Financial Officer and the Head of the Accounting Department;
3. The original reports of the auditors and the accounts prepared in accordance with the PRC Accounting Standards for Business Enterprises signed by the Certified Public Accountants, registered the PRC under the seal of BDO China Shu Lun Pan CPAs (LLP); The original reports of the auditors and the financial statements prepared in accordance with IFRSs signed by BDO Limited;
4. Documents and Announcements disclosed in the reporting period;
5. The Article of Associations of the Company;
6. Copies of the Annual Reports and Interim Reports from 1993 to 2025 and the First Quarter Report and the Third Quarter Report from 2002 to 2025 of the Company.

This Annual Report has been drafted in both English and Chinese. In the event that different interpretation occurs, except the financial statements prepared in accordance with IFRSs and its related reports of the auditors, the Chinese version is considered to be more accurate.





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