SPT Energy Group Inc.
華油能源集團有限公司 *

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1251

* For identification purpose only

2025 ANNUAL REPORT

Contents

Corporate Information

THE BOARD

Executive Directors

Mr. Ethan Wu *(Chairman and Chief Executive Officer)*
Mr. Li Qiang
Mr. Ding Kechen *(resigned with effect from 26 March 2026)*

Non-Executive Directors

Mr. Wang Guoqiang
Mr. Wu Jiwei
Ms. Chen Chunhua

Independent Non-Executive Directors

Ms. Zhang Yujuan
Mr. Wu Kwok Keung Andrew
Mr. Ma Xiaohu

AUDIT COMMITTEE

Mr. Wu Kwok Keung Andrew *(Chairman)*
Ms. Chen Chunhua
Mr. Ma Xiaohu

REMUNERATION COMMITTEE

Ms. Zhang Yujuan *(Chairman)*
Mr. Ethan Wu
Mr. Wu Kwok Keung Andrew

NOMINATION COMMITTEE

Mr. Ethan Wu *(Chairman)*
Ms. Zhang Yujuan
Mr. Wu Kwok Keung Andrew

AUTHORISED REPRESENTATIVES

Mr. Ethan Wu
Ms. Lai Siu Kuen

COMPANY SECRETARY

Ms. Lai Siu Kuen *(FCG, HKFCG)*

COMPANY WEBSITE

www.sptenergygroup.com

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Causeway Bay
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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PRC
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Corporate Information

REGISTERED OFFICE

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Cayman Islands

PRINCIPAL SHARE REGISTRAR

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Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
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Wanchai, Hong Kong

AUDITOR

CCTH CPA Limited
Unit 1510-1517, 15/F, Tower 2
Kowloon Commerce Centre
No. 51 Kwai Cheong Road, Kwai Chung, New Territories
Hong Kong

LEGAL COUNSEL

Jingtian & Gongcheng LLP
32nd Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Central, Hong Kong

PRINCIPAL BANKERS

China Merchants Bank Co., Ltd., Hong Kong Branch
China CITIC Bank International Limited
Bank of Kunlun Company Limited
Bank of China Limited

STOCK CODE ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

1251

DATE OF LISTING

23 December 2011

Financial Summary

The following financial information is extracted from the consolidated financial statements of SPT Energy Group Inc. (the "Company") and its subsidiaries (the "Group"), which is prepared under the International Financial Reporting Standards Accounting Standards:

CONDENSED CONSOLIDATED INCOME STATEMENT

	For the year ended 31 December				
RMB'000	**2025**	2024	2023	2022	2021
Revenue	**1,713,393**	1,694,119	1,947,244	1,757,162	1,588,799
Other gains/(losses), net	**(11,053)**	1,669	12,297	(7,640)	4,895
Operating costs	**(1,791,331)**	(1,913,785)	(1,905,528)	(1,696,654)	(1,540,296)
Operating profit/(loss)	**(88,991)**	(217,997)	54,013	52,868	53,398
Finance costs, net	**(31,574)**	(31,205)	(31,146)	(37,441)	(41,993)
Share of net (loss)/profit of an associate and a joint venture accounted for using the equity method	**(1,170)**	2,625	(1,317)	819	470
Profit/(loss) before income tax	**(121,735)**	(246,577)	21,550	16,246	11,875
Profit/(loss) for the year	**(128,640)**	(263,585)	8,778	7,457	4,187
Attributable to:					
Owners of the Company	**(125,881)**	(256,231)	16,745	13,241	8,795
Non-controlling interests	**(2,759)**	(7,354)	(7,967)	(5,784)	(4,608)
Dividends proposed after balance sheet date	**–**	–	–	–	–

Financial Summary

CONDENSED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
RMB'000	**2025**	2024	2023	2022	2021
Assets					
Non-current assets	**567,219**	579,259	651,854	650,446	647,188
Current assets	**1,824,364**	1,929,406	2,259,353	2,232,112	2,139,501
Total assets	**2,391,583**	2,508,665	2,911,207	2,882,558	2,786,689
Total equity	**890,716**	1,002,456	1,285,240	1,225,104	1,205,640
Liabilities					
Non-current liabilities	**126,172**	87,632	116,750	84,445	286,897
Current liabilities	**1,374,695**	1,418,577	1,509,217	1,572,009	1,294,152
Total liabilities	**1,500,867**	1,506,209	1,625,967	1,657,454	1,581,049
Total equity and liabilities	**2,391,583**	2,508,665	2,911,207	2,882,558	2,786,689

Chairman's Statement

Ethan Wu
Chairman of the Board

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of the Company, I present the annual report of the Group for the year ended 31 December 2025 (the "Reporting Year") to the shareholders of the Company.

During the Reporting Year, the Group's revenue amounted to RMB1,713.4 million and the loss attributable to the owners of the Company amounted to RMB125.9 million.

Chairman's Statement

REVIEW ON THE MARKETING AND OPERATION AND MANAGEMENT

In 2025, the global oil and gas market presented a complex landscape of "loose supply-demand imbalance, policy-driven growth, and technological breakthroughs" amidst a confluence of economic cycle fluctuations, geopolitical competitions and accelerated green transformation. The global economy continued its moderate slowdown, with data from the International Monetary Fund ("**IMF**") indicating an annual economic growth rate of 3.3%, and inflationary pressure continued to fall back to 4.2%. This, coupled with escalating regional trade barriers, further suppressed the growth in global energy demand. Simultaneously, evolving geopolitical dynamics and the deepening of green transformation jointly reshaped the business layout and development of the oilfield service industry. On the one hand, continued security instability in resource-rich regions such as the Middle East and South America led to temporary disruptions and cost increases in upstream exploration and development activities, exacerbating the vulnerability of the global energy supply chain and forcing oilfield service enterprises to strengthen their regional risk management and emergency response capabilities. On the other hand, driven by low-carbon policies and market demand, the green transformation process accelerated significantly. The industry has not only accelerated the large-scale development of renewable energy but also focused on the clean and efficient development and utilization of fossil energy, with more energy-saving and carbon-reduction measures on the consumption side put in place, making energy structure optimization an irreversible trend. In particular, the promotion and application of deep decarbonization technologies such as carbon capture, utilization and storage ("**CCUS**") not only provided key support for the green transformation of the traditional oil and gas industry, but also created opportunities for oilfield service enterprises to expand new scenarios for technical services.

Due to the combined effects of the aforementioned factors, the global oil market experienced a supply surplus throughout 2025, leading to a decline in the central level of international oil prices. Under the baseline scenario, oil prices remained volatile at low to medium levels, further exacerbating the operational pressure on the oilfield service industry. According to the "2025 Global Oil Market Report" published by the International Energy Agency ("**IEA**"), global oil supply increased by 3.1 mb/d to 106.3 mb/d throughout the year, with non-Organization of the Petroleum Exporting Countries ("**non-OPEC+**") oil-producing countries contributing 1.7 mb/d of the increase, accounting for over half of the total increase. Steady increases in production from the United States and Canada were the core drivers of supply growth. Although Organization of the Petroleum Exporting Countries ("**OPEC+**") attempted to balance the market through phased adjustments to its production plan, it failed to reverse the overall loose supply situation. As a result, the average price of Brent crude oil decreased by USD11.9 per barrel year-on-year, and oil and gas companies cut their upstream exploration and development budgets in light of the oil price fluctuations at low to medium levels, intensifying competition in the oilfield service market.

Chairman's Statement

Oil and gas industries are undertaking a series of profound reforms and challenges. New opportunities have arisen from green transformation. However, multiple pressures such as the oil price fluctuations at low to medium levels, a complex and evolving geopolitical situation and a loose market supply-demand imbalance have posed significant challenges to the operation and development of the oilfield service industry. Against this backdrop, the Group accurately assessed market trends, adjusted the work deployment in a timely manner, proactively dealt with cyclical fluctuations and structural changes in the industry, and tackled difficulties to ensure the steady progress of its business operations.

I. Sharpening the Sword of Technology: Focusing on technological breakthroughs as the core to build robust competitive barriers

Technology serves as the core support for the Group to accurately seize the opportunities arising from the transformation and innovation of the oil and gas industry and implement strategic upgrade. It is also the key engine driving the in-depth reshaping and development of the Group's three core pillars. Facing the new situation of continuous technological change and accelerated energy transition in the industry, the Group has been steadfastly committed to its strategy of "Technology-led Development", prioritizing technological innovation. Relying on its own intellectual property rights, the Group continued to increase research and development ("**R&D**") investment and focused on improving quality and efficiency of traditional service businesses while pursuing breakthroughs in emerging sectors, with an aim to build a core technology matrix that combined competitiveness with strong barriers to entry, laying a solid foundation for our differentiated competitive advantages in the market. In the core field of oilfield technical services, in the face of multiple challenges including the low-carbon transition of the industry and intensifying market competition, the Group actively sought changes through technological innovation. On the one hand, the Group deepened its presence in the traditional oil field market, continuously refining mature technologies such as drilling and well completion technologies through iterative optimization. By delivering dependable and efficient technical services, the Group secured its share in the traditional market while strengthening its business foundation, thus ensuring the stable operation of its core business. On the other hand, closely aligned with the "dual carbon" goal and policy orientation of clean energy development, the Group actively explored the deep integration of new technologies and new businesses, strengthened R&D and service system building for technologies such as CCUS and the development of unconventional oil and gas, providing core technological support for the implementation of the Group's new energy business layout. Simultaneously, the Group focused on overseas market expansion and strengthened technological empowerment. Driven by its integrated technical capabilities and one-stop solutions, the Group further enhanced the core competitiveness of its oilfield exploration and development segment, injecting robust momentum into the scalable expansion of overseas business. Currently, driven by continuous technological innovation, the Group has established a patent technology system, which lays a solid foundation for its high-quality development amidst industry changes.

Chairman's Statement

II. Sharpening the Blade of Management: Building on lean management to solidify the foundation for development

Facing a complex environment characterised by cyclical fluctuations in oil price, intensifying market competition and intertwined geopolitical risks, lean management has become the Group's core strategic pillar for tackling challenges and seizing opportunities. Guided by the goal of enhancing management efficiency, the Group made thorough efforts to tap new sources of revenue, reduce expenditure, and improve quality and efficiency, broke down the goals of cost control, efficiency enhancement and risk management, and delivered them to each regional project department and operational unit through the ranks to ensure that the responsibilities were assigned to each individual. In terms of operational efficiency improvement, the Group focused on two core aspects: production and operation, and technological innovation. By leveraging process optimization as a key driver and supported by technological R&D, the Group refined various management measures to achieve multiple breakthroughs in profit growth, cost control and improvement in management level. In terms of the organisational management, by streamlining management levels and breaking down collaboration barriers, the Group optimised the efficiency of instruction transmission and resource allocation, and deeply explored internal potentials to balance the dual goals of operational efficiency enhancement and overall stable operation, thereby establishing a robust organisational foundation for high-quality development in the complex industry environment. In terms of risk management and control, the Group has established robust and standardized work guidelines and response measures to address core risks such as geopolitical conflict, intensified market competition and fluctuations in foreign exchange rates. It has established a closed-loop management system covering "pre-warning, in-process control and post-review" to strengthen its coordination capabilities in respect of multinational and cross-regional project management and emergency response, reinforcing its line of defense for risk prevention and control. The Group continues to enhance management efficiency, driving the dual improvement of operational efficiency and resilience against risks, ensuring quality and efficiency improvement throughout the entire production and operation process, and consolidating the management foundation for long-term and high-quality development in complex market environments.

Chairman's Statement

III. Cultivating the spirit of pioneering: Expanding growth potential driven by progression and breakthroughs

Performance is the cornerstone of team dignity and the fundamental guarantee for an enterprise's position and development in a complex market. Relying on its market presence established over years, resources reserves and customer base, and facing an industry environment characterised by accelerated green energy transition, global economic fluctuations and intensified market competition, the Group upholds a pioneering spirit to break through and innovate, driving coordinated advancement and breakthrough across all business segments. On the one hand, deepening its internal capabilities and consolidating its pioneering foundation, the Group continues to deepen the performance appraisal system that "performance is the dignity of the team". With result-oriented approaches, we will implement strict assessment and place strong emphasis on reward to encourage the commitment to tackle difficulties and pursue innovation by the team and improve work efficiency in an all-round way. Meanwhile, supported by a systematic talent strategy, the Group will focus on core business on deep wells, drilling services, well completion, attract and cultivate versatile talents, promoting deep integration of talent and business, and injecting sustained momentum into the Company's high-quality development. On the other hand, seeking outward breakthroughs to expand growth potential, and guided breakthroughs approaches and aiming to optimise business structures, the Group conducted a systematic analysis of its oilfield services, assessed global market prospects and profitability, and defined its development directions and strategies across various regional markets and technologies. Since 2025, the Group has proactively downsized and terminated certain businesses with limited future profitability, significant challenges in turning loss into profit, and little potential for improvement. Instead, the Group focused on promising target markets, mainly including deep wells, drilling services, well completion business in China, as well as key overseas markets in Iraq, Turkmenistan, and Indonesia. This is of great strategic significance to the improvement of the Group's overall profitability and the sound development of its business in the future, and further demonstrates the Group's determination to navigate through the challenging environment with pioneering spirit and to pursue long-term development with breakthroughs.

Chairman's Statement

PROSPECTS

Looking ahead to 2026, the global economy and energy market remain in a critical period featuring both profound adjustment and transformation. Although the momentum of global economic growth has weakened and complexities and uncertainties persist, structural transformation opportunities are also accelerating, creating new space for development in the oilfield services sector. According to the World Economic Outlook released by the World Bank, global economic growth rate is expected to be 2.6% in 2026, remaining at a low level. It also explicitly states that the decade from 2020 to 2030 "is likely to become the weakest period for global economic growth since the 1960s". Against this backdrop, the stable operation of the global economy faces multiple challenges: escalating trade tensions, ongoing geopolitical conflicts, persistent high inflationary pressures and other factors, all of which will continue to affect the global economic recovery. This slowdown has profoundly impacted the overall fundamentals of global energy demand. As forecasted in the "Domestic and Foreign Oil and Gas Industry Development Report 2025" by CNPC Economics &Technology Research Institute, global oil demand is expected to reach 104.3 million barrels per day in 2026. The Asia-Pacific region will remain the main driver of growth, while oil consumption in developed economies will continue to be sluggish, further highlighting the divergence in demand. In terms of the supply side, OPEC+ maintains modest production increases, but its effect is limited due to constraints such as transportation bottlenecks. Coupled with sustained growth in non-OPEC+ production, the global oil market will continue to exhibit a supply surplus. Affected by both loose supply-demand fundamentals and geopolitical volatility, the average price of Brent crude oil is expected to fluctuate within a range of USD60-65 per barrel. Meanwhile, the global green and low-carbon transition continues to accelerate. The 30th session of the Conference of the Parties (COP30) to the United Nations Framework Convention on Climate Change (UNFCCC) has further promoted the implementation of global climate actions, marking a critical stage of "practical implementation" in the global green and low-carbon transition. Against this trend, international oil companies are accelerating their strategic adjustments from traditional oil and gas businesses to integrated energy solutions, pushing the global oilfield services industry to enter the "deep-water zone" of low-carbon transformation at a faster pace. The optimization and upgrading of the energy structure and the reshaping of the industrial landscape are becoming the main themes of the international energy market in the period ahead, and also pointing the way for business transformation and capability upgrading of oilfield services enterprises.

Chairman's Statement

China's economy and energy development will present as a sound pattern of progress while maintaining stability and coordinated transformation. In terms of the economic, 2026 marks the first year of the 15th Five-Year Plan, and the macroeconomy will continue its steady development. According to the Economic and Financial Outlook for 2026 released by the BOC Research Institute, China's GDP is expected to grow by around 5% for the full year, which is basically the same as that in 2025. The sound economic fundamentals will provide solid support for oil and gas consumption demand and lay a sound economic foundation for the development of the oilfield services sector. As for the energy sector, it is closely in line with the national energy security strategy. In the energy sector, in accordance with the requirements of building a strong energy nation and a new energy system, efforts will be continuously made to promote the high-quality development of the oil and gas industry. Domestic oil and gas exploration and development efforts will be further intensified, focusing on major oil and gas basins including Ordos, Sichuan, Tarim and Junggar. Focusing on increasing reserves and production of conventional oil and gas resources, energy sector will ensure stable crude oil production and promote relatively rapid growth in natural gas output. Guided by the "Dual Carbon" goals, the green and low-carbon transformation of China's energy structure will continue to deepen. As a clean and low-carbon fossil fuel, natural gas will see steady growth in consumption demand. It is expected that the natural gas consumption in China will reach 450 billion cubic meters in 2026, further increasing its share in the energy structure. Meanwhile, CCUS technologies are accelerating toward industrialization, and the localization of core equipment is progressing at a faster pace. This not only injects new impetus into the green transformation of the oil and gas industry, but also opens up new growth areas for oilfield services companies in the low-carbon sector, helping oilfield services enterprises achieve coordinated development in ensuring energy security and advancing green transformation.

Chairman's Statement

2026 is a pivotal year for the Group's strategic planning to build on past achievements and make key breakthroughs. Facing a new landscape characterized by the deepening transformation of the energy industry, intensified oil price fluctuations, and increasingly fierce market competition, the Group will consistently uphold the core principles of "establishing the enterprise through technology, consolidating the foundation through management, and achieving long-term growth through expansion", creating a new chapter of high-quality development with firm conviction and synergistic efforts. First, we will forge the sword of technology and drive development through technological innovation. We are committed to solving the tough problems faced by customers, continuously promoting the upgrade of product technologies and services, and building market barriers through technological leadership and service advantages. Second, we will sharpen the blade of management and consolidate the foundation of development through lean operations. We will comprehensively enhance full-cycle project management and control capabilities, strengthen cost control, safety, environmental protection, and compliance management, and continuously reinforce operational efficiency and risk resilience to lay a solid foundation for sustainable development. Third, we will hone the courage of expansion and win the future through precise deployment. In the oilfield services segment, while stabilizing our core domestic market share, we will focus on developing overseas markets; in the oilfield exploration and development segment, we will continue to promote the integrated exploration and development model, capturing new market opportunities with a keener perspective; in the new energy segment, we will solidly advance project implementation and actively expand into new tracks of low-carbon business. Currently, the Group is at a critical stage where challenges and opportunities coexist, and the wave of industry transformation contains vast space for development. The Group will continue to maintain keen market insight, actively track frontier technologies, explore innovative models, and continuously enhance core competitiveness to open up new growth space in the fierce market competition.

Looking ahead to the next five years, the Group will drive development through innovation, continue to focus on core technology R&D and service capability upgrades, and lay a solid foundation for building a leading oilfield service enterprise with long-term competitiveness. In the oilfield services segment, we will dive deep into core domestic markets, focusing on advanced technologies and integrated services for deep wells and unconventional oil and gas wells to create differentiated competitive advantages. In the oilfield exploration and development segment, we will concentrate technical and resource advantages to accelerate the exploration and development process of overseas oilfield blocks in Indonesia, Peru, and other regions, promoting the release of scalable production capacity and optimizing the Group's development pattern. In the new energy business segment, upholding the principle of making steady progress, we will expand service boundaries through precise deployment, actively integrate into the global energy transition wave, and build a new type of energy system featuring the coordinated development of oil, gas, and renewable energy by continuously advancing projects such as CCUS, fostering new growth points for the Group's sustainable development. Meanwhile, in terms of team building, the Group consistently upholds the core concept that "performance is the dignity of the team", striving to create a corporate atmosphere of integrity, transparency, pragmatism, efficiency, and collaborative endeavor. We will fully stimulate the creativity and sense of responsibility of all employees, demonstrate team value through excellent performance, and provide solid support for the Group's steady and long-term progress in a complex market environment. Facing the future, the Group will actively respond to uncertainties and proactively embrace changes with a more open posture and firmer steps, forging ahead on the journey of building a first-class century-old energy enterprise.

Chairman's Statement

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to take this opportunity to express our heartfelt gratitude to all of our respected shareholders, customers, business partners and investors for their trust and support, also to all of our employees for their contribution. In the past year, we adhered to the fighting spirit of "creating prosperity and opening a new chapter", accumulated strength during the challenges, and captured new opportunities in the process of forging ahead. In the new year, guided by the direction of "accumulating strength to tackle difficulties and striving for a new momentum", we will persevere and forge ahead with courage and determination. We will always adhere to the concepts of shoulder the mission of the times, focus on the energy industry, and assume the responsibility of building a century-old enterprise as our mission to put out all stops and make unremitting efforts. In the future, we will accelerate breakthroughs in core technologies, continuously optimize our market layout, and enhance our influence in the industry, striving to achieve high-quality development, with a view to bringing higher value returns to our shareholders.

Ethan Wu
Chairman of the Board

Management Discussion and Analysis

BUSINESS REVIEW

In 2025, the global economy forged ahead steadily amid policy adjustments and structural optimization. According to the World Economic Outlook Report released by the IMF, the global economic growth rate stood at 3.3% in 2025, and inflationary pressure continued to fall back to 4.2%. Against this macro backdrop, the international crude oil market exhibited a pattern of "high prices early on followed by a decline, with intensified volatility" due to multiple factors including economic recovery trend, geopolitical conflicts, and market supply and demand pattern. The annual average price of Brent crude oil fell to US$68 per barrel. Affected by fluctuations in international oil prices, global investment into oil and gas exploration and production became more prudent. According to the "World Energy Investment 2025" issued by the IEA, the total amount of global upstream investment was approximately USD570 billion in 2025, with investment in the petroleum upstream sector down by 6% year-on-year. In line with the situation in global market, China's oil and gas industry pursued progress while maintaining stability, achieving remarkable results in ensuring energy security. With the successful conclusion of the "Seven-Year Action Plan" for increasing oil and gas reserves and production, petroleum enterprises in China continued to intensify exploration and development efforts. The annual oil and gas output equivalent reached 420 million tons, hitting a new record high and providing stable market demand for the domestic oilfield services sector. At the same time, with the deepening implementation of the dual carbon goals, the interplay of market structural adjustment, technological upgrading pressure and increasingly fierce industry competition has placed higher requirements on oilfield service enterprises in terms of innovation capability, technological reserves and strategic layout.

Management Discussion and Analysis

During the Reporting Year, the Group actively promoted the optimization and adjustment of its business structure and rigorously implemented cost control measures, resulting in a steady and stable improvement in operational quality and efficiency. Meanwhile, revenue from certain overseas projects achieved growth, which effectively drove the improvement of overall operating performance. Benefit from above efforts, the Group recorded revenue of RMB1,713.4 million, representing an increase of RMB19.3 million, or 1.1% as compared to the previous year; and the Group recorded losses of RMB128.6 million during the Reporting Year, representing a decrease of loss of RMB135.0 million, or approximately 51.2% as compared to the previous year. In 2025, the Group continued to optimize its strategic layout, adhering to the core service philosophy of "customer-centricity", and steadily strengthening its market competitiveness. In 2025, the Group has achieved major breakthroughs in two key areas, market layout and technological innovation. In terms of market layout, while consolidating its domestic oil and gas foundation, the Group continued to refine its global layout by focusing on potential markets such as Central Asia, Southeast Asia, the Middle East, and South America. Step by step, the Group has expanded its new landscape of overseas business development. Under the guidance of such strategy, all business segments have advanced in synergy and supported each other. First, in terms of oil and gas field exploration and development business, the Group persistently integrated technology and resources, further improving exploration accuracy and development efficiency of oil and gas field exploration, thereby creating market space for subsequent exploration. Secondly, in terms of oil and gas field technical services business, while consolidating its shares in traditional market, the Group actively expanded into emerging market sectors. Relying on its full-chain technical support capabilities covering drilling, well completion to enhanced recovery rate, the Group continuously optimized oil field operation plans and achieved steady and stable business expansion. In addition, in terms of new energy development and utilization business, the Group, aligning with the global energy transition trend, actively seized market opportunities, promoted the coordinated development of traditional businesses and new energy through clean energy solutions, and fostered new growth momentum. In terms of technological innovation, the Group achieved major breakthroughs, as it not only successfully developed a 3-1/2, 20,000 PSI high-pressure safety valve, laying a solid foundation for subsequent market expansion, but also made phased technological progress in the research and development of high-temperature and high-pressure sensor products, continuously consolidating the Group's core technological barriers. Throughout 2025, the Group consistently adhered to a prudent financial policy and practiced an operational philosophy of lean management. By continuously optimizing its market layout, and strengthening key technological innovations, the Group achieved breakthroughs in the synergistic development of multiple segments. This fully demonstrates that the Group is of resilience, operational agility and sustainable development capabilities in a complex environment.

Management Discussion and Analysis

REVENUE ANALYSIS

During the Reporting Year, the Group recorded revenue of RMB1,713.4 million, representing an increase of RMB19.3 million or 1.1% as compared to the previous year. The analysis on the revenue of the Group by business segment is as follows:

	For the year ended 31 December		
	2025	2024	Change
	RMB'000	*RMB'000*	*(%)*
Revenue			
Reservoir	**817,376**	816,843	0.1%
Drilling	**440,541**	462,521	(4.8%)
Well completion	**280,572**	280,837	(0.1%)
Other	**174,904**	133,918	30.6%
Total	**1,713,393**	1,694,119	1.1%

During the Reporting Year, revenue from reservoir segment accounted for 47.7% of the total revenue, representing an increase of RMB0.5 million or 0.1% as compared to the previous year. Revenue from drilling segment accounted for 25.7% of the total revenue, representing a decrease of RMB22.0 million or 4.8% as compared to the previous year. Revenue from well completion segment accounted for 16.4% of the total revenue, representing a decrease of RMB0.2 million or 0.1% as compared to the previous year. Revenue from other segments accounted for 10.2% of the total revenue, representing an increase of RMB41.0 million or 30.6% as compared to the previous year. The significant increase of other segments was mainly driven by the increase in sales business of natural gas in Xinjiang.

RESERVOIR SERVICE SEGMENT

	For the year ended 31 December		
	2025	2024	Change
	RMB'000	*RMB'000*	*(%)*
Revenue from reservoir services			
Overseas	**313,011**	272,986	14.7%
PRC	**504,365**	543,857	(7.3%)
Total	**817,376**	816,843	0.1%

Management Discussion and Analysis

The reservoir service segment of the Group provides geology research and oil reservoir research services, dynamic monitoring service, oil testing service, oil recovery technology service, coiled tubing service and repair service of surface production devices, etc.

During the Reporting Year, the Group's reservoir segment recorded revenue of RMB817.4 million, representing an increase of RMB0.5 million or 0.1% as compared to the previous year. The Group's overseas reservoir segment recorded revenue of RMB313.0 million, representing an increase of RMB40.0 million or 14.7% as compared to the previous year, and accounted for 38.3% of the total revenue from reservoir segment. The increase in revenue from overseas reservoirs was mainly attributable to the sustained full workload of oil testing service and mud logging service in the Middle East as well as the steady increase in the oil testing business in Kazakhstan Region. The Group's reservoir segment in China recorded revenue of RMB504.4 million, representing a decrease of RMB39.5 million or 7.3% as compared to the previous year, and accounted for 61.7% of the total revenue from reservoir segment, which was mainly due to the decrease in the workload caused by station operation and maintenance and construction in Xinjiang region.

DRILLING SERVICE SEGMENT

	For the year ended 31 December		
	2025 *RMB'000*	2024 *RMB'000*	Change *(%)*
Revenue from drilling services			
Overseas	**259,675**	271,221	(4.3%)
PRC	**180,866**	191,300	(5.5%)
Total	**440,541**	462,521	(4.8%)

The drilling services of the Group include drilling rig service, workover rig service, complex well workover and fishing service, rotary geosteering technology service, vertical drilling technology service, horizontal drilling technology service, side tracking technology service, underbalanced drilling technology service, fine managed pressure drilling technology service, cementing services and drilling fluid services, etc.

During the Reporting Year, the Group's drilling service segment recorded revenue of RMB440.5 million, representing a decrease of RMB22.0 million or 4.8% as compared to the previous year. The Group's overseas drilling segment recorded revenue of RMB259.7 million, representing a decrease of RMB11.6 million or 4.3% as compared to the previous year, and accounted for 58.9% of the total revenue from drilling segment. The Group's drilling service segment in China recorded revenue of RMB180.8 million, representing a decrease of RMB10.4 million or 5.5% as compared to the previous year, and accounted for 41.1% of the total revenue from drilling segment. The year-on-year change in the revenue from drilling business was mainly attributable to the Group's optimization of its drilling business structure during the year, whereby the Group discontinued a number of unprofitable projects or projects with uncertain growth prospects.

Management Discussion and Analysis

WELL COMPLETION SERVICE SEGMENT

	For the year ended 31 December		
	2025 *RMB'000*	2024 *RMB'000*	Change *(%)*
Revenue from well completion services			
Overseas	**174,092**	105,557	64.9%
PRC	**106,480**	175,280	(39.3%)
Total	**280,572**	280,837	(0.1%)

The Group provides comprehensive well completion tools, products and services to customers, including well completion project design, well completion tools service as well as stimulation and fracturing service.

During the Reporting Year, the Group's well completion service segment recorded revenue of RMB280.6 million, representing a decrease of RMB0.2 million or 0.1% as compared to the previous year. In particular, the Group's overseas well completion segment recorded revenue of RMB174.1 million, representing an increase of RMB68.6 million or 64.9% as compared to the previous year, and accounted for 62.0% of the total revenue from well completion segment. The increase was mainly due to the increase in the volume of well completion operation from Indonesia as well as the increase in the volume of fracturing stimulation operation in Kazakhstan region. The Group's well completion segment in China recorded revenue of RMB106.5 million, representing a decrease of RMB68.8 million or 39.3% as compared to the previous year, and accounted for 38.0% of the total revenue from well completion segment, which was mainly due to the decrease in the volume of well completion operations in Xinjiang, Sichuan and Chongqing markets.

OTHER SEGMENT

	For the year ended 31 December		
	2025 *RMB'000*	2024 *RMB'000*	Change *(%)*
Revenue from other services			
Overseas	**–**	–	–
PRC	**174,904**	133,918	30.6%
Total	**174,904**	133,918	30.6%

Currently, revenue from other segment of the Group mainly includes revenue generated from sales of natural gas and the related service provided.

During the Reporting Year, the Group's other segment recorded revenue of RMB174.9 million, representing an increase of RMB41.0 million or 30.6% as compared to the previous year. Revenue from the PRC market was RMB174.9 million, representing an increase of RMB41.0 million or 30.6% as compared to the previous year, and accounted for 100.0% of total revenue from other segment, mainly attributable to the increase in natural gas sales business in Xinjiang.

Management Discussion and Analysis

MARKET ENVIRONMENT

In 2025, the global petroleum industry entered into a critical stage where deep adjustment and transformation ran in parallel. Multiple factors, including macroeconomic fluctuations, geopolitical maneuvering, high trade barriers, and the energy transition, intertwined to cause a significant rise in uncertainties in the global oil market. At the macroeconomic level, the global economic recovery continued to slow down. The IMF's *World Economic Outlook Report* pointed out that the global economic growth rate in 2025 was 3.3%, lower than the pre-pandemic average; influenced by changes in the trade environment such as adjustments to U.S. tariff policies, economic volatility risks intensified, which in turn suppressed the growth of oil demand. Demand in developed economies remained weak, and while emerging markets possessed growth momentum, their increments were insufficient to offset the decline of the former, leading to a slowing trend in overall oil demand growth. From the perspective of market supply and demand dynamics, the market exhibited characteristics of "supply under pressure and demand divergence". On the demand side, influenced by the advancement of the energy transition, data from *Oil Market Report in December 2025* published by the International Energy Agency (IEA) showed that global oil demand in 2025 grew by only 830,000 barrels per day year-on-year. On the supply side, production capacity in non-OPEC+ countries continued to grow. Although OPEC+ bore the primary share of production cuts, the magnitude of the cuts failed to fully offset the production increments from non-OPEC+ countries. Global oil supply growth for the year was approximately 3.10 million barrels per day, and the pressure of supply-demand imbalance remained unresolved. International oil prices continued to be under pressure, with the average annual price of Brent crude oil falling to USD68/barrel. Guided by policies of "security as the baseline and low-carbon transformation", the Chinese market continued to optimize its demand structure and promoted the extension of exploration and development into deep layers, deep water, unconventional resources, and matured oilfields, placing higher requirements on the greening and intelligence of oil and gas service technologies. Overall, the global petroleum industry entered a period of high-quality transformation in 2025. Oil companies focused on improving the quality and efficiency of exploration and development and refined cost control, which intensified competitive pressure in the oilfield service market and further squeezed the survival space of small and medium-sized oilfield service enterprises. In this context, oilfield service enterprises need to build differentiated advantages through technological iteration, refined operations, and deployment in emerging fields to actively respond to the challenges brought by industry transformation.

Management Discussion and Analysis

OVERSEAS MARKETS

The Group's overseas operations are mainly located in Kazakhstan and Turkmenistan in Central Asia, Indonesia and Singapore in Southeast Asia, Canada in North America, Peru in South America, and core areas of the Middle East. Affected by a number of factors such as macroeconomic pressure, geopolitical conflicts, and U.S. tariff policies in 2025, the international crude oil market showed a trend of "high prices early on followed by a decline, with intensified volatility", with the average annual price of Brent crude oil at USD68/barrel. Against this backdrop, uncertainties in overseas markets rose significantly, with industry competition becoming increasingly fierce. In the face of numerous challenges in overseas markets, the Group upheld the principle of prudent operation for its overseas business, withstood external pressures and overcame internal difficulties. In addition to strengthening our strategic positioning and expansion of overseas markets, the Group accelerated technological enhancement and innovation, extensively cultivated existing markets, and sought new opportunities for breakthroughs. Simultaneously, the Group promoted business optimization and capability enhancement to achieve the steady development of its overseas business. In terms of business optimization, the Group focused on optimizing its overseas business structure, with a focus on core areas of oilfield exploration and development, while ploughing its resources into high-end oilfield service sub-sectors. Furthermore, the Group proactively avoided low-value-added homogenized competition to improve the business profitability. In terms of technological capability enhancement, the Group accelerated technological innovation. Besides actively tracking cutting-edge technologies in the global petroleum industry and exploring diversified innovation models, the Group continued to strengthen its core technical service capabilities and constantly improved corporate core competitiveness, thereby carving out room for new growth and fostering new growth momentum in the fierce market competition.

Management Discussion and Analysis

As a key market under the Group's overseas strategy, our Kazakhstan region broke through against the trend in the complex international energy market landscape of 2025. Faced with multiple challenges such as geopolitical fluctuations and upgraded resource exploration difficulty, the Kazakhstan region always adhered to the concepts of "strategic leadership, innovation-driven, and lean operation", not only consolidating its market position in traditional oil and gas fields but also achieving remarkable results in unconventional energy development, integrated service capabilities, and lean operation and quality improvement. In terms of strategic transformation, the Kazakhstan region proactively shifted its development strategy, while deeply integrating domestic and foreign technical resources. By relying on the Group's core technical accumulation in the field of oil and gas development, the Group successfully implemented the multi-stage sand-filling and fracturing modification operation in Kazakhstan's first horizontal well in shale oil and gas reservoirs. The successful implementation of this project not only filled the local technical gap in unconventional oil and gas development but also marked that the region has reached a leading level in key technical fields such as shale oil and gas reservoir stimulation and horizontal well construction, creating favorable conditions for subsequent expansion into tight reservoir stimulation and potential markets. In terms of upgrading integrated service capabilities, the Kazakhstan region successfully won the bid for the integrated drilling services for a certain oilfield by virtue of its full-chain service capabilities in geological research of carbonate shale oil and gas reservoirs, personalized completion scheme design, and integrated construction of drilling, mining and increased production capacity for many years. The successful bid of this project fully validates the Group's technological advantages and service strength in the field of deep carbonate shale oil and gas reservoir development, and promotes the Kazakhstan region to achieve a strategic transformation from a single construction service provider to a comprehensive energy solution provider, further enhancing its core competitiveness and brand influence in the local market. In terms of diversified development planning, the Kazakhstan region accurately gauged the industry trends of refined local geological exploration, accelerated the development of the new energy industry, and deepened cooperation across the entire industry chain. Besides continuing to strengthen its technical advantages in unconventional oil and gas development, the Group actively expanded cooperation in potential blocks, and strove to build regional industry benchmarks. During the Reporting Period, our Turkmenistan project department has made full use of its own technical advantages and integrated resources, bravely took business action to successively sign business contracts for coiled tubing gas lift, bit services, and casing annulus pressure management. In addition, a certain well gas gathering pipeline replacement project constructed by our Turkmenistan project department applied the five-layer co-extrusion composite material, a flexible reinforced thermoplastic pipe ("**RTP**") technology for the first time and successfully passed the owner's acceptance inspection procedures. The successful application of this technology marks a key breakthrough for the Group in the field of natural gas surface construction under complex environments such as "three-high" gas fields and high-temperature deserts.

Management Discussion and Analysis

In terms of potential markets, regional project departments took proactive actions and made breakthroughs to achieve high-quality business development. The Middle East region always adhered to the development concepts of pioneering, enterprising, and excellence. Centering on customers and guided by the market, it made all-out efforts to achieve breakthroughs, realizing coordinated development across multiple business areas. Significant increase in market orders drove growth in both output value and profitability. During the Reporting Year, the Middle East region successfully won contracts for well workover services, oil testing services, and logging services for an oilfield in Iraq. We continued to optimize our business layout, with a multi-field service system covering well workover and fishing, well cementing, well logging, well calibration, oil testing, reservoir dynamic monitoring, and oilfield tool accessories trading formed, which continues to strengthen our market competitiveness. The Indonesia project department steadily promoted its market expansion. The 1000HP drilling rig service project in an oil and gas field in South Sumatra, Indonesia, officially started drilling. On this basis, the Indonesia project department also successfully commenced construction of its swabbing facilities, achieving the market goal of “multiple services for the same customer”. This achievement is not only an important milestone for the Indonesia project department to open up the external oilfield service market but also lays a solid foundation for subsequent market expansion. In the South American market, the Group achieved a major breakthrough by successfully winning the bid for the development project of Block VI of the Talara Oilfield in Peru, which entitles the Group to the right to sign the hydrocarbon extraction license agreement for the project. The Group will be fully responsible for the development and operation of the project block. The successful bid marks a major breakthrough for the Group in the field of oil and gas resource development in South America, further improving the Group’s business layout in key overseas regions. This helped increase the Group’s share and industry influence in the global oil and gas market, laying a solid foundation for subsequent expansion into other oil and gas projects in the South American region. In terms of technology research and development, the Group once again achieved a major breakthrough in technological innovation, as its Singapore Global R&D center successfully developed a 3-1/2, 20,000 PSI high-pressure safety valve. The successful launch of this product not only demonstrates the Group’s leading position in this field but also marks that it possesses core technical support when dealing with complex and harsh oilfield environments such as high temperature, high pressure, and high sulfur content, building a technical barrier and market foundation for the Group’s market expansion in the field of high-pressure downhole tools. Furthermore, Pioneer Petrotech Services Inc. (“**PPS**”), a subsidiary of the Group, had successfully developed and delivered the 230°C high-temperature manometer. This technological breakthrough represents a verifiable technical path for the PPS team’s sensor product research and development efforts in extreme high-temperature environments, thereby providing a solid technical guarantee for subsequent expansion into similar high-end markets.

During the Reporting Year, the Group’s new orders in overseas markets amounted to approximately RMB1,311.0 million, accounting for approximately 52.4% of the Group’s total new orders. In 2025, the Group has recorded revenue of RMB746.8 million in overseas markets, representing an increase of RMB97.0 million or 14.9% as compared to the previous year, and accounted for 43.6% of the total revenue.

Management Discussion and Analysis

PRC MARKET

In 2025, the "Seven-Year Action Plan" for increasing oil and gas reserves and production was successfully consummated. In recent years, oil and gas production enterprises in the PRC market have continued to strengthen their investments in exploration and development, anchoring the core goal of increasing reserves and production. The sustained positive momentum in stable and rising oil and gas production further strengthened the energy supply security. According to the National Bureau of Statistics, crude oil production by industrial enterprises above the designated size reached 216 million tons in 2025, representing a year-on-year increase of 1.5%; natural gas production reached 261.9 billion cubic meters, representing a year-on-year increase of 6.2%. With the trend of stable oil and gas production being clear, the reserve-to-production capability has continued to strengthen. Meanwhile, under the guidance of the "dual carbon" strategy, the PRC market has actively promoted the green and low-carbon transition of energy, and the industry has shown a new pattern of coordinated development between traditional oil and gas and new energy. The CCUS technology has been widely applied to improve the quality of mature oilfields, with breakthroughs made in deep-water oil and gas exploration and development, and the pace of clean and efficient utilization of fossil energy accelerated. Notably, the oilfield service industry is accelerating its transformation toward the upgrading of traditional business and the expansion into new energy. As the upstream sector of oil and gas companies, with oil companies continuously promoting technological innovation, cost reduction and efficiency enhancement, and increasing reserves and production, oilfield service enterprises with technological reserves are expected to gain a first-mover advantage during the industry's prosperity cycle. In this context, the Group further deepened its presence in the oilfield technical services segment in the domestic market, consolidated the new energy business sector, continuously improved service quality, and strengthened its internal capabilities to effectively solve technical problems for customers. Through continuous technological innovation and overcoming difficulties, the Group stabilized its existing market while capturing new market opportunities with a keener perspective.

Management Discussion and Analysis

In 2025, the Group focused on the high-quality development of its business in the PRC market, optimized and adjusted its business structure, and concentrated its core resources in high-end and unconventional oil and gas markets such as Xinjiang and Sichuan-Chongqing. Leveraging its technical advantages to it well established presence in the oil and gas field services sector, the Group achieved steady progress and multi-point breakthroughs across all business segments. As the Group's core strategic market, the Xinjiang region continued to lead the regional industry in terms of business competitiveness. During the Reporting Year, the Group's well completion business in Xinjiang remained firmly in a leading market position, with operating depth, temperature, and difficulty all breaking various industry records, demonstrating the Group's strong technical capabilities. In the drilling business, the Group successfully won the bid for an integrated drilling acceleration project and commenced its service operations, which is expected to generate scalable production value in the next 1-2 years, injecting new momentum into the Group's performance growth. With the application and promotions of reservoir well testing and ultra-high temperature and ultra-high pressure suction Pressure-Volume-Temperature ("**PVT**") sampling businesses continuing in the Tarim Oilfield, we achieved substantial breakthroughs in production value, further consolidating our market position in the reservoir technical services sector. In addition, the Company proactively has been building its personnel and equipment pipeline in the Xinjiang region. Following our successful participation in the well testing and well completion tool operations of "scientific exploration wells", the Group has fully demonstrated its outstanding technical service capabilities in the reservoir and well completion sectors. In the Sichuan and Chongqing markets, the Group's business operations maintained a stable development trend with various business segments working in synergy to achieve steady growth. In terms of reservoir business, the Group successfully won the bid for the wireline testing operation and supporting technical services contract from the Engineering Technology Research Institute of PetroChina Southwest Oil & Gasfield Company. Meanwhile, its conclusion of a wireline operation equipment leasing and personnel operation service contract with Shengnuo Oil and Gas Company (聖諾公司) effectively safeguarded the future market workload, thereby consolidating the market foundation of our reservoir business. In terms of well completion business, the Group successfully completed multiple delivery tasks for well completion tools such as downhole safety valves and well completion packers. Our reliable product quality and efficient delivery cycles received high recognition among customers, laying a solid foundation for the expansion of subsequent well completion tool sales business. In addition, the Group actively explored emerging fields in the Sichuan and Chongqing markets, maintained close communication with stakeholders of several key projects, and reached multiple signing intentions, thereby providing a guarantee for the stable advancement of subsequent well completion projects. In the field of new energy, the Group focused on the low-carbon energy services sector and actively followed up and participated in several key projects. Among them, the Group's second CCUS project successfully completed 2D seismic geophysical survey acquisition, processing, and interpretation, and completed drilling and production testing work by the end of the year, passing the expert review and acceptance. Meanwhile, it also achieved success in gas-tight operations, providing solid technical and service guarantees for the safe sequestration of carbon dioxide in a certain well of the Yulin Chemical CCUS project, helping the Group further establish its foothold in the low-carbon energy services sector.

During the Reporting Year, the Group's new orders in the PRC markets amounted to approximately RMB1,193.0 million, accounting for approximately 47.6% of the Group's total new orders. In 2025, the Group has recorded revenue of RMB966.6 million in the PRC markets, representing a decrease of RMB77.7 million or 7.4% as compared to the previous year, and accounted for 56.4% of the total revenue.

Management Discussion and Analysis

RESEARCH AND DEVELOPMENT ("R&D") AND MANUFACTURING

The Group continued to focus on technological strategic direction of "technology leading the development and innovation driving future", adhered to various channels including research and development, introduction and integration, and continuously promoted the development and improvement of the Group's technical capabilities, forming a series of new technology solutions. In the context of fierce competition in the traditional oilfield service market, new technology became a key factor for the Group to stabilize the market and increase its revenue.

In terms of oil reservoirs service, PPS, a subsidiary of the Group kept on making breakthroughs in key technology, with its proprietary manometer which was resilient to 230℃ high temperature and high pressure being applied in site, not only providing a verifiable technology path for the research and development of sensor products under extreme high temperature environment, but also accumulating a series of reusable processes and technologies, providing a strong technical support for subsequent technological breakthroughs and market expansion. Meanwhile, the Group successfully developed a PVT sampler with completely independent intellectual property rights, which can be used in high temperature and high pressure downhole pressure-maintaining. This instrument has a pressure resistance of 140MPa and a temperature resistance of 180℃, breaking through the technical barriers of foreign countries, marking the independent research and development capabilities of the Group's self-developed core instrument for downhole fluid sampler and had reached the international leading level. The continuous breakthroughs and site applications of the above-mentioned key technologies had further consolidated the Group's technical advantages and market-leading position in the field of oil reservoirs.

In terms of drilling service, by focusing on an oilfield in Xinjiang, the Group had been deeply advancing integrated drilling speed-up technology. Through optimizing drilling combinations based on specific working conditions, dynamically adjusting drilling parameters, and fully unleashing potential, the Group achieved a daily depth of 1,520m in vertical well sections and 360m in horizontal well sections, both breaking the highest daily depth records for the block and gaining high recognition from the property owners. At the same time, in view of the problems such as degumming and failure of conventional screw drilling tools that are prone to occur in the condition of high temperature and high pressure oil base mud, the Group actively promoted the application of high performance screw with high temperature resistance and oil resistance to further accelerate the drilling speed. The implementation and optimization of those integrated technologies represented a growth opportunity for the Group's drilling business.

In terms of well completion service, the 25K and 20K downhole safety valves independently developed by the Group had achieved large-scale application in the well completion field in China under high temperature and high pressure. The successful launch of this series of products not only reflected the Group's leading technology advantages in this field, but also laid a solid foundation for subsequent market expansion in the field of high-pressure safety valves. Meanwhile, Tianjin Well Completion Tool R&D and Manufacturing Plant (天津完井工具研發製造工廠), a subsidiary of the Group, has successfully obtained the official certification from the American Petroleum Institute ("**API**"), obtaining the API Q1 quality system certificate and 5 monograph product certifications for related well completion products, demonstrating that the Group had the capability of well completion tool R&D, manufacture and full-process production in China. The plant would further promote the comprehensive development of the Group's well completion business.

Management Discussion and Analysis

The Group always upheld the strategic direction of "technology leading the development and innovation driving future". Through various synergies such as independent research and development, technology introduction and resource integration, we have continuously promoted the upgrading and breakthrough of technological capabilities and formed a series of competitive new technology solutions. Under the background of the increasingly fierce market for traditional oilfield services, technological innovation had become the core support for the Group to consolidate its market position and improve operational efficiency. The Group strengthened the core competencies of all business lines with continuous technological breakthroughs, which not only consolidated its leading position in the key field of oil and gas services, but also achieved steady business development and value enhancement through technological empowerment, demonstrating a sustainable growth trend driven by innovation.

HUMAN RESOURCES

In 2025, the Group supported key business layout and enhanced workforce productivity through scientific allocation and structural optimization. The Group continued to refine its performance management system centered on performance by appropriately increasing performance leverage.

The Group regularly reviewed its compensation package based on employee's position and duty, performance and market rate to ensure its competitiveness. The Group also provided comprehensive and diverse training to its employees. There were 846 training sessions in total held in 2025, including online and offline trainings, with 13,901 attendees and 101,203 training hours in aggregate.

As at 31 December 2025, the Group had a total of 3,325 employees, representing a decrease of 480 employees from 3,805 employees as at 31 December 2024.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2025, revenue of the Group was RMB1,713.4 million, representing a year-on-year increase of RMB19.3 million, or 1.1%, as compared with that of RMB1,694.1 million for the previous year. The increase was mainly due to the expansion of operating activities of the Group.

Other (losses)/gains, net

For the year ended 31 December 2025, other losses, net of the Group were RMB11.1 million, as compared with other gains, net of RMB1.7 million for the previous year. The change was mainly due to the fluctuations in foreign exchange rates.

Management Discussion and Analysis

Material costs

For the year ended 31 December 2025, material costs of the Group were RMB488.5 million, representing a year-on-year decrease of RMB13.5 million, or 2.7%, as compared with that of RMB502.0 million for the previous year. The decrease was mainly due to the changes in business structure.

Employee benefit expenses

For the year ended 31 December 2025, employee benefit expenses of the Group were RMB565.8 million, representing a year-on-year decrease of RMB75.7 million, or 11.8%, as compared with that of RMB641.5 million for the previous year. The decrease was mainly due to the decrease in the number of employees as a result of the optimization of the Group's business structure.

Short-term and low-value lease expenses

For the year ended 31 December 2025, short-term and low-value lease expenses of the Group were RMB124.2 million, representing a year-on-year decrease of RMB9.5 million, or 7.1%, as compared with that of RMB133.7 million for the previous year.

Transportation costs

For the year ended 31 December 2025, transportation costs of the Group were RMB27.3 million, representing a year-on-year decrease of RMB2.1 million, or 7.1%, as compared with that of RMB29.4 million for the previous year.

Depreciation and amortisation

For the year ended 31 December 2025, depreciation and amortisation of the Group was RMB56.0 million, representing a year-on-year increase of RMB0.8 million, or 1.4%, as compared with that of RMB55.2 million for the previous year.

Technical service expenses

For the year ended 31 December 2025, technical service expenses of the Group were RMB309.4 million, representing a year-on-year increase of RMB56.2 million, or 22.2%, as compared with that of RMB253.2 million for the previous year. The increase was mainly due to the changes in business structure.

Management Discussion and Analysis

Impairment losses of assets

For the year ended 31 December 2025, impairment losses of assets of the Group were RMB22.6 million, while the impairment losses of assets of the Group were RMB81.7 million for the previous year.

Others

For the year ended 31 December 2025, other operating costs of the Group were RMB197.5 million, representing a year-on-year decrease of RMB19.6 million, or 9.0%, as compared with that of RMB217.1 million for the previous year.

Operating loss

Based on the above reasons, operating loss of the Group during the Reporting Year was RMB89.0 million, compared with operating loss of RMB218.0 million for the previous year.

Finance costs, net

For the year ended 31 December 2025, finance costs, net of the Group were RMB31.6 million, representing a year-on-year increase of RMB0.4 million, or 1.3%, as compared with that of RMB31.2 million for the previous year.

Net loss attributable to an associate and a joint venture under the equity method

For the year ended 31 December 2025, net loss attributable to an associate and a joint venture under the equity method of the Group was RMB1.2 million.

Income tax expense

For the year ended 31 December 2025, income tax expense was RMB6.9 million, compared with the income tax expense of RMB17.0 million for the previous year.

Loss for the year

As a result of the explanations above, loss of the Group for the Reporting Year was RMB128.6 million, compared with loss of RMB263.6 million for the previous year.

Loss attributable to equity holders of the Company

For the year ended 31 December 2025, loss attributable to equity holders of the Company was RMB125.9 million, compared with the loss attributable to equity holders of the Company of RMB256.2 million for the previous year.

Management Discussion and Analysis

Property, plant and equipment

As at 31 December 2025, the property, plant and equipment was RMB352.4 million, representing a decrease of RMB7.5 million, or 2.1%, from RMB359.9 million as at 31 December 2024. The decrease was mainly due to the depreciation of property, plant and equipment.

Right-of-use assets

As at 31 December 2025, the carrying value of right-of-use assets amounted to RMB42.0 million, representing a decrease of RMB4.2 million, or 9.1%, from RMB46.2 million as at 31 December 2024. The decrease was mainly due to the depreciation of the right-of-use assets.

Intangible assets

As at 31 December 2025, intangible assets were RMB12.4 million, representing a decrease of RMB0.9 million, or 6.8%, as compared with that of RMB13.3 million as at 31 December 2024. The decrease was mainly due to the amortisation of intangible assets.

Deferred income tax assets

As at 31 December 2025, deferred income tax assets were RMB117.5 million, representing an increase of RMB11.2 million, or 10.5%, from RMB106.3 million as at 31 December 2024.

Prepayments and other receivables

As at 31 December 2025, non-current portion of prepayments and other receivables was RMB12.7 million, compared with that of RMB22.7 million as at 31 December 2024. As at 31 December 2025, current portion of prepayments and other receivables was RMB266.1 million, as compared with that of RMB288.3 million as at 31 December 2024.

Inventories

As at 31 December 2025, inventories were RMB529.6 million, representing an increase of RMB0.5 million, or 0.1%, from RMB529.1 million as at 31 December 2024.

Management Discussion and Analysis

Contract assets, trade and note receivables/contract liabilities, trade and note payables

As at 31 December 2025, contract assets, trade and note receivables were RMB614.9 million, representing a decrease of RMB71.7 million, or 10.4%, from RMB686.6 million as at 31 December 2024. The decrease was mainly due to more timely collection of receivables during the Reporting Year. As at 31 December 2025, contract liabilities, trade and note payables amounted to RMB623.1 million, representing an increase of RMB7.5 million, or 1.2%, from RMB615.6 million as at 31 December 2024. The increase was mainly due to the reasonable extension payment terms to supplier, resulting in a delay in partial payments.

Liquidity and capital resources

As at 31 December 2025, cash and bank deposits of the Group, comprising cash and cash equivalents and restricted bank deposits, were RMB413.8 million, representing a decrease of RMB11.6 million, or 2.7%, from RMB425.4 million as at 31 December 2024.

As at 31 December 2025, short-term borrowings and current portion of long-term borrowings of the Group were RMB552.7 million while long-term borrowings were RMB95.8 million. As at 31 December 2024, short-term borrowings and current portion of long-term borrowings of the Group were RMB571.3 million while long-term borrowings were RMB55.1 million. As at 31 December 2025, bank borrowings of the Group were mainly denominated in RMB and such borrowings were generally subject to a fixed interest rate.

As at 31 December 2025, current lease liabilities of the Group amounted to RMB5.9 million and non-current lease liabilities amounted to RMB5.5 million. As at 31 December 2024, current lease liabilities of the Group amounted to RMB5.7 million and non-current lease liabilities amounted to RMB7.9 million.

As at 31 December 2025, gearing ratio of the Group was 74.1%, representing an increase of 10.3% as compared with 63.8% as at 31 December 2024. Gearing ratio was calculated as interest-bearing liabilities and lease liabilities divided by total equity.

Capital structure

The capital of the Company comprises only ordinary shares. As at 31 December 2025, the total number of ordinary shares of the Company in issue was 1,954,135,999 shares (31 December 2024: 1,953,775,999 shares). As at 31 December 2025, equity attributable to the equity holders of the Company was RMB890.8 million, representing a decrease of RMB131.5 million, or 12.9%, as compared with RMB1,022.3 million as at 31 December 2024.

Management Discussion and Analysis

Significant investment held

As at 31 December 2025, the Group did not hold any significant investment.

Acquisitions and disposals of subsidiaries and associates

The Company had no material acquisitions and disposals of subsidiaries and associates during the Reporting Year.

Assets pledged to secure bank borrowings

As at 31 December 2025, the Group pledged parts of its right-of-use assets and trade and note receivables to secure the bank borrowings of the Group. The carrying values of assets pledged are as follows:

	As at 31 December 2025 ***RMB'000***	As at 31 December 2024 *RMB'000*
Right-of-use assets	**1,073**	1,966
Trade and note receivables	**154,000**	167,500

Assets pledged to secure the loans from a third party institution

Loans from a third party financial institution of the Group are expiring from 2026 to 2028 and are secured by certain machinery with a carrying amount of RMB152,274,000 (2024: RMB144,304,000), and guarantees provided by certain subsidiaries of the Group.

Foreign exchange risk

Fluctuations in exchange rates of Tenge ("**KZT**") and USD have exposed the Group to foreign currency exchange risk. Currently, certain sales to and purchases of the Group overseas are mostly denominated in USD. Kazakhstan is the largest overseas market of the Group in terms of revenue contribution. In accordance with certain laws and regulations, local service contracts in Kazakhstan are required to be denominated in KZT. On average, in 2025, the exchange rate of KZT against RMB decreased by 0.3% generally, and the exchange rate of USD against RMB decreased by 2.2% generally as compared with last year, but such movement did not have a significant impact on the overall business of the Group.

Contingent liabilities

As at 31 December 2025, the Group had no material contingent liabilities.

Management Discussion and Analysis

Off-balance sheet arrangement

As at 31 December 2025, the Group had no off-balance sheet arrangements.

Contractual obligations

As at 31 December 2025, the Group had capital expenditure commitments of RMB65.5 million.

OUR PLANS

Marching into 2026, the Group will closely focus on the global energy transition trend and the national strategic plan for increasing reserves and production, adhering to stable operation and high-quality development as the main line. The Group will deepen the domestic competitive market, expand overseas high-value projects, advance the green and low-carbon transformation as its core development strategy. Meanwhile, the Group will closely monitor market fluctuation and uncertainties caused by geopolitical conflicts in the Middle East, assess the risks of overseas projects prudently, and formulate contingency plans in advance. The Group will continuously optimize its business structure, consolidate market advantages, strengthen technology-driven capabilities, and steadily improve the operating scale and profitability, thereby laying a solid foundation for long-term sustainable development. The Group will further put more efforts in the following aspects:

1. Optimizing business layout and building a synergetic development pattern. In order to achieve diversification and synergies, quality improvement and efficiency enhancement, the Group will further strengthen the oilfields exploration and development segment, deepen oil-field technological services segment and consolidate new energy business segment, to promote the coordinated and complementary development of the three segments. In the domestic market, the Group will focus on key areas such as deep-layer and unconventional oil and gas resources, giving priority to the expansion of high technology and high value-added integrated service projects, actively avoiding low-value-added and low-price competitive businesses, through which the Group will continue to consolidate its dominant position in the domestic market. In the overseas markets, the Group will focus on high potential regions including Southeast Asia, the Middle East and other markets along the “Belt and Road Initiative”, increasing investment of resources to ensure the efficient fulfilment of contractual obligations for existing projects, while actively pursuing high-margin service orders. The Group will steadily advance the exploration and development of overseas oilfields in Indonesia, Peru and other jurisdictions, with the aim of achieving large-scale production capacity at the earliest opportunity. Against the backdrop of global energy transition, the Group will actively deploy the low-carbon technology services such as the CCUS, promote the synergetic development of traditional oil and gas business and new energy business and strive to build a diversified energy business portfolio.

Management Discussion and Analysis

2. Upholding leading technology and strengthening core competitive advantages. Based on industry development trend and the core demands from customers, the Group will adhere to technology-driven and innovative enabling strategy, achieve more breakthroughs in core technologies, and address complex challenges for customers. The Group will focus on breakthroughs in core technologies in the fields of deep and ultra-deep wells, shale oil and gas, accelerating the localization of core equipment. At the same time, the Group will promote the integration, optimization, and large-scale application of existing mature technologies, and continue to enhance its capacity in directional drilling, pressed fracturing modification, and integrated services. The Group will leverage technological innovation to improve efficiency and market share, establish differentiated competitive advantages, and inject technology motivation strength into the high-quality development of its business.

3. Strengthening lean operation and management to enhance risk control and management. The Group fully implements a lean management model, integrates the concept of quality improvement and efficiency enhancement into every aspect of operation and management, strengthens cost control, cash flow management, and life-cycle project control, and continues to improve management efficiency, thereby comprehensively enhancing corporate operational efficiency and risk resistance. The Group will further improve the internal control compliance and risk management system, strictly comply with domestic and overseas regulatory requirements, and ensure the compliant and stable operation of various businesses. At the same time, the Group will optimize resource allocation and corporate structure, improve management coordination efficiency and market response level, laying a solid foundation for the high-quality development.

4. Enhancing talent and assessment mechanisms to stimulate the organic motivation. The Group will adhere to a performance-oriented evaluation and incentive system, uphold the core principle that performance defines team dignity. The Group will enforce rigorous assessments to enhance team execution and efficiency. At the same time, the Group will continue to optimize training and management systems, prioritize the recruitment and development of versatile professionals with both expertise and broad competencies, fostering the integration of human resources with business strategies to support project implementation and high-quality growth in a solid manner.

Directors' and Senior Management's Biographies

EXECUTIVE DIRECTORS

Ethan Wu (吳東方), (with former name Wu Dongfang), aged 54, an executive Director of the Company and the chairman of the Board. He has been appointed as the chief executive officer since 11 May 2018, responsible for the overall operation and management of the Group. He has been appointed as the chairman of the Board, the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company since 26 March 2024. Mr. Wu has 34 years of experience in the petroleum industry. Mr. Wu has been a Director of the Company since June 2008. Mr. Wu served as an assistant engineer of North China Oil Field Testing Company (華北油田測試公司), a subsidiary of China National Petroleum Corporation ("CNPC"), from March 1991 to November 1993. Mr. Wu obtained a bachelor's degree in electronic instrument and measuring technology from Xi'an Shiyou University in July 1991 and an executive master's degree in business administration from Tsinghua University in February 2006.

Li Qiang (李強), aged 50, was an executive Director of the Company. He resigned as the chief financial officer of the Company on 26 August 2025. He is primarily responsible for affairs of the Group, including planning and operation, and tracking the operation of key projects. Mr. Li has 28 years of experience in corporate management. Mr. Li has been an executive Director of the Company since 21 March 2017. Prior to joining the Group, he served as the senior project manager of Beijing Bowei Management Consultancy Co., Ltd. (北京博維管理顧問有限公司), specializing in corporate strategies, procedure restructuring, human resources management and other consultation tasks. From August 1998 to June 2004, he worked at Beijing Huaer Company Limited (北京化二股份有限公司) as sales and marketing manager and assistant to plant general manager, etc. Mr. Li obtained a bachelor's degree in corporate management from Beijing Wuzi University (北京物資學院) in 1998 and a master's degree in business administration from Peking University in 2005.

Directors' and Senior Management's Biographies

NON-EXECUTIVE DIRECTORS

Wang Guoqiang (王國強), aged 63, was re-designated from an executive Director of the Company to a non-executive Director of the Company on 26 March 2024. He had been the chief executive officer of the Company during the period from 1 December 2011 to 31 August 2016 and 1 September 2017 to 10 May 2018; an executive Director of the Company and the chairman of the Board during the period from 12 June 2008 to 26 March 2024; and the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company during the period from 30 March 2012 to 26 March 2024. Mr. Wang has 41 years of experience in the petroleum industry. Mr. Wang has been a Director of the Company since June 2008. He served as an engineer of North China Oil Field Testing Company (華北油田測試公司), a subsidiary of CNPC, from July 1984 to August 1993. Mr. Wang obtained a diploma in field machinery from North China Petroleum Vocational College (華北石油職工大學) (currently known as Beijing Institute of Economics and Management (北京經濟管理職業學院)) in July 1984 and a master's degree in business administration from The National University of Singapore in April 2007.

Wu Jiwei (武吉偉), aged 54, has been an executive Director of the Company since 26 March 2019, and was re-designated as a non-executive Director since 8 December 2020. From October 2021 to September 2023, he was a deputy president and chief finance officer of Baoshihua Home Investment Management Company Limited (寶石花家園投資管理有限公司). Subsequently, since October 2023, he has been promoted to become the president and chief financial officer of Baoshihua Home Life Service Group Co., Ltd.(寶石花家園生活服務集團有限公司). He served as the senior vice president of the Company to assist the chief executive officer of the Company to expand the strategic blueprint and explore new markets and new businesses from 25 September 2018 to 8 December 2020. Prior to joining the Group, Mr. Wu was the chairman of Dongxu Optoelectronic Technology Co., Ltd. (東旭光電科技股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock codes: 000413 and 200413) from April 2018 to August 2018. He was the chairman of the supervisory committee of China National Building Material Company Limited (中國建材股份有限公司) (a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), stock code: 03323), from May 2016 to December 2017. He was the chief accountant of China National Building Material Group Co., Ltd. (中國建材集團有限公司) (formerly known as China National Building Material Group Corporation) from March 2011 to May 2017, and the standing committee member of the party committee of such company from August 2016 to May 2017. He was the director of financial management centre of China Chengtong Holdings Group Limited (中國誠通控股集團有限公司) from October 2008 to March 2011. Mr. Wu has served as the vice chairman of Enterprise Financial Management Association of China since 8 August 2020. Mr. Wu served the positions of general manager assistant and financial manager of China Petroleum International Engineering Ltd. (中油國際工程有限責任公司), chief accountant of China National Logging Corporation (中油測井技術服務有限責任公司) and deputy chief accountant of Engineering Technology Branch Company of China National Petroleum Corporation (中國石油天然氣集團公司), etc. Mr. Wu obtained a bachelor's degree in foreign enterprise accounting from Xi'an Shiyou University and received a master's degree in management from Central University of Finance and Economics. He is a senior accountant.

Directors' and Senior Management's Biographies

Chen Chunhua (陳春花), aged 62, was appointed as an independent non-executive Director of the Company on 1 December 2011 and was re-designated as a non-executive Director of the Company on 27 March 2013. She is also a member of the Audit Committee of the Company. Ms. Chen has more than 30 years of experience in academic education and practice in corporate operations and business management. From October 2023, she has been serving as the dean of Shanghai Chuangzhi Organization Management Digital Technology Research Institute (上海創智組織管理數字技術研究院). From September 2016 to 3 August 2022, she has been a professor of the National School of Development at Peking University. She has been an independent non-executive Director of Bank of China Limited (中國銀行股份有限公司) from 20 July 2020 to 29 August 2022. She served South China University of Technology from July 1986 to January 2019 and held the positions of professor and tutor of doctoral students in the Business Administration School. She once served as the joint chairperson and chief executive officer of New Hope Liuhe Co., Ltd. (新希望六和股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000876) from May 2013 to May 2016, responsible for overall operation and development. From 27 December 2013 to 25 August 2020, she served as a non-executive Director of Vtron Group Co., Ltd. (威創集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002308). Ms. Chen obtained a bachelor's degree of engineering in radio technology from South China Institute of Technology in June 1986 and a master's degree in the Business Administration School of National University of Singapore in October 2000.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Wu Kwok Keung Andrew (胡國強), aged 72, was appointed as an independent non-executive Director of the Company on 1 December 2011. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of the Company. Mr. Wu is also a board member and the Chairman of the Finance Committee of HKU School of Professional and Continuing Education. He was an independent non-executive Director of China Mengniu Dairy Company Limited, a company listed on the Stock Exchange (stock code: 2319), from April 2013 to October 2016. Mr. Wu had served Ernst & Young (the "firm") for over 32 years before retirement in January 2010. He served as the regional managing partner of the firm, Hong Kong and Macau region from July 2008 to December 2009, and served as the managing partner of Assurance and Advisory Business Services ("AABS") for Greater China at the firm from 2005 to 2008, and managing partner of AABS for Far East in 2006 to 2007. Mr. Wu obtained a bachelor's degree in science from The University of Hong Kong in 1974. Currently, he is a member of the Hong Kong Institute of Certified Public Accountants.

Zhang Yujuan (張渝涓), aged 52, was appointed as an independent non-executive Director of the Company on 27 March 2013. She is also the chairman of the Remuneration Committee and a member of the Nomination Committee of the Company. She has served as the vice chairperson of Beijing Zhiyuan Weiku Culture Development Co., Ltd. (北京智元微庫文化發展有限公司) since January 2018. From January 2016 to December 2017, she was the general manager of Nanjing Pincheng Four Seasons Cultural and Creative Company (南京品成四季文化創意公司). From September 2011 to December 2015, she served as the general manager of Chengdu Tianxinyang Gold Industry Co., Ltd. (成都市天鑫洋金業有限責任公司) and the director of Hong Kong Tianxinyang Co., Ltd. (香港天鑫洋股份有限公司). From 1999 to 2010, she served as the deputy general manager of Beijing Information Co., Ltd. (北京圖文信息有限公司) and the general manager of the Economic Management Publishing Division. From 1997 to 1999, she worked in the Chinese Cereals and Oils Association. Ms. Zhang obtained a bachelor's degree in economics from the School of Economics of Wuhan University in 1997 and a master's degree in business administration from the Chinese University of Hong Kong in 2009. She obtained a master's degree in business administration from the National University of Singapore in 2015.

Directors' and Senior Management's Biographies

Ma Xiaohu (馬小虎), aged 63, has been an independent non-executive Director of the Company since 10 June 2022 and a member of the Audit Committee of the Company. Mr. Ma has over 38 years of experience in the legal industry, specialising in commercial disputes and arbitration, PRC equity transactions, venture capital, private equity investment, PRC domestic and overseas investment, real estate development and financing. He has been a senior partner of Beijing Huizhong Law Firm since July 2019. Prior to that, he worked at Morrison & Foerster from July 1994 to June 2019 where his last position was a partner. Mr. Ma also worked as a professional lawyer at China Legal Affairs Center and China Legal Service (H.K.) Ltd., which are affiliated to the Ministry of Justice of the PRC, from September 1987 to June 1994. Mr. Ma obtained a bachelor's degree and a master's degree in laws from Peking University in 1984 and 1987, respectively.

SENIOR MANAGEMENT

Tong Jiali (佟家麗), aged 49, has been appointed as the chief financial officer of the Company with effect from 26 August 2025. Ms. Tong has served as the Group's financial controller since November 2018. She is primarily responsible for financial management related affairs of the Group. Ms. Tong has over 20 years of experience in financial management. Prior to joining the Group, Ms. Tong had previously worked at the Big Four international accounting firms for more than 10 years, during which she had worked at PricewaterhouseCoopers for 7 years and subsequently worked at e-commerce companies in Hong Kong and China. Ms. Tong obtained a bachelor's degree in accounting from Capital University of Economics and Business (首都經濟貿易大學) in 1999 and a master's degree in business administration from Peking University (北京大學) in 2013.

Liu Dongqin (劉東勤), aged 56, has been the vice president of the Group since 15 January 2020, mainly in charge of the Group's technological management system and domestic business. Mr. Liu joined the Group in May 2004 and held the positions of project manager, manager of drilling technology department, drilling technology director, drilling cluster director, deputy general manager and general manager of Xinjiang Regional Company. Mr. Liu has approximately 30 years of experience in the petroleum industry. He served as the director of the Drilling Technology Institute (鑽井工藝室) and the director of the Drilling Institute (鑽井所) under Drilling Technology Institute, PetroChina North China Oilfield (中石油華北油田鑽井工藝研究院). Mr. Liu graduated from China University of Petroleum (East China) in 1993 with a bachelor's degree in drilling engineering. He obtained the qualification of senior engineer in 2004 and received 5 first-class awards at the bureau level, 2 second-class awards at the provincial and ministerial level, as well as owned several utility patents and invention patents.

Chen Jian (陳劍), aged 50, has been the vice president of the Group since September 2022, in charge of investment and financing work and in charge of the development of new energy business of the Group. Ms. Chen joined the Group in 2009 and held the positions of finance manager, deputy financial controller, investment and finance director and investor relations director, during which she was in charge of the financial regulation, financial system building, financial information disclosure and financing work during the process of the initial public offering of the Group. She has over 20 years of experience in finance management and financing related work. Prior to joining the Group, she worked at Cummins Engine (Beijing) Co., Ltd. (康明斯發動機(北京)有限公司) and Cummins (China) Investment Co., Ltd. (康明斯發動機(中國)投資公司), mainly in charge of finance management and financing related work. Ms. Chen obtained a bachelor's degree in accounting from Tianjin University of Finance and Economics (天津財經大學) and a master's degree in finance from Renmin University of China (中國人民大學). She has obtained the qualification of international accountant.

Directors' and Senior Management's Biographies

Ma Qianli (馬千里), aged 45, has been the vice president of the Group since June 2018, mainly in charge of the Group's organization and performance management system, global human resources management system, management information system and the president office. Ms. Ma joined the Group in 2004 and participated in building the global human resources system throughout the entire process and held the positions of human resources manager of the headquarters, human resources manager of the Russian-speaking region, human resources manager of the English-speaking region, global human resources senior manager, etc. Ms. Ma has taken charge of the Group's international strategic cooperation, branding system and strategic investment since 2011 and served as strategic market manager, corporate development manager, etc. Ms. Ma obtained a master's degree in international business administration from National School of Development at Peking University, a master's degree in business administration from Vlerick International Business School in Belgium and a bachelor's degree in engineering from Beijing Information Science and Technology University.

Gao Wenhai (高文海), aged 58, has been the vice president of the Group since May 2018, primarily being responsible for the business of the Group in the Middle East. Mr. Gao has more than 20 years of experience in the petroleum industry and accumulated extensive working experience in China and overseas regions including South America, the Middle East, Southeast Asia and Central Asia. Mr. Gao joined the Group in September 2006 and successively held the positions of director of well completion business line, regional manager of Southeast Asia, general manager of manufacturing centre, etc. Mr. Gao obtained a bachelor's degree in materials science and engineering and a master's degree in business administration from Beihang University (北京航空航天大學).

Li Xiaopeng (李曉鵬), aged 52, has been the vice president of the Group since January 2022, mainly in charge of business in PPS China, and focus on key overseas markets and the implementation of overseas projects. Mr. Li joined the Group in 1999 and held the positions of customer management of president office, deputy manager of marketing department of western branch of the Company and director of Urumqi Office, general manager of South Caspian Region, deputy general manager of the companies of the Group in Central Asia, director of the Group's marketing and expansion division. He has extensive experience in market expansion and management with over 15 years of management experience in overseas companies.

Zhao Feng (趙峰), aged 60, is the vice president and general manager of North America Region of the Group. He is responsible for business development and management of the Group in North America. Mr. Zhao has more than 30 years of experience in the petroleum industry. Mr. Zhao joined the Group in January 1999. He served as a reservoir engineer in Shell Canada Ltd. from May to August 1998. He served as a reservoir research engineer in the Langfang Branch of Research Institute of Petroleum Exploration and Development of CNPC (中石油集團石油勘探開發研究院廊坊分院) from August 1986 to October 1995. Mr. Zhao obtained a bachelor's degree in petroleum engineering from Southwest Petroleum Institute (西南石油學院) in China in July 1986 and obtained a master's degree in chemical and petroleum engineering from The University of Calgary, Canada in November 2002. He also obtained a master's degree in business administration from the Fuqua School of Business of Duke University in the United States in December 2009.

Save as disclosed in this annual report, there had been no other changes to the Directors' and chief executive's information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the publication of 2025 interim report of the Company and up to the date of this annual report.

Report of the Directors

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2025.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the Group's operations are substantially conducted through its subsidiaries in the PRC, Kazakhstan, Turkmenistan, Singapore, the Middle East, Canada and Indonesia. The Group is principally engaged in the provision of integrated oilfield services and the manufacturing and sale of oilfield services related products. Analysis of the principal activities of the Group during the year ended 31 December 2025 is set out in Note 5 to the consolidated financial statements.

BUSINESS REVIEW

A review of the business of the Group during the Reporting Year, a discussion on the Group's future business development, an analysis of the Group's performance during the Reporting Year using financial key performance indicators and a description of the Group's relationship with employees are provided in the Management Discussion and Analysis on pages 15 to 34 of this annual report. No important events affecting the Group have occurred since the end of the financial year ended 31 December 2025. In addition, discussions on the Group's environmental policies, descriptions of possible risks and uncertainties that the Group may be facing, relationships with its key clients and suppliers and compliance with relevant laws and regulations which have a significant impact on the Group are as follows:

ENVIRONMENTAL POLICY AND PERFORMANCE

As a responsible listed company, the Group adheres to the concept of "Green and Low-Carbon Development." We always attach great importance to environmental protection by implementing energy conservation and emission reduction management throughout the process, and facilitate the efficient utilization of resources with a focus on protection of ecology and natural resources, striving to realize green development and build an environment-friendly enterprise, so as to establish a brand image of green and environmentally friendly enterprise.

1. Environmental protection objective

Clean water and lush mountains are natural resources that require our joint endeavors. Our Group adheres to the green development concept, with the environmental protection policy of "Respect for Nature and Care for Environment" and taking environmental protection as the inherent responsibility for our Company, to strictly control the emission of all kinds of pollutions, promoting energy conservation and emission reduction and optimizing the use of resources, so as to reduce waste emissions and the negative impact of our operations on the environment.

The Group curbed incidents of environmental pollution and ecological destruction and had no major events in respect of environmental violations resulting in lawsuits or corresponding penalties in the reporting period, achieving the target of "zero" environmental incidents.

Report of the Directors

2. Fulfilling the responsibilities of environmental protection

The Group strictly abides by the Law on Energy Conservation of the People's Republic of China as well as laws and regulations while eliminating energy waste. We strive for implementation of energy conservation and emission reduction during the process of project implementation and daily operation through cultural publicity, administrative management, technological transformation and other methods.

Through entering into the Letter of Responsibilities for QHSSE in 2025, the Group has explicitly defined the environmental assessment indicators, strengthened the control of the key environmental factors in its production and operating activities, and stipulated that the manager shall conduct onsite inspections on regular basis, whereby environmental protection responsibilities were effectively fulfilled.

We promote business and technology innovation for trying to reduce the waste of resources while enhancing the recycling of resources and utilization of new energy. In addition to management of project construction and measures of energy conservation and technological transformation, we publicize and implement environmental protection culture among our employees in their daily work, so as to strengthen employees' awareness of environmental protection and build an operation concept of clean production to promote the green operation of the Company. We advocate all employees to carry out energy-saving and emission reduction practices to fulfill green and sustainable operations by making environmental protection bulletin board, putting up and hanging environmental protection slogans, pushing articles related to green operation on WeChat public account and organizing environmental protection cultural activities, etc.

Moreover, we request our employees to form an awareness of environmental protection and carry out energy conservation and emission reduction. We encourage green travel among our employees, encouraging them to commute by gas or electric bus; request our employees to make full use of consumptions and recycle waste paper and other materials. We pursue a green office by putting up reminder of energy and water conservation in our office and project sites, conducting various energy conservation and environmental protection publicity activities periodically and setting up energy saving publicity board and other measures. We continue to carry out digital transformation for daily office and business operation, providing the Cloud-Hub APP for both PC and mobile devices to achieve paperless office.

3. Environmental management system

The Group actively promotes the development of the environmental management system and strictly complies with the PRC national laws and local regulations such as the Environmental Protection Law of the People's Republic of China, the Air Pollution Prevention and Control Law of the People's Republic of China, the Water Pollution Prevention and Control Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution Caused by Solid Waste, the Noise Pollution Prevention and Control Law of the People's Republic of China, as well as the relevant national environmental laws and regulations where the projects are located, and actively builds and improves the energy-saving and environmental protection management system. Sinopetroleum, Pioneer Sinopetroleum, North Resource Oil, Petrotech (Xinjiang), SPT Engineering, Shaanxi Huayou, our domestic subsidiaries, and our oversea subsidiaries in Aktobe, Qizil, Kazakhstan, factory in Singapore, and in Indonesia have passed the ISO14000 environmental management system certification.

Report of the Directors

We effectively manage the waste water, waste gas, solid waste and noise generated in the operation process through engineering management, equipment and technology transformation and environmental protection promotion and other means to ensure compliance with emissions and green operations related regulations.

In order to prevent random disposal of waste, we have adopted a series of strict engineering management measures. In terms of dust pollution prevention, we conduct semi-enclosed management of construction sites to reduce the risk of dust emission. In terms of water pollution, we treat the generated sewage and discharges it into designated areas or urban pipelines after reaching the discharge standards. In terms of noise pollution, we require to avoid construction at night or during normal rest times as much as possible, and take effective sound insulation measures according to the actual situation to minimize the interference and impact on nearby residents. In respect of hazardous waste management, we have set up the management system, management ledgers and emergency plans. We collect such materials in a unified manner, and entrust its treatment to qualified disposal plants. In respect of non-hazardous waste management, we collect and process such waste generated from production and operation in a unified manner.

4. Application of environmental technology

The Group continues to expand the application of environmental protection technology. In the production, construction and operation process, we consistently keep implementing the energy-saving and emission reduction philosophy, promoting new materials, processes, technologies and equipment to eliminate outdated processes and equipment, and effectively improving energy efficiency. We also reduce our consumption of water by replacing fresh water with reclaimed water and rainwater, recycling the water used in production, using water-saving appliances, inspecting and maintaining the water supply system and other measures. We are committed to the technical transformation of equipment and facilities, so as to control dust dispersion and noise pollution at the source and to reduce emissions of waste through the application of innovative technologies.

5. Green operational requirements of clients and respective regions

Implementing the concept of green engineering and environmental protection, the Group integrates the green strategy into various segments of production and operation. In terms of project design, construction and procurement and other aspects, according to the climatic conditions and landform characteristics such as temperature and humidity of the project area, we carefully designed energy-saving and environment-friendly process schemes for engineering projects in different geographical locations, so as to deliver tailor-made engineering projects that are most in line with the green design concept to our customers to minimize the impact on the environment from its production and operation activities and facilitate green production, thus satisfying the onsite environmental protection requirements of our customers and local governments.

Report of the Directors

MARKET RISKS AND UNCERTAINTIES

The Group now has become an international and comprehensive energy company committing to its three major business segments which are exploration and development of oilfield, oilfield technology services and new energy. As a provider of comprehensive oilfield service, the main market risks and uncertainties are from the fluctuation of oil and gas prices and the impact of development activities for oil and gas. The board of directors of the Company will closely monitor market environment, and adjust the marketing strategy of the Group based on market environment, in order to ensure stable operation of the Group.

RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

In the domestic market, due to the characteristic of oil and gas market in the PRC, the Group mainly provides services to CNPC and its affiliates. In overseas market, the Group targets the Sino-foreign oilfield joint ventures as major customers, as supplemented by the business from international oil companies and local national oil companies. The Group has been taking various measures to diversify its customers and to solve the problem of customer concentration. The Group is able to negotiate on price and other terms with these customers on a fair basis. For the years ended 31 December 2024 and 2025, revenue generated from CNPC and its affiliates accounted for 75.7% and 63.7% of total revenue, respectively.

The Group entered into strategic alliances with several international and domestic oil-field services providers, including Halliburton Company, one of the largest diversified oil-field services companies in the world. Such strategic alliances grant the Group accesses to various high-quality products and high-end technologies which help the Group with business development. Apart from these strategic alliances, the Group purchases materials, equipment and outsourced services from a group of individually small suppliers. All purchases and outsources from the suppliers are conducted case by case on a fair basis.

COMPLIANCE WITH LAWS AND REGULATIONS

Having operations and subsidiaries in different countries and areas, the Group is subject to various requirements of laws and regulations in various jurisdictions where it operates and where the subsidiaries are incorporated, including the PRC, Kazakhstan, Turkmenistan, Iraq, Canada, Singapore, Indonesia and other countries and areas. By examining the nature and extent of legal effects, the Group are mainly subject to two main types of laws and regulations: laws of the relevant jurisdiction and industry-specific regulations. The former generally contains incorporation and operation related laws and regulations such as incorporation laws, tax laws, labour protection laws and various commercial regulations. The latter mainly includes oil and gas industry-specific regulations such as environmental protection regulations, safety and health regulations and other industry rules. During the long history of operation in different countries and areas, the Group has developed a systematic approach to identifying, understanding and complying with legal requirements, including establishment of a dedicated compliance management unit, recruitment of qualified legal professionals, establishment of a database on laws and regulations, legal compliance training and timely review and approval of legal matters. During the year ended 31 December 2025, the Group is not aware of any non-compliance of laws and regulations in the jurisdictions where the Group operates that could have a material adverse effect on the Group's business, financial condition and operating results.

Report of the Directors

RESULTS

The results of the Group for the year ended 31 December 2025 are set out in the consolidated income statement on page 128 of this annual report.

FINAL DIVIDEND

Having due regard to the long-term interests of the Shareholders and the Company, the Board did not recommend the payment of a final dividend for the year ended 31 December 2025 (for the year ended 31 December 2024: nil). For details of the Group's dividend policy, please refer to the section headed "Dividend Policy" under the Corporate Governance Report of this annual report.

FINANCIAL SUMMARY

A summary of the Group's results, assets, liabilities for the last five financial years are set out on pages 4 to 5 of this annual report. This summary does not form part of the audited consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2025, purchases from the Group's five largest suppliers accounted for 24.8% (2024: 25.7%) of the Group's total purchases and purchases from the largest supplier accounted for 11.7% (2024: 10.4%).

For the year ended 31 December 2025, the Group's sales to its five largest customers accounted for 48.3% (2024: 58.6%) of the Group's total sales and sales to the largest customer accounted for 31.4% (2024: 39.3%).

None of the Directors of the Company or any of their associates or any shareholders of the Company (the "Shareholders") (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2025 are set out in Note 6 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Reporting Year are set out in Note 14 to the consolidated financial statements.

EQUITY-LINKED AGREEMENT

Details of the Share Option Scheme of the Company are set out from pages 53 to 58 in the Report of the Directors of this annual report. Other than the Share Option Scheme, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the Reporting Year or subsisted at the end of the year 2025.

RESERVES

Details of movements in the reserves of the Company during the Reporting Year are set out from pages 130 to 131 in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2025, reserves available for distribution of the Company, calculated in accordance with the provisions of the Companies Law of the Cayman Islands, amounted to approximately RMB1,226.4 million (as at 31 December 2024: RMB1,244.3 million).

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2025 are set out in Note 16 to the consolidated financial statements.

DIRECTORS

The Directors during the year ended 31 December 2025 and up to the date of this annual report were:

Executive Directors:

Mr. Ethan Wu *(Chairman and Chief Executive Officer)*
Mr. Li Qiang
Mr. Ding Kechen *(resigned with effect from 26 March 2026)*

Non-executive Directors:

Mr. Wang Guoqiang
Mr. Wu Jiwei
Ms. Chen Chunhua

Report of the Directors

Independent non-executive Directors:

Ms. Zhang Yujuan
Mr. Wu Kwok Keung Andrew
Mr. Ma Xiaohu

In accordance with Article 108 of the Articles of Association of the Company (the "Articles of Association"), Mr. Ethan Wu, Mr. Wang Guoqiang and Mr. Wu Kwok Keung Andrew will retire, and being eligible, have offered themselves for re-election as Directors at the forthcoming annual general meeting of the Company.

Details of the Directors to be re-elected at the forthcoming annual general meeting of the Company are set out in the circular to the Shareholders.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 35 to 39 of this annual report.

PERMITTED INDEMNITY PROVISION

The Company's Articles of Association provides that Directors of the Company shall be indemnified out of assets of the Company from and against any losses or liabilities which they incur or sustain in executing their duties or responsibilities or other matters in connection with their duties as Directors. The Company has arranged appropriate Directors' and officers' liability insurance cover for the Directors and officers of the Company.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") from each of the independent non-executive Directors and the Company considers such Directors to be independent for the year ended 31 December 2025.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors has entered into/renewed a service agreement with the Company for a term of three years.

None of the Directors has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, AGREEMENTS OR CONTRACTS OF SIGNIFICANCE

The related party transactions of the Group for the year ended 31 December 2025 are detailed in Note 30 to the consolidated financial statements, and the transactions thereunder are also the connected transactions/ continuing connected transactions under Chapter 14A of the Listing Rules. The Company has confirmed that it had complied with the disclosure requirements in Chapter 14A of the Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into by the Company or existed during the year ended 31 December 2025.

EMOLUMENT POLICY

A remuneration committee was set up for optimising the Group's emolument policy and structure for all remuneration of the Directors and senior management, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices.

In respect of the remuneration system of employees, the Group continued to optimize the remuneration structure and built an incentive system in line with the performance-based approach.

The Company has adopted a share option scheme as incentive to eligible employees. Details of the scheme are set out in the section headed "Share Option Scheme" below.

In respect of the remuneration system of employees, the Group is optimising the remuneration structure and building an incentive system in line with the performance-based approach.

Particulars of the remuneration of the Group for the year ended 31 December 2025 are set out in Note 21 to the consolidated financial statements.

Report of the Directors

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and the five highest paid individuals are set out in Note 21 and Note 32 to the consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2025, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to Section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 of the Listing Rules were as follows:

Name of Directors/ Chief Executive	Nature of interest	Total number of shares/underlying shares held	Approximate percentage of interest in the Company
Mr. Ethan Wu	Interest of controlled corporation (Note 1)	651,484,000 (L)	33.34%
	Beneficial owner (Note 3)	2,000,000 (L)	0.10%
Mr. Wang Guoqiang	Interest of controlled corporation (Note 2)	651,484,000 (L)	33.34%
	Beneficial owner (Note 3)	2,000,000 (L)	0.10%
Mr. Li Qiang	Beneficial owner (Note 3)	10,500,000 (L)	0.54%
Mr. Ding Kechen	Beneficial owner (Note 4)	92,550,000 (L)	4.74%
Mr. Wu Jiwei	Beneficial owner (Note 3)	15,500,000 (L)	0.79%
Ms. Chen Chunhua	Beneficial owner (Note 3)	2,000,000 (L)	0.10%
Mr. Wu Kwok Keung Andrew	Beneficial owner (Note 3)	2,000,000 (L)	0.10%
Ms. Zhang Yujuan	Beneficial owner (Note 3)	2,000,000 (L)	0.10%
Mr. Ma Xiaohu	Beneficial owner (Note 3)	500,000 (L)	0.03%

Report of the Directors

Notes:

1. (i) Mr. Ethan Wu holds 100% controlling interest of Widescope Holding Limited, and therefore he is deemed to be interested in 235,372,000 shares of the Company held by Widescope Holding Limited. (ii) Mr. Wu holds 100% controlling interest of Best Harvest Far East Limited, and therefore he is deemed to be interested in 21,600,000 shares of the Company held by Best Harvest Far East Limited via its wholly-owned subsidiary True Harmony Limited. (iii) Mr. Ethan Wu is also deemed to be interested in the shares held by Mr. Wang Guoqiang as they are parties acting in concert.

2. Mr. Wang Guoqiang holds 100% controlling interest of Truepath Limited, and therefore he is deemed to be interested in 394,512,000 shares of the Company held by Truepath Limited. Mr. Wang Guoqiang is also deemed to be interested in the shares held by Mr. Ethan Wu as they are parties acting in concert.

3. Mr. Ethan Wu, Mr. Wang Guoqiang, Mr. Li Qiang, Mr. Wu Jiwei, Ms. Chen Chunhua, Mr. Wu Kwok Keung Andrew, Ms. Zhang Yujuan and Mr. Ma Xiaohu hold share options in respect of these shares. Details of the share options are set out below in the section headed “Share Option Scheme”.

4. Mr. Ding Kechen is interested in a total of 92,550,000 shares of the Company, including (i) his holding of 71,250,000 Shares and (ii) his interests in 21,300,000 options granted under the share option scheme. Details of the share options are set out below in the section headed “Share Option Scheme”.

5. “L” denotes long position.

Save as disclosed above, as at 31 December 2025, none of the Directors and chief executives of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the year ended 31 December 2025 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporates.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2025, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholders Group	Nature of Interest	Total number of shares/underlying shares held	Approximate percentage of interest in the Company
Mr. Ethan Wu (Note 1)	**Beneficial owner**	**2,000,000 (L)**	**0.10%**
	A concert party to an agreement to buy shares described in s.317(1)(a)	**394,512,000 (L)**	**20.19%**
	Interest in controlled corporations	**256,972,000 (L)**	**13.15%**
Widescope Holdings Limited	Beneficial owner	235,372,000 (L)	12.05%
True Harmony Limited	Beneficial owner	21,600,000 (L)	1.10%
Mr. Wang Guoqiang (Note 2)	**Beneficial owner**	**2,000,000 (L)**	**0.10%**
	A concert party to an agreement to buy shares described in s.317(1)(a)	**256,972,000 (L)**	**13.15%**
	Interest in controlled corporations	**394,512,000 (L)**	**20.19%**
Truepath Limited	Beneficial owner	394,512,000 (L)	20.19%
Greenwood Asset Management Hong Kong Limited (Note 3)	**Investment manager**	**119,000,000 (L)**	**6.09%**
Invest Partner Group Limited	Interest in controlled corporations	119,000,000 (L)	6.09%

Report of the Directors

Notes:

1. (i) Mr. Ethan Wu holds 100% controlling interest of Widescope Holding Limited, and therefore he is deemed to be interested in 235,372,000 shares of the Company held by Widescope Holding Limited. (ii) Mr. Wu holds 100% controlling interest in Best Harvest Far East Limited, and therefore he is deemed to be interested in 21,600,000 shares of the Company held by Best Harvest Far East Limited via True Harmony Limited, its wholly-owned subsidiary. (iii) Mr. Ethan Wu is also deemed to be interested in 394,512,000 shares held by Mr. Wang Guoqiang as they are parties acting in concert.

2. Mr. Wang Guoqiang holds 100% controlling interest of Truepath Limited, and therefore he is deemed to be interested in 394,512,000 shares of the Company held by Truepath Limited. Mr. Wang Guoqiang is also deemed to be interested in 256,972,000 shares held by Mr. Ethan Wu as they are parties acting in concert.

3. Such 119,000,000 shares represent the same parcel of shares.

4. "L" denotes long position.

5. Pursuant to Section 336 of the SFO, the Shareholders are required to file disclosure of interests forms when certain criteria are fulfilled. Therefore, substantial shareholders' latest shareholding in the Company may be different to the shareholding filed with the Company and the Stock Exchange.

Save as disclosed above, as at 31 December 2025, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save as disclosed in this annual report, during the year ended 31 December 2025, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities including sale of treasury shares (as defined under the Listing Rules).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands where the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

Report of the Directors

NON-COMPETITION UNDERTAKING

Each of Mr. Wang Guoqiang, Truepath Limited, Mr. Ethan Wu, True Harmony Limited, Best Harvest Far East Limited, and Widescope Holding Limited (the "Controlling Shareholders") has executed a deed of non-competition through which they have irrevocably and unconditionally warranted and undertaken to the Company not to, whether directly or indirectly or as principal or agent, and whether on its/his/her own account or with each other or in conjunction with or on behalf of any person, firm or company or through any entities (except in or through any subsidiary of the Company), (i) carry on, engage, participate or hold any right or interest in or render any services to or provide any financial support to or otherwise be involved in the provision of integrated oilfield services or any other business which is in competition, directly or indirectly, with or is likely to be in competition, directly or indirectly, with any business that may be carried on by any members of the Group or the Company from time to time whether as a Shareholder, Director, officer, partner, agent, lender, employee, consultant or otherwise and whether for profit, reward or otherwise; or (ii) take any action which interfere with or disrupt or may interfere with or disrupt the Group's business, including but not limited to, solicitation of any of the customers, suppliers or employees of the Company or any member of the Group.

The Controlling Shareholders have confirmed in writing to the Company of their compliance with the deed of non-competition for disclosure in this annual report during the year ended 31 December 2025.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Save as disclosed in this annual report, as at 31 December 2025, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the businesses of the Group.

CONNECTED TRANSACTION

During the year ended 31 December 2025, the Group had not entered into any connected transactions or continuing connected transactions which are required to be disclosed in this annual report pursuant to the Listing Rules.

The related party transactions as set out in Note 30 to the consolidated financial statements in this annual report do not fall under the definition of "connected transactions" or "continuing connected transactions" under Chapter 14A of the Listing Rules.

Report of the Directors

SHARE OPTION SCHEME

The Company adopted a share option scheme on 1 December 2011 (the "2011 Share Option Scheme"), which had expired on the tenth anniversary of its adoption. To enable the Company to continue to grant options to eligible participants as incentives or rewards for their contributions to the success of the Group, the Shareholders at the annual general meeting held on 10 June 2021 resolved to terminate the 2011 Share Option Scheme and the 2021 share option scheme (the "2021 Share Option Scheme") was adopted. In light of the amendments to the new rules in Chapter 17 of the Listing Rules, the Shareholders resolved to make certain amendments to the 2021 Share Option Scheme at the extraordinary general meeting held on 26 June 2024 and adopted the newly amended 2021 Share Option Scheme (the "Amended Share Option Scheme").

As at 31 December 2025, 193,967,666 share options under the 2011 Share Option Scheme remain outstanding and exercisable. No options can be granted under the 2011 Share Option Scheme upon its expiration, but all options granted previously will remain exercisable in accordance with the 2011 Share Option Scheme.

As at 31 December 2025, the total number of options available for grant under the Amended Share Option Scheme was 195,377,599.

Pursuant to Rule 17.07(2) of the Listing Rules, the number of options available for grant under the scheme mandate of all share option schemes of the Company as at 1 January 2025 and 31 December 2025 were 195,377,599 and 195,377,599, respectively; and the number of options available for grant under the service provider sublimit of all share option schemes of the Company as at 1 January 2025 and 31 December 2025 were 19,537,759 and 19,537,759, respectively.

No option has been granted under the share option schemes of the Company during the Reporting Year. As such, Rule 17.07(3) of the Listing Rules is not applicable.

1. Purpose

The Amended Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules. The purpose of the Amended Share Option Scheme is to enable the Group to grant options to selected Eligible Participants (as defined below) as incentives or rewards for their contribution to the Group and/or to enable the Group to recruit and retain high caliber employees and attract human resources that are valuable to the Group and any entity which the Group holds any equity interest.

2. Participants

The Board may, at its absolute discretion, offer to grant an option to the following persons (collectively the "Eligible Participants") to subscribe for such number of new Shares as the Board may determine:

(i) any director(s) and employee(s) (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company or any of its subsidiaries (the "Employee Participant(s)");

Report of the Directors

(ii) any director(s) and employees(s) (whether full-time or part-time) of any holding companies, fellow subsidiaries or associated companies of the Company (the "Related Entity Participant(s)"); and

(iii) person(s) who provide(s) services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of the Group (the "Service Provider(s)").

Additionally, each Eligible Participant shall be subject to an individual grant limit and additional approval requirements, (a) with respect to a Director, chief executive or substantial shareholder of our Company, or their respective associates, as specified in Rule 17.04 of Chapter 17 of the Listing Rules; and (b) with respect to any Eligible Participant, as specified in Rule 17.03D of the Chapter 17 of the Listing Rules.

3. Scheme Mandate Limit and Service Provider Sublimit

The maximum number of Shares which may be issued in respect of all options and awards to be granted under the Amended Share Option Scheme and any other share schemes of the Company (including options or awards have been cancelled but excluding those lapsed in accordance with the terms of the respective share schemes) shall not exceed 195,377,599 Shares, representing 10% of the total number of Shares in issue (excluding treasury shares) of the Company (the "Scheme Mandate Limit") as at the date of this annual report.

Within the Scheme Mandate Limit, the maximum number of Shares which may be issued in respect of all options and awards to be granted to Service Providers shall not exceed 19,537,759 Shares, representing 1% of the total number of Shares in issue (excluding treasury shares) of the Company (the "Service Provider Sublimit") as at the date of this annual report.

4. Maximum entitlement of each participant

The total number of shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the Amended Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue.

5. Period within which the Shares must be taken up under an option

An option may be exercised in accordance with the terms of the Amended Share Option Scheme, which shall, at the discretion of the Board, commence at any time on or after the date of grant and expire no later than the tenth anniversary of the date of grant.

6. Vesting period

The vesting period for options shall not be less than 12 months.

Report of the Directors

7. Time of acceptance and the amount payable on acceptance of the option

An option shall be deemed to have been granted and accepted (with retrospective effect from the offer date) when the duplicate letter comprising acceptance of the options duly signed by the grantee with the number of Shares in respect of which offer is accepted clearly stated therein. No consideration is payable by the grantee on application or acceptance of the offer. An offer of the grant of an option may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of such number of Shares as represents a board lot for the time being for the purposes of trading on the Stock Exchange or an integral multiple thereof. To the extent that the offer of the grant of an option is not accepted within seven days from the offer date, it will be deemed to have been irrevocably declined and lapsed automatically.

8. Basis of determining the subscription price

The exercise price of a share in respect of any particular option granted under the Amended Share Option Scheme shall be a price solely determined by the Board and shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the options, which must be a day on which the Stock Exchange is open for the business of dealing in securities; and (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant.

9. Life of the Amended Share Option Scheme

The Amended Share Option Scheme shall be valid and effective for a period of ten years commencing on 26 June 2024, subject to the early termination provisions contained in the Amended Share Option Scheme. The remaining life of the Amended Share Option Scheme is approximately 8 years and 3 months.

The Company may seek approval of the Shareholders in a general meeting for refreshing the Scheme Mandate Limit and the Service Provider Sublimit every three years after 26 June 2024 or the date of Shareholders' approval for the last refreshment, as the case may be. However, the Scheme Mandate Limit as refreshed shall not exceed 10% of the total number of Shares in issue (excluding treasury shares) as at the date of approval of the refreshed scheme mandate. Any refreshment within any three-year period must be approved by the Shareholders, subject to the following provisions: (i) any controlling shareholders (as defined in the Listing Rules) and their associates (or if there is no controlling shareholder, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates) must abstain from voting in favour of the relevant resolution at the general meeting; and (ii) the Company must comply with the relevant requirements under the Listing Rules.

Report of the Directors

Movements of the share options under the Company's 2011 Share Option Scheme and Amended Share Option Scheme during the year ended 31 December 2025 are as follows:

	Number of share options								
Grantees	Outstanding as at 1 January 2025	Granted	Exercised	Cancelled	Lapsed	Outstanding as at 31 December 2025	Date of grant	Date of expiry	Exercise price per share
Directors									
Ethan Wu	1,500,000 (Note 1)	–	–	–	–	1,500,000	31/8/2016	30/8/2026	0.490
	500,000 (Note 4)	–	–	–	–	500,000	31/3/2023	30/3/2033	0.250
Li Qiang	10,000,000 (Note 1)	–	–	–	–	10,000,000	31/8/2016	30/8/2026	0.490
	500,000 (Note 4)	–	–	–	–	500,000	31/3/2023	30/3/2033	0.250
Ding Kechen	300,000 (Note 1)	–	–	–	–	300,000	31/8/2016	30/8/2026	0.490
	12,000,000 (Note 2)	–	–	–	–	12,000,000	26/9/2018	25/9/2028	0.740
	9,000,000 (Note 4)	–	–	–	–	9,000,000	31/3/2023	30/3/2033	0.250
Wang Guoqiang	1,500,000 (Note 1)	–	–	–	–	1,500,000	31/8/2016	30/8/2026	0.490
	500,000 (Note 4)	–	–	–	–	500,000	31/3/2023	30/3/2033	0.250
Wu Jiwei	9,000,000 (Note 2)	–	–	–	–	9,000,000	26/9/2018	25/9/2028	0.740
	6,000,000 (Note 3)	–	–	–	–	6,000,000	6/12/2018	5/12/2028	0.532
	500,000 (Note 4)	–	–	–	–	500,000	31/3/2023	30/3/2033	0.250
Chen Chunhua	1,500,000 (Note 1)	–	–	–	–	1,500,000	31/8/2016	30/8/2026	0.490
	500,000 (Note 4)	–	–	–	–	500,000	31/3/2023	30/3/2033	0.250
Wu Kwok Keung Andrew	1,500,000 (Note 1)	–	–	–	–	1,500,000	31/8/2016	30/8/2026	0.490
	500,000 (Note 4)	–	–	–	–	500,000	31/3/2023	30/3/2033	0.250
Zhang Yujuan	1,500,000 (Note 1)	–	–	–	–	1,500,000	31/8/2016	30/8/2026	0.490
	500,000 (Note 4)	–	–	–	–	500,000	31/3/2023	30/3/2033	0.250
Ma Xiaohu	500,000 (Note 4)	–	–	–	–	500,000	31/3/2023	30/3/2033	0.250

Report of the Directors

Grantees	Outstanding as at 1 January 2025	Granted	Exercised	Cancelled	Lapsed	Outstanding as at 31 December 2025	Date of grant	Date of expiry	Exercise price per share
	Number of share options								
Employees	80,867,666 (Note 1)	–	–	–	–	80,867,666	31/8/2016	30/8/2026	0.490
	37,300,000 (Note 2)	–	–	–	–	37,300,000	26/9/2018	25/9/2028	0.740
	31,000,000 (Note 3)	–	–	–	–	31,000,000	6/12/2018	5/12/2028	0.532
	172,300,000 (Note 4)	–	360,000	–	–	171,940,000	31/3/2023	30/3/2033	0.250
Total	**379,267,666**	**–**	**360,000**	**–**	**–**	**378,907,666**			

Notes:

1. The closing price of shares immediately before 31 August 2016 on which the share options were granted was HK$0.490 per share. 1/3 of which are exercisable from 31 August 2017 to 30 August 2026; 1/3 of which are exercisable from 31 August 2018 to 30 August 2026; and the remaining 1/3 are exercisable from 31 August 2019 to 30 August 2026.

2. The closing price of shares immediately before 26 September 2018 on which the share options were granted was HK$0.740 per share. 1/3 of which are exercisable from 26 September 2019 to 25 September 2028; 1/3 of which are exercisable from 26 September 2020 to 25 September 2028; and the remaining 1/3 are exercisable from 26 September 2021 to 25 September 2028.

3. The closing price of shares immediately before 6 December 2018 on which the share options were granted was HK$0.520 per share. 1/3 of which are exercisable from 6 December 2019 to 5 December 2028; 1/3 of which are exercisable from 6 December 2020 to 5 December 2028; and the remaining 1/3 are exercisable from 6 December 2021 to 5 December 2028.

Report of the Directors

4. The closing price of shares immediately before 31 March 2023 on which the share options were granted was HK$0.250 per share. 1/3 of which are exercisable from 31 March 2024 to 30 March 2033; 1/3 of which are exercisable from 31 March 2025 to 30 March 2033; and the remaining 1/3 are exercisable from 31 March 2026 to 30 March 2033. There is no performance target.

5. Please also refer to the Note 15(b) to the consolidated financial information for the fair value of options at the date of grant and the accounting standard and policy adopted.

Save as disclosed above, no share option was granted, exercised, cancelled nor lapsed during the twelve months ended 31 December 2025 under the 2011 Share Option Scheme and the newly amended Share Option Scheme.

CHARITABLE DONATIONS

During the year ended 31 December 2025, the Group has not made any charity or other donations.

AUDIT COMMITTEE

The Audit Committee of the Company had reviewed together with the external auditor the accounting principles and practices adopted by the Group and the consolidated financial statements for the Reporting Year.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code contained in the Listing Rules. Specific enquiry has been made to all the Directors and the Directors have confirmed that they had complied with such code of conduct during the year ended 31 December 2025.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 60 to 81 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to our Company and within knowledge of the Directors, as at 31 December 2025 the Company's public float is 25%, and the Company currently only has one class of shares in issue, namely ordinary shares, all of which are listed on the Stock Exchange.

Report of the Directors

PROFESSIONAL TAX ADVICE RECOMMENDED

If the Shareholders are unsure about the taxation implication of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to, the share of the Company, they are advised to consult an expert.

CHANGE OF AUDITOR

Reference is made to the announcement of the Company dated 31 March 2025 in relation to the appointment of CCTH CPA Limited ("CCTH") as the auditor of the Company to fill the casual vacancy following the resignation of PricewaterhouseCoopers on 31 March 2025. CCTH was re-appointed as the auditor of the Company at the 2025 annual general meeting of the Company held on 26 August 2025.

EVENTS AFTER THE REPORTING YEAR

There was no subsequent event after the Reporting Year which has material impact on the Group.

On behalf of the Board

Mr. Ethan Wu
Chairman

The PRC, 26 March 2026

Corporate Governance Report

The Board is pleased to present this corporate governance report in the annual report of the Company for the Reporting Year.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "CG Code") contained in Appendix C1 of the Listing Rules on the Stock Exchange as its own code of corporate governance.

During the year ended 31 December 2025, save as otherwise disclosed in this corporate governance report, the Group has complied with all code provisions of the CG Code. The Company will continue to review and enhance its corporate governance practices to ensure the compliance with the CG Code.

The amendments to the CG Code came into effect on 1 July 2025 and the requirements under the new CG Code will apply to the corporate governance reports and annual reports of the Company for the financial years commencing on or after 1 July 2025. The Company will continue to review and enhance the corporate governance practices to ensure compliance with the new CG Code and align with the latest developments.

CORPORATE CULTURE AND STRATEGY

Through steady development for over 30 years, SPT Energy Group now has become an international and comprehensive energy company committing to its three major business segments which are exploration and development of oilfield, oilfield technology services and new energy. As a provider of comprehensive oilfield service for years, the Company is committed to provision of solutions as to various issues arising from exploring and developing petroleum and natural gas via advanced technology and high-quality tools and products in order to enhance the efficiency and reduce the production costs. Levering on our advanced technology and ability, the business segment of new energy is beginning to take shape and will continue to develop. Meanwhile, the oilfield exploring and developing segment, as one of the Group's corporate strategies, will provide stronger, longer-term and ongoing value for the development of the Group.

The "Five Core Values" set out by the Board of the Company will give guidance for the ethics and behaviors of employees, business and activities, ensuring that these values are intertwined with our vision, mission, policy and business strategy of the Company:

Corporate Governance Report

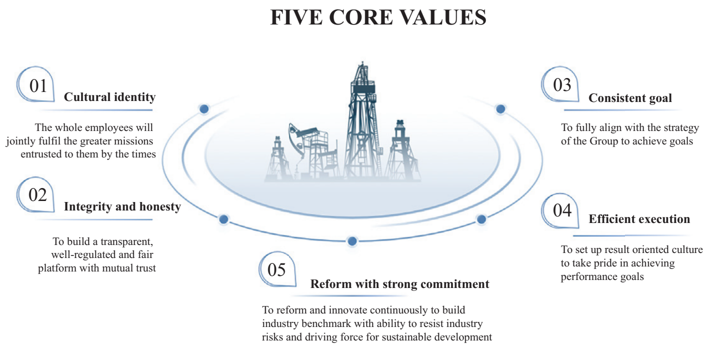
(1) cultural identity: the whole employees will jointly fulfill the greater missions entrusted to them by the times;

(2) integrity and honesty: to build a transparent, well-regulated and fair platform with mutual trust;

(3) consistent goal: to fully align with the strategy of the Group to achieve goals;

(4) efficient execution: to set up result oriented corporate culture to take pride in achieving performance goals;

(5) reform with strong commitment: to reform and innovate continuously to build industry benchmark with ability to resist industry risks and driving force for sustainable development.



The Group will continue to review, and where necessary, make adjustment to its business strategy, and closely follow up the evolving market conditions to ensure that the measures will be taken quickly and actively to respond to the changes and meet market demand, so as to promote the sustainable development of the Group.

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the Audit Committee, the Remuneration Committee and the Nomination Committee (together, the "Board Committees"). The Board has delegated to the Board Committees responsibilities as set out in the respective terms of reference.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its Shareholders at all times.

The Company has arranged appropriate liability insurance to indemnify the Directors of the Company for their liabilities arising out of corporate activities. The insurance coverage will be reviewed on an annual basis.

Corporate Governance Report

Board Composition

As at the date of this annual report, the Board comprises three executive Directors, namely Mr. Ethan Wu (Chairman), Mr. Li Qiang and Mr. Ding Kechen, three non-executive Directors, namely Mr. Wang Guoqiang, Mr. Wu Jiwei and Ms. Chen Chunhua and three independent non-executive Directors, namely Ms. Zhang Yujuan, Mr. Wu Kwok Keung Andrew and Mr. Ma Xiaohu. The biographies of the Directors are set out under the section headed "Directors' and Senior Management's Biographies" of this annual report.

Save as Mr. Wang Guoqiang and Mr. Ethan Wu who are parties acting in concert as mentioned on page 48 in the Report of the Directors in this annual report, there is no material financial, business, family or other relevant relationship between the members of the Board.

During the Reporting Year, the Board at all times met the requirements of Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise. More than one-third of the members of the Board are independent non-executive Directors, which brings the fairly strong independence elements in its compositions.

The Company has received written annual confirmation from each independent non-executive Director of his/her independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

As regards the CG Code provision requiring Directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as their identity and the time involved, the Directors have agreed to and have disclosed their commitments to the Company in a timely manner.

Corporate Governance Report

Continuous Professional Development

During the Reporting Year and up to the date of this annual report, all Directors have participated in continuous professional development by attending training courses and/or referring materials on the topics related to the Group's business, corporate governance and regulations on the roles, functions and duties of a Director of a listed company:

Directors	Position	Reading regulatory update	Attending courses relevant to the business of the Group or Directors' duties
Mr. Ethan Wu	Executive Director	√	√
Mr. Li Qiang	Executive Director	√	√
Mr. Ding Kechen	Executive Director	√	√
Mr. Wang Guoqiang	Non-executive Director	√	√
Mr. Wu Jiwei	Non-executive Director	√	√
Ms. Chen Chunhua	Non-executive Director	√	√
Ms. Zhang Yujuan	Independent Non-executive Director	√	√
Mr. Wu Kwok Keung Andrew	Independent Non-executive Director	√	√
Mr. Ma Xiaohu	Independent Non-executive Director	√	√

Chairman and Chief Executive Officer

Under the code provision C.2.1 of the CG Code, the roles of chairman of the Board and chief executive officer should be segregated and should not be performed by the same individual. The Board believes that as one of the founders of the Company, Mr. Ethan Wu has extensive experience in the industry and business operations. Vesting the roles of both chairman of the Board and chief executive officer in Mr. Ethan Wu has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board and the Nomination Committee will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Company if and when it is appropriate, taking into account the circumstances of the Group as a whole. The Company will review and monitor its corporate governance practices on a regular basis to ensure compliance with the CG Code and maintain high standards of corporate governance practices of the Company.

Corporate Governance Report

Appointment and Re-election of Directors

Each of the Directors has entered into a service agreement with the Company for a term of three years, which is terminable by not less than three months' notice in writing.

None of the Directors has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

In accordance with Article 108 of the Articles of Association, all Directors are subject to retirement by rotation at least once every three years, and according to Article 112 of the Article of Association, any new Director appointed to fill a causal vacancy shall submit himself/herself for re-election by Shareholders at the first general meeting of the Company after appointment and new Directors appointed as an addition to the Board shall submit himself/herself for election by Shareholders at the next following annual general meeting of the Company after appointment.

At the 2025 annual general meeting on 26 August 2025 (the "2025 AGM"), Mr. Li Qiang, Mr. Wu Jiwei and Mr. Ma Xiaohu retired by rotation pursuant to Article 108 of the Articles and Association. All of them were re-elected as Directors. Please refer to the Report of the Directors for details of the members of the Board who will retire from office and offer for re-election at the 2026 annual general meeting pursuant to the Articles of Association.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles and Association. The Nomination Committee is responsible for reviewing the Board composition, monitoring the appointment, re-election and succession planning of Directors.

Board Meetings

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting. For other Board and committee meetings, reasonable notices have been given to the Directors in general. The agenda and accompanying Board papers are dispatched to the Directors or committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and be adequately prepared for the meetings. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting.

Minutes of the Board meetings and Board Committees meetings are recorded in sufficient detail the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committees meetings are sent to the Directors for comments within a reasonable time after the date on which the meeting is held.

Corporate Governance Report

During the Reporting Year, four Board meetings and one general meeting (the 2025 AGM) were held and the attendance of the individual Directors at these meetings is set out in the table below:

	Attended/Eligible to attend	
Directors	Board Meetings	Annual General Meeting
Mr. Ethan Wu	4/4	1/1
Mr. Li Qiang	4/4	1/1
Mr. Ding Kechen	4/4	1/1
Mr. Wang Guoqiang	4/4	1/1
Mr. Wu Jiwei	4/4	1/1
Ms. Chen Chunhua	4/4	1/1
Ms. Zhang Yujuan	4/4	1/1
Mr. Wu Kwok Keung Andrew	4/4	1/1
Mr. Ma Xiaohu	4/4	1/1

During the Reporting Year, the Chairman of the Company held a meeting with the independent non-executive Directors without the presence of other Directors.

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made to all the Directors and each of the Directors has confirmed that he/she has complied with the Model Code for the Reporting Year.

The Company has also adopted its own code of conduct regarding employees' securities transactions on terms no less exacting than the standard set out in the Model Code for compliance by its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities.

Delegation by the Board

The Board reserves for its decision on all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

Directors have the right to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and consult with the Company's senior management independently. The Company has a system in place which can ensure the Board has access to independent viewpoints and opinions. This system includes regular closed meetings between the Chairman of the Board and the independent non-executive Directors. The Board reviews the system annually and considers such system effective and adequate.

Corporate Governance Report

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

Corporate Governance Function

The Board recognizes that corporate governance should be the collective responsibility of Directors and their corporate governance duties include:

(a) to develop, review and implement the Company's policy and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and

(f) to develop, review and monitor the implementation of the shareholders' communication policy to ensure its effectiveness, and make recommendations to the Board where appropriate to enhance Shareholders' relationship with the Company.

The Company has reviewed and updated the whistleblowing system and anti-corruption policy in accordance with the Listing Rules as guideline for its Directors and employees.

Anti-Corruption Policy

The Group has adopted and complied with the anti-corruption policy during the Reporting Year. The system is formulated in order to maintain the integrity and dedication of all employees of the Group, prevent and eliminate the fraud to protect the interests of the Company and individuals from infringement. The Group is committed to maintaining a high standard of integrity and ethical business conduct, and expects and encourages its employees and those with business dealings with the Group to report any suspected impropriety, misconduct or malpractice within the Company. Any convictions will be reported to the Board and the Audit Committee.

Anti-corruption policies are regularly reviewed and updated to comply with applicable laws, regulations and industry best practices.

Corporate Governance Report

Whistleblowing Policy

The Group has adopted and complied with the whistleblowing policy during the Reporting Year. The whistleblowing policy aims to foster ethical conduct and good corporate governance in the Group, so as to prevent employees from neglecting their duties, engaging in malpractice for personal gains, or abusing their powers by taking advantage of their position to abuse their power in violation of the Group's management system. Any convictions will be reported to the Board and the Audit Committee.

For the year ended 31 December 2025, no incidents of fraud or misconduct that had a significant impact on the financial statements or the entire operations of the Group were identified. The Audit Committee reviews the whistleblowing policy annually to ensure its effectiveness.

The Board's Independence Assessment Mechanism

The Group has adopted a policy on the independence assessment mechanism of the Board (the "Board Independence Assessment Mechanism"). The Board's Independence Assessment Mechanism is established to ensure the strong independence of the Board of the Group, so that it can provide independent and objective monitoring on strategic issues and performance matters, and continuously improve and develop the processes and procedures of the Board and its committees. The Board will review the implementation and effectiveness of the mechanism annually.

The Company has adopted a policy on the independence of Directors, which provides, among others:

– Criteria for evaluating the independence of independent non-executive Directors (or a person proposed to be appointed as an independent non-executive Director), which are no less stringent than the standards set under Rule 3.13 of the Listing Rules which the Stock Exchange would normally take into account when accessing the independence of an independent non-executive director;

– Reiterating the disclosure requirements when an independent non-executive Director who has served for more than nine years is proposed to be re-elected at a forthcoming annual general meeting of the Company; and

– incorporating the requirements under Rule 3.13A of the Listing Rules in respect of an independent non-executive Director exceeding a nine-year tenure and the transitional arrangements permitted under the notes to Rule 3.13A of the Listing Rules.

For the year ended 31 December 2025, the Company has received an annual confirmation of independence from each of the independent non-executive Directors and the Company considers such independent non-executive Directors to be independent pursuant to Rule 3.13 of the Listing Rules.

During the year ended 31 December 2025, the Board reviewed the implementation and effectiveness of the Board's Independence Assessment Mechanism and the results were satisfying.

Corporate Governance Report

BOARD COMMITTEES

Nomination Committee

As at the date of this annual report, the Nomination Committee comprised three members, namely Mr. Ethan Wu (Chairman), Ms. Zhang Yujuan and Mr. Wu Kwok Keung Andrew, and the majority of them are independent non-executive Directors.

The principal duties of the Nomination Committee include the following:

- To review the structure, size and composition of the Board and make recommendations regarding any proposed changes;
- To assess the time commitment of each Director for performance of their responsibilities and contribution to the Board;
- To identify suitable candidates for appointment as Directors;
- To make recommendations to the Board on appointment or re-appointment of and succession planning for Directors; and
- To assess the independence of independent non-executive Directors.

The Nomination Committee assesses the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee are then put to the Board for decision. The written terms of reference are available on the websites of the Stock Exchange and the Company.

Corporate Governance Report

During the Reporting Year, two meetings of the Nomination Committee were held on 27 June 2025 and 10 December 2025 respectively and the attendance record of the Nomination Committee members is set out in the table below:

Directors	Attended/ Eligible to attend
Mr. Ethan Wu	2/2
Ms. Zhang Yujuan	2/2
Mr. Wu Kwok Keung Andrew	2/2

During the Reporting Year, the Nomination Committee assessed the independence of independent non-executive Directors and considered the re-election of the retired Directors. The Nomination Committee also reviewed the time commitment of each Director for performance of their responsibilities and contribution to the Board and considered that each Director gave sufficient time and attention to the affairs of the Group and discharged his or her responsibilities effectively during the Reporting Year.

Nomination Policy

The key nomination criteria and principles of the Company for the nomination of directors constitute the nomination policy of the Company ("Nomination Policy"). The provisions are set out below in detail:

(a) review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(c) assess the independence of independent non-executive Directors taking into account the factors set out in Rule 3.13 and Rule 3.13A of the Listing Rules; and

(d) make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors in particular the Chairman and the chief executive.

Corporate Governance Report

Board Diversity Policy

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Board Diversity Policy aims to set out the measures taken by the Board to achieve diversity of its members.

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. All Board appointments will be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity on the Board.

The Company endeavours to select the best candidates as members of the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee of the Company will monitor the execution of the policy annually. The Nomination Committee will review the policy from time to time as appropriate to ensure that the policy is effectively executed. The Nomination Committee will discuss any or necessary amendments and submit to the Board regarding the proposed amendments for their approval.

Employees Diversity Policy

The Company recognises and embraces the idea that employee diversity significantly contributes to enhancing overall operational performance of the Company and stimulating the innovative vitality of the organization. The employees diversity policy of the Company aims to set out the measures taken to achieve diversity among its senior management and its employees.

With a view to achieving a sustainable and balanced development, the Company sees increasing employees diversity as an essential element in supporting the attainment of its strategic objectives and its sustainable development. All decisions relating to the recruitment, promotion, employment and development of the Company's employees will be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard for the benefits of employees diversity.

Corporate Governance Report

In determining the composition of its employees, the Company considers diversity from multiple aspects, including but not limited to gender, age, marital status, family status, race, ethnicity, religion, cultural and educational background, disability, professional experience, skills, knowledge and other factors.

The Nomination Committee shall review the implementation of this policy annually and assess the Company's own diversity profile, including the gender ratio of the senior management and all employees (excluding senior management), as well as the progress towards achieving diversity targets, so as to ensure that this policy is effective and remains fit for purpose. The Nomination Committee will discuss any or necessary amendments and submit to the Board regarding the proposed amendments for their approval.

Board and Employee Diversity

Board-level

In accordance with the Board Diversity Policy, when reviewing and assessing the qualification of appropriate candidates as the director of the Company, the Nomination Committee will consider from diversity perspectives and take reference to the business mode and special needs of the Company, including but not limited to gender, age, cultural and educational background, professional experience and qualification, skills, knowledge and length of service. The appointment of all Board members will be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity on the Board. The Nomination Committee will review the policy from time to time as appropriate to ensure that the policy is effectively executed.

As at the date of this annual report, the Board currently comprises of 6 male members and 2 female members. The Nomination Committee is of the view that the Board has sufficient diversity of gender, therefore the Board did not set any measurable goals. The Group also reviewed the members, structure and composition of the Board and believes that the Board's structure is reasonable; all members of the Board have made contributions to their respective areas; all of the executive Directors are professionals in the oil and gas industry, who have incisive understanding to the oil and gas industry and have extensive experience in the specialized knowledge and corporate management; and the non-executive Directors and independent non-executive Directors are experts in the areas of corporate operation, investment, law and financial management.

Corporate Governance Report

Employee-level

For the year ended 31 December 2025, the Group has 7 senior management members, of which 4 are male, accounting for approximately 57.1% of the senior management; and 3 are female, accounting for approximately 42.9% of the senior management.

For the year ended 31 December 2025, the Group has a total of 3,325 employees, of which 2,569 are male, accounting for 77.3% of the total number of employees; and 756 are female, accounting for 22.7% of the total number of employees.

The Company ensures that the recruitment and selection of personnel at all levels are conducted in accordance with appropriate framework procedures to attract candidates with diverse backgrounds for the Group's engagement. The Group plans to cultivate employees with a broader and more diverse background as well as rich work experience and skills, with a view to promote them to senior management and directorships over time.

Remuneration Committee

As at the date of this annual report, the Remuneration Committee comprised three members, namely Ms. Zhang Yujuan (Chairman), Mr. Ethan Wu and Mr. Wu Kwok Keung Andrew, and the majority of them are independent non-executive Directors.

The primary duties of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive Directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for formulating such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the operating results of the Company as well as market practice and conditions. The written terms of reference are available on the websites of the Stock Exchange and the Company.

During the Reporting Year, two meetings of the Remuneration Committee were held on 27 June 2025 and 10 December 2025 respectively and the attendance record of the Remuneration Committee members is set out in the table below:

Directors	Attended/ Eligible to attend
Ms. Zhang Yujuan	2/2
Mr. Ethan Wu	2/2
Mr. Wu Kwok Keung Andrew	2/2

Corporate Governance Report

During the Reporting Year, the Remuneration Committee discussed and reviewed the remuneration policy for Directors and senior management of the Company, and made recommendations to the Board on the remuneration packages of individual executive Directors and senior management of the Group. To avoid potential conflict of interest, members have abstained from voting on resolutions which he/she has or his/her associates have a material interest.

Details of the remuneration by band of the 7 members of the senior management of the Group, whose biographies are set out on pages 38 to 39 of this annual report, for the Reporting Year are set out below:

Remuneration band (RMB)	Number of individual
0 – 500,000	0
500,001 – 1,000,000	6
1,000,001 – 1,500,000	0
1,500,001 – 2,000,000	1

Audit Committee

As at the date of this annual report, the Audit Committee comprises three members, namely Mr. Wu Kwok Keung Andrew (Chairman), Ms. Chen Chunhua and Mr. Ma Xiaohu. The majority of them are independent non-executive Directors. The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the internal audit division or external auditor before submission to the Board;
- To review the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditor;
- To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures; and
- To review the Environmental, Social and Governance Report and disclosures therein.

During the Reporting Year, three meetings of the Audit Committee were held on 27 June 2025, 26 August 2025 and 10 December 2025 respectively and the attendance record of the Audit Committee members is set out in the table below:

Directors	Attended/ Eligible to attend
Mr. Wu Kwok Keung Andrew	3/3
Ms. Chen Chunhua	3/3
Mr. Ma Xiaohu	3/3

Corporate Governance Report

During the Reporting Year, the Audit Committee reviewed the audit plan, the financial reporting system, compliance procedures, internal control (including the adequacy of resources of the Group's accounting and financial reporting functions, staff qualifications and experience, and the adequacy of training program and budget), risk management systems and processes and the re-appointment of the external auditor. They also reviewed interim and final results of the Company and its subsidiaries for the interim period and the fiscal year as well as the audit report prepared by the external auditor relating to accounting issues and major findings in the course of the audit. There are proper arrangements made by the Group for employees to raise concerns about possible improprieties in financial reporting, internal control and other matters. The Audit Committee reviewed the whistleblowing system for employees and those who deal with the Group (eg. customers and suppliers) to raise concerns in confidence about possible improprieties in any matter related to the Group and recommended on its enhancement and related staff training. The written terms of reference are available on the websites of the Company and the Stock Exchange.

On 27 June 2025, 26 August 2025 and 10 December 2025, the Audit Committee met with the external auditor and discussed matters relating to audit and internal control.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2025 which give a true and fair view of the affairs of the Group and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. During the year ended 31 December 2025, the Company provides all members of the Board with regular updates on the Company's performance, position and prospects.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group has a risk control and supervision department in place which is responsible for overseeing and assessing internal control and risk management functions and reports to the Audit Committee. During the Reporting Year, the risk control and supervision department formulated risk management work plans and internal audit plans and carried out risk assessment of the overall operations of the Group after taking into account various factors, including organisational restructuring and expansion of business in new markets. At the same time, exit interviews has been enhanced to minimise the impacts of change in personnel on the long-term and sustainable development of the enterprise.

Corporate Governance Report

The Group has established a standardized process for the identification, assessment and management of material risks. The risk control and supervision department organizes an annual check by all business and functional departments to comprehensively identify potential material risks and formulate a list of material risks (《重大風險清單》). Using a risk matrix methodology, risks are assessed and graded against two dimensions – likelihood and impact – and categorized as material risks, general risks or low risks, with clear risk priorities established. For material risks, special management plans are developed to identify responsible departments, response measures, monitoring frequency and early warning mechanisms, ensuring that risks remain within acceptable levels. The risk assessment results and implementation of response measures are reviewed regularly. The risk list and management plans are dynamically adjusted in light of changes in internal and external conditions to ensure the applicability and effectiveness of the system. Besides, the review results will be submitted to the Audit Committee for consideration.

Working together with the management, the risk control and supervision department has completed the risk management matrix at the group level and comprehensively assessed the enterprise risks in five areas including strategies, finance, market, operation and legal compliance to identify high risk areas. The risk control and supervision department as well as the management have also jointly formulated the coping strategies in relation to the high risk factors. The summary of the risk management matrix and coping strategies have been reported to the Board via the Audit Committee and have been approved by the Board and the Audit Committee. The coping strategies and action plans of the management have been integrated into the ordinary course of business of the enterprise and are subject to supervision by the risk control and supervision department.

The Group enhances overall risk control and reviews the effectiveness of the internal control system by (1) assessing the environment of internal control; (2) assessing the adequacy and effectiveness of the internal control system; (3) reviewing the operation of key control procedures through sampling tests. In the course of building up the Group's internal control system, the internal audit function combines advance anticipation and checks, in-process tracking and examinations and follow-up investigations, while shifting away from the previous reactive approach to a preventive approach for the management of major risks. The Group has established relevant reporting policies and systems, as well as administrative policies and procedures relating to fraud, irregularities and anti-fraud.

The risk control and supervision department reports to the Audit Committee on issues revealed during the review at least twice each year and follows up on the execution of rectification plans by relevant responsible persons. The person-in-charge of the risk control and supervision department attends each meeting of the Audit Committee and reports on the progress of review plans and the findings of the review and supervision.

Corporate Governance Report

During the Reporting Year, the Company has engaged an external professional service provider as internal control consultant to conduct an independent internal control review on the Group and put forward corresponding rectification recommendations for improving the internal control system of the Company.

References are made to the announcements of the Company dated 31 March 2025 and 30 April 2025, the annual results announcement dated 27 June 2025, and the 2024 annual report dated 25 July 2025. In view of the delay in the publication of the 2024 annual results, the internal control consultant focused on the specific issues causing the delay in the publication of the 2024 annual results. The specific issues and remedial measures taken are set out as follows:

(1) Financial Reporting Process

The written records and approval trails were not complete in the financial reporting process of the Group, pursuant to which, the financial assets department of the Group issued a written notice in respect of the different levels of approval and filing requirements for the financial statements and forecast valuation models, in order to fully demonstrate that each document has been properly approved by the management. Further, in accordance with the recommendations from the internal control consultant, the risk control and supervision department and the financial assets department of the Group jointly review and approve the internal transaction pricing policy regularly to follow the arm's length principle.

(2) Management Process on Revenue and Work-in-Progress Recognition

The Group noticed that there was no written documented record for the internal review on the workload recognition and sign-off that has been confirmed by the customers during the management process on revenue and work-in-progress recognition, pursuant to which, the Group procured designated personnel from relevant departments within the Group to conduct review on the above documents and form signature on the “review sheet” in order to ensure the adequacy and traceability of the basis for revenue recognition.

(3) Progress on Sales Contract

The Group did not maintain a written record for reviewing the progress of each of the sales contracts. Accordingly, the Group has procured relevant departments and management to regularly review the difference between the actual and estimated income and expenditure of the sales contracts over the specified amount, and if any significant difference is found, the reason should be immediately identified and followed up, and a written record should be maintained to reflect the the differences between the estimated and actual revenue and costs associated with each sales contract and to monitor the progress in a timely manner.

(4) Management Process on Payment Transaction with Third Parties

The Group noticed that there was no written record for the loan evaluation and related party verification during management process on payment transaction with third parties. Accordingly, the Group has procured relevant departments to separately record the verification results of whether the cooperating party is a "related party" of the Group during the verification process, so as to fully demonstrate the relationship between all cooperating parties and the Group, thereby improving the compliance and audit trail of the transactions.

The internal control consultant conducted in-depth and comprehensive review for the above specific issues, and the Group has promptly taken targeted rectification measures in response to these issues and has duly implemented the relevant rectification recommendations proposed by the internal control consultant.

The internal control consultant and the Audit Committee conducted a follow-up review of the rectification measures of the Group, and confirmed that the above issues and rectifications had been completed during the Reporting Year.

Taking into account the results of the internal control review, the rectification recommendations, and the rectification measures taken by the Group, the Board believes, and the Audit Committee agrees that as of the date of this annual report, the Company has a comprehensive and effective internal control system in place to ensure compliance with its obligations under the Listing Rules.

RESPONSIBILITIES OF THE BOARD

The Board is responsible for assessing and determining the risks and degree of risks the Group is willing to take in fulfilling the business objectives and ensures that the Group has in place and operates an effective risk management and internal control system.

EFFECTIVENESS OF RISK MANAGEMENT AND INTERNAL CONTROL

The Group strictly complies with the requirement of "at least one review one year". The review shall cover the operation of the Group's risk management and internal control systems during the Reporting Year and fully encompasses all entities and business lines within the scope of the consolidated financial statements. In addition to the annual routine review, the Company will promptly conduct special reviews in the event of material business adjustments, changes to the core management team, major updates to external regulatory policies or the occurrence of material risk events, to ensure that the systems can quickly adapt to changes in the internal and external environment and continue to exercise effective control. The frequency of some annual reviews may be increased to two or three times a year according to business needs to respond to market changes in a timely manner. For material internal control deficiencies identified in the review, a special rectification team will be established by the Company, with clear rectification responsible persons, timelines, and acceptance criteria. The Audit Committee is responsible for tracking and supervising the rectification process to ensure timely resolution of deficiencies. Upon completion of rectification, a rectification acceptance report will be prepared and submitted to the Audit Committee and the Board for review and approval. The effectiveness of rectification will also be assessed in the next round of annual review, forming a closed-loop management of "Review – Identification – Rectification – Evaluation" to ensure the continued effectiveness of the system.

Corporate Governance Report

The Board, through the Audit Committee, conducted an annual review of the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2025. Details of internal audit resources, staff qualifications and experience were fully disclosed, and the scope and frequency of circulation of monitoring results to the Board and the Audit Committee were sufficient to assist the Audit Committee in effectively evaluating the Group's monitoring and the effectiveness of risk management. The procedures relating to financial reporting and compliance with the Listing Rules operated effectively. It is understood that the implementation of the strategies is to manage but not to eliminate the risks of non-fulfilment of business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the Reporting Year, the Board considered the risk management and internal control system of the Group adequate and effective, and covered the material risks in the Group's operations and management. Also, the Group has complied with the relevant code provisions set out in the CG Code in connection with risk management and internal control.

INSIDE INFORMATION DISCLOSURE AND CONTROL MEASURES

With respect to inside information, the Group has adopted from time to time certain regulatory measures as appropriate to prevent violation of the disclosure requirements of the Group, including:

– Only a limited number of personnel (mainly the senior management and Directors) have access to inside information upon request. Employees having access to the inside information are fully aware of their confidentiality responsibilities.

– All employees (including the Directors of the Group) must strictly comply with the employment provisions regarding the administration of confidential information.

The Group complies with the requirements of the SFO and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within the safe harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensuring that information contained in announcements or circulars is not false or misleading as to material facts, or false or misleading through the omission of material facts, and presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

AUDITOR'S REMUNERATION

For the year ended 31 December 2025, the fee paid/payable to the external auditor of the Company in respect of audit services is approximately RMB2,135,000.

Corporate Governance Report

COMPANY SECRETARY

The Company has appointed Ms. Lai Siu Kuen ("Ms. Lai") as its company secretary. Ms. Lai is a director of the corporate services department of Tricor Services Limited and is in close collaboration and connection with Mr. Li Qiang, an executive Director of the Company. For the year ended 31 December 2025, Ms. Lai has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of information, which will enable Shareholders and investors to make the informed investment decisions. In order to develop and maintain an on-going relationship between the Company and Shareholders, the Company has established a range of channels of communication such that Shareholders may express their views on various matters affecting the Company, and the Company may solicit and understand the views of the Shareholders and the Company's stakeholders, such channels including annual general meetings, annual reports, interim reports, announcements, notices of meetings, circulars and proxy forms. The Company also encourage the Shareholders to direct any queries about their shareholdings, share registration and related matters to the share registrar of the Company at the relevant time and at any time make a request for the Company's information to the extent that such information is publicly available.

The annual general meeting (the "AGM") of the Company provides an opportunity for Shareholders to communicate directly with the Board. The Chairman of the Company, the chairmen of the Board Committees and the external auditor of the Company attend the AGM to answer Shareholders' questions.

The notice of AGM will be distributed to all Shareholders at least 21 days prior to the AGM. Separate resolutions are proposed at general meetings on each substantially separate issue, including the election of Directors. Details of the proposed resolutions will be contained, where necessary, in circulars of the Company. The chairman of the AGM shall exercise his/her power under the Articles of Association to put each proposed resolution to the vote by way of a poll. The procedures for conducting a poll will be explained at the meeting. Poll results will be posted on the websites of the Company and the Stock Exchange after the meeting.

A shareholders' communication policy was adopted pursuant to CG Code which aims at building a meaningful dialogue and two-way interaction with Shareholders. Moreover, active approaches have been taken to ensure such dialogue and feedback is being considered in the Board's decisions. The Board understands that the Shareholder's ownership enables them to elect responsible directors. The implementation and effectiveness of a shareholders' communication policy is subject to Board's review on a regular basis and is subject to amendment as and when appropriate to ensure its effectiveness. The shareholders' communication policy will be reviewed from time to time, but at least once a year, by the Board. To promote effective communication, the Company maintains a website at www.sptenergygroup.com, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. A dedicated Investor Relations section is available on the Company's website on which information relating the Group is updated on a regular basis. Information relating to the Group that has been disclosed on the Stock Exchange will also be published on the Company's website thereafter so as to ensure that Shareholders and potential investors can gain timely access to such information.

Corporate Governance Report

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each issue at general meetings, including the election of individual directors.

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting. At the 2025 AGM, all resolutions were passed by poll by the Shareholders.

Convening of Extraordinary General Meeting and Putting Forward Proposals

Article 64 of the Company's Articles of Association provides that an extraordinary general meeting may be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified therein. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

For proposal of a person for election as Director, pursuant to Article 113 of the Articles of Association, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the Company's head office in the PRC or at the Company's registered office. The period for lodgment of the notices required under this Article will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

Enquiries to the Board

Shareholders who intend to put forward their enquiries about the Company to the Board could email their enquiries to IR@sptenergygroup.com.

Corporate Governance Report

DIVIDEND POLICY

The Board adopted a dividend policy (the "Dividend Policy") on 6 December 2018. According to the Dividend Policy, under the conditions that it is in compliance with the Cayman Islands Companies Law, the Company's Articles of Association, the consolidated financial statements of the Company is profitable in the relevant financial year and its accumulated undistributed profit is positive, and its cash flow meets the normal operation and long-term development, and subject to the decision of and other factors as considered appropriate by the Board, dividend distribution can be carried out. The Board will review the Dividend Policy from time to time.

The Board shall take into account the following factors before declaring or recommending dividends:

(a) the Company's actual and expected financial performance;

(b) retained earnings and distributable reserves of the Group;

(c) the level of the Group's debts to equity ratio, return on equity and the relevant financial covenants;

(d) any restrictions on payment of dividends that may be imposed by the Group's contracting parties;

(e) the Group's expected working capital requirements and future expansion plans;

(f) general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and

(g) any other factors that the Board may deem appropriate.

CHANGE IN CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2025, there is no significant change in constitutional documents of the Company.

The PRC, 26 March 2026

Environmental, Social and Governance Report

I. ABOUT THIS REPORT

SPT Energy Group Inc. (Stock Code: 01251) hereby presents the Environmental, Social and Governance Report 2025 (the "Report") of the Company and its subsidiaries (collectively, the "Group" or "SPT Energy" hereafter) to demonstrate the concepts and practices of the Company in environmental, social and governance ("ESG") areas to all the stakeholders.

1.1 Reporting Scope (Organizing Scope, Reporting Period)

The reporting scope of this report covers all business operations of SPT Energy in the PRC and around the globe. The reporting period is from 1 January 2025 to 31 December 2025.

1.2 Reporting Principles

"Materiality": The Group identifies material ESG issues through stakeholder engagement and materiality assessment, and makes key disclosures in the Report;

"Quantitative": The Report discloses the major key performance indicators in environmental aspects of the Group in quantitative terms;

"Balance": The Report presents the environmental and social performance of the Group impartially;

"Consistency": The relevant disclosure and statistical methods of the Report are consistent with those used in prior years, which will remain unchanged in the subsequent years.

II. ESG MANAGEMENT

2.1 Management Policy

The Group has proactively fulfilled its social responsibilities as a corporate citizen, in order to make sure that the daily operation of the Group was in compliance with laws and regulations in the countries where it operates; complied with international environmental protection policies, internationally recognised labour standards and other applicable industry standards and international conventions and safeguarded labour interests. The Group has continued to pay attention to the health and safety of its employees; focused on the management and control of the project's quality and kept on improving working conditions and employee benefits. It is a prerequisite for the Group to perform its ESG responsibilities in providing good engineering and technology services to satisfy customers' needs, and the condition was further applied to suppliers and subcontractors.

Environmental, Social and Governance Report

2.2 Management Structure

The Group has proactively improved the ESG management system, and continuously implemented ESG in an orderly manner. The Group has established a top-down ESG management structure consisting of the Board, the ESG Management Committee, the ESG Management Working Group, and the ESG management personnel from the region, subsidiaries, project departments to take charge of the implementation of various ESG management work, including formulation of the Group's ESG strategies, identification and assessment of material ESG issues and risks, discussion and addressing the material ESG issues, supervision of the progress and performance, and collection and submission of information of ESG related work.

2.3 Communication with Stakeholders

The Group's stakeholders consist of governments, investors, customers, employees, suppliers, partners, media and community. The Group has established a diversified communication mechanism for different stakeholders, to understand their expectations and respond to their concerns and to consolidate the mutual benefit. The communication mechanism includes site visit and survey, accepting supervision and inspection, reporting daily management, convening conference, executing contracts, visiting customers, staff training, staff activity, performance management, bidding and tendering, appraisal and investigation, negotiation, communication and interview and enterprises publicity, etc.

Combined with the feedback and actual operations of the Group, the Group has communicated with stakeholders through multi channels and concluded highlights of the Company's ESG that stakeholders pay attention to. The key topics of the ESG consist of "health and safety", "product responsibility", "emissions", "climate change", "environment and natural resources", "use of resources", "employment", "development and training", "labour standards", "supply chain management", "anti-corruption" and "community investment". We will address each topic in this report.

III. QHSE MANAGEMENT

3.1 Product Quality Management and Governance

3.1.1 Quality Management System

As an oil-field service company, the Group upholds and places strong emphasis on product and technology service quality and strictly follows the "Product Quality Law of the People's Republic of China", "Standardisation Law of the People's Republic of China" and other relevant laws and regulations of the country where the operation is located to ensure that the product and technology service quality provided is within control. In 2025, Sinopetroleum, Pioneer Sinopetroleum, North Resource Oil, Petrotech (Xinjiang), SPT Engineering, Shaanxi Huayou, our domestic subsidiaries, and our oversea subsidiaries in Aktobe, Kazakhstan, factory in Singapore, and in Indonesia were certified by the quality management system certification ISO9001:2015 and API certification and passed the annual review. During the process, the Group provides efficient and safe services to satisfy customers' requirements on quality, health, safety and environment.

Environmental, Social and Governance Report

During the Reporting Year, Enik (Tianjin) Petroleum Engineering Technology Co., Ltd.(艾尼克(天津)石油技術有限公司) under the Group successfully obtained the Q1 Quality Management System Certification from the American Petroleum Institute (API), and also obtained API monogram licenses for its five major products, including API 14A downhole safety valves, API 11D1 packers in V0-R grades, API 14L lock cylinders and landing nipple in V0 Grade, API 5CT casing and tubing, and API 19AC well completion accessories and equipment. This major breakthrough indicates that the Group's quality management system has fully met the highest authoritative standards in the international oil and gas industry, and key downhole equipment and pipe products have been recognized as the "Quality Permits" by the global oil and gas market, laying a solid foundation for the Group to further explore the international high-end market and participate in bids for global oil and gas projects.

3.1.2 Technological Innovation

Under the guidance of its strategy, the Group believes that innovation is the primary driving force for development and has always upheld the orientation of technological innovation and relied on independent intellectual property. The technical patent cluster has offered a strong technical support for the Group's high-quality and sustainable development. The Group is currently applying invention patents, including "pressure-controlled suction-type downhole PVT sampler and downhole PVT sampling method (壓控吸入式井下PVT取樣器和井下PVT 取樣方法)".

The Group strictly complies with the intellectual property laws and regulations in places where the Group operates, including the Patent Law of the People's Republic of China, the Trademark Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China, and makes efforts to establish a four-in-one intellectual property system with "Creation, Utilization, Protection, Management", so as to ensure operational compliance of the Group and safeguard its core competitiveness.

The Group has an intellectual property management department in place which clearly defines its specific responsibilities in respect of trademarks and patents. We vigorously developed our key and core technologies with independent intellectual property rights through actively engaging in independent innovation activities to enhance the capability to create, utilize, and protect intellectual property rights. Meanwhile, we have adopted confidentiality measures for our core technologies and have implemented encryption management for confidential electronic documents during our production and business operations, and we do not infringe upon the intellectual property rights of others or misappropriate patented technologies.

Environmental, Social and Governance Report

CCUS Completion String Gas Tightness Testing Achieves Success

In June 2025, the CCS project team collaborated closely with the Sichuan-Chongqing regional team to successfully conduct the first airtightness test of the completion string for the CCUS CO_2 injection well (Guoneng Tan-X Well). This initial success has laid a solid foundation for the safe and efficient advancement of the project and is of milestone significance. It has received high recognition from the client, demonstrating the technical team's fighting spirit and determination in overcoming challenges.

Platform Expansion Enabled by PPS's Proprietary Chip Technology

In June 2025, the PPS R&D team successfully completed the R&D of a 230°C high-temperature pressure gauge. The technology adopts a ceramic circuit board integrated with a self-developed high-temperature PPS chip, which can support continuous operation at 230°C and has platform-based scalability. The circuit system is packaged in a sealed metal cylinder, ensuring airtightness and long-term reliability under high-temperature conditions. An innovative board-level micro-vibration damping design enhances impact resistance. This provides a verifiable path for PPS's R&D of sensor products for extreme high-temperature environments.

Environmental, Social and Governance Report

Breakthrough of Technical Bottlenecks and Gaining Market Recognition

In June 2025, the Kazakhstan Kyzyl project team implemented an infinite-stage codable sliding sleeve completion in a horizontal well operated by South Oil Company in Kyzylorda region. The number of fracturing stages, as well as the volumes of injected acid, fracturing fluid, and proppant injected all achieved historic firsts in Kazakhstan's unconventional oil and gas industry. The project timely and efficiently resolved key challenges related to high pressure and difficult proppant injection, and realised key technological innovation in multi-stage proppant fracturing for unconventional shale horizontal wells, earning unanimous recognition and positive feedback from the client.

Innovative R&D of High-Temperature, High-Pressure Ultra-Deep Horizontal Well Mechanical Zonal Stimulation and Completion Technology

In July 2025, in response to the challenges encountered in the early stage in the Kuqa piedmont high-pressure gas well area of the Tarim Basin, where the soft zonal stimulation technology primarily adopted in highly deviated and horizontal wells could not thoroughly stimulate heterogeneous reservoirs with vertical fractures and delivered poor stimulation results, the Xinjiang regional team developed an innovative 5-inch large-bore permanent packer (60 mm inner diameter). The packer passed API-V3 testing at 204°C and 70 MPa. Meanwhile, the team developed matching completion tools including expansion joints, fracturing sleeves and dissolvable balls, enabling a four-stage mechanical zonal completion and fracturing string for horizontal wells, which effectively improved stimulation performance. This technology is the first of its kind in China and is currently industry-leading. It has generated two patents and received high recognition from customers.

Demonstrate Strength through Technological Breakthroughs and Jointly Innovating New Achievements

The number of high temperature, high pressure and ultra-deep wells are increasing in the PRC and some wells contain corrosive media such as carbon dioxide or hydrogen sulfide, which pose great challenges to downhole sampling. Although foreign sampling equipment is temperature and pressure resistant, the cost is expensive. To this end, Xinjiang Region under the Group worked closely with an oilfield technology and process institute to successfully develop a high temperature and high pressure downhole PVT sampler with completely independent intellectual property rights. All performance indicators of the sampler have reached the international leading level, marking a significant breakthrough in the localization process of core downhole fluid sampling instruments in the PRC.

Since July 2025, a number of sampling tasks in complex well conditions such as high temperature, high pressure and ultra-deep, carbon dioxide content and high salinity, have been completed at one time, injecting strong momentum for the Group's subsequent market expansion.

Environmental, Social and Governance Report

Major Breakthrough Achieved in 20,000 PSI High-Pressure Safety Valve Technology

In August 2025, the Group R&D Center achieved another major technological breakthrough with the successful development of a 3-1/2, 20,000 PSI high-pressure safety valve. The successful launch of this product not only demonstrates the Group's leading position in this field, but also lays a solid foundation for expanding the Company's presence in the high-pressure safety valve market.

RTP Non-Metallic Coiled Tubing Technology Supports Natural Gas Supply Security

In July 2025, at the Yangguyi Gas Field on the right bank of the Amu Darya River in Turkmenistan, the completion of the pressure sensitivity test and the opening of the final valve marked the successful acceptance of a certain well gas gathering pipeline replacement project constructed by PetroChina Amu Darya Natural Gas Company. The project was undertaken by the Turkmenistan Project Department. For the first time, the project applied five-layer co-extrusion composite material RTP flexible pipe technology (non-metallic continuous tubing). This milestone signifies a key breakthrough in the application of this technology in surface natural gas infrastructure construction under "three-high" gas field conditions and high-temperature desert environments.

3.1.3 Customer Satisfaction

The Group has been committed to customer centricity and creating more value for customers. It has formulated the Customer Satisfaction Survey System, continuously optimizing the customer feedback mechanism to fully understand customers' needs as part of its efforts to enhance the quality of products and technical services. To this end, customers' satisfaction is enhanced. As of 31 December 2025, the Group did not violate any laws and regulations in the jurisdictions where the Group operates in relation to quality, health, safety and environment with respect to the products and services provided, nor received any complaints or charges. In 2025, the Indonesia Project Department of the Group was awarded the "Best Service and Cooperation" and the "Best Reservoir Steel Wire Service Partner" by a customer.

3.1.4 Customer Privacy

The Group has formulated and strictly implemented the Regulation on Trade Secrets which safeguards privacy and information security and employees must sign the Employee Confidentiality Agreement upon engagement. The Group values customer privacy in the course of its ordinary business and uses its best endeavors to safeguard the privacy and security of every customer.

Environmental, Social and Governance Report

3.2 Environmental Protection Management

The Group's vision is to become a model for highly-efficient and harmonious development between mankind and the environment. As an integral part of our environmental strategy, we strive to minimize the negative effects of our business operations on the environment and maximize resource utilization efficiency. We have built our business model surrounding this objective which was based on achieving sustainability goal for both our customers and us, and our value proposition is to optimize production and lower costs for our customers through integrated solutions, through which our customers may enjoy more favorable returns with rather humble investments. Through communication with stakeholders, we have formulated our environmental policy, which has been formally issued and implemented upon approval by the ESG Committee of the Group after discussion. The policy was formulated by taking reference to the United Nations Sustainable Development Goals, Basel Conventions, Environmental Guidelines for International Association of Oil and Gas Producers (IOGP), ISO14001 Environmental Management System Standards, and local laws and regulations. It also contains our environmental objectives, management system, environmental awareness construction, and industry specific challenges, covering a wide range of topics such as climate change, biodiversity, water consumption, waste management, environmental quality monitoring, recording and reporting, evaluation, investigation, and internal and external audits and others. The Group has been continuously improving its internal environmental management policy and system. Our environmental management system assigns environment managing responsibilities to each functional department and regional company. This system ensures that employees comply with the national environmental policy, rewards outstanding performers, and punishes employees who violate the environmental policy and cause serious consequences. The Group strictly complies with the environmental protection laws and regulations in the jurisdictions where the Group operates, including the Environmental Protection Law of the People's Republic of China, the Energy Conservation Law of the People's Republic of China, the PRC Law on Prevention and Control of Environmental Pollution by Solid Waste, the PRC Law on the Prevention and Control of Atmospheric Pollution, and makes efforts to integrate the green development concept into the whole process of its business, aiming to generally facilitate its green and low-carbon operation.

The Group is likely to incur emission and consumption in the following four areas:

1. Emission from various vehicles used in the course of production and operation (emissions include nitrogen dioxide, sulphur dioxide and hydrocarbon related pollutants);

2. Discharge from solid waste and waste liquid (mainly including domestic garbage and domestic wastewater);

3. Consumption in the course of drilling and workover operations (diesel, electricity and water for production);

4. Consumption at various levels of the departments (water, electricity, natural gas and paper).

Environmental, Social and Governance Report

3.2.1 Emissions Management

As a leading oilfield services company driven by technology, one of our environmental objectives is to reduce our customers' greenhouse gas emissions (GHGs) during resource development through the application of our technologies, as well as reducing our own GHGs through technology transformation and rigorous operational management. It is our responsibility to provide customers with technological solutions to develop clean energy. We continue to innovate actively and promote technology iterations to enable the industry to realize green transformation. To achieve our emission reduction target, the Group has formulated the "Energy Efficiency Boost" program, which we have disseminated to all employees plus with trainings, and implemented in all our business regions. The Group's "Energy Efficiency Boost" program consists of the promotion of clean energy, the application of energy-saving technologies, the continuous innovation and iteration of existing industry technologies, the improvement of resources development efficiency, and firmwide special campaigns to reduce emissions in employees' daily life.

As to waste liquid, drilling fluid, fracturing flowback fluid and sewage discharged from oilfield development operations are centrally treated by the qualified third parties directly engaged by the customers. Accordingly, the Group has no discharge of hazardous wastes. With respect to general domestic wastewater, it is directed to sewage treatment plant via sewage pipes.

As to solid wastes, the Group has formulated the Solid Wastes Management Measures, pursuant to which the general solid wastes, and industrial solid wastes are collected, sorted and safely stored by category, which are eventually provided to qualified waste recycling service providers for collection, treatment and reuse. Hazardous wastes arising in the course of production and operation are centrally managed by the customers, therefore effectively safeguarding the environment of operation.

In the course of providing technology service and engaging in construction, the major measures adopted by the Group are as follows:

(1) Further strengthening the public transport reform that the management and employees should use public transport as the major means of transportation on a business trip;

(2) Implementing quantitative indicators for the use of diesel and gasoline by operation teams to monitor usage.

Through the above measures, the Group has reduced the emission of waste gas and nitrogen oxides.

Environmental, Social and Governance Report

Primary emissions

Index	For the year ended 31 December 2025	For the year ended 31 December 2024	Change
Nitrogen oxide (kg)	**5,830.6**	6,676.3	(845.7)
Sulphur oxide (kg)	**34.2**	40.7	(6.5)
Particulates (kg)	**565.7**	644.5	(78.8)

Index	For the year ended 31 December 2025	For the year ended 31 December 2024	Change
Carbon dioxide (kg)	**2,945,195.0**	3,086,599.5	(141,404.5)
Carbon dioxide equivalent in methane (kg)	**1.2**	1.3	(0.1)
Carbon dioxide equivalent in nitrous oxide (kg)	**74.1**	86.2	(12.1)
Gross greenhouse gas emissions (kg)	**2,945,270.3**	3,086,687.0	(141,416.7)
Greenhouse gas emissions per million yuan of revenue (kg/RMB million)	**1,718.4**	1,822.1	(103.7)

Index	For the year ended 31 December 2025	For the year ended 31 December 2024	Change
Domestic wastes (tonne)	**880.3**	960.1	(79.8)
Domestic wastes discharge per million yuan of revenue (tonne/RMB million)	**0.51**	0.57	(0.06)
Domestic wastewater (tonne)	**24,448.4**	28,426.6	(3,978.2)
Domestic wastewater discharge per million yuan of revenue (tonne/RMB million)	**14.3**	16.7	(2.4)

Environmental, Social and Governance Report

3.2.2 Resources Conservation

The resource consumption involved in the course of production and office operation of the Group mainly includes water, electricity, natural gas, fuel oil, paper and others. The Group has attached importance to energy saving and consumption reduction during its daily operation, for this purpose it has constantly made efforts to proceed the "Energy Efficiency Boost" program, strived to enhance the supply of clean energy, and steadily increased the utilization level of resources and energy. As such, the Group has re-modelled the equipment to replace oil with electricity (for drilling power) and utilized state-of-the-art technology and process, which effectively minimizes the operation cycle to achieve the target of energy consumption reduction. The Group promotes green purchasing, green workplace, green energy consumption and green travelling. As to production operations, the Group promotes recycling of water resources. At the same time, it encourages and educates its employees on water saving. Running gas, water emergency, dripping and leakage of equipment are prohibited. For the year ended 31 December 2025, there was no wastage of water resources.

3.2.3 Environment and Natural Resources

The Group strictly complies with the environmental protection laws and regulations in the jurisdictions where the Group operates, including the Water and Soil Conservation Law of the People's Republic of China, the Environmental Impact Assessment Law of the People's Republic of China, and it has continuously consummated environmental management policy and system, further improved the cleanness level of construction sites, optimized and enhanced the clean production model. The Group has made efforts to alleviate the impact arising from the course of operation on the local environment, contributing to the beautification and greening of the environment. Moreover, it has obtained the ISO14001:2015 Environmental Management System Certification. The Group has formulated the Special Emergency Plan for Environmental Emergencies, clarifying the working requirements, responsibility, procedures and contents of clean production. The Group has incorporated the environmental management into its annual QHSSE Responsibility Statement, carries out two HSE supervising inspections annually, devoting itself to developing clean production project while minimizing the environmental impact arising from the Group's production and operation activities. For the year ended 31 December 2025, there was no environmental related penalty imposed to the Group.

Environmental, Social and Governance Report

Index		For the year ended 31 December 2025	For the year ended 31 December 2024	Change
Electricity (kwh)		**4,437,852.0**	4,857,281.0	(419,429.0)
Electricity consumption per million yuan of revenue (kwh/RMB million)		**2,589.3**	2,867.3	(278.0)
Gas (m^3)		**285,796.0**	375,188.6	(89,392.6)
Gas consumption per million yuan of revenue (m^3/RMB million)		**166.7**	221.5	(54.8)
Oil (m^3)	Diesel	**1,960.4**	2,232.3	(271.9)
	Gasoline	**266.7**	296.9	(30.2)
	Engine oil	**376.9**	367.0	9.9
Oil consumption per million yuan of revenue (m^3/RMB million)		**1.5**	1.7	(0.2)
Paper (piece)		**839,812.0**	918,226.0	(78,414.0)
Paper consumption per million yuan of revenue (piece/RMB million)		**490.0**	542.0	(52.0)

Index	For the year ended 31 December 2025	For the year ended 31 December 2024	Change
Water consumption for production (m^3)	**161,764.0**	195,252.5	(33,488.5)
Water consumption for production per million yuan of revenue (m^3/RMB million)	**94.4**	115.2	(20.8)
Water consumption for domestic and office use (m^3)	**30,708.0**	35,189.7	(4,481.7)
Water consumption for domestic and office use per million yuan of revenue (m^3/RMB million)	**17.9**	20.8	(2.9)

Index	For the year ended 31 December 2025	For the year ended 31 December 2024	Change
Cartons (kg)	**13,823.0**	14,243.0	(420.0)

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3.3 Occupational Health and Safety Management

3.3.1 Initiating "HSE Management Improvement Year" to strengthen the development of the HSE management system and comprehensively enhance HSE management capabilities

The Group established an activity leading group in which the safety director acted as the leader and the first accountable person for safety production in each unit as the deputy leader, focused on institutional development, clear accountability, legal compliance, training implementation, hazard identification, emergency management, and incident control and devoted efforts to operate the HSE system to ensure the achievement of HSE work objectives.

3.3.2 Initiating 2025 "Production Safety Month" to enhance the safety awareness of all personnel and their ability to identify and address potential hazards

In accordance with requirements of 2025 National Production Safety Month with theme of "Everyone Stresses Safety, Everyone Knows Emergency Response – Identify Potential Safety Hazards around You", we carefully arranged and organized various tasks on Production Safety Month.

(1) Create an atmosphere of "Production Safety Month";

(2) Organize and carry out a firmwide campaign to identify potential hazards in the workplace;

(3) Organize and conduct emergency drill activities;

(4) Organize and conduct safety skills competition; and

(5) Launch a themed essay contest.

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3.3.3 Regulating production and business practices

To further regulate the Group's production and operational practices, fulfill its commitment to complying with all applicable laws, regulations, standards, and other requirements, and meet the QHSE system audit demands of clients and third parties, the Group has initiated the collection of laws, regulations, and standards, along with compliance evaluations. It has comprehensively reviewed all laws, regulations, national standards, industry standards, and other mandatory requirements relevant to the Group's business operations, systematically assessed the compliance of the Group's current systems, business processes, and operational standards, identified potential risks, and formulated rectification measures. A long-term mechanism for compliance management is established and improved to enhance compliance awareness among all employees, and ensure the sustainable development of the Company.

3.3.4 Hazard identification and risk classification management

In accordance with the Work Safety Law of China and the Group companies' work safety management requirements, hazard identification and risk classification control activities have been initiated. The document "Notice on Conducting Hazard Identification and Risk Classification Control" (Group Safety Document [2025] No. 5) has been issued, clarifying the work objectives, scope and methods of identification while outlining specific work requirements. 1. Comprehensively identify all types of hazards in the production and operational activities across all regions of the Group companies, scientifically assess risk levels, establish and improve a risk classification and control mechanism, ensure effective management of all risks, reduce the likelihood of accidents, and safeguard the lives and property of employees while ensuring the stable development of the Company. 2. Enhance employee safety awareness by identifying hazards, enabling staff to recognize potential dangers in their work environment and surrounding areas, understand existing control measures, and learn how to properly perform protective and monitoring duties. 3. In accordance with the requirements of the newly enacted Work Safety Law, continuously improve the Company's QHSE management system.

3.3.5 Strengthening seasonal safety production efforts

In response to the rising summer temperatures and increased frequency of extreme weather events such as heavy rainfall, lightning, and strong winds, which pose significant challenges to workplace safety, the Group has introduced eight enhanced safety production measures: enhance safety awareness and implement safety responsibilities; strengthen safety education and training to improve employee safety literacy; conduct safety hazard inspections and rectifications to promptly eliminate potential risks; ensure heatstroke prevention and cooling measures to safeguard employee health; strengthen hazardous chemical management to strictly prevent accidents; enhance fire safety management to guard against fire incidents; strengthen emergency management to improve incident response capabilities; and implement the Group's summer "Nine Prevention" requirements, which have effectively prevented and curbed various types of production safety accidents, ensuring the smooth operation of production and business activities across all regions while safeguarding the lives and property of employees.

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3.3.6 Revising System

In order to further improve the safety management systems of the Group companies' major regions and project departments, enhance the standardization of safety production, and ensure the legality, compliance, timeliness, effectiveness, and operability of safety management systems and operating procedures, so as to better guarantee the safe and stable operation of production and business activities in various regions, the Group has strengthened top-level design and continuously improved its relevant systems of safety production. The Group has organized the revision of safety management systems and operating procedures, and revised relevant management systems such as the Territorial Management Measures and Steel Wire Operation Procedures.

3.3.7 The Group's Safety Inspection

The Group established a leading group for the Group's safety inspection. The inspection team inside China was led by the Group's chief safety officer to carry out comprehensive inspections, and the inspection team outside of China was organized by the regional safety officer for inspections. It was carried out in three stages: self-inspection by each project department, random inspection by the Group's safety inspection officer, and summary and evaluation.

For issues identified during the inspections, the Rectification Notice for Hidden Hazards was issued, requiring all units to complete rectification within a specified timeframe. All rectification work has now been completed.

3.3.8 Announcing the Results for Quarterly Safety Assessment by the Group

By implementing the responsibility system of safety production for all employees and improving their safety responsibility awareness and safety management skills, the Group aimed to strengthen the safety management of its production and operation to ensure the achievement of safety production goals in 2025. The Safety Commission Office of the Group, in accordance with the 2025 QHSSE Responsibility Statement, implemented flag hanging quarterly and annual performance appraisal mechanism. In 2025, the assessment of quarterly and annual safety production was conducted and publicized to all units in an effort to urge them to continue to do a good job in safety production.

3.3.9 Work Injury Statistics

Number of deaths due to work in the past three years (2025 inclusive)	0
Percentage of deaths due to work in the past three years (2025 inclusive)	0
Number of workdays lost due to work-related injuries in 2025	0

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3.4 Customer Satisfaction

As of 31 December 2025, the Group did not violate any laws and regulations in the jurisdictions where the Group operates in relation to quality, health, safety and environment with respect to the products and services provided, nor received any complaints or charges.

Case 1:

The Turkmenistan Project Department of the Group successfully completed the emergency mission to evacuate personnel from Iran. During the conflict in the Middle East, the Group assisted in the evacuation of 545 Chinese citizens from Iran via Turkmenistan, playing a key role in the process. This effort earned commendations from the Chinese Ambassador to Turkmenistan and CNPC Amu Darya Gas Exploration & Development (Beijing) Co., Ltd. CNPC Amu Darya Company sent a letter of appreciation to the Group for its outstanding contribution to the evacuation.

Case 2:

The drilling team of the Group's Indonesia Project Department was featured on the official website of Indonesia's Energy Window. On 10 September 2025, Djoko, Chairman of Indonesia's Oil and Natural Gas Regulatory Authority, announced that Well SAS-X, contracted to ECI Rig 1 (SPT Indonesia Drilling Rig 1), had successfully discovered oil and natural gas reserves after 86 days of drilling, achieving a historic breakthrough. On the same day, the official website of Indonesia's Energy Window published a headline news article themed "Major Discovery at SAS-X", which significantly enhanced the Group's brand visibility in the Indonesian energy industry and established a strong reputation for the Group within Indonesia's oil and natural gas sector.

Case 3:

The Turkmenistan Project Department of the Group was awarded the title of "Excellent QHSE Contractor" by CNPC. To ensure the winter natural gas supply, the Turkmenistan Project Department organized a "100-Day Safety Campaign" for winter natural gas supply. The project team members worked together with a proactive response, efficiently and excellently completing the Client's operational tasks and fulfilling contract obligations in projects such as the emergency rescue at the eastern gas field manifold, the completion of the emergency rescue well, the well hazard control, and the large-scale acid fracturing operations. CNPC Amu Darya Company awarded the Turkmenistan Branch the title of "Excellent Contractor for QHSE Management" and conferred the title of "Advanced Individual in Safety Production" on six colleagues.

Case 4:

In September 2025, Iraq Oasis Petroleum Co., Ltd. highly recognized the safety management of Crew 3005 of the Middle East Oasis Project Department and awarded it the Mobile Red Flag for Safety Benchmark Team.

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Case 5:

On 30 October 2025, Amu Darya Corporation under PetroChina held a grand meeting to summarize and commend the 2025 annual overhaul and mobilize the supply in Winter. With its professional and efficient technical service, its commitment to keep improving construction quality and strong sense of responsibility, Turkmenistan project team of the Group had been awarded the honorary title of Advanced Unit of Natural Gas Supply Guarantee between China and Turkmenistan, fully praised for its first-class service quality, and highly recognized by client for its strength.

IV. EMPLOYEES' RIGHTS AND INTERESTS

4.1 Legal Employment

The Group complies with the state and local laws and regulations in relation to recruitment. These laws and regulations include: the Labour Law of the People's Republic of China, the Employment Contract Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Minors, the Provisions on the Prohibition of Using Child Labour, the Provisions on Special Protection of Minors, the Labour Law of the Republic of Kazakhstan and other applicable laws and regulations of relevant countries. The Group undertakes not to use forced labour, pledged labour (including bonded labour), indentured labour or non-voluntary prison labour and not to be involved in slavery nor labour trafficking. All work must be performed voluntarily, and employees have the right to leave or terminate their employment contract immediately. No employment conditions should require any employees to hand in any personal identification, passport or VISA issued by the government. No expenses other than those required to be charged under relevant laws and regulations should be charged to the employees and the charges must be disclosed publicly. Child labour is strictly prohibited at any stage of production or manufacturing. Wages paid to employees shall comply with the labour laws applicable to the places of employment and wage payment receipts must be issued to employees in the form of wage slip or other similar papers in a timely manner. No brutal, inhumane actions or any threat of the following actions can be taken against the employees, including any form of sexual harassment, sexual abuse, physical punishment, mental or physical oppression or verbal abuse. The human resources department of the Group requires applicants to present valid ID documentation upon recruitment and carries out background checks as appropriate based on the information provided.

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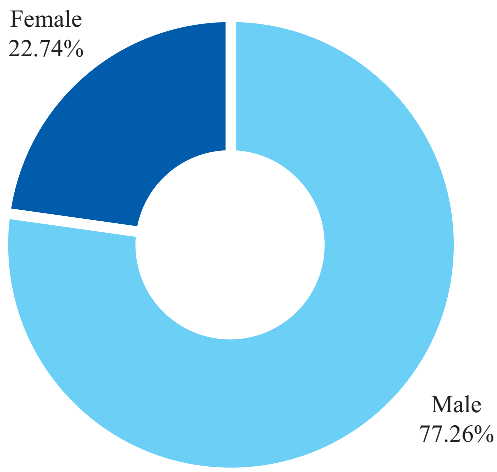
For the year ended 31 December 2025, the Group had no labor disputes or any noncompliance with laws and regulations relating to child labour or forced labor.

For the year ended 31 December 2025, the employee structure and number of separations of the Group are as follows:

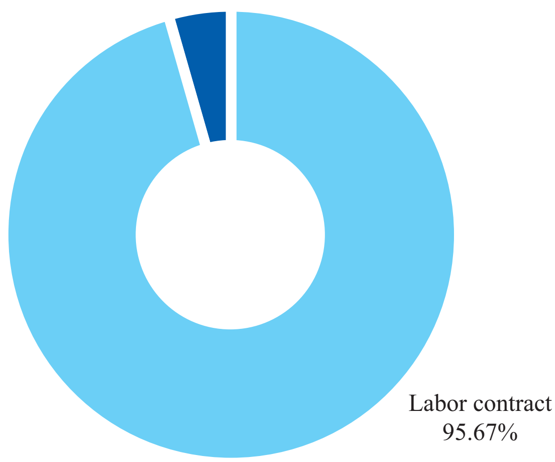
Total workforce by gender, employment type, age group and region (number of employees at the beginning of the period: 3,805; number of employees at the end of the period: 3,325)

Gender



	Number of employees
Male	2,569
Female	756
	Total 3,325

Employment type



	Number of employees
Labor contract	3,181
Labor service contract, consultancy agreement, and others	144
	Total 3,325

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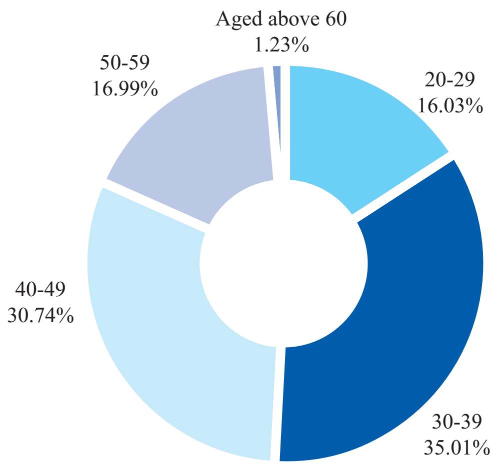
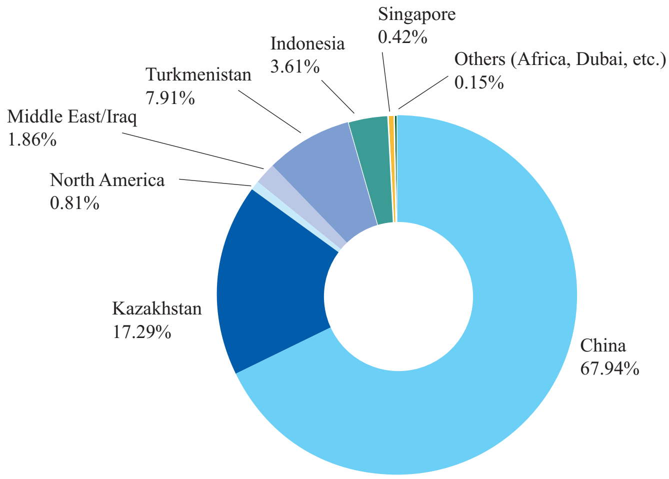
Age group



	Number of employees
20-29	533
30-39	1,164
40-49	1,022
50-59	565
Aged above 60	41
	Total 3,325

Region



	Number of employees
China	2,259
Kazakhstan	575
North America	27
Middle East/Iraq	62
Turkmenistan	263
Indonesia	120
Singapore	14
Others (Africa, Dubai, etc.)	5
	Total 3,325

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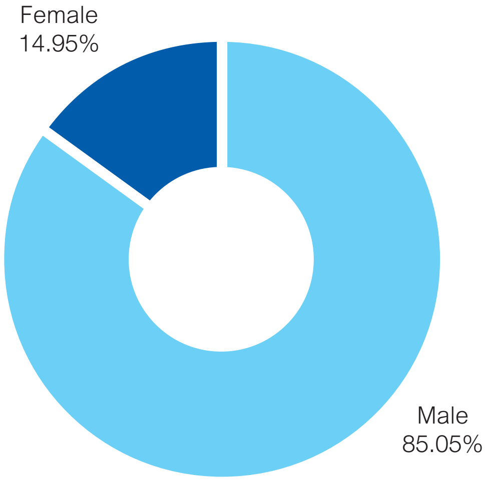
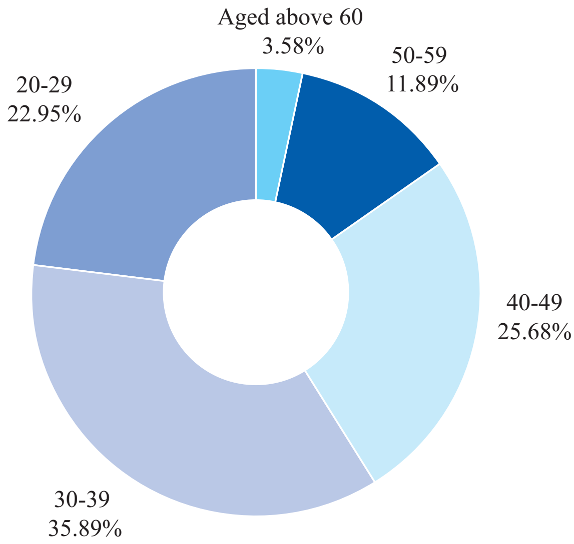
Employee turnover rate by gender, age group and region
(turnover rate = number of resignations at the current period/(number of employees at the end of the period+ number of resignations at the current period))

Gender



Employee turnover rate by gender	
Male	23.93%
Female	15.81%

Age group



Employee turnover rate by age group	
Aged above 60	45.33%
50-59	16.67%
40-49	19.27%
30-39	22.66%
20-29	29.03%

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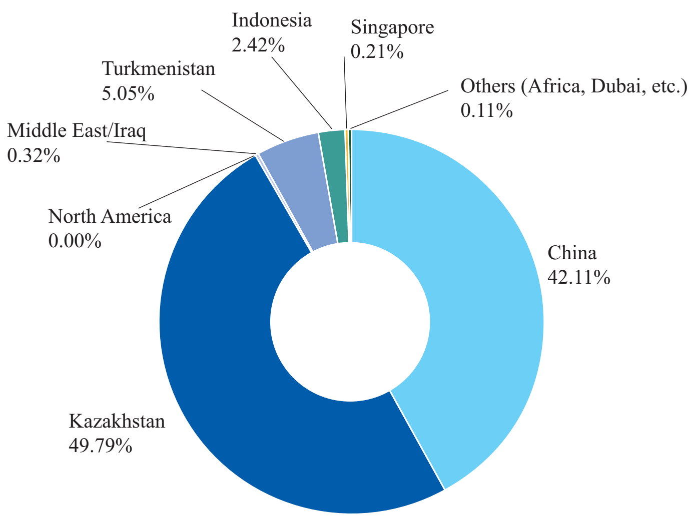
Region



	Employee turnover rate by region
China	15.04%
Kazakhstan	45.13%
North America	0.00%
Middle East/Iraq	4.62%
Turkmenistan	15.43%
Indonesia	16.08%
Singapore	12.50%
Others (Africa, Dubai, etc.)	16.67%

4.2 Development and Training

In 2025, focusing on the business development needs of key regions and project departments, with an emphasis on talent cultivation in key overseas markets, the Group strengthened efforts to enhance the business acumen, team leadership, and project management capabilities of newly appointed and potential managers. By integrating various formats such as “online cutting-edge technology courses”, “offline practical case discussions” and “themed brainstorming sessions”, a systematic talent empowerment pathway was established.

Leveraging and upgrading the online learning platform, the Group further expanded training coverage and enhanced the convenience and flexibility of learning. Building upon the successful operation of classic online programs such as new employee induction training, tiered management capability enhancement, and all-position safety awareness enhancement, new thematic modules tailored to business development were introduced, including “Energy Technology Forum”, “Scenario-based Oral English” and “Business Document Writing”.

In 2025, the Group companies organized a total of 846 training sessions (including online and offline) throughout the year, with attendance reaching 13,901 and total training hours reaching 101,203 (including online and offline). The training content comprehensively covered key areas such as business operation management, core technology research and development, safe production operations, comprehensive management competencies, and new employee integration, ensuring that training efforts aligned with business development needs.

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During the Reporting Year, the percentage of trained employees and the average training hours per employee of the Group were as follows:

Percentage of trained employees in each category (%)

Classification	2025
By gender	
Male	90%
Female	65%
By employee category	
Senior management	30%
Middle management	62%
Ordinary employees	85%

The average training hours of each category (hour(s))

Classification	2025
By gender	
Male	41.1
Female	12.6
By employee category	
Senior management	16
Middle management	37.4
Ordinary employees	39.2

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V. RESPONSIBILITY MANAGEMENT

5.1 Supply Chain Management

The Group adopts an "access system" for the selection of new suppliers. In other words, the procurement unit (project department) under the Group will initiate the application for a supplier access according to the operation demand. Once the application has been approved, the supplier is qualified and the Group can then conduct business transactions with them. The Risk Management Department of the Group is responsible for the day-to-day supervision for the implementation of the access system and conducts regular internal audit. Regarding the access of new suppliers, suppliers are required to provide qualifications such as the Basic Information Questionnaire and sign an anti-fraud commitment letter. Depending on the characteristics of the business, we will also conduct on-site visits to suppliers. The Group conducts annual performance evaluations of its suppliers to review the quality of their products or services, to ensure that the suppliers' comprehensive capabilities, including quality assurance capabilities and production or service assurance capabilities, meet the Group's requirements. The assessments also facilitate continuous improvement of suppliers. As an oil-field services entity, the Group has always attached importance to environmental protection and sustainable development. This concept will also be passed on to the downstream suppliers of the supply chain, thereby enhancing the sustainable development of the entire chain and ultimately achieving green supply chain management. The Group has enhanced its information technology and modern management practices to optimize every aspect of cooperation with suppliers. The Group will focus on developing long-term strategic cooperation relationships with suppliers who perform better in terms of environmental protection and sustainable development and grant them with favour and incentives such as developing into strategic suppliers and purchase amounts.

As of 31 December 2025, the number of suppliers by region of the Group is as follows:

Year	Total number of suppliers January to December	Overseas	Chinese mainland	Distribution of major cities in Chinese mainland					
				Xinjiang	Sichuan and Chongqing	Beijing	Shaanxi	Tianjin	Others
2025	1,033	487	546	214	45	42	48	35	162

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5.2 Anti-Corruption Management

The Group and its employees are in strict compliance with the relevant laws and regulations of the places where it operates, including the Company Law of the People's Republic of China, the Law of the People's Republic of China Against Unfair Competition, the Law of the People's Republic of China on Bid Invitation and Bidding, the Criminal Law of the People's Republic of China, the Prevention of Bribery Ordinance in Hong Kong, special administrative region of the People's Republic of China. As of 31 December 2025, there were no cases of corruption, bribery, blackmail, fraud and money-laundering within the Group.

5.2.1 Improving Anti-fraud Reporting Procedures and Working Mechanism

There is a hotline and a mailbox published on the official website of the Group where employees may file complaints of any fraud behavior identified and submit the evidence under their name or anonymously by phone, email, Enterprise WeChat and post. The Group has established a top-down anti-fraud working mechanism, and implemented rigid management of "strengthen compliance, supervision and disciplinary action" (規範有序、接受監督、加強懲戒)" in accordance with the management requirements of "everyone is held responsible for their duties, accountable for their action and liable for their dereliction" (有職就有責、任職要負責、失職要問責)". The supervisory department of the Group tracks possible violations of discipline and law in the internal audit process. It takes the initiative to learn about cases of disciplinary violations during work interviews, and organizes special supervision work on a regular basis. It also participates in the tendering process of the Group's large-scale procurement of materials and services and supervises the evaluation process. It conducts anti-fraud investigations in a timely manner in response to reported fraud and files their opinions based on the investigation results.

5.2.2 Creating an Anti-fraud Cultural Environment and Promote Moral Integrity Education

The Group has formulated and issued a number of internal supervision and management systems such as the Anti-fraud Management System, Anti-fraud Work Rules, Risk Management Requirements Regarding the Appointment of Senior Management and Implementation Rules for the Fraud and Violation Determination, and actively organized corruption-free and integrity explanation and publicization, aiming to improve the integrity awareness of all employees and their ability to identify fraud, ultimately preventing the occurrence of fraud.

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5.3 Social Responsibility

In the process of providing oil-field technical services, the Group satisfies the requirements regarding environment protection of the relevant parties through effective implementation of environmental protection and social investment measures. In addition to undertaking social responsibilities, it has built a friendly, harmonious and win-win environment with local residents.

In 2025, Petrotech (Xinjiang) Engineering Co., Ltd effectively addressed the industry's development bottlenecks through the research and development of key technologies. This not only promoted collaborative progress within the industry but also created numerous stable job opportunities, vividly demonstrating the corporate sense of responsibility under the principle of "specializing in the industry, with responsibility at heart". As a result, it was awarded the title of "Specialized, Refined, Distinctive, and Innovative Small and Medium-Sized Enterprise" in the autonomous region. Meanwhile, the Group actively responded to the call for "Enterprise-Village Partnership" in Luntai County by carrying out targeted assistance and care activities in Kexilikearele Village, Qunbake Town. The Group provided life support and development confidence to local impoverished households, demonstrating its corporate commitment through practical actions.

Xinjiang SPT Engineering Service Co., Ltd has played a proactive role in stabilizing employment, empowering industries, and assisting with people's livelihoods. Its social responsibility efforts have been highly recognized by the local government. In addition to receiving the title of "Specialized, Refined, Distinctive, and Innovative Small and Medium-Sized Enterprise", it was also awarded dual honors as the "Outstanding 'Four Major' Enterprise Supporting Local Economic Development" and the "Outstanding Enterprise" by the Korla Municipal Party Committee and Municipal Government.

Petrotech (Xinjiang) Xinhai hired more than 300 people from ethnic minorities, and was awarded the "Advanced Group for Ethnic Unity and Progress Among Exploration and Development Corporations in Southwest Tarim. It was a key target of the people's livelihood policy the Party Committee of Exploration and Development Corporations in Southwest Tarim, and was an important platform for the Group to fulfill its social responsibility of "stabilizing employment, ensuring people's livelihood and promoting harmony".

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VI. CLIMATE CHANGE

6.1 Climate Governance

6.1.1 Climate Governance Structure

The Group has established a top-down climate governance structure and put in place a sound, scientific and efficient management mechanism to coordinate the deployment and implementation of climate change adaptation and mitigation initiatives, thereby safeguarding the Group's competitiveness and sustainability in addressing the global challenge of climate change. The governance structure comprises three tiers, namely the Board, the management level (the ESG Management Committee) and the execution level (major regional offices, subsidiaries and project departments of the Group).

6.1.2 Climate Change Management

The Group implements systematic and comprehensive internal management strategies, and strictly standardizes climate management standards and procedures, while comprehensively enhancing employees' low-carbon awareness and professional capabilities, thereby ensuring the timely achievement of the Group's low-carbon development objectives.

(1) System construction: The Group has formulated the Energy Management Procedures, which set out requirements regarding energy consumption supervision and management as well as energy-saving technological transformation projects. Each unit of the Group is required to submit the ESG Management Data Statistical Form on a monthly basis to ensure continuous optimization of carbon emissions and to establish clear standards for carbon emissions of incremental projects.

(2) Capability enhancement: A systematic training mechanism has been established. Through the Group's learning platform, courses related to green and low-carbon are released to cultivate low-carbon awareness among all employees. The Group also participates in industry exchanges on carbon reduction to keep abreast of the latest industry technologies and policy requirements.

(3) Performance assessment: Annual energy-saving and low-carbon targets are decomposed at different levels and incorporated into the annual environmental performance assessment of each unit within the Group.

(4) Carbon emissions management and control: The Group has established an energy management system and formulated energy management policies and targets to effectively control energy consumption, reduce greenhouse gas emissions and mitigate environmental impacts. Carbon emissions from various emission sources are recorded and compiled into a database.

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(5) Supervision and management: Through internal supervision mechanisms, the Group conducts regular analysis and review of the implementation effectiveness of its "dual carbon" plan through monthly tracking and annual assessments, and continuously improves related measures. Externally, the Group discloses to stakeholders the progress of its "dual carbon" targets and related initiatives.

(6) Digitalized management: The Group has established a talent pool of energy-saving and low-carbon experts to provide systematic and scientific guidance for energy conservation and carbon reduction initiatives.

(7) Showcase and Promotion: Each year, the Group publicizes outstanding practices of exemplary units in areas such as energy conservation, water saving and carbon reduction, providing reference for other units. Through dedicated sections on the official website and other channels, the Group showcases its philosophy, management approaches, practices and achievements in addressing climate change. Awareness of energy conservation and carbon reduction is also enhanced through promotional posters, brochures and other communication activities.

6.2 Strategy

The Group actively responds to the national "dual carbon" targets and has formulated the "3060 Carbon Reduction Roadmap", while planning the development of a net-zero carbon industrial chain and implementing key initiatives for carbon peaking and carbon neutrality. By systematically promoting energy conservation and emission reduction, the Group is transforming toward a green and low-carbon development model, striving to promote its own sustainable development while contributing to the protection of the future for our planet.

6.2.1 Moving Toward Carbon Neutrality — The 3060 Carbon Reduction Roadmap

Climate change poses a shared challenge to humanity. China attaches great importance to addressing climate change and has clearly proposed the major strategic goal of reaching peak carbon emissions by 2030 and carbon neutrality by 2060. As an active participant in this national strategy, the Group has formulated its emission reduction goals in accordance with its operational conditions and medium– to long-term strategic planning, namely "reaching peak carbon emissions by 2030 and carbon neutrality by 2060", thereby contributing to a greener and more sustainable future.

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(1) *Initial emission reduction phase (2020-2030)*

Review the Group's carbon emissions and carbon intensity in 2020 and define future emission reduction pathways and mechanisms.

Optimize energy structure and reduce carbon emissions through process upgrades, equipment upgrades and green operations.

Continuously reduce emission intensity of existing projects through the application of energy-saving and emission reduction technologies and phasing out outdated production capacity.

Strengthen carbon emissions controls of incremental projects to effectively control carbon emission intensity.

(2) *Deep decarbonization phase (2031-2050)*

Accelerate the transformation of the energy structure, develop and promote low-carbon technologies, and further explore carbon reduction potential.

Continuously refine industrial processes to significantly reduce emissions from fossil fuel combustion.

(3) *Near-zero carbon phase (2050-2060)*

Achieve comprehensive energy transition and fully promote low-carbon technologies, while balancing residual carbon emissions through negative carbon measures or carbon offset mechanisms.

Accelerate the proportion of green energy applications.

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6.2.2 Green Industrial Chain — Leading a Net-Zero Carbon Future

The Group is committed to building a net-zero carbon green industrial chain. Centered on the principles of "improving carbon quality, strengthening carbon utilization, advancing carbon reduction and enhancing carbon capability", the Group formulates practical plans for different business segments, realizing full-process carbon emissions management and promoting a low-carbon and efficient transformation of the industrial chain.

Strategic planning for the Group's net-zero carbon green industrial chain:

(1) Improving carbon quality

Optimize operational processes, introduce advanced technologies and improve energy utilization efficiency.

Expand industrial presence in low-carbon sectors through technological innovation and industrial upgrading.

(2) Strengthening carbon utilization

Continuously optimize existing processes and explore new technologies and methods to achieve energy conservation, emission reduction, cost reduction and efficiency improvement throughout operational processes.

(3) Advancing carbon reduction

Improve the utilization efficiency of raw materials and achieve energy conservation and carbon reduction throughout production and operation processes.

(4) Enhancing carbon capability

Adopt intelligent digital carbon management systems and tools, strengthen green supply chain management and enhance green competitiveness.

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6.2.3 *Driving Action — Pathways to Achieve the "Dual Carbon" Goals*

Based on operational realities, the Group has developed carbon peaking and carbon neutrality action plan focusing on energy management, clean energy adoption, power efficiency improvements, and outdated equipment phase-out. These initiatives comprehensively promote energy conservation and emissions reduction, ensuring sustainable development and environmental protection while demonstrating corporate responsibility for supporting green growth.

(1) Strengthening energy management

Establish a carbon emissions management system in accordance with the PDCA (Plan-Do-Check-Act) cycle to enhance energy management capabilities, and progressively develop and improve a carbon emissions data accounting and management system to provide a basis for formulating carbon management policies and strategies for carbon peaking and carbon neutrality.

(2) Using clean energy

Adopt clean energy sources such as photovoltaic power generation and natural gas to meet the energy demands for production and operations.

(3) Reducing power consumption

Continuously optimize power and heating supply systems to reduce resource consumption.

(4) Phasing out outdated equipment

Replace outdated equipment with advanced energy-saving equipment to achieve energy conservation and consumption reduction at the source and significantly enhance equipment productivity.

(5) Adopting innovative processes

Utilize advanced processes to optimize total energy consumption in operations and reduce energy consumption.

(6) Building a low-carbon brand

Improve carbon emissions disclosure in accordance with the information disclosure requirements of the Hong Kong Stock Exchange, publish low-carbon transformation plans and formulate low-carbon brand promotion strategies to build competitive advantages for the Group's low-carbon brand.

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6.3 Risks and Opportunities

The Group systematically manages climate risks and opportunities to ensure the sustainability of its strategic planning and business operations.

(1) Risk and Opportunity Identification and Assessment

Through interviews and discussions with relevant business sectors and functional departments, industry research, and by integrating information on policies, markets, technologies, and future development trends, we have identified 10 climate-related risks and opportunities. These include 2 physical risks, 4 transition risks, and 4 opportunities.

Risk category	Physical risks	Transition risks	Opportunities
Risk name	Acute risks: Extreme weather events such as typhoons and heavy rains Chronic risks: Continuous high temperature, drought, etc.	Policy and law risks Technical risks Market risks Reputational risks	Resource efficiency Products and services Market Adaptability

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(2) Materiality Assessment of Risks and Opportunities

The Group conducts a materiality assessment of climate-related risks and opportunities by evaluating the probability of their occurrence and the extent of their impact on the business against two dimensions, namely "likelihood of occurrence" and "potential impact level". Based on the materiality of risks and opportunities derived from the analysis, the Group efficiently integrates limited resources, prioritizes the prevention of significant risks, and seizes important opportunities to ensure stable operation and management, thereby enhancing its core competitiveness and influence.

Risk category		Impact on value chain	Risk description	Potential financial impact	Likelihood of occurrence	Potential impact level	Materiality level
Physical risks	Acute risks: Extreme weather events such as typhoons and heavy rains	Direct operation	Damage to construction sites, office buildings and equipment, causing asset losses; Stable production affected by equipment damage, employees' inability to work, transportation interruption, etc.; Impact brought by supply chain disruptions.	Increased costs for emergency maintenance and operation management Increased equipment-related expenditures Reduced revenue due to decreased workload	Medium	High	Material
	Chronic risks: Continuous high temperature, drought, etc.	Direct operation	The rising temperature will require the Company to equip more refrigeration equipment, increasing its energy consumption and operating costs; Employees may not be able to work outdoors for a long time during the hot season, which affects operational efficiency of the Company; Intensified water-supply shortage in water-scarce areas.	Increased costs for emergency repairs and operations management Increased equipment-related expenditures Reduced revenue due to decreased workload Increased water consumption costs	Medium	Medium	Relatively material

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Risk category		Impact on value chain	Risk description	Potential financial impact	Likelihood of occurrence	Potential impact level	Materiality level
Transition risks	Policy and law risks	Direct operation	The government may introduce more stringent policies and regulations to mitigate climate change, which may increase the workload of business compliance, and the number of related lawsuits or claims.	Increased compliance costs	High	Medium	Material
	Technical risks	Direct operation	Failure to identify and apply low-carbon technologies in a timely manner, resulting in the low-carbon transformation of products falling behind industry peers and affecting the efficiency of low-carbon transformation.	Increased costs for low-carbon technology research and development	Medium	High	Material
	Market risks	Value chain	Increase in raw material and energy costs; Decrease in demand for fossil fuels.	Reduced revenue due to decreased workload	Medium	High	Material
	Reputational risks	Direct operation	Negative feedback from stakeholders due to poor performance in climate change and sustainability or the occurrence of major environmental incidents.	Increased compliance costs	Low	Low	General

Environmental, Social and Governance Report

Opportunities	Impact on value chain	Opportunity description	Potential financial impact	Likelihood of occurrence	Potential impact level	Materiality level
Resource efficiency	Direct operation	Demand for more energy-efficient equipment and low-carbon technology; Supportive policy incentives of green transformation.	Reduced energy consumption costs, increased revenue	Medium	Medium	Relatively material
Product and services	Value chain	Promotion and application of green and low-carbon products; Comprehensive solutions for climate change in the industry.	Increased revenue	Medium	Medium	Relatively material
Market	Value chain	Huge market demand for green energy development; International market expansion.	Increased revenue	High	High	Material
Adaptability	Value chain, direct operation	Ability to aggregate resources; Identification of alternative energy sources and diversified solutions; Participation in renewable energy projects.	Reduced energy usage costs, increased revenue	High	High	Material

(3) Conducting Climate Scenario Analysis

The Group has conducted a scenario analysis on the identified climate-related risks and opportunities. Under different climate scenarios, the Group comprehensively analyzes the potential impacts of climate-related physical risks, transition risks, and opportunities on its production operation and financial condition, and formulates corresponding response measures to enhance resilience in climate action. The climate scenario analysis process includes defining the analysis boundaries, identifying climate risks and opportunities, and conducting climate scenario analysis.

(4) Managing and Responding to Risks and Opportunities

1. Based on the scenario analysis results of the physical climate risk, the Group promptly adjusts its strategic planning and deployment, formulates corresponding response measures, actively prevents and controls risks, and effectively enhances its adaptability to climate change.

Risk category		**Impact period**	**Countermeasures**
Physical risks	Acute risks: Extreme weather events such as typhoons and heavy rains	Short-term Medium-term Long-term	Closely monitor, regularly update climate-related data and issue timely warnings; Formulate emergency response plans for natural disasters, and continuously improve the emergency response mechanism for natural disasters; Identify potential asset damage and purchase necessary insurance.
	Chronic risks: Continuous high temperature, drought, etc.	Medium-term Long-term	Apply more energy-efficient refrigeration equipment; Scientifically arrange production plans, deploy production organizations carefully, and improve operational efficiency.

Environmental, Social and Governance Report

2. Based on the analysis results of climate-related transition risks and opportunities, the Group formulates targeted and systematic solutions to minimize the adverse impacts of risks while embracing development opportunities, thereby achieving a green and low-carbon transformation.

Risk category		Impact period	Countermeasures
Transition risks	Policy and law risks	Short-term Medium-term Long-term	Closely monitor changes in environmental laws, regulations and policies and respond to them in a timely manner; Strictly abide by applicable laws and regulations and actively participate in standard setting; Improve our low-carbon development and risk control and management for safety and environmental protection.
	Technical risks	Medium-term Long-term	Increase the proportion of new energy use and actively carry out cooperation with peers; Increase investment in technological innovation, vigorously develop low-carbon and energy-saving technologies, and improve the ability to research and develop its own new technology and equipment.
	Market risks	Medium-term Long-term	Build an energy information platform to monitor and analyze energy use, and improve energy management and control capabilities; Step up market development and increase the proportion of external market business.
	Reputational risks	Medium-term Long-term	Enhance the Company's sustainable development capabilities and actively respond to climate change; Enhance the transparency of ESG information disclosure and respond to the concerns of stakeholders.

Environmental, Social and Governance Report

<table>
<tr><th colspan="2">Opportunities</th><th>Impact period</th><th>Countermeasures</th></tr>
<tr><td>Resource efficiency</td><td>Demand for more energy-efficient equipment and low-carbon technology;
Supportive policy incentives of green transformation.</td><td>Short-term
Medium-term
Long-term</td><td rowspan="4">Actively explore and apply new technologies, new equipment and new processes to improve resource efficiency and reduce energy costs;
Identify and respond to government support policies and green projects;
Strengthen the research and development and promotion of low-carbon technologies, and continue to increase the proportion of green and low-carbon emitting products;
Identify and participate in emerging markets;
Promote the development and utilization of renewable energy through professional technology and service capabilities.</td></tr>
<tr><td>Product and services</td><td>Promotion and application of green and low-carbon products;
Comprehensive solutions for climate change in the industry.</td><td>Short-term
Medium-term
Long-term</td></tr>
<tr><td>Market</td><td>Huge market demand for green energy development;
International market expansion.</td><td>Short-term
Medium-term
Long-term</td></tr>
<tr><td>Adaptability</td><td>Ability to aggregate resources;
Identification of alternative energy sources and diversified solutions;
Participation in renewable energy projects.</td><td>Medium-term
Long-term</td></tr>
</table>

Environmental, Social and Governance Report

6.4 Green Initiatives

The Group is fully aware that climate change represents not only a challenge of our times but also a significant opportunity to enhance market competitiveness and lead the industry towards high-quality and sustainable development. To this end, the Group vigorously implements green and low-carbon operational practices, leveraging our industrial advantages.

(1) Promoting Low-Carbon Production Operation

We deeply explore emission reduction potential, significantly reduce energy consumption, and continuously decrease greenhouse gas emissions from our own production and operational processes. We prioritise low-carbon and environmentally friendly equipment and processes, vigorously promote water conservation, energy saving, and carbon reduction, and drive the greening, intelligentisation and efficiency enhancement of operational procedures.

(2) Developing Low-Carbon Technologies and Promoting Green Business

We adhere to an innovation-driven approach, uphold the concepts of green, low-carbon, and sustainable development, ensure investment in low-carbon technology research and development, and promote new energy businesses.

(3) Leading Carbon Reduction across the Value Chain

While promoting our own energy conservation and carbon reduction, we disseminate the concept of sustainable development and best practices along the value chain. We integrate social responsibility requirements including energy conservation, carbon reduction and climate change into the full lifecycle management of suppliers in respect of access, evaluation, cooperation and exit, so as to build an environmentally and climate-responsible supply chain.

Case 1: Leveraging the Group's whole-process technological advantages in oil and gas exploration and development, we actively respond to the national "dual carbon" goals, seize development opportunities, and vigorously expand our business in the CCUS sector. Carbon dioxide-containing tail gas from chemical plants and other sources is liquefied and then permanently sequestered underground.

Case 2: Relying on years of accumulated drilling technology and adhering to the national green development strategy, we deeply cultivate geothermal businesses such as hot dry rock power generation and medium-to-deep layer urban heating.

Case 3: The Luntai Base in Xinjiang replaced its boilers with gas-fired ones, utilizing clean fuels such as natural gas. These boilers achieve relatively complete combustion with lower energy consumption and reduced pollution.

Environmental, Social and Governance Report

6.5 Targets and Metrics

The Group fully implements the national “dual carbon” goals, sets its own carbon reduction targets and implementation pathways, continuously tracks progress in greenhouse gas emissions, and steadily enhances its capacity to adapt and respond to climate change. The Group has set carbon and emission reduction targets, with 2020 as the base year, greenhouse gas emissions per million yuan will be reduced by 50% by 2030, and we will strive to achieve carbon neutrality for our own operations by 2060. We will strive to achieve results in reducing our carbon footprint through various energy-saving and emission reduction measures to strengthen and promote green work mode and green travel. We are committed to the comprehensive management and control of greenhouse gas emissions and energy consumption, continuously monitoring relevant indicators, and constantly improving the mechanisms for collecting, accounting for and disclosing related data. Progress towards the targets is regularly tracked and published, allowing for timely and flexible adjustments to strategies and actions to ensure the targets are achieved as planned.

Metrics	For the year ended 31 December 2020	For the year ended 31 December 2025	Change	Target as of 31 December 2030
Greenhouse gas emissions per million yuan (kg/million yuan)	2,643.6	**1718.4**	(925.2) (decreased by approximately 35%)	1,321.8

Metrics	Unit	For the year ended 31 December 2025
Direct (Scope 1) greenhouse gas emissions	$kgCO_2e$	**1,652,639.8**
Indirect (Scope 2) greenhouse gas emissions	$kgCO_2e$	**1,292,630.5**

Independent Auditor's Report

CCTH CPA LIMITED
中正天恆會計師有限公司

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
SPT ENERGY GROUP INC.
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of SPT Energy Group Inc. (the "Company") and its subsidiaries (the "Group") set out on pages 126 to 224, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated income statement, consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement 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 issued by the International Accounting Standards Board (the "IASB") 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 Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, 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 in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment of property, plant and equipment and right-of-use assets

As at 31 December 2025, the carrying amount of property, plant and equipment and right-of-use assets amounted to approximately RMB352,407,000 (net of accumulated impairment loss of RMB13,503,000) and approximately RMB42,000,000 (net of accumulated impairment loss of RMB1,516,000) respectively.

We identified impairment assessment of property, plant and equipment and right-of-use assets as a key audit matter due to significance of the balance to the consolidated financial statements as a whole, combined with the significant degree of estimations made by the management of the Group associated with the recoverable amounts of the cash-generating units to which property, plant and equipment and right-of-use assets have been allocated.

As disclosed in Notes 6 and 7 to the consolidated financial statements, the management assessed the impairment of property, plant and equipment and right-of-use assets by estimation of recoverable amount of the cash generating unit (or group of cash-generating units) to which property, plant and equipment and right-of-use assets has been allocated which is the higher of the value in-use ("VIU") and fair value less costs of disposal. The VIU calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or group of cash-generating units) and a suitable discount rate.

Key estimates involved in the preparation of cash flow projections for the period covered by the approved financial budgets include the growth rates in revenue, estimated gross profit, estimated profit before tax and pre-tax discount rates.

Our procedures in relation to the impairment assessment of property, plant and equipment and right-of-use assets:

- Discussing with the management to understand the management process and the key controls in impairment assessment of property, plant and equipment and right-of-use assets and evaluating the key estimations made by the management in the impairment assessment of property, plant and equipment and right-of-use assets including the growth rates in revenue, estimated gross profit, estimated profit before tax and pre-tax discount rates;

Independent Auditor's Report

- Evaluating the appropriateness of pre-tax discount rates applied in the forecast by comparing them to economic and industry data; and

- Evaluating the reasonableness of the financial budgets approved by the management by comparing the actual results of the cash-generating units (or group of cash generating units) to the previously forecasted results used in the impairment assessment of property, plant and equipment and right-of-use assets.

Impairment loss under expected credit losses ("ECL") model of trade receivables

We identified the estimated impairment loss under ECL model of trade receivables as a key audit matter due to the significant management estimates involved in assessing the recoverability of trade receivables.

As disclosed in Note 3.1 to the consolidated financial statements, the management used provision matrix to calculate the ECL of trade receivables and the provision rates are based on groupings of various debtors by their aging, which are considered of similar loss patterns, and taken into consideration the historical default rates and the forward-looking information.

As disclosed in Notes 3.1 and 11 to the consolidated financial statements, the carrying amount of trade receivables is RMB592,178,000 (2024: RMB651,570,000) as at 31 December 2025, after net off of the impairment loss of RMB189,508,000 (2024: RMB169,489,000).

Our procedures in relation to the estimated impairment loss under ECL model of trade receivables included:

- Obtaining an understanding of the management process and the key controls in ECL assessment and assumptions made in determining the default rates for ECL assessment of receivables using provision matrix and evaluating the reasonableness of any quantitative, qualitative and forward looking information incorporated by the management;

- Testing the information used by the management to develop the provision matrix, on a sample basis, to the source documents;

- Evaluating the appropriateness of the expected loss rates applied by reference to the historical default rates;

- Checking the mathematical accuracy of the ECL calculations; and

- Evaluating the reasonableness of forward looking information used by the management by reference to available market information.

Independent Auditor's Report

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than 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.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards issued by the IASB 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.

Those charge with governance are responsible for overseeing the Group's financial reporting process.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED 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. We report our opinion solely to you, as a body, 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 HKSAs 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 HKSAs, we exercise professional judgment and maintain professional scepticism 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.

Independent Auditor's Report

- 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 consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purpose of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charge 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 charge with governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charge with governance, 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.

CCTH CPA Limited
Certified Public Accountants
Hong Kong, 26 March 2026

Lau Tat Ki
Practicing certificate number P08160

Unit 1510-1517, 15/F., Tower 2,
Kowloon Commerce Centre,
No. 51 Kwai Cheong Road, Kwai Chung,
New Territories, Hong Kong

Consolidated Statement of Financial Position

		As at 31 December	
	Notes	**2025** **RMB'000**	2024 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	6	**352,407**	359,855
Right-of-use assets	7	**42,000**	46,197
Intangible assets	8	**12,381**	13,281
Investment in an associate		**1,560**	1,796
Investment in a joint venture		**1,564**	2,609
Deferred income tax assets	19	**117,513**	106,327
Financial assets at fair value through other comprehensive income	3.3(i)	**10,988**	10,368
Other non-current assets	9(a)(i)	**16,145**	16,145
Prepayments and other receivables	12	**12,661**	22,681
		567,219	579,259
Current assets			
Inventories	10	**529,594**	529,122
Contract assets	5(d)	**22,002**	34,312
Trade and note receivables	11	**592,848**	652,270
Prepayments and other receivables	12	**266,148**	288,307
Restricted bank deposits	13	**47,264**	36,165
Cash and cash equivalents	13	**366,508**	389,230
		1,824,364	1,929,406
Total assets		**2,391,583**	2,508,665
Equity			
Equity attributable to the Company's equity holders			
Share capital	14	**1,247**	1,247
Share premium		**869,969**	869,853
Other reserves	15	**366,394**	362,063
Currency translation differences		**(542,554)**	(533,160)
Retained earnings		**195,750**	322,295
		890,806	1,022,298
Non-controlling interests		**(90)**	(19,842)
Total equity		**890,716**	1,002,456

Consolidated Statement of Financial Position

	Notes	As at 31 December 2025 RMB'000	2024 RMB'000
Liabilities			
Non-current liabilities			
Borrowings	*16*	**95,823**	55,074
Non-current lease liabilities	*7*	**5,453**	7,903
Deferred income tax liabilities	*19*	**24,896**	24,655
		126,172	87,632
Current liabilities			
Borrowings	*16*	**455,291**	456,000
Current portion of long-term borrowings	*16*	**97,450**	115,301
Contract liabilities	*5(d)*	**50,821**	58,188
Trade and note payables	*17*	**572,293**	557,385
Accruals and other payables	*18*	**175,832**	189,212
Current income tax liabilities		**17,100**	36,768
Current portion of lease liabilities	*7*	**5,908**	5,723
		1,374,695	1,418,577
Total liabilities		**1,500,867**	1,506,209
Total equity and liabilities		**2,391,583**	2,508,665

The accompanying notes on pages 133 to 224 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 126 to 224 were approved by the Board of Directors on 26 March 2026 and were signed on its behalf.

Ethan Wu
Director

Li Qiang
Director

Consolidated Income Statement

	Notes	Year ended 31 December 2025 RMB'000	2024 RMB'000
Revenue	5	**1,713,393**	1,694,119
Other (losses)/gains, net	20	**(11,053)**	1,669
Operating costs			
Material costs		**(488,546)**	(501,992)
Employee benefit expenses	21	**(565,829)**	(641,501)
Short-term and low-value lease expenses	7	**(124,211)**	(133,723)
Transportation costs		**(27,253)**	(29,374)
Depreciation and amortisation	22	**(56,017)**	(55,239)
Technical service expenses		**(309,391)**	(253,178)
Impairment loss of right-of-use assets		**–**	(1,516)
Impairment loss of property, plant and equipment		**–**	(13,503)
Net impairment losses of financial assets and contract assets	3	**(17,819)**	(53,725)
Write-down of inventories and provision for prepayments	10,12	**(4,814)**	(12,961)
Others		**(197,451)**	(217,073)
		(1,791,331)	(1,913,785)
Operating loss		**(88,991)**	(217,997)
Finance income	23	**4,035**	1,797
Finance costs	23	**(35,609)**	(33,002)
Finance costs, net		**(31,574)**	(31,205)
Share of net (loss)/profit of an associate and a joint venture accounted for using the equity method		**(1,170)**	2,625
Loss before income tax		**(121,735)**	(246,577)
Income tax expense	24	**(6,905)**	(17,008)
Loss for the year		**(128,640)**	(263,585)
Attributable to:			
Owners of the Company		**(125,881)**	(256,231)
Non-controlling interests		**(2,759)**	(7,354)
		(128,640)	(263,585)
Loss per share for the loss attributable to the owners of the Company			
Basic loss per share	26	**RMB(0.064)**	RMB(0.131)
Diluted loss per share	26	**RMB(0.064)**	RMB(0.131)

The accompanying notes on pages 133 to 224 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

	Year ended 31 December	
	2025	2024
	RMB'000	*RMB'000*
Loss for the year	**(128,640)**	(263,585)
Other comprehensive income/(loss):		
Items that may be subsequently reclassified to profit or loss:		
Currency translation differences	**8,975**	(42,911)
Items that will not be subsequently reclassified to profit or loss:		
Currency translation differences	**(18,137)**	12,060
Changes in fair value of equity investments at fair value through other comprehensive income	**620**	3,081
Total comprehensive loss for the year	**(137,182)**	(291,355)
Total comprehensive loss for the year attributable to:		
Owners of the Company	**(134,655)**	(284,681)
Non-controlling interests	**(2,527)**	(6,674)
	(137,182)	(291,355)

The accompanying notes on pages 133 to 224 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Notes	Equity attributable to owners of the Company							
		Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Currency translation differences RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance as at 1 January 2025		1,247	869,853	362,063	(533,160)	322,295	1,022,298	(19,842)	1,002,456
Comprehensive (loss)/income									
Loss for the year		–	–	–	–	(125,881)	(125,881)	(2,759)	(128,640)
Other comprehensive income/ (loss)		–	–	620	(9,394)	–	(8,774)	232	(8,542)
Total comprehensive income/ (loss)		–	–	620	(9,394)	(125,881)	(134,655)	(2,527)	(137,182)
Capital injection from non-controlling interests		–	–	–	–	–	–	24,721	24,721
Transactions with owners in their capacity as owners									
Share-based payments	*15(b)*	–	–	3,081	–	–	3,081	–	3,081
Exercise of share options	*15(b)*	–*	116	(34)	–	–	82	–	82
Disposal of a subsidiary		–	–	–	–	–	–	(2,442)	(2,442)
Transfer to statutory reserves	*15(c)*	–	–	664	–	(664)	–	–	–
Transactions with owners in their capacity as owners		–	116	3,711	–	(664)	3,163	(2,442)	721
Balance as at 31 December 2025		1,247	869,969	366,394	(542,554)	195,750	890,806	(90)	890,716

* Less than RMB1,000.

Consolidated Statement of Changes in Equity

		Equity attributable to owners of the Company							
	Notes	Share capital *RMB'000*	Share premium *RMB'000*	Other reserves *RMB'000*	Currency translation differences *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance as at 1 January 2024		1,247	869,853	351,401	(501,629)	579,236	1,300,108	(14,868)	1,285,240
Comprehensive (loss)/income									
Loss for the year		–	–	–	–	(256,231)	(256,231)	(7,354)	(263,585)
Other comprehensive (loss)/income		–	–	3,081	(31,531)	–	(28,450)	680	(27,770)
Total comprehensive income/(loss)		–	–	3,081	(31,531)	(256,231)	(284,681)	(6,674)	(291,355)
Capital injection from non-controlling interests		–	–	–	–	–	–	1,700	1,700
Transactions with owners in their capacity as owners									
Share-based payments	*15(b)*	–	–	6,871	–	–	6,871	–	6,871
Transfer to statutory reserves	*15(c)*	–	–	710	–	(710)	–	–	–
Transactions with owners in their capacity as owners		–	–	7,581	–	(710)	6,871	–	6,871
Balance as at 31 December 2024		1,247	869,853	362,063	(533,160)	322,295	1,022,298	(19,842)	1,002,456

The accompanying notes on pages 133 to 224 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

	Notes	Year ended 31 December 2025 RMB'000	2024 RMB'000
Cash flows from operating activities			
Cash generated from operations	*27*	**21,281**	40,692
Income tax paid		**(16,195)**	(14,313)
Net cash generated from operating activities		**5,086**	26,379
Cash flows from investing activities			
Purchases of property, plant and equipment		**(31,220)**	(22,225)
Proceeds from disposal of property, plant and equipment		**6,504**	55
Proceeds from disposal of an associate in prior years	*27(e)*	**884**	–
Net cash outflow on acquisition of a subsidiary	*27(d)*	**(63)**	–
Net cash inflow on disposal of a subsidiary	*27(c)*	**1,738**	–
Increase in restricted bank deposits		**(11,099)**	(13,755)
Interest received		**3,953**	1,927
Dividends received from an associate		**124**	400
Dividends received from investment in financial assets at fair value through other comprehensive income		**767**	889
Net cash used in investing activities		**(28,412)**	(32,709)
Cash flows from financing activities			
Proceeds from borrowings		**701,137**	677,432
Repayments of borrowings		**(678,992)**	(539,555)
Capital injection from non-controlling interest		**24,721**	–
Interest paid		**(28,222)**	(26,492)
Principal elements of lease payments		**(6,124)**	(7,125)
Payments of financing fee and deposits		**(7,515)**	(6,196)
Proceeds from exercise of share options		**82**	–
Net cash generated from financing activities		**5,087**	98,064
Net (decrease)/increase in cash and cash equivalents		**(18,239)**	91,734
Cash and cash equivalents at beginning of the year		**389,230**	303,180
Effects of exchange rate changes on cash and cash equivalents		**(4,483)**	(5,684)
Cash and cash equivalents at end of the year		**366,508**	389,230

The accompanying notes on pages 133 to 224 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

SPT Energy Group Inc. (the "Company") was incorporated in the Cayman Islands on 12 June 2008 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is P. O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, Cayman Islands.

The Company and its subsidiaries (collectively the "Group") are an international comprehensive energy company principally engaged in oilfield exploration and development, oil-field services and new energy business in the People's Republic of China (the "PRC") and overseas. The Group are committed to providing comprehensive solutions for the exploration and development of conventional and unconventional energy sources such as oil and natural gas, and providing technical research and engineering services in the entire industry chain of carbon sequestration, utilization, and storage ("CCUS"). The ultimate controlling party of the Group is Mr. Wang Guoqiang (王國強) and Mr. Ethan Wu (吳東方) (collectively referred to as the "Controlling Shareholders").

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 23 December 2011.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated, and are approved for issue by the Board of Directors on 26 March 2026.

2. BASIS OF PREPARATION

2.1 Compliance with IFRS Accounting Standards and HKCO

The consolidated financial statements of the Company have been prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622) ("HKCO").

The preparation of the consolidated financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

Notes to the Consolidated Financial Statements

2. BASIS OF PREPARATION (CONTINUED)

2.2 Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets which are measured at fair value.

2.3 Amendments to IFRS Accounting Standards that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRS Accounting Standards for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2025 for the preparation of the consolidated financial statements:

Amendments to IAS 21	Lack of Exchangeability

The application of the amendments to IFRS Accounting Standards in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements

2. BASIS OF PREPARATION (CONTINUED)

2.4 New and amendments to IFRS Accounting Standards in issue but not yet effective

The Group has not early applied the following new and amendments to IFRS Accounting Standards that have been issued but are not yet effective:

IFRS 18	*Presentation and Disclosure in Financial Statements*[2]
IFRS 19 and its amendments	*Subsidiaries without Public Accountability: Disclosures*[2]
Amendments to IFRS 9 and IFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[1]
Amendments to IFRS 9 and IFRS 7	*Contracts Referencing Nature-dependent Electricity*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IAS 21	*Translation to a Hyperinflationary Presentation Currency*[2]
Annual Improvements to IFRS Accounting Standards – Volume 11	*Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7*[1]

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 No mandatory effective date yet determined but available for adoption

Except for the new and amendments to IFRS Accounting Standards mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

Notes to the Consolidated Financial Statements

2. BASIS OF PREPARATION (CONTINUED)

2.4 New and amendments to IFRS Accounting Standards in issue but not yet effective (Continued)

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 *Presentation of Financial Statements*. This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Minor amendments to IAS 7 *Statement of Cash Flows* and IAS 33 *Earnings per Share* are also made.

IFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of IFRS 18 on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities are exposed to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

Certain sales to and purchases from overseas are denominated in United States Dollar ("USD"). Foreign exchange risk also arises from borrowings comprising bank borrowings and certain bank deposits denominated in foreign currencies. The Group is exposed to foreign currency exchange risk primarily with respect to USD, the Company's functional currency.

Kazakhstan represents the Group's largest overseas market in terms of revenue contribution. The subsidiaries operating in Kazakhstan have both their functional and presentation currency in KZT. Accordingly, the translation of these subsidiaries' financial statements into the Group's presentation currency results in currency translation differences, which are recognized in other comprehensive income.

During the financial year, the Group has not used any financial instrument to hedge the foreign exchange risk.

The Group is primarily exposed to changes in USD exchange rates.

At 31 December 2025, if RMB had weakened/strengthened by certain percentage against the USD with all other variables held constant, the assumed changes of the exchange rates would have the following impact on the Group's foreign exchange gains/(losses) accounts.

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

Pre-tax losses decrease/(increase) (2024: pre-tax losses decrease/(increase) during the financial year:

	Year ended 31 December	
	2025	2024
	RMB'000	*RMB'000*
RMB against USD		
– Weakened 5%	**28,336**	21,242
– Strengthened 5%	**(28,336)**	(21,242)

Exposure

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in RMB, was as follows:

	31 December 2025 USD *RMB'000*	31 December 2024 USD *RMB'000*
Cash	**76,543**	29,770
Trade receivables	**78,433**	98,304
Other receivables	**6,233**	11,369
Trade payables	**(48,102)**	(52,406)
Other payables	**(15,679)**	(2,985)
Borrowings	**–**	(5,751)

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk

The Group's interest rate risk arises from long-term borrowings, short-term borrowings and lease liabilities. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Borrowings and lease liabilities obtained at fixed rates expose the Group to fair value interest rate risk.

Based on the balance of floating interest borrowings as at 31 December 2025, if interest rates on these borrowings for the year had been higher/lower by 50 basis points, loss before income tax for the year would have been RMB180,000 (2024: RMB160,000) higher/lower.

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk

(i) Risk Management

Credit risk is managed on a group basis. The carrying amounts of cash and cash equivalents, restricted bank deposits, trade and note receivables and other receivables (other than prepayments) included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

The Group has concentrations of credit risk on trade receivables. Sales to China National Petroleum Corporation ("CNPC"), a PRC state-owned enterprise with a high credit rating, along with its related entities, represented approximately 63.7% of the Group's revenue for the year (2024: 75.7%). The Group has policies in place to ensure that services are rendered or sales of products are made to customers with an appropriate credit history. The Group's credit sales are only made to customers with appropriate credit history, with a credit period of six months in general. The Group's historical experience in the collection of trade and other receivables falls within the recorded allowance and the directors are of the opinion that adequate provisions for trade and other receivables have been made.

The Group's cash and cash equivalents and restricted bank deposits were primarily deposited in major banks in the PRC, Kazakhstan, Canada and Singapore, which the directors of the Company believe are of good credit quality. Details of the Group's cash and cash equivalents deposited in banks and restricted bank deposits are set out below:

	As at 31 December	
	2025	2024
	RMB'000	*RMB'000*
PRC – State owned listed banks	**98,094**	23,361
PRC – Other listed banks	**187,147**	275,570
Kazakhstan government-owned banks	**33,808**	69,987
Singapore listed banks	**32,721**	13,518
Canada listed banks	**15,305**	15,575
Other listed banks	**28,403**	18,090
Others	**15,627**	8,178
Total	**411,105**	424,279

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets and contract assets

The Group has the following financial assets and contract assets that are subject to IFRS 9's expected credit loss model:

(1) Deposits in banks, restricted bank deposits and notes receivables

The credit risks on deposits in banks, restricted bank deposits and note receivables are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The Group performs impairment assessment under 12-month expected credit loss model on deposits in banks, restricted bank deposits and note receivables. The directors of the Company does not expect any losses from non-performance by these counterparties.

At the end of the reporting period, the directors of the Company have performed impairment assessment under 12-month expected credit loss for deposits in banks, restricted bank deposits and note receivables, and concluded that there has been no significant increase in credit risk since initial recognition. Since the counterparties are banks with high credit ratings assigned by international credit-rating agencies, the probability of defaults of the counterparties are insignificant and accordingly, no allowance for credit losses is provided for these financial assets.

(2) Trade receivables and contract assets

The Group applies the IFRS 9 simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics. The contract assets relate to unbilled work in progress which have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets and contract assets (Continued)

(2) Trade receivables and contract assets *(Continued)*

On that basis, the impairment loss for trade receivables and contract assets are set out below:

31 December 2025	Up to 6 months *RMB'000*	6 months - 1 year *RMB'000*	1-2 years *RMB'000*	2-3 years *RMB'000*	Over 3 years *RMB'000*	Total *RMB'000*
Expected loss rate	1.25%	3.76%	27.58%	57.11%	93.39%	
Gross carrying amount	518,261	42,943	55,574	22,702	167,908	807,388
Impairment loss	6,495	1,613	15,326	12,965	156,809	193,208

31 December 2024	Up to 6 months *RMB'000*	6 months - 1 year *RMB'000*	1-2 years *RMB'000*	2-3 years *RMB'000*	Over 3 years *RMB'000*	Total *RMB'000*
Expected loss rate	1.53%	3.61%	27.87%	53.67%	83.73%	
Gross carrying amount	602,165	26,518	44,729	15,004	173,023	861,439
Impairment loss	9,219	957	12,464	8,053	144,864	175,557

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets and contract assets (Continued)

(2) Trade receivables and contract assets *(Continued)*

Movements of impairment loss of trade receivables and contract assets are as follow:

	Contract assets		Trade receivables	
	2025	2024	**2025**	2024
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
As at 1 January	**6,068**	1,013	**169,489**	174,257
Provision for impairment	**–**	5,055	**20,489**	48,959
Reversal	**(2,368)**	–	**(299)**	(645)
Written off	**–**	–	**(157)**	(52,206)
Exchange difference	**–**	–	**(14)**	(876)
As at 31 December	**3,700**	6,068	**189,508**	169,489

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets and contract assets (Continued)

(3) Other receivables

Other receivables primarily include cash advances to employees, advances to suppliers, loans to a joint venture, tender guarantee and rental deposits.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

Movement of impairment loss of other receivables are as follow:

	Other receivables	
	2025	2024
	RMB'000	*RMB'000*
As at 1 January	**5,179**	4,729
Provision for impairment	**–**	420
Reversal	**(3)**	–
Written off	**(6)**	–
Exchange difference	**(8)**	30
As at 31 December	**5,162**	5,179

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(iii) Net impairment losses of financial assets and contract assets recognised in profit or loss

The following impairment losses were recognised in profit or loss in relation to financial assets and contract assets:

	2025 RMB'000	2024 RMB'000
Impairment losses on trade receivables and contract assets	20,489	54,014
Impairment losses on other receivables	–	420
Reversal	(2,670)	(709)
Net impairment losses of financial assets and contract assets	17,819	53,725

(c) Liquidity risk

Cash flow forecast is performed by the Group's finance department who monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecast takes into consideration the Group's debt financing plans, and legal requirements such as currency restrictions.

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Over 5 years *RMB'000*	Total contractual cash flows *RMB'000*	Carrying amount liabilities *RMB'000*
As at 31 December 2025						
Borrowings	**569,736**	**85,746**	**13,672**	**–**	**669,154**	**648,564**
Trade and note payables	**572,293**	**–**	**–**	**–**	**572,293**	**572,293**
Accruals and other payables	**80,417**	**–**	**–**	**–**	**80,417**	**80,417**
Lease liabilities	**6,428**	**1,468**	**2,141**	**3,907**	**13,944**	**11,361**
Total	**1,228,874**	**87,214**	**15,813**	**3,907**	**1,335,808**	**1,312,635**
As at 31 December 2024						
Borrowings	589,799	56,716	2,155	–	648,670	626,375
Trade and note payables	557,385	–	–	–	557,385	557,385
Accruals and other payables	66,257	–	–	–	66,257	66,257
Lease liabilities	6,504	5,391	950	3,387	16,232	13,626
Total	1,219,945	62,107	3,105	3,387	1,288,544	1,263,643

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management

The Group's objectives when managing capital 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, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as gross debt divided by total equity. Gross debt include borrowings, current portion of long-term borrowings, current and non-current lease liabilities as shown in the consolidated balance sheet.

The gearing ratios are as follows:

	As at 31 December	
	2025	2024
	RMB'000	*RMB'000*
Gross debt	**659,925**	640,001
Total equity	**890,716**	1,002,456
Gross debt to equity ratio	**74.1%**	63.8%

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

Recurring fair value measurements At 31 December 2025	**Level 1** ***RMB'000***	**Level 2** ***RMB'000***	**Level 3** ***RMB'000***	**Total** ***RMB'000***
Financial assets at FVOCI				
– Equity securities	**10,988**	**–**	**–**	**10,988**

Recurring fair value measurements At 31 December 2024	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Financial assets at FVOCI				
– Equity securities	10,368	–	–	10,368

There were no transfers between levels 1 and 2 for recurring fair value measurements during the years.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment of property, plant and equipment and right-of use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the management has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset including property, plant and equipment right-of-use assets, the Group estimates the recoverable amount of the cash-generating units ("CGUs") to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test and the recoverable amount based on value in use.

As at 31 December 2025, in view of impairment indicators, the Group performed impairment assessment on property, plant and equipment with carrying amount of RMB352,407,000 (2024: RMB359,855,000) and right-of-use assets of RMB42,000,000 (2024: RMB46,197,000), respectively. During the year ended 31 December 2025, no impairment loss (2024: RMB13,503,000 and RMB1,516,000 arising from drilling business) in respect of property, plant and equipment and right-of-use assets have been recognised in the consolidated income statement.

Details of the impairment assessment of property, plant and equipment and right-of-use assets are disclosed in notes 6 and 7 respectively.

Notes to the Consolidated Financial Statements

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Impairment loss under ECL model for trade receivables from goods and services

The impairment of trade receivables from goods and services under ECL model is determined by the management based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group uses provision matrix to calculate ECL for the trade receivables from goods and services. The provision rates are based on past due analysis as groupings of various debtors that shared credit risk characteristics. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The impairment loss under ECL model is sensitive to changes in estimates. In estimating the impairment loss under ECL model, the management is required to consider all relevant factors with reasonable and supportable assumptions to make significant accounting estimations. As at 31 December 2025, the carrying amount of trade receivables from goods and services was RMB592,178,000 (2024: RMB651,570,000), net of accumulated impairment loss of RMB189,508,000 (2024: RMB169,489,000).

(c) Provision of Inventories

Inventories are reviewed for impairment whenever events or changes in circumstances cause their cost to exceed their net realisable value. Cost is determined on the weighted average basis. The determination of net realisable value of the inventories requires the use of estimates. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Where the actual outcome or expectation in future is different from the original estimate, such difference will have an impact on the net realisable value of inventories and a provision may be made or reversed in the year in which these estimates have been changed. As at 31 December 2025, the carrying amount of inventories was RMB529,594,000 (2024: RMB529,122,000), net of accumulated impairment loss of RMB100,052,000 (2024: RMB95,819,000).

Notes to the Consolidated Financial Statements

5. SEGMENT INFORMATION

The chief operating decision-maker ("CODM") has been identified as the Chief Executive Officer, vice presidents and directors of the Company who review the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segment based on this financial information.

The Group's operating segments, which are also the reportable segments, are entity or group of entities that offer different products and services, which is the basis by which the CODM makes decisions about resources to be allocated to the segments and assesses their performance. They are so managed according to different natures of products and services. Financial information of these entities has been separated to present discrete segment information to be reviewed by the CODM.

The CODM assesses performance of four reportable segments: drilling, well completion, reservoir and others. These reporting segments comprise respective services performed in these areas and related ancillary manufacturing activities.

(a) Revenue

	Year ended 31 December	
	2025	2024
	RMB'000	*RMB'000*
Drilling	**440,541**	462,521
Well completion	**280,572**	280,837
Reservoir	**817,376**	816,843
Others*	**174,904**	133,918
	1,713,393	1,694,119

* Others include the sales of natural gas and the related service provided.

The revenue from external customers reported to the CODM is measured in a manner consistent with that in the consolidated income statement. The CODM evaluates the performance of the reportable segments based on profit or loss before income tax expense, depreciation and amortisation, interest income, finance costs and certain unallocated expense ("EBITDA").

Revenue amounting to RMB1,090,973,000 (2024: RMB1,281,676,000) are derived from China National Petroleum Corporation ("CNPC") and its related entities and the revenue is attributable to drilling, well completion and reservoir segments.

Notes to the Consolidated Financial Statements

5. SEGMENT INFORMATION (CONTINUED)

(b) Segment information

The segment information for the years ended 31 December 2025 and 2024 are as follows:

	Drilling *RMB'000*	Well completion *RMB'000*	Reservoir *RMB'000*	Others *RMB'000*	Total *RMB'000*
Year ended 31 December 2025					
Revenue from external customers	**440,541**	**280,572**	**817,376**	**174,904**	**1,713,393**
Time of revenue recognition					
– At a point in time	**16,986**	**148,257**	**69,018**	**174,904**	**409,165**
– Over time	**423,555**	**132,315**	**748,358**	**–**	**1,304,228**
EBITDA	**33,392**	**39,237**	**49,085**	**6,536**	**128,250**

	Drilling *RMB'000*	Well completion *RMB'000*	Reservoir *RMB'000*	Others *RMB'000*	Total *RMB'000*
Year ended 31 December 2024					
Revenue from external customers	462,521	280,837	816,843	133,918	1,694,119
Time of revenue recognition					
– At a point in time	11,542	152,568	71,379	133,918	369,407
– Over time	450,979	128,269	745,464	–	1,324,712
EBITDA	(34,705)	5,800	15,122	2,946	(10,837)

Note:

During the year ended 31 December 2025, no impairment loss (2024: Impairment losses of property, plant and equipment and right-of-use assets were RMB13,503,000 and RMB1,516,000 arising from drilling business respectively) were recognised in the consolidated income statement.

Notes to the Consolidated Financial Statements

5. SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

The segment information on total assets as at 31 December 2025 are as follows:

	Drilling *RMB'000*	Well completion *RMB'000*	Reservoir *RMB'000*	Others *RMB'000*	Total *RMB'000*
As at 31 December 2025					
Segment assets	**475,541**	**595,128**	**459,074**	**49,137**	**1,578,880**
Unallocated assets					**812,703**
Total assets					**2,391,583**
Additions to non-current assets (other than financial assets and deferred income tax assets)	**17,759**	**18,867**	**7,505**	**4,845**	**48,976**

The segment information on total assets as at 31 December 2024 are as follows:

	Drilling *RMB'000*	Well completion *RMB'000*	Reservoir *RMB'000*	Others *RMB'000*	Total *RMB'000*
As at 31 December 2024					
Segment assets	476,042	693,473	463,922	50,080	1,683,517
Unallocated assets					825,148
Total assets					2,508,665
Additions to non-current assets (other than financial assets and deferred income tax assets)	6,060	9,893	2,561	4,845	23,359

Note:

Disclosure of liabilities has not been included in segment information because the liabilities balances of the Group are not allocated to segments.

Notes to the Consolidated Financial Statements

5. SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

A reconciliation of EBITDA to loss before income tax is provided as follows:

	Year ended 31 December	
	2025	2024
	RMB'000	*RMB'000*
EBITDA for reportable segments	**128,250**	(10,837)
Unallocated expenses		
– Share-based payments (Note 15)	**(3,081)**	(6,871)
– Other (losses)/gains, net (Note 20)	**(11,053)**	1,669
– Unallocated overhead expenses	**(148,260)**	(144,094)
	(162,394)	(149,296)
	(34,144)	(160,133)
Depreciation and amortisation (Note 22)	**(56,017)**	(55,239)
Finance costs (Note 23)	**(35,609)**	(33,002)
Finance income (Note 23)	**4,035**	1,797
Loss before income tax	**(121,735)**	(246,577)

Notes to the Consolidated Financial Statements

5. SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

	As at 31 December	
	2025	2024
	RMB'000	*RMB'000*
Segment assets for reportable segments	**1,578,880**	1,683,517
Unallocated assets		
– Deferred income tax assets	**117,513**	106,327
– Unallocated inventories	**57,871**	70,400
– Unallocated prepayment and other receivables	**209,435**	208,253
– Restricted bank deposits	**47,264**	36,165
– Cash and cash equivalents	**366,508**	389,230
– Financial assets at fair value through other comprehensive income	**10,988**	10,368
– Investments in an associate and a joint venture	**3,124**	4,405
	812,703	825,148
Total assets	**2,391,583**	2,508,665

Notes to the Consolidated Financial Statements

5. SEGMENT INFORMATION (CONTINUED)

(c) Geographical segment

The following table shows revenue by geographical segment which is based on where the customer is located.

	Year ended 31 December	
	2025	2024
	RMB'000	*RMB'000*
PRC	**966,615**	1,044,354
Kazakhstan	**311,613**	330,735
Turkmenistan	**112,918**	93,721
Indonesia	**116,521**	57,361
Middle East	**161,888**	117,583
Canada	**41,612**	48,501
Others	**2,226**	1,864
	1,713,393	1,694,119

The following table shows the non-current assets other than investments in an associate and a joint venture, deferred income tax assets and financial assets at fair value through other comprehensive income by geographical segment according to the country of domicile of the respective entities in the Group:

	As at 31 December	
	2025	2024
	RMB'000	*RMB'000*
PRC	**200,565**	211,247
Indonesia	**74,897**	82,767
Singapore	**32,196**	30,538
Kazakhstan	**36,709**	24,446
Middle East	**27,237**	27,905
Turkmenistan	**44,260**	60,635
Canada	**2,705**	3,291
Others	**17,025**	17,330
	435,594	458,159

Notes to the Consolidated Financial Statements

5. SEGMENT INFORMATION (CONTINUED)

(d) Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

	As at 31 December	
	2025	2024
	RMB'000	*RMB'000*
Contract assets	**25,702**	40,380
Less: impairment loss	**(3,700)**	(6,068)
Total contract assets	**22,002**	34,312
Contract liabilities	**50,821**	58,188

At 1 January 2024, the contract assets amounted to RMB21,966,000.

(i) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract.

	Year ended 31 December	
	2025	2024
	RMB'000	*RMB'000*
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
– Drilling	**26**	–
– Reservoir	**1,386**	411
– Others	**43,177**	27,217
Total	**44,589**	27,628

Notes to the Consolidated Financial Statements

5. SEGMENT INFORMATION (CONTINUED)

(d) Assets and liabilities related to contracts with customers (Continued)

(ii) Unsatisfied long-term service contracts

The following table shows unsatisfied performance obligations resulting from fixed price long-term service contracts:

	Year ended 31 December	
	2025	2024
	RMB'000	*RMB'000*
Within one year	**861,640**	755,548
More than one year but not more than two years	**294,718**	372,068
More than two years	**55,389**	325,126
Total	**1,211,747**	1,452,742

Notes to the Consolidated Financial Statements

5. SEGMENT INFORMATION (CONTINUED)

(e) Performance obligations for contracts with customers

(i) Provision of well drilling services, well completion services and reservoir services

The Group provides well drilling services, well completion services and reservoir services to its customers. Revenue from providing services is recognised in the accounting period in which the services are rendered. Revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously. This is determined based on the workload confirmed by customers relative to total expected workload.

Some service contracts include sales of goods by the Group to the customer during the provision of service. It is accounted for as a separate performance obligation and the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Revenue for the goods is recognised at a point in time when the goods is delivered and the customer has accepted the goods.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in consolidated income statement in the period in which the circumstances that give rise to the revision become known by management.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the progress payment, a contract asset is recognised. If the progress payments exceed the services rendered, a contract liability is recognised.

If the contract includes an hourly fee, revenue is recognised with the amount to which the Group has a right to receive.

(ii) Sales of goods

Revenue associated with sales of pressure gauges, packers and other goods is recognised when control of the goods has been transferred, being when the goods are delivered to the customer, the customer has full discretion over the use or sale of the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Customer deposit received in relation to sales of goods are recognised as contract liabilities.

Notes to the Consolidated Financial Statements

6. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Furniture, fixtures and others RMB'000	Construction in process Oil property RMB'000	Construction in process Others RMB'000	Total RMB'000
Year ended 31 December 2024							
Opening net book value	79,260	207,527	12,174	18,013	35,765	54,309	407,048
Additions	633	6,297	3,707	2,804	4,700	145	18,286
Depreciation charge	(8,342)	(29,771)	(5,944)	(5,227)	–	–	(49,284)
Disposals	–	(2,346)	(566)	(931)	–	–	(3,843)
Transfer upon completion	14,909	54	190	–	–	(15,153)	–
Currency translation differences	(64)	531	(300)	(232)	355	861	1,151
Impairment loss recognised	–	(13,152)	–	(351)	–	–	(13,503)
Closing net book value	86,396	169,140	9,261	14,076	40,820	40,162	359,855
At 31 December 2024							
Cost	173,297	633,553	74,943	124,450	40,820	40,162	1,087,225
Accumulated depreciation and impairment	(86,901)	(464,413)	(65,682)	(110,374)	–	–	(727,370)
Net book value	86,396	169,140	9,261	14,076	40,820	40,162	359,855
Year ended 31 December 2025							
Opening net book value	**86,396**	**169,140**	**9,261**	**14,076**	**40,820**	**40,162**	**359,855**
Additions	**–**	**18,054**	**513**	**3,299**	**2,104**	**21,453**	**45,423**
Depreciation charge	**(8,213)**	**(31,081)**	**(5,539)**	**(3,477)**	**–**	**–**	**(48,310)**
Disposals	**(1,793)**	**(62)**	**(169)**	**(203)**	**–**	**–**	**(2,227)**
Transfer upon completion	**–**	**–**	**1,231**	**–**	**–**	**(1,231)**	**–**
Currency translation differences	**(956)**	**158**	**2**	**164**	**(1,374)**	**(328)**	**(2,334)**
Closing net book value	**75,434**	**156,209**	**5,299**	**13,859**	**41,550**	**60,056**	**352,407**
At 31 December 2025							
Cost	**165,164**	**645,745**	**74,877**	**123,837**	**41,550**	**60,056**	**1,111,229**
Accumulated depreciation and impairment	**(89,730)**	**(489,536)**	**(69,578)**	**(109,978)**	**–**	**–**	**(758,822)**
Net book value	**75,434**	**156,209**	**5,299**	**13,859**	**41,550**	**60,056**	**352,407**

Notes to the Consolidated Financial Statements

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes:

(a) For the year ended 31 December 2025, depreciation expenses amounting to RMB48,310,000 (2024: RMB49,284,000) have been charged in operating costs.

(b) Certain property, plant and equipment have been secured for the Group's borrowings, details of which have been set out in Note 16(b).

(c) Depreciation methods and useful lives

	Estimated useful life
Buildings	10 to 20 years
Machinery and equipment	5 to 10 years
Motor vehicles	5 to 7 years
Furniture, fixtures and others	3 to 10 years

(d) During the year ended 31 December 2025, the Group is making loss and the management of the Group concluded that there was indication for impairment and conducted impairment assessment on recoverable amount of property, plant and equipment and right-of-use assets, by the relevant cash generating units ("CGUs"), to which the asset belongs when it is not possible to estimate the recoverable amount individually. As the recoverable amount of CGUs are higher than the carrying amounts of property, plant and equipment and right-of-use assets, no impairment loss (2024: RMB13,503,000 and RMB1,516,000 arising from these CGU of drilling business) was recognised in the consolidated income statement for the year ended 31 December 2025, respectively.

(e) As at 31 December 2025 and 2024, the oil properties represented the construction in process of new oil wells in Indonesia.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

See note 33.6 for the other accounting policies relevant to property, plant and equipment.

Notes to the Consolidated Financial Statements

7. LEASES

This note provides information for leases where the Group is a lessee.

(a) Amounts recognised in the consolidated statement of financial position:

	31 December 2025 ***RMB'000***	31 December 2024 *RMB'000*
Right-of-use assets		
Buildings	**16,039**	19,594
Land use rights		
– Located in the PRC*	**19,083**	19,600
– Outside of the PRC	**5,997**	5,659
Machinery and equipment	**1,318**	2,860
Motor vehicles	**1,079**	–
	43,516	47,713
Less: Impairment loss	**(1,516)**	(1,516)
	42,000	46,197
Lease liabilities		
Current lease liabilities	**5,908**	5,723
Non-current lease liabilities	**5,453**	7,903
	11,361	13,626

* The Group's land use rights primarily represent lease prepayments for the leasehold land in the PRC for a period of 50 years. As at 31 December 2025, land use rights have a remaining period of 37 years (2024: 38 years).

Notes to the Consolidated Financial Statements

7. LEASES (CONTINUED)

(a) Amounts recognised in the consolidated statement of financial position: (Continued)

During the year ended 31 December 2025, additions to the right-of-use assets were RMB3,553,000 (2024: RMB5,073,000).

Lease terms are negotiated on an individual basis and contain a range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. In addition, the lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets except for the land use rights may not be used as security for borrowing purposes.

For termination options, the Group assesses at lease commencement date whether it is reasonably certain not to exercise. For extension options in lease contracts of equipment, the Group assesses at lease commencement date that it is reasonably certain not to exercise since those equipment is used to certain service projects with a limited duration. For extension options in lease contracts of buildings, the Group assesses at lease commencement date that it is not reasonably certain to exercise and the Directors consider the potential future lease payments for lease contracts of buildings not included in lease liabilities are immaterial and hence, no further disclosure is made.

(b) Amounts recognised in the consolidated income statement:

	Notes	**2025** ***RMB'000***	2024 *RMB'000*
Depreciation charge of right-of-use assets			
Buildings		**4,162**	3,781
Land use rights		**767**	651
Machinery and equipment		**1,381**	244
Motor vehicles		**497**	–
	22	**6,807**	4,676
Interest expense (included in finance cost)	*23*	**869**	864
Expense relating to short-term and low-value lease		**124,211**	133,723
Impairment loss of right-of-use assets		**–**	1,516

Notes to the Consolidated Financial Statements

7. LEASES (CONTINUED)

(c) The cash outflow shows the following amounts relating to leases:

	2025	2024
	RMB'000	*RMB'000*
Payments of principal elements of lease	**6,124**	7,125
Payments of interest expense of lease	**869**	864
Payments of short-term and low-value lease	**124,211**	133,723
	131,204	141,712

(d) The Group's leasing activities

The Group leases various buildings, land use rights, machinery and equipment. Rental contracts are typically made for fixed periods as stated below.

Buildings	2 to 20 years
Land use rights	30 to 50 years
Machinery and equipment	2 to 5 years
Motor vehicles	3 years

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Notes to the Consolidated Financial Statements

8. INTANGIBLE ASSETS

Intangible assets comprise technology, computer software and license. The details are as follows:

	Technology *RMB'000*	Computer software *RMB'000*	License* *RMB'000*	Total *RMB'000*
Year ended 31 December 2024				
Opening net book value	70	1,078	13,413	14,561
Amortisation charge	(42)	(481)	(756)	(1,279)
Currency translation difference	(1)	–	–	(1)
Closing net book value	27	597	12,657	13,281
At 31 December 2024				
Cost	17,241	7,238	15,114	39,593
Accumulated amortisation and currency translation difference	(17,214)	(6,641)	(2,457)	(26,312)
Net book value	27	597	12,657	13,281
Year ended 31 December 2025				
Opening net book value	**27**	**597**	**12,657**	**13,281**
Amortisation charge	**–**	**(144)**	**(756)**	**(900)**
Closing net book value	**27**	**453**	**11,901**	**12,381**
At 31 December 2025				
Cost	**17,241**	**7,238**	**15,114**	**39,593**
Accumulated amortisation and currency translation difference	**(17,214)**	**(6,785)**	**(3,213)**	**(27,212)**
Net book value	**27**	**453**	**11,901**	**12,381**

* This represents license rights for sales of natural gas in certain area of the PRC.

(a) Amortisation methods and useful lives

	Estimated useful life
Computer softwares	3 to 5 years
Technology	Not exceed 5 years
Licenses	5 to 20 years

See note 33.7 for the other accounting policies relevant to intangible assets.

Notes to the Consolidated Financial Statements

9. SUBSIDIARIES, A JOINT VENTURE AND AN ASSOCIATE

(a) Subsidiaries

The following is a list of the principal subsidiaries of the Group at 31 December 2025 and 2024:

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Ownership interest directly held by the Company or its subsidiary		Ownership interest directly held by non-controlling interests	
				2025	2024	2025	2024
北京華油油氣技術開發有限公司 (Sinopetroleum Technology Inc.)	PRC, Limited liability entity*	Oil field services, PRC	RMB353,790,000	98.59%	98.59%	1.41%	1.41%
新疆華油油氣工程有限公司 (Petrotech (Xinjiang) Engineering Co., Ltd)	PRC, Limited liability entity	Oil field services, PRC	RMB149,142,404	100%	100%	-	–
新疆華油能源工程服務有限公司 (Xinjiang SPT Engineering Service Co., Ltd)	PRC, Limited liability entity	Oil field services, PRC	RMB65,000,000	100%	100%	-	–
新疆華油新海石油工程技術有限公司 (Petrotech (Xinjiang) Xinhai Petroleum Engineering Co., Ltd.)	PRC, Limited liability entity	Oil field services, PRC	RMB41,000,000	100%	100%	–	–
北京華油環保工程科技有限公司 (Sinopetroleum Engineering Technology Co., Ltd.)	PRC, Limited liability entity	Trading, PRC	RMB15,600,000	95%	95%	5%	5%
新疆新能華油技術服務有限公司 (Xinjiang Xinneng Huayou Technology Service Co., Ltd.)	PRC, Limited liability entity	Oil field services, PRC	RMB50,000,000	100%	100%	-	–
廊坊華油能源技術服務集團有限公司 (Langfang SPT Energy Limited)	PRC, Limited liability entity **	Trading, PRC	USD1,000,000	100%	100%	-	–

Notes to the Consolidated Financial Statements

9. SUBSIDIARIES, A JOINT VENTURE AND AN ASSOCIATE (CONTINUED)

(a) Subsidiaries (Continued)

The following is a list of the principal subsidiaries of the Group at 31 December 2025 and 2024:

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Ownership interest directly held by the Company or its subsidiary		Ownership interest directly held by non-controlling interests	
				2025	2024	2025	2024
諾斯石油工具(天津)有限公司 (North Resource Oil Tools Limited)	PRC, Limited liability entity**	Manufacturing, PRC	USD36,265,000	100%	100%	-	–
Enecal PTE. Limited	Singapore, Limited liability entity	Manufacturing, Singapore	SGD 3,550,000	100%	100%	-	–
M-Tech service LLP	Kazakhstan, Limited liability partnership	Oil field services, Kazakhstan	KZT 87,200	100%	100%	-	–
OS Technology Services LLP	Kazakhstan, Limited liability partnership	Oil field services, Kazakhstan	KZT 151,800	100%	100%	-	–
Pioneer Petrotech Services Inc.	Canada, Limited liability entity	Manufacturing, Canada	CAD 15	100%	100%	-	–
PT. Enecal Indonesia	Indonesia, Limited liability entity	Oil field services, Indonesia	RP82,912,352,000	95%	95%	5%	5%
SPT Energy (Hong Kong) Ltd.	Hong Kong, Limited liability entity	Investment holding, Hong Kong	HKD1,000,000	100%	100%	-	–
QUINTUS OIL&GAS PTE. LTD. (ii)	Singapore, Limited liability entity	Investment holding, Singapore	SGD 10,000,000	55%	55%	45%	45%

Notes to the Consolidated Financial Statements

9. SUBSIDIARIES, A JOINT VENTURE AND AN ASSOCIATE (CONTINUED)

(a) Subsidiaries (Continued)

The following is a list of the principal subsidiaries of the Group at 31 December 2025 and 2024:

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Ownership interest directly held by the Company or its subsidiary		Ownership interest directly held by non-controlling interests	
				2025	2024	2025	2024
PT CIPTA NIAGA GEMILANG (i)	Indonesia, Limited liability entity	Oil and gas exploration and mining, Indonesia	RP 12,000,000,000	**92.86%**	92.86%	**7.14%**	7.14%

* Registered as sino-foreign equity joint venture under the PRC law

** Registered as wholly foreign owned enterprises under the PRC law

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, materially contribute to the revenue, profit before income tax of the Group or hold a material portion of the assets of the Group.

The English names represent the best effort by management of the Group in translating the Chinese names of the companies as they do not have official English names.

Notes:

(i) On 12 September 2022, QUINTUS OIL&GAS PTE. LTD. acquired 95% equity interest in PT CIPTA NIAGA GEMILANG ("CNG") at a cash consideration of RP 29,428,800,000 (equivalent to RMB13,756,000). CNG is principally engaged in oil and gas exploration and mining. On 28 December 2022, the Ministry of Energy and Mineral Resources of Indonesia announced that CNG and PT RUKUN RAHARJA TBK ("RUKUN"), an independent third party, successfully won a joint bid and were awarded the exploration and development rights of oil and gas of Jabung Tengah block in Indonesia for a period of 30 years. As a result of this acquisition, unproved reserves amounting to RMB16,145,000 were recognised and presented in other non-current assets.

(ii) For the year ended 31 December 2025, the capital injection into QUINTUS OIL&GAS PTE. LTD. was contributed by both shareholders, with the non-controlling interest of QUINTUS OIL&GAS PTE. LTD. injecting approximately USD 3.5 million. As at 31 December 2025, there was no dilution or change in ownership interests between the Group and the non-controlling interest during the year.

Notes to the Consolidated Financial Statements

9. SUBSIDIARIES, A JOINT VENTURE AND AN ASSOCIATE (CONTINUED)

(a) Subsidiaries (Continued)

Notes: (Continued)

(iii) Material non-controlling interests

QUINTUS OIL&GAS PTE. LTD.

	2025	2024
Percentage of equity interest held by non-controlling interest	**45%**	45%

	2025 *RMB'000*	2024 RMB'000
Profit for the year allocated to non-controlling interest	**18**	115
Dividends paid to non-controlling interest	**–**	–
Accumulated balances of non-controlling interest at the reporting date:	**23,979**	(782)

	2025 *RMB'000*	2024 *RMB'000*
Revenue	**–**	–
Total expenses	**(240)**	(44)
Profit for the year and total comprehensive income	**41**	255
Current assets	**106,039**	44,985
Non-current assets	**13,378**	13,378
Current liabilities	**66,612**	50,529
Net cash flows (used in)/from operating activities	**(52,269)**	2,281
Net cash flows from/(used in) financing activities	**52,128**	(5,395)
Net decrease in cash and cash equivalents	**(141)**	(3,114)

Other than non-controlling interests mentioned above, as at 31 December 2025 and 2024, non-controlling interests in respect of other subsidiaries were not material.

Notes to the Consolidated Financial Statements

9. SUBSIDIARIES, A JOINT VENTURE AND AN ASSOCIATE (CONTINUED)

(b) Associate

The following is a list of the associate of the Group at 31 December 2025 and 2024:

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	Ownership interest directly held by the Company or its subsidiary		Measurement method
			2025	2024	
新疆博塔油田技術服務有限公司 (Xinjiang Bota Oilfield Technology Service Co., Ltd.)	PRC, Limited liability entity	Oil field services, PRC	24%	24%	Equity method

(c) Joint Venture

The following is a list of the joint venture of the Group at 31 December 2025 and 2024:

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	Ownership interest directly held by the Company or its subsidiary		Measurement method
			2025	2024	
Sinostone Bioethanol Manufacturing Limited	Ghana, Limited liability entity	Manufacture, Ghana	60%	60%	Equity method

(d) Joint operation

On 26 September 2025, one of a subsidiary of the Company, CNG, entered into the Operation Cooperation Agreement (the "Agreement") with PIONEER OIL INDONESIA ("POI"), pursuant to which CNG has agreed to cooperate with POI in carrying out oil and gas exploration, development, and production activities in certain fields in the Jabung Tengah Block in Indonesia. Pursuant to the Operation Cooperation Agreement, POI will participate in the funding of all operation costs related to the certain field in the Jabung Tengah Block. According to the term of the Agreement, it is considered as a joint operation. No profit or loss related to the joint operation was recognised during the year ended 31 December 2025.

Notes to the Consolidated Financial Statements

10. INVENTORIES

	As at 31 December	
	2025	2024
	RMB'000	*RMB'000*
Project materials and consumables	**501,882**	496,255
Project-in-progress	**127,764**	128,686
	629,646	624,941
Less: provision for inventories	**(100,052)**	(95,819)
	529,594	529,122

The cost of inventories recognised as an expense and included in "operating costs" amounted to RMB488,546,000 (2024: RMB501,992,000).

Movements of provision for inventories are as follows:

	2025	2024
	RMB'000	*RMB'000*
As at 1 January	**(95,819)**	(83,940)
Provision	**(7,012)**	(12,988)
Written off	**2,672**	–
Exchange difference	**107**	1,109
As at 31 December	**(100,052)**	(95,819)

Notes to the Consolidated Financial Statements

11. TRADE AND NOTE RECEIVABLES

	As at 31 December	
	2025	2024
	RMB'000	*RMB'000*
Trade receivables (a)	**781,686**	821,059
Less: impairment loss	**(189,508)**	(169,489)
Trade receivables, net	**592,178**	651,570
Note receivables (a)	**676**	706
Less: impairment loss	**(6)**	(6)
Note receivables, net	**670**	700
	592,848	652,270

Notes:

(a) The ageing analysis of the trade and note receivables based on invoice date were as follows:

	As at 31 December	
	2025	2024
	RMB'000	*RMB'000*
Up to 6 months	**509,421**	584,939
6 months – 1 year	**34,870**	20,619
1 – 2 years	**50,802**	29,335
2 – 3 years	**20,404**	14,232
Over 3 years	**166,865**	172,640
Trade and note receivables, gross	**782,362**	821,765
Less: impairment loss	**(189,514)**	(169,495)
Trade and note receivables, net	**592,848**	652,270

(b) Certain trade and note receivables have been pledged for the Group's bank borrowings, details of which have been set out in Note 16(a)(i), (d)(i).

Notes to the Consolidated Financial Statements

12. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2025	2024
	RMB'000	*RMB'000*
Current		
Advances to suppliers	**81,195**	81,957
Prepayment for taxes	**107,211**	107,927
Less: provision	**(3,992)**	(3,526)
Total non-financial assets	**184,414**	186,358
Deposits and other receivables	**49,972**	57,103
Receivable from sales of property, plant and equipment (Note 30(b))	**36,924**	37,752
Loan to a joint venture (a)	**–**	12,273
Less: impairment loss	**(5,162)**	(5,179)
Total financial assets	**81,734**	101,949
Total current financial assets	**266,148**	288,307
Non-current		
Deposits and other receivables	**1**	11,898
Loan to a joint venture (a)	**12,660**	–
Loan to a third party (b)	**–**	10,783
Less: impairment loss	**–**	–
Total financial assets	**12,661**	22,681
Total non-current financial assets	**12,661**	22,681
Total	**278,809**	310,988

Notes:

(a) The loan to a joint venture bears interest at a rate of 8% per annum. During the year ended 31 December 2025, the maturity date of the loan was extended to 30 June 2027 before the reporting date while other terms remained unchange.

(b) The loan to a potential business partner will mature in February 2026 and was fully repaid in 2025.

Notes to the Consolidated Financial Statements

13. CASH AND CASH EQUIVALENTS

	As at 31 December	
	2025	2024
	RMB'000	*RMB'000*
Restricted bank deposits (a)	**47,264**	36,165
Cash and cash equivalents		
– Cash on hand	**2,667**	1,116
– Deposits in banks	**363,841**	388,114
	366,508	389,230
	413,772	425,395

Notes:

(a) As at 31 December 2025 and 2024, the restricted bank deposits were held as securities for tendering or performing oil service projects, which will be released upon completion of the tender or contract.

(b) At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB243,640,000 (2024: RMB288,669,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

(c) As disclosed in Note 9, CNG and POI entered into an Operation Cooperation Agreement. Pursuant to the terms of this agreement, CNG and POI agreed to establish a bank account in the name of CNG to receive investment funds contributed by POI and to facilitate the daily operations of the Joint Operation (the "Joint Operation Bank Account"). As CNG does not have unilateral control over the Joint Operation Bank Account, it has not been consolidated into the Group's consolidated financial statements as at 31 December 2025. As at 31 December 2025, the balance of the Joint Operation Bank Account was approximately US$996,000 (equivalent to RMB7,160,000).

Notes to the Consolidated Financial Statements

14. SHARE CAPITAL

	Number of shares *(Thousands)*	Share capital *RMB'000*
Authorised:		
Ordinary shares of USD0.0001 each as at 31 December 2024 and 2025	5,000,000	3,219
Issued and fully paid:		
As at 1 January 2024, 31 December 2024 and 1 January 2025	1,953,776	1,247
Add: Exercise of share options	360	–*
As at 31 December 2025	1,954,136	1,247

* Less than RMB1,000.

15. OTHER RESERVES

	As at 31 December	
	2025 ***RMB'000***	2024 *RMB'000*
Merger reserves (a)	**(148,895)**	(148,895)
Share-based payments (b)	**220,367**	217,320
Statutory reserves (c)	**93,699**	93,035
Capital reserves	**209,850**	209,850
Changes in fair value of equity investments at fair value through other comprehensive income	**(8,627)**	(9,247)
	366,394	362,063

Notes to the Consolidated Financial Statements

15. OTHER RESERVES (CONTINUED)

Notes:

(a) Merger reserves

The merger reserves represented the aggregate of consideration paid for the acquisitions of subsidiaries under common control pursuant to the reorganization of the Group which was completed on 14 February 2011 for the purpose of listing on the Stock Exchange on 23 December 2011.

(b) Share-based payments

The numbers of the share options granted at the grant date and the exercisable share options as at 31 December 2025 and 2024 are as below:

Grant Date	**Expiry date**	**Exercise price** *HKD*	**The granted share option number** *(Thousands)*	**Outstanding share options 31 December 2025** *(Thousands)*	**Outstanding share options 31 December 2024** *(Thousands)*
31 August 2016	30 August 2026	0.49	130,000	98,668	98,668
26 September 2018	25 September 2028	0.74	60,000	58,300	58,300
6 December 2018	5 December 2028	0.53	37,000	37,000	37,000
31 March 2023	30 March 2033	0.25	185,300	184,940	185,300
Total		0.42	412,300	378,908	379,268
Weighted average remaining contractual life of options outstanding at end of years				4.41 years	5.41 years

Notes to the Consolidated Financial Statements

15. OTHER RESERVES (CONTINUED)

Notes: (Continued)

(b) Share-based payments (Continued)

Movements in the number of outstanding share options and their related weighted average exercise prices are as follow:

	2025		2024	
	Average exercise price per share options ***HKD***	**Number of share options** ***(Thousands)***	Average exercise price per share options *HKD*	Number of share options *(Thousands)*
As at 1 January	**0.42**	**379,268**	0.42	379,268
Granted	**–**	**–**	–	–
Exercised	**0.25**	**(360)**	–	–
Expired	**–**	**–**	–	–
Vested and exercisable as at 31 December	**0.42**	**378,908**	0.42	379,268

Total expenses arising from share-based payment transactions recognised during the twelve months ended 31 December 2025 as part of employee benefit expenses were RMB3,081,000 (2024: RMB6,871,000).

(c) Statutory reserves

	RMB'000
As at 1 January 2024	92,325
Appropriation	710
As at 31 December 2024 and 1 January 2025	93,035
Appropriation	664
As at 31 December 2025	**93,699**

Subsidiaries incorporated in the PRC shall appropriate 10% of their annual statutory net profit (after offsetting any prior years' losses) to the statutory reserve fund account in accordance with the PRC Company Law and their articles of association. When balance of such reserve fund reaches 50% of the entity's registered capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior years' losses or to increase capital after proper approval. However, except for offsetting prior years' losses, such statutory reserve fund must be maintained at a minimum of 25% of registered capital after such usage. This reserve is non-distributable.

Notes to the Consolidated Financial Statements

16. BORROWINGS

	As at 31 December	
	2025	2024
	RMB'000	*RMB'000*
Long-term borrowings:		
– Bank loans, secured (a)	**95,073**	69,466
– Loans from a third party, secured (b)	**98,200**	95,158
– Loans from a third party, unsecured (c)	**–**	5,751
	193,273	170,375
less:		
Non-current portion of long-term borrowings:		
– Bank loans, secured (a)	**57,583**	23,522
– Loans from a third party, secured (b)	**38,240**	31,552
Non-current portion of long-term borrowings	**95,823**	55,074
Current portion of long-term borrowings	**97,450**	115,301
Short-term borrowings:		
– Bank loans, secured (d)	**382,014**	393,000
– Bank loans, unsecured (e)	**15,987**	20,000
– Loans from third party, secured (f)	**20,000**	20,000
– Loans from third party, unsecured (g)	**37,290**	23,000
	455,291	456,000

Notes:

(a) Long-term secured bank loans comprise:

(i) A loan of RMB94,000,000 (2024: RMB67,500,000) bears interest at a rate of 5.00% (2024: 5.50%) per annum, and is secured against the right of collecting certain trade receivables.

(ii) A loan of RMB1,073,000 (2024: RMB1,966,000) bears interest at Singapore Overnight Rate Average in-advance ("SORA") plus a margin 2.50% (2024: 3-month swap offer rate plus 3.50%) per annum, and are secured against a right-of-use asset and a guarantee provided by the Company. During the year ended 31 December 2025, the average interest rate of SORA was 2.29% (2024: 2.97%).

Notes to the Consolidated Financial Statements

16. BORROWINGS (CONTINUED)

Notes: (Continued)

(b) The Group's long-term secured loans from third party financial institutions bear interest at rates ranging from 4.49% to 6.80% (2024: 4.49% to 7.81%), and are secured against certain machinery with carrying amount of RMB152,274,000 (2024: RMB144,304,000) and guarantees provided by certain subsidiaries of the Group.

(c) The Group has not obtain any long-term unsecured loans from third parties in 2025 (2024: interest rate at 10.00%).

(d) Short-term secured bank loans comprise:

(i) Loans totalling RMB60,000,000 (2024: RMB100,000,000) bear interest at a rate of 5.50% (2024: 5.00% to 5.50%) per annum, and are secured against the right of collecting certain trade receivables.

(ii) Loans totalling RMB80,000,000 (2024: RMB85,000,000) bear interest at rates ranging from 2.95% to 3.68% (2024: 3.05% to 5.26%) per annum, and guaranteed by a third party guarantee company.

(iii) Loans totaling RMB242,014,000 (2024: RMB208,000,000) bear interest ranging from 2.25% to 4.76% (2024: 2.30% to 4.50%) per annum, with guarantees provided by certain subsidiaries of the Group.

(e) The Group's short-term unsecured bank loans bear interest ranging from 3.50% to 4.60% (2024: 1.50% to 4.60%).

(f) The Group's short-term secured loan from a third party institution bears interest at a rate of 5.00% (2024: 5.10%) per annum, with guarantees provided by a subsidiary of the Group through pledge of a land use right of RMB17,415,000 (2024: RMB17,900,000).

(g) The Group's short-term unsecured loan from third party institutions in 2025 carried interest ranging from 5.00% to 9.00% (2024: 6.00%).

Notes to the Consolidated Financial Statements

16. BORROWINGS (CONTINUED)

Notes: (Continued)

(h) The exposure of the Group's borrowings are as follows:

	As at 31 December	
	2025	2024
	RMB'000	*RMB'000*
Fixed-rate borrowings	**612,491**	594,409
Variable-rate borrowings	**36,073**	31,966
	648,564	626,375

(i) The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	As at 31 December	
	2025	2024
Fixed-rate borrowings	**2.25% to 9.00%**	1.50% to 10.00%
Variable-rate borrowings	**2.29% to 3.10%**	2.97% to 3.20%

(j) The Group's borrowings are analysed as below:

	As at 31 December	
	2025	2024
	RMB'000	*RMB'000*
RMB	**611,201**	618,659
USD	**36,290**	5,751
SGD	**1,073**	1,965
	648,564	626,375

Notes to the Consolidated Financial Statements

16. BORROWINGS (CONTINUED)

Notes: (Continued)

(k) The maturities of the Group's total borrowings are as follows:

	As at 31 December	
	2025	2024
	RMB'000	*RMB'000*
Within 1 year	**552,741**	571,301
1 year to 2 years	**82,594**	53,002
2 years to 5 years	**13,229**	2,072
	648,564	626,375

As at 31 December 2025 and 2024, the Group pledged certain of its right-of-use assets and trade and note receivables to secure the bank borrowings of the Group. The carrying values of assets pledged are as follows:

	As at 31 December 2025	As at 31 December 2024
	RMB'000	*RMB'000*
Right-of-use assets	**1,073**	1,966
Trade and note receivables	**154,000**	167,500

17. TRADE AND NOTE PAYABLES

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

	As at 31 December	
	2025	2024
	RMB'000	*RMB'000*
Up to 6 months	**415,435**	373,975
6 months to 1 year	**30,067**	48,836
1 – 2 years	**38,002**	44,567
2 – 3 years	**15,028**	19,832
Over 3 years	**73,761**	70,175
	572,293	557,385

Notes to the Consolidated Financial Statements

18. ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2025	2024
	RMB'000	*RMB'000*
Payroll and welfare payable	**71,344**	91,270
Other tax payables	**24,071**	31,685
Other payables – related parties	**14,872**	14,872
Other payables for purchase of property, plant and equipment	**4,236**	2,995
Other payables	**61,309**	48,390
	175,832	189,212

19. DEFERRED INCOME TAXATION

The movement in deferred income tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Lease Liabilities	Tax losses	Impairment of assets	Unrealised profit*	Accrued expense	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2024	3,147	40,715	46,925	22,750	4,631	118,168
(Charged)/credited to the income statement	(221)	(10,776)	3,158	(1,167)	(423)	(9,429)
Currency translation differences	–	1,554	(400)	(632)	(234)	288
As at 31 December 2024 and 1 January 2025	**2,926**	**31,493**	**49,683**	**20,951**	**3,974**	**109,027**
(Charged)/credited to the income statement	**(490)**	**6,155**	**3,396**	**2,816**	**(82)**	**11,795**
Currency translation differences	**–**	**581**	**(568)**	**(687)**	**(471)**	**(1,145)**
As at 31 December 2025	**2,436**	**38,229**	**52,511**	**23,080**	**3,421**	**119,677**

* Deferred income tax assets in relation to unrealised profit mainly resulted from the unrealised profit on intra-group transfer of property, plant and equipment and inventories.

Notes to the Consolidated Financial Statements

19. DEFERRED INCOME TAXATION (CONTINUED)

(a) The movement in deferred income tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows: (Continued)

Deferred income tax liabilities

	Right-of-use assets *RMB'000*	Withholding tax of the unremitted earnings of certain subsidiaries* *RMB'000*	Valuation surplus upon acquisition of a subsidiary *RMB'000*	Total *RMB'000*
As at 1 January 2024	2,769	22,898	3,354	29,021
Credited to the income statement	(69)	(1,392)	(205)	(1,666)
As at 31 December 2024 and 1 January 2025	**2,700**	**21,506**	**3,149**	**27,355**
(Credited)/charged to the income statement	**(536)**	**414**	**(173)**	**(295)**
As at 31 December 2025	**2,164**	**21,920**	**2,976**	**27,060**

* Deferred income tax liabilities in relation to unremitted earnings of certain subsidiaries resulted from certain subsidiaries' accumulated profit which are expected to be distributed as dividends in the future. Pursuant to the local tax regulations where such subsidiaries operate, when such subsidiaries declare or paid dividends, withholding tax will be imposed on these dividends.

(b) Details of unrecognised deferred income tax are as follows:

(i) Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB172,643,000 as at 31 December 2025 (2024: RMB159,307,000), in respect of losses amounting to RMB989,140,000 (2024: RMB911,503,000) that can be carried forward against future taxable income and will expire between 2026 and 2035.

(ii) As at 31 December 2025, the Group did not recognise deferred income tax liabilities of RMB30,974,000 (2024: RMB33,321,000) relating to withholding tax of unremitted earnings of certain subsidiaries totalling approximately RMB619,482,000 (2024: RMB665,722,000) as such unremitted earnings are expected to be retained in the respective subsidiaries for their future investment and expansion activities.

Notes to the Consolidated Financial Statements

20. OTHER (LOSSES)/GAINS, NET

	Year ended 31 December	
	2025	2024
	RMB'000	*RMB'000*
Net foreign exchange losses	**(8,652)**	(3,038)
Others	**(2,401)**	4,707
	(11,053)	1,669

21. EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2025	2024
	RMB'000	*RMB'000*
Wages, salaries and allowances	**439,412**	509,704
Housing benefits	**17,185**	18,774
Pension costs*	**75,380**	84,585
Share-based payments (Note 15)	**3,081**	6,871
Welfare and other expenses	**30,771**	21,567
	565,829	641,501

* There was no forfeited contribution during the years ended 31 December 2025 and 2024 available for reducing the Group's contributions as at 31 December 2025 and 2024.

Notes to the Consolidated Financial Statements

21. EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(a) Five highest paid individuals

	Year ended 31 December Number of individuals	
	2025	2024
Director	**2**	2
Non-director individual	**3**	3
	5	5

The aggregate amounts of emoluments paid and payable to the non-director individuals whose emoluments were the highest in the Group for the years are as follows:

	Year ended 31 December	
	2025 *RMB'000*	2024 *RMB'000*
Salaries and other short-term benefits	**2,739**	3,045
Share-based payments	**607**	1,353
Retirement benefits and others	**374**	360
	3,720	4,758

The emoluments fell within the following bands:

	Year ended 31 December Number of individuals	
	2025	2024
Emolument band		
HKD500,001 to HKD1,000,000	**2**	2
HKD1,000,001 to HKD1,500,000	**–**	–
HKD1,500,001 to HKD2,000,000	**1**	1
	3	3

Note: Non-cash share-based payments are not considered in the determination of emolument bands.

Notes to the Consolidated Financial Statements

22. EXPENSES BY NATURE

	Year ended 31 December	
	2025	2024
	RMB'000	*RMB'000*
Gain on disposal of property, plant and equipment	**(3,389)**	(1,185)
Sales tax and surcharges	**8,194**	8,300
Depreciation		
– Right-of-use assets (include land use rights) (Note 7)	**6,807**	4,676
– Property, plant and equipment (Note 6)	**48,310**	49,284
Amortisation of intangible assets (Note 8)	**900**	1,279
Auditor's remuneration – audit service	**2,135**	3,050

23. FINANCE COSTS, NET

	Year ended 31 December	
	2025	2024
	RMB'000	*RMB'000*
Finance income:		
– Interest income	**3,953**	1,927
Net foreign exchange gains/(losses) on financing activities	**82**	(130)
Finance income	**4,035**	1,797
Interest expense:		
– Bank borrowings	**(20,581)**	(20,272)
– Lease liabilities	**(869)**	(864)
– Other borrowings	**(8,687)**	(6,600)
Bank charges and others	**(5,472)**	(5,266)
Finance costs	**(35,609)**	(33,002)
Finance costs, net	**(31,574)**	(31,205)

Notes to the Consolidated Financial Statements

24. INCOME TAX EXPENSE

	Year ended 31 December	
	2025	2024
	RMB'000	*RMB'000*
Current income tax (a)	**18,995**	9,245
Deferred income tax	**(12,090)**	7,763
Income tax expense	**6,905**	17,008

Notes:

(a) Current income tax

(i) The Company was incorporated in Cayman Islands as an exempted company with limited liability under the Company Law of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

(ii) PRC enterprise income tax ("EIT") is provided on the basis of the profits of the subsidiaries established in PRC for statutory financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes. The statutory income tax is assessed on an individual entity basis, based on their results of operations.

(iii) The Group's subsidiaries established in Singapore are subject to Singapore profits tax at a rate of 17% (2024: 17%).

(iv) The corporate income tax rate for subsidiaries established in Kazakhstan is 20% (2024: 20%).

(v) The corporate income tax rate for subsidiaries established in Canada is 25% (2024: 25%).

(vi) Taxation on profits generated in other locations has been provided at the rate of taxation prevailing in the countries in which those profits arose.

Notes to the Consolidated Financial Statements

24. INCOME TAX EXPENSE (CONTINUED)

Notes: (Continued)

(b) The income tax on the Group's loss before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Year ended 31 December	
	2025	2024
	RMB'000	*RMB'000*
Loss before income tax	**(121,735)**	(246,577)
Tax calculated at domestic tax rates applicable in respective countries	**(13,637)**	(45,402)
Expenses not deductible for taxation purposes	**6,499**	12,870
Impact on share of results of investments accounted for using equity method	**293**	(656)
Utilisation of previously unrecognised tax losses and temporary differences	**(5,279)**	(6,967)
Losses not recognised as deferred income tax assets	**19,029**	57,163
Income tax expense	**6,905**	17,008

25. DIVIDENDS

The Board did not propose a final dividend for the year ended 31 December 2025 (2024: Nil).

26. LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2025	2024
Loss attributable to owners of the Company (RMB'000)	**(125,881)**	(256,231)
Weighted average number of ordinary shares in issue (thousands)	**1,953,900**	1,953,776
Basic loss per share (RMB per share)	**(0.064)**	(0.131)

26. LOSS PER SHARE (CONTINUED)

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options.

The share options in issue have not been included in the calculation of the diluted loss per share, as the adjusted exercise prices of those share options are higher than the average annual market price of the Company's shares. Accordingly, these share options had no dilutive effect during the year ended 31 December 2025 and 2024 and the diluted loss per share is the same as the basic loss per share during the year ended 31 December 2025 and 2024.

27. CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended 31 December	
	2025	2024
	RMB'000	*RMB'000*
Loss before income tax	**(121,735)**	(246,577)
Adjustments for:		
Depreciation charge		
– Property, plant and equipment (Note 6, 22)	**48,310**	49,284
– Right-of-use assets (include land use rights) (Notes 7, 22)	**6,807**	4,676
Amortisation of intangible assets (Note 8)	**900**	1,279
Gain on disposals of property, plant and equipment (Note 22)	**(3,389)**	(1,185)
Gain on disposal of a subsidiary	**(9)**	–
Dividend income from financial assets at fair value through other comprehensive income	**(767)**	(889)
Impairment loss of right-of-use assets	**–**	1,516
Impairment loss of property, plant and equipment	**–**	13,503
Write-down of inventories and provision of prepayments	**4,814**	12,961
Net impairments losses of financial assets and contract assets	**17,819**	53,725
Net foreign exchange losses (Notes 20, 23)	**8,570**	3,168
Interest income (Note 23)	**(3,953)**	(1,927)
Interest expenses on borrowings and leases (Note 23)	**30,137**	27,736
Share-based payments (Note 21)	**3,081**	6,871
Share of net loss/(profit) of an associate and a joint venture accounted for using the equity method	**1,170**	(2,625)
Changes in working capital:		
Inventories	**(2,099)**	99,119
Trade and note receivables and contract assets	**54,513**	283,560
Prepayments and other receivables	**11,747**	(41,351)
Trade and note payables	**12,160**	(214,557)
Accruals and other payables and contract liabilities	**(46,795)**	(7,595)
Net cash generated from operations	**21,281**	40,692

Notes to the Consolidated Financial Statements

27. CASH FLOW INFORMATION (CONTINUED)

(b) Net debt reconciliation

(i) Analysis of net debt

	2025 *RMB'000*	2024 *RMB'000*
Cash and cash equivalents	**366,508**	389,230
Borrowings – repayable within one year	**(552,741)**	(571,301)
Borrowings – repayable after one year	**(95,823)**	(55,074)
Lease liabilities	**(11,361)**	(13,626)
Net debt	**(293,417)**	(250,771)
Cash and liquid investments	**366,508**	389,230
Gross debt-fixed interest rates	**(623,852)**	(608,035)
Gross debt-variable interest rates	**(36,073)**	(31,966)
Net debt	**(293,417)**	(250,771)

Notes to the Consolidated Financial Statements

27. CASH FLOW INFORMATION (CONTINUED)

(b) Net debt reconciliation (Continued)

(ii) Movements in net debt

	Other assets	Liabilities from financing activities			
	Cash and cash equivalents	Borrowing due within 1 year	Borrowing due after 1 year	Lease	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net debt as at 1 January 2024	303,180	(416,210)	(77,206)	(24,221)	(214,457)
Cash flows	91,734	47,218	(185,095)	7,125	(39,018)
Lease changes	–	–	–	3,396	3,396
Foreign exchange adjustments	(5,684)	(34)	–	74	(5,644)
Accrued interest expenses	–	(1,244)	–	–	(1,244)
Reclassification of amounts to current portion	–	(201,031)	201,031	–	–
Payments of financing fee and deposits	–	–	6,196	–	6,196
Net debt as at 31 December 2024	389,230	(571,301)	(55,074)	(13,626)	(250,771)
Net debt as at 1 January 2025	389,230	(571,301)	(55,074)	(13,626)	(250,771)
Cash flows	(18,239)	153,986	(181,900)	6,124	(40,029)
Lease changes	–	–	–	(3,941)	(3,941)
Foreign exchange adjustments	(4,483)	125	–	82	(4,276)
Accrued interest expenses and financing fee	–	(4,465)	–	–	(4,465)
Reclassification of amounts to current portion	–	(131,086)	131,086	–	–
Payments of financing fee and deposits	–	–	10,065	–	10,065
Net debt as at 31 December 2025	**366,508**	**(552,741)**	**(95,823)**	**(11,361)**	**(293,417)**

Notes to the Consolidated Financial Statements

27. CASH FLOW INFORMATION (CONTINUED)

(c) Net cash flow on disposal of a subsidiary

	2025 *RMB'000*
Net cash inflow arising on disposal:	
Cash consideration	**2,550**
Less: cash and cash equivalents disposed of	**(812)**
	1,738

(d) Net cash flow on acquisition of a subsidiary

	2025 *RMB'000*
Net cash outflow on acquisition of a subsidiary	
Cash and cash equivalents of subsidiary acquired	**–**
Less: Cash consideration	**(63)**
	(63)

(e) During the year ended 31 December 2025, the Group received proceeds of approximately RMB884,000 from disposal of an associate in prior years, which had been included under other receivables in prior years. The balance has been fully settled during the year.

28. CONTINGENCIES

The Group has claims or other legal procedures arising in its ordinary course of business from time to time. As at 31 December 2025 and 2024, the Directors did not anticipate that any material liabilities will arise from the contingent liabilities other than those provided for in the financial statements.

Notes to the Consolidated Financial Statements

29. COMMITMENTS

Capital commitments

Capital expenditure contracted for but not yet incurred is as follows:

	As at 31 December	
	2025	2024
	RMB'000	*RMB'000*
Property, plant and equipment	**25,652**	12,235
Exploration and evaluation	**39,878**	42,458

30. RELATED PARTY TRANSACTIONS

Other than those disclosed elsewhere in these financial statements, the following transactions were carried out with related parties for the year ended 31 December 2025 and 2024:

(a) Key management compensation

Key management includes directors and members of senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December	
	2025	2024
	RMB'000	*RMB'000*
Salaries and other short-term benefits	**8,883**	9,260
Share-based payments	**853**	1,884
Retirement benefits and others	**1,381**	1,281
	11,117	12,425

(b) Outstanding balances arising from sales of property, plant and equipment

	2025	2024
	RMB'000	*RMB'000*
Other receivables (Note 12)		
– a joint venture	**36,924**	37,752

Notes to the Consolidated Financial Statements

30. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Loans to a joint venture

	2025	2024
	RMB'000	*RMB'000*
Loans to a joint venture (Note 12)	**12,660**	12,273

(d) Transactions with related parties

On 21 January 2022, pursuant to the exclusive Call Option Agreement entered into between SPT Energy (Hong Kong) Limited ("SPT HK") and several companies ("Non-controlling Shareholders") owned by Preference Shareholders as stated in the prospectus of the Company dated 14 December 2011, SPT HK has exercised the call options with respect to Non-controlling Shareholders. Accordingly, SPT HK shall acquire a total of 350,000 preference shares from Non-controlling Shareholders by way of an instrument of transfer at a total consideration of approximately SGD3,200,000 (the "Transactions"). The Transactions had been completed in 2022 with the consideration (equivalent to RMB14,872,000) yet to be paid.

Notes to the Consolidated Financial Statements

31. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	Note	As at 31 December 2025 RMB'000	2024 RMB'000
Assets			
Non-current assets			
Interests in subsidiaries		**1,245,694**	1,263,385
Current assets			
Prepayments and other receivables		**1,529**	63
Cash and cash equivalents		**233**	87
Total assets		**1,247,456**	1,263,535
Equity and liabilities			
Share capital		**1,247**	1,247
Share premium	*Note (a)*	**869,969**	869,853
Other reserves	*Note (a)*	**433,266**	430,219
Currency translation differences	*Note (a)*	**79,312**	97,449
Accumulated losses	*Note (a)*	**(156,107)**	(153,265)
Total equity		**1,227,687**	1,245,503
Current liabilities			
Accruals and other payables		**19,769**	18,032
Total liabilities		**19,769**	18,032
Total equity and liabilities		**1,247,456**	1,263,535

The statement of financial position of the Company was approved by the Board of Directors on 26 March 2026 and was signed on its behalf.

Ethan Wu
Director

Li Qiang
Director

Notes to the Consolidated Financial Statements

31. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Statement of financial position of the Company (Continued)

Note:

(a) Reserve movements of the Company

	Accumulated losses *RMB'000*	Share premium *RMB'000*	Other reserves *RMB'000*	Currency translation differences *RMB'000*	Total *RMB'000*
At 1 January 2024	(149,736)	869,853	423,348	85,389	1,228,854
Loss for the year	(3,529)	–	–	–	(3,529)
Share-based payments	–	–	6,871	–	6,871
Currency translation differences	–	–	–	12,060	12,060
At 31 December 2024	(153,265)	869,853	430,219	97,449	1,244,256
At 1 January 2025	**(153,265)**	**869,853**	**430,219**	**97,449**	**1,244,256**
Loss for the year	**(2,842)**	**–**	**–**	**–**	**(2,842)**
Share-based payments	**–**	**–**	**3,081**	**–**	**3,081**
Exercise of share options	**–**	**116**	**(34)**	**–**	**82**
Currency translation differences	**–**	**–**	**–**	**(18,137)**	**(18,137)**
At 31 December 2025	**(156,107)**	**869,969**	**433,266**	**79,312**	**1,226,440**

Notes to the Consolidated Financial Statements

32. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executives emoluments

The remuneration of each director and the chief executive for the year ended 31 December 2025 is set out below:

	Fee *RMB'000*	Salary *RMB'000*	Discretionary bonuses *RMB'000*	Housing allowance *RMB'000*	Allowances, benefit in kind and others *RMB'000*	Total *RMB'000*
Executive Directors						
Mr. 吳東方 (Mr. Ethan Wu) *(Chairman and Chief Executive Officer)*	–	1,500	–	83	91	1,674
Mr. 李強 (Mr. Li Qiang)	–	550	–	36	128	714
Mr. 丁克臣 (Ding Kechen)*	–	1,934	–	–	180	2,114
Non-executive Directors						
Mr. 王國強 (Mr. Wang Guoqiang)**	170	–	–	21	18	209
Ms. 陳春花 (Ms. Chen Chunhua)	170	–	–	21	18	209
Mr. 武吉偉 (Mr. Wu Jiwei)	163	–	–	–	8	171
Independent Non-Executive Directors						
Mr. 胡國強 (Mr. Wu Kwok Keung Andrew)	275	–	–	–	8	283
Ms. 張渝涓 (Ms.Zhang Yujuan)	275	–	–	–	8	283
Mr. 馬小虎 (Mr. Ma Xiaohu)	275	–	–	–	8	283
	1,328	3,984	–	161	467	5,940

Notes to the Consolidated Financial Statements

32. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and chief executives emoluments (Continued)

The remuneration of each director and the chief executive for the year ended 31 December 2024 is set out below:

	Fee *RMB'000*	Salary *RMB'000*	Discretionary bonuses *RMB'000*	Housing allowance *RMB'000*	Allowances, benefit in kind and others *RMB'000*	Total *RMB'000*
Executive Directors						
Mr. 吳東方 (Mr. Ethan Wu)						
(Chairman and Chief Executive Officer)	–	1,471	–	75	118	1,664
Mr. 李強 (Mr. Li Qiang)	–	1,163	–	50	136	1,349
Mr. 丁克臣 (Ding Kechen)*	–	1,641	–	–	393	2,034
Non-executive Directors						
Mr. 王國強 (Mr. Wang Guoqiang)**	488	–	–	25	28	541
Ms. 陳春花 (Ms. Chen Chunhua)	244	–	–	31	27	302
Mr. 武吉偉 (Mr. Wu Jiwei)	229	–	–	–	19	248
Independent Non-Executive Directors						
Mr. 胡國強 (Mr. Wu Kwok Keung Andrew)	274	–	–	–	19	293
Ms. 張渝涓 (Ms.Zhang Yujuan)	274	–	–	–	19	293
Mr. 馬小虎 (Mr. Ma Xiaohu)	274	–	–	–	19	293
	1,783	4,275	–	181	778	7,017

* On 3 April 2024, Mr. Ding Kechen was appointed as an executive Director of the Company.

** On 26 March 2024, Mr. Wang Guoqiang was re-designated as a non-executive Director of the Company from an executive Director of the Company.

32. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(b) Directors' retirement benefits

During the year, no retirement benefits operated by the Group were paid or made, directly or indirectly, to or receivable by a director in respect of his services as a director or other services in connection with the management of the affairs of the Company or its subsidiaries (2024: nil).

(c) Directors' termination benefits

During the year, no payments or benefits in respect of termination of director's services were paid or made, directly or indirectly, to or receivable by a director; nor are any payable (2024: nil).

(d) Consideration provided to third parties for making available directors' services

During the year, no consideration was provided to or receivable by third parties for making available director's services (2024: nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There are no loans, quasi-loans or other dealings in favour of directors, controlled bodies corporate by and connected entities (2024: nil).

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2024: nil).

Notes to the Consolidated Financial Statements

33. MATERIAL ACCOUNTING POLICY INFORMATION

33.1 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 33.2).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

(b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see Note 33.1(d) below), after initially being recognised at cost.

(c) Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Notes to the Consolidated Financial Statements

33. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

33.1 Principles of consolidation and equity accounting (Continued)

(d) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income ("OCI") of the investee in other comprehensive income. Dividends received or receivable from investee are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its investee are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 33.8.

Notes to the Consolidated Financial Statements

33. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

33.1 Principles of consolidation and equity accounting (Continued)

(e) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Notes to the Consolidated Financial Statements

33. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

33.2 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity.

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Notes to the Consolidated Financial Statements

33. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

33.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

33.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer, vice presidents and directors of the Company that makes strategic decisions.

33.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Company's functional currency is United States Dollar ("USD") and the consolidated financial statements are presented in RMB, which is the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement, within finance costs. All other foreign exchange gains and losses are presented in the consolidated income statement on a net basis within other income or other expenses.

Notes to the Consolidated Financial Statements

33. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

33.5 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- currency translation differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

(d) Disposal of foreign operation

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Notes to the Consolidated Financial Statements

33. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

33.5 Foreign currency translation (Continued)

(d) Disposal of foreign operation (Continued)

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

33.6 Property, plant and equipment

(a) Fixed assets and construction in progress

Property, plant and equipment, other than construction-in-progress, is stated at cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Construction-in-progress is stated at cost, including the costs of construction, machinery and other expenditures for the purpose of preparing the construction-in-progress for its intended use and borrowing costs incurred before the assets ready for intended use that are eligible for capitalisation. Construction-in-progress is not depreciated until the asset is completed and ready for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the consolidated income statement during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 33.8).

Notes to the Consolidated Financial Statements

33. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

33.6 Property, plant and equipment (Continued)

(b) Oil and gas properties

The Group uses the successful efforts method of accounting for its oil and gas producing activities. Under this method, costs of development wells, the related supporting equipment and proved mineral interests in properties are capitalised.

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of commercially proven development wells, is capitalised within construction in progress under property, plant and equipment. When development is completed on a specific field, it is transferred to oil and gas properties. No depreciation is charged during the development phase.

Oil and gas production properties include drilling costs, exploration and evaluation costs, development costs and other direct costs attributable to the oil and gas production properties.

Oil and gas properties are depreciated and depleted using the unit-of-production method. Unit-of-production rates are based on oil and gas reserves, which are oil, gas and other mineral reserves estimated to be recovered from existing facilities using current operating methods. Oil and gas volumes are considered to be part of production once they have been measured through meters at custody transfer or sales transaction points at the outlet valve on the field storage tank.

Property, plant and equipment, including oil and gas properties, are stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Notes to the Consolidated Financial Statements

33. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

33.7 Intangible assets

(a) Computer software

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

(b) Technology

Technology assets were generated from the Group's research and development activities. Only development costs that are directly attributable to the design, development and application of technology are recognised as intangible assets when the following criteria are met:

- Management intends to complete the patents and use or sell it;
- There is an ability to use or sell the patents;
- It can be demonstrated how the patents will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the patents available; and
- The expenditure attributable to the patents during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the patent include material costs, patent development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(c) Licenses

Separately acquired licenses are shown at historical cost. Licenses acquired in a business combination are initially recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

Notes to the Consolidated Financial Statements

33. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

33.8 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested 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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed which there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

33.9 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Notes to the Consolidated Financial Statements

33. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

33.9 Investments and other financial assets (Continued)

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses), and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Notes to the Consolidated Financial Statements

33. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

33.9 Investments and other financial assets (Continued)

(c) Measurement (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

33.10 Inventories

Inventories primarily consist of project materials, consumables and project-in-progress for the provision of oilfield services and sales. Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of project-in-progress comprises project materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs to completion and the estimated costs necessary to make the sale.

33.11 Trade receivables

Trade receivables arising from IFRS 15 are recognised initially at the amount of the transaction price that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 33.9 for further information about the Group's accounting for trade receivables and Note 3.1 for a description of the Group's impairment policies.

Notes to the Consolidated Financial Statements

33. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

33.12 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

33.13 Share capital

Share capital is classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

33.14 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

33.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Notes to the Consolidated Financial Statements

33. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

33.16 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

33.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Notes to the Consolidated Financial Statements

33. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

33.17 Current and deferred income tax (Continued)

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. When the current tax and deferred tax arising from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Notes to the Consolidated Financial Statements

33. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

33.18 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating annual leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

(b) Post-employment obligations

The Group operates various post-employment schemes, which are defined contribution pension plans.

(i) Pension obligations

The PRC employees of the Group are covered by various PRC government-sponsored defined-contribution pension plans under which the employees become entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these employees when they retire. The Group contributes on a monthly basis to these pension plans for the employees which are determined at a certain percentage of their salaries. Under these plans, the Group has no obligation for post-retirement benefits beyond the contribution made. Employees of entities located in countries other than PRC are covered by other defined-contribution pension plans sponsored by respective governments.

(ii) Housing benefits

The PRC employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the employees' salaries. The Group's liability in respect of these funds is limited to the contributions payable in each period. The non-PRC employees are not covered by the housing benefits.

Notes to the Consolidated Financial Statements

33. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

33.18 Employee benefits (Continued)

(c) Share-based compensation

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of options granted is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or hold shares for a specific period of time).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium. The corresponding amount accounted for as "Other reserve" when recognising the share-based compensation are reclassified to share premium as well.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to the subsidiary undertakings. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

Notes to the Consolidated Financial Statements

33. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

33.19 Dividend income

Dividends are recognised in profit or loss when the right to receive payment is established.

33.20 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;

Notes to the Consolidated Financial Statements

33. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

33.20 Leases (Continued)

- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and

- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Notes to the Consolidated Financial Statements

33. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

33.20 Leases (Continued)

Right-of-use assets, include land use rights, are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise some machinery and equipment and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term.

Sale and leaseback transaction

The Group applies the requirement of IFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group.

Notes to the Consolidated Financial Statements

33. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

33.21 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

33.22 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial year.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and any other changes associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Notes to the Consolidated Financial Statements

33. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

33.23 Related Parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group; or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Notes to the Consolidated Financial Statements

33. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

33.24 Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control in accordance with the terms of the contractual agreement which have stipulated certain rights to the assets, and certain obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entities undertakes activities under a joint operation, the Group, as a joint operator, recognises its interests in the assets and liabilities, and its related rights and obligations arising from the joint operation. The share of revenue is based on the sales of output by the joint operation, and the share of expense is based on the joint operators' obligations.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRS Accounting Standards applicable to the particular assets, liabilities, revenues and expenses.

Notes to the Consolidated Financial Statements

33. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

33.25 Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, drilling, well completion and reservoir service in one contract, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

Notes to the Consolidated Financial Statements

33. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

33.25 Revenue from contracts with customers (Continued)

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

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* For identification purpose only