中国石化
SINOPEC

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

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

2026
Interim Report

IMPORTANT NOTES

1. The Board of the Company and its directors and senior management warrant that there are no false representations, misleading statements or material omissions in this Interim Report and individually and jointly accept full responsibility for the authenticity, accuracy and completeness of the information contained in this Interim Report.

2. The 2026 Interim Report has been approved at the thirteenth meeting of the eleventh session of the Board. 6 directors of the Company attended the meeting. Mr. Zhang Jiankuo, Mr. Wang Minsheng and Mr. Du Kun, directors of the Company, were absent from the meeting due to official affairs, and had authorized Mr. Wu Baizhi, the Chairman of the Board, Mr. Zheng Weijun, an independent director, and Ms. Zhang Lili, a director, to attend the meeting and exercise their rights on their behalf.

3. The interim financial statements of the Company for 2026, which have been prepared in accordance with the PRC Accounting Standards for Business Enterprises ("PRC ASBE") and International Financial Reporting Standards ("IFRS"), are unaudited. But the interim financial statements of the Company for 2026 which have been prepared in accordance with IFRS have been reviewed by BDO Limited.

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

5. The Company will not distribute profits for the first half of 2026, nor will it issue bonus shares by way of capitalization of capital reserves.

6. The Company's forward-looking statement about the development strategy in the future and operation plan does not constitute its substantive commitment to investors, and the Company would ask investors to notice the investment risks.

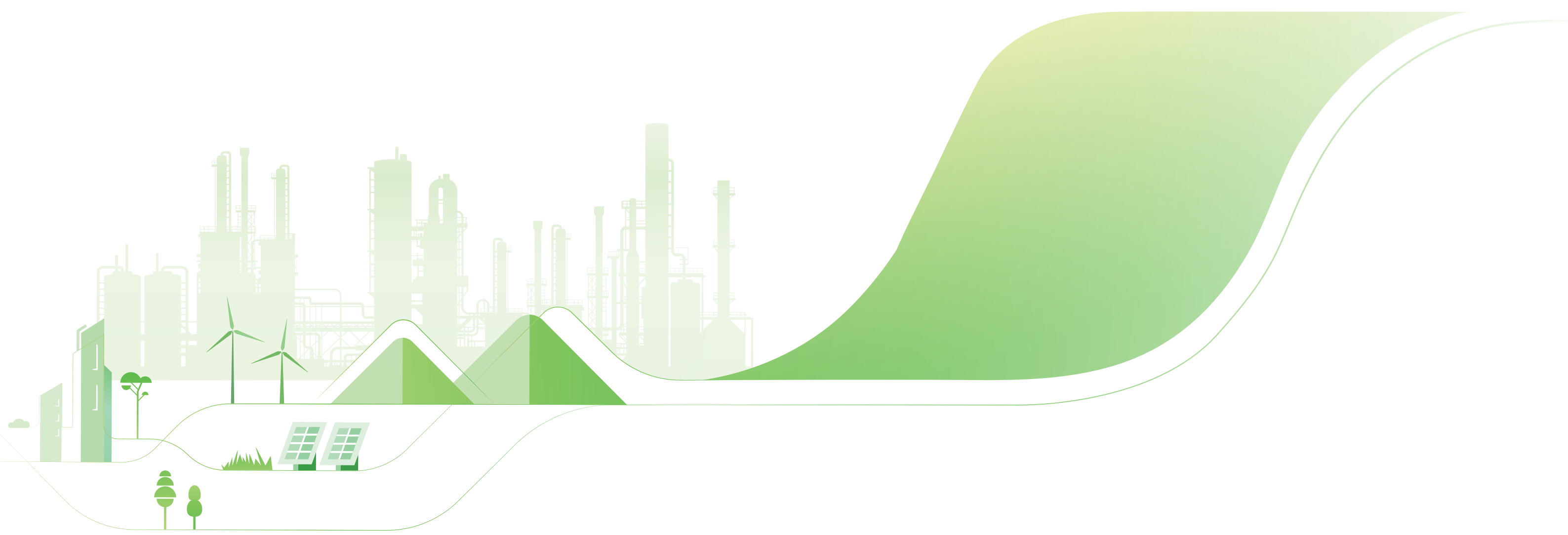
7. There was no occupancy of non-operating funds by the controlling shareholder of the Company and its connected parties.

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

9. There is no situation where more than half of the directors of the Company cannot guarantee the authenticity, accuracy and completeness of the Company's 2026 Interim Report.

10. There are no significant risks of the Company that require specific attention.

Contents



Section I Definitions

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

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

Section II Company Profile and Principal Financial Indicators

1. Company information

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

2. Contact information

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

3. The changes for the company profile

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

4. Information disclosure and inspection place

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

5. Stock briefs

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

6. Other related information

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

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

(1) Key financial data

	For the six months ended 30 June 2026	For the six months ended 30 June 2025	Increase/(Decrease) from corresponding period of last year
	RMB'000	RMB'000	(%)
Operating income	**37,664,258**	37,050,751	1.7
Operating profit	**825,220**	788,207	4.7
Profit before income tax	**783,699**	782,970	0.1
Net profit attributable to equity shareholders of the Company	**509,539**	492,256	3.5
Net profit deducted extraordinary gain and loss attributable to equity shareholders of the Company	**469,294**	423,900	10.7
Net cash inflow from operating activities ("-" for outflow)	**2,936,661**	2,150,567	36.6

	As at 30 June 2026	As at 31 December 2025	Increase/(Decrease) from last year
	RMB'000	RMB'000	(%)
Total equity attributable to equity shareholders of the Company	**10,008,067**	9,254,404	8.1
Total assets	**77,629,992**	77,254,593	0.5

(2) Key financial indicators

	For the six months ended 30 June 2026	For the six months ended 30 June 2025	Increase/(Decrease) from corresponding period of last year (%)
Basic earnings per share (RMB/share)	**0.027**	0.026	3.8
Diluted earnings per share (RMB/share)	**0.027**	0.026	3.8
Basic earnings per share deducted extraordinary gain and loss (RMB/share)	**0.025**	0.022	13.6
Weighted average return on net assets	**5.36%**	5.53%	decreased by 0.17 percentage points
Weighted average return on net assets deducted extraordinary gain and loss	**4.94%**	4.77%	increased by 0.17 percentage points

Explanations for key financial data and key financial indicators

☐ Applicable √ Not Applicable

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

	Net profit attributable to equity shareholders of the Company		Net assets attributable to equity shareholders of the Company	
	For the six months ended 30 June 2026	For the six months ended 30 June 2025	As at 30 June 2026	As at 1 January 2026
	RMB'000	RMB'000	RMB'000	RMB'000
PRC ASBE	**509,539**	492,256	**10,008,067**	9,254,404
Adjustment of items and amount in accordance with the IFRS:				
Specific reserve (a)	**248,802**	267,893	**–**	–
IFRS	**758,341**	760,149	**10,008,067**	9,254,404

(a) Special reserve

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

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

Extraordinary gain and loss items	Amount (RMB'000)	Notes (if applicable)
Gains and losses on disposal of non-current assets, including write-offs of provision for impairment of assets	232	
Government subsidies included in the current profits and losses, except those that are closely related to the normal business operations of the Company, comply with the national policies and regulations, are enjoyed in accordance with the determined standards, and have a continuous impact on the profits and losses of the Company	28,939	
Reversal of provision for impairment of receivables individually tested for impairment	41,537	
Gain or loss on debt restructuring	17,522	
Other non-operating income and expenses excluding the aforesaid items	-40,878	
Less: Effect of income tax	7,107	
Total	40,245	

The reasons shall be explained for the non-recurring profit and loss items defined by the Company in accordance with the definition in the Explanatory Announcement No.1 on Information Disclosure by Companies Offering Securities to the Public – Non-recurring Profit and Loss, as well as for the non-recurring profit and loss items listed in the Explanatory Announcement No.1 on Information Disclosure by Companies Offering Securities to the Public – Non-recurring Profit and Loss which were defined as the recurring profit and loss items.

☐ Applicable √ Not Applicable

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

	As at 30 June 2026	As at 31 December 2025	Increase/(Decrease) from last year
	RMB'000	RMB'000	(%)
Total assets	77,629,992	77,254,593	0.5
Total liabilities	67,603,010	67,988,891	-0.6
Total equity attributable to equity shareholders of the Company	10,008,067	9,254,404	8.1
Net assets per share attributable to equity shareholders of the Company (RMB)	0.53	0.49	8.2

	For the six months ended 30 June 2026	For the six months ended 30 June 2025	Increase/(Decrease) from corresponding period of last year
	RMB'000	RMB'000	(%)
Profit attributable to equity shareholders of the Company	758,341	760,149	-0.2
Basic and diluted earnings per share	RMB0.040	RMB0.040	–
Net cash generated from/(used in) operating activities	2,936,661	2,150,567	36.6
Return on net assets	7.57%	8.08%	decreased by 0.51 percentage points
Net cash generated from/(used in) operating activities per share	RMB0.155	RMB0.113	37.2

Section III Discussion and Analysis of Management

1. Description of the Company's industry and main business during the reporting period

With more than 60 years of business operation and rich experience in project execution, the Company is a large-scale, integrated, and professional oil and gas engineering and technical service company in China and a leader in providing integrated and full industrial-chain oilfield services. As at 30 June 2026, the Company provided oil and gas engineering services with more than 70 basins and 550 blocks in more than 20 provinces in China, while its overseas business keeps growing with execution in 26 countries and regions.

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

The Company has a technological R&D supporting system covering the full industrial-chain from oil and gas exploration to production and is able to provide integrated services in high-acid oil & gas, tight oil & gas, shale oil, shale gas and heavy oil reservoirs. The Company was awarded National first prize for Progress in Science and Technology and the Golden Prize of National High-Quality Project for the Sichuan-Eastern China Natural Gas Transmission Pipeline project. The Company has nationally leading shale gas oilfield supporting technologies and has completed the ultra-deep shale gas well Qiyeshen 1, with a reservoir vertical depth of 4,881 meters, and the ultra-long horizontal shale gas well Jiaoye 44-Z5HF, with a horizontal section length of 5,442 meters. The Company has formed five major technology series including drilling, logging, fracturing and gas testing, equipment manufacturing and engineering construction, most key and core technologies have realized localization.

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

In the first half of 2026, the international crude oil price fluctuated drastically amid geopolitical shocks and showed an overall volatile upward trend, the average spot price of Brent Crude Oil in the North Sea stood at $91.74 per barrel, representing a 27.6% increase from $71.91 per barrel recorded in the same period of the previous year. China's economy withstood headwinds and operated within a reasonable range, with its gross domestic product (GDP) rising by 4.7% year on year. New growth drivers expanded rapidly, and the economy's development resilience remained evident. China steadily advanced efforts to boost oil and gas reserves and output, pushing crude oil and natural gas output to record highs for the same period in history, and the data released by the National Bureau of Statistics showed that industrial enterprises above designated size produced 109 million tons of crude oil in the first half of the year, a year-on-year increase of 0.9%, and 133 billion cubic meters of natural gas, a year-on-year increase of 1.6%. Driven by factors including rising oil prices and growing emphasis on energy security, domestic capital expenditure for oil and gas exploration and development climbed steadily year on year, sustaining the sound upward momentum of the domestic oilfield service industry.

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

☐ Applicable √ Not Applicable

2. Discussion and analysis of operation

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

Interim results

In the first half of 2026, faced with the complex and ever-changing external environment and in-depth challenges in reform and development, the Company has comprehensively promoted production and operation, technological innovation, reform and development, safety and environmental protection, strived to improve the quality and efficiency of business development, continued to deepen the optimization of resources such as human resources and equipment, and strived to expand the light assets and high-end business market relying on the advantages of the whole industry chain. We promoted the coordinated development of equipment intellectualization and transformation of technological achievements, strengthened core competitiveness, achieved steady improvement in the Company's operating performance and maintained a stable financial situation. In the first half of 2026, the consolidated revenue of the Company was RMB37.66 billion, representing an increase of 1.7% over RMB37.05 billion in the same period of the previous year. Net profit attributable to shareholders of the Company amounted to RMB510 million, representing an increase of 3.5% from RMB490 million in the same period of the previous year. Net cash flow from operating activities was RMB2.94 billion, representing a 36.6% increase from RMB2.15 billion in the same period last year.

Section III Discussion and Analysis of Management

Operation review

In the first half of 2026, the Company advanced high-quality development through its “Second Entrepreneurship” initiative, fully implemented the “Six Major Strategies,” made every effort to win the “Six Major Battles,” strengthened the integration of science, industry, finance, and innovation, deepened reform to drive growth, took all possible measures to prevent and control risks, increased support and safeguards, and contributed to expanding oil and gas reserves and boosting production. Production and operations remained stable, and key operating indicators achieved solid growth. In the first half of the year, the amount of newly signed contracts reached the best level in the same period since the “13th Five-Year Plan”, and our accumulated value of newly signed contracts amounted to RMB64.08 billion, representing a year-on-year growth of 0.6%. Among which, the value of our newly signed contracts in the market of China Petrochemical Corporation reached RMB28.48 billion, representing a year-on-year decrease of 17.1%; the value of our newly signed contracts in the domestic external markets reached RMB20.34 billion, representing a year-on-year increase of 110.1%; and the value of our newly signed contracts in the overseas markets reached RMB15.27 billion, representing a year-on-year decrease of 22.2%.

A. Geophysical service

In the first half of 2026, the Company’s operation revenue from the principal business of geophysical service was RMB1.70 billion, representing a decrease of 6.2% from RMB1.81 billion in the same period of the previous year. The completed 2D seismic exploration accumulated for 3,482 kilometers, representing a year-on-year increase of 87.3%; while the completed 3D seismic exploration accumulated for 5,429 square kilometers, representing a year-on-year increase of 3.9%. The pass rate of 2D and 3D records was 100%, and the first-grade rate for seismic acquisition data increased by 1.4 percentage points. During the first half of the year, the Company promoted and applied a number of new geophysical technologies, such as drone inspections, drone aerial photography, and the I-BBS autonomous excitation system, effectively enhancing service quality and production efficiency. It successfully executed five seismic projects for CPC’s internal market, with a contract value of RMB160 million, while the value of newly signed domestic external seismic project contracts reached RMB460 million, representing a year-on-year increase of 39.8%. The Company continued to drive the effective development of new business areas such as wellbore seismic, pipeline, surveying and mapping, gravity, magnetic and electrical exploration, as well as environmental energy conservation services. Among these, Beidou-related business showed sustained growth, with the value of newly signed contracts increasing by 26.5% year-on-year.

B. Drilling service

In the first half of 2026, the Company’s operation revenue from the principal business of drilling service was RMB18.20 billion, which was basically flat compared to RMB18.19 billion in the same period of the previous year. The Company completed 5,740 kilometers of drilling footage, representing a year-on-year increase of 2.5%, which completed 54.2% of the annual plan and exceeded the planned progress of operation. The Company deepened the integrated operation between the principal and contractor, strengthened operational management and technical support in key work areas and demonstration zones, and continuously improved service quality and efficiency. The “Four Improvements” in drilling yielded outstanding results, with the average mechanical drilling speed increasing by 4.3% year-on-year. Fanye well 2-6HF was completed at a depth of 5,867 meters with a drilling cycle of 16.87 days, setting a new record for the shortest drilling cycle in Shengli shale oil drilling; well TK169 was completed at a depth of 5,400 meters with a drilling cycle of 10.98 days, setting a new record for the shortest drilling cycle for wells between 5,000 and 5,500 meters within CPC; rig utilization continued to rise, with the average deployment rate of drilling crews increasing by 0.8 percentage points and the average footage per crew rising by 3% year-on-year. In Ziyang, the Company further advanced the intensive implementation of well-factory operations and refined reservoir modification for ultra-deep shale gas, with daily footage in the first section exceeding 1,000 meters; the mechanical drilling speed in the horizontal section of Ziye well 16 increased by 12%; in the Fuling normal-pressure shale gas project, the Idrilling (Yinglong) scientific drilling system was fully implemented, resulting in a 10.5% increase in average mechanical drilling speed in the applied well sections and a 14.2% reduction in the average drilling cycle; through the development of key technologies for tight gas, the drilling cycle at Xujiahe in western Sichuan was shortened by 5.4%, and mechanical drilling speed increased by 7.3%.

C. Logging and mud logging service

In the first half of 2026, the Company’s operation revenue from the principal business of logging and mud logging service was RMB1.57 billion, representing a decrease of 9.1% from RMB1.73 billion in the same period of the previous year. Our completed logging projects accumulated for 118,110,000 standard meters, representing a year-on-year decrease of 14.4%, whereas our completed mud logging projects accumulated for 4,390 kilometers, representing a year-on-year decrease of 5.4%. The Company continued to advance technology research and development, achieving breakthroughs in drilling-while-logging technology, drilling-while-logging directional resistivity detection, and recoverable drilling-while-logging electromagnetic wave resistivity instruments, gradually established a comprehensive drilling-while-logging series. Post-drilling logging technology achieved a single-run measurement of acoustic, neutron, density, and resistivity, with cumulative application in 92 wells; eight new technological products were released, including distributed fiber-optic sensing logging and high-speed in-drill transmission. The high-speed in-drill transmission system achieved stable 12 bps data transmission at 150°C and a depth of 5,025 meters, providing a high-speed downhole data transmission link to support intelligent drilling; a high-temperature, high-pressure (230°C/206 MPa) direct-push storage-type logging instrument was successfully developed and deployed for the first time in the 10,000-meter-deep Xinke well 1.

Section III Discussion and Analysis of Management

D. Downhole operation service

In the first half of 2026, the Company's operation revenue from the principal business of downhole operation service was RMB4.84 billion, representing a year-on-year decrease of 5.8% as compared with RMB5.14 billion in the same period of the previous year. We completed downhole operation for 2,746 well times, with a year-on-year decrease of 7.3%, and the fracturing construction efficiency in key work areas increased by 7.1% year on year. The Company continued to enhance its support capabilities for 175 MPa ultra-high-pressure fracturing and testing equipment, having cumulatively completed fracturing services in 13 wells and testing services in 7 wells, with the highest fracturing pressure reaching 140 MPa, thereby helping to increase reserves and boost production in key operational areas in Sichuan, Chongqing, and Northwest China. The Company further advanced the cooperative development of hard-to-recover reserves, achieving a new cooperative development production capacity of 1.296 million tons of oil and gas equivalent in the first half of the year, driving 1.061 million meters of drilling progress. The Company established a demonstration project for the cooperative development of hard-to-recover shale gas reserves in the Dingshan Block. The Dingshan Block cooperation had progressed from Phase I to Phase II, with cumulative new production capacity exceeding 500 million cubic meters and cumulative natural gas production exceeding 600 million cubic meters.

E. Engineering and construction service

In the first half of 2026, the Company's operation revenue from the principal business of engineering and construction service was RMB9.98 billion, representing a year-on-year increase of 15.2% from RMB8.66 billion in the same period of the previous year. Our accumulated value of newly signed contracts amounted to RMB27.01 billion, representing a year-on-year increase of 58.7%. We completed projects with an accumulated contract value of RMB11.73 billion, representing a year-on-year increase of 17.4%. In the first half of the year, the 68 key projects constructed by the Company operated safely and smoothly. The Company successfully ensured the first-time feed-in and commissioning of Sinopec's first large-scale ethane recovery unit – the Daniudi Ethane Recovery Project. It also completed the full connection of the 1.4-kilometer pipeline section along steep cliffs in the Lichuan shale gas project and successfully carried out multiple commissioning tasks, including the connection of the Tianjin Lubricant Depot and the Huaisi Oil Depot. The Company was awarded contracts for long-distance pipeline construction projects under PipeChina, including the Wen 23 – Anqing Natural Gas Pipeline Project and the second tender section of the general contracting for mainline construction for the Jiangsu-Anhui-Henan Project, with a total contract value of RMB4.4 billion, representing an 80.3% year-on-year increase.

International business

In the first half of 2026, the Company's operation revenue from the principal business of international business was RMB11.22 billion, representing a year-on-year growth of 20.9% from RMB9.28 billion in the same period of the previous year, accounting for 30.1% of the revenue from our principal business in the first half of the year. In the first half of 2026, the Company's overseas operations progressed steadily and orderly, with comprehensive improvements in the quality and efficiency of project execution. In the Saudi market, 20 idle drilling rigs resumed operations; 5 rigs currently in operation ranked among the top ten on Saudi Aramco's first-quarter comprehensive drilling rig efficiency index; and construction of the MGS6 and MGS7 package projects advanced efficiently according to schedule. For the drilling turnkey project in southern Kuwait, a cumulative total of 66 wells were spudded and 62 wells were completed in the first half of the year. Among these, 23 wells achieved the best drilling performance metrics for similar wells at KOC, and 40 wells met KOC's excellent drilling performance metrics. For the State Petroleum Company of Ecuador's two major drilling and completion turnkey projects in the Western and Northern blocks, a cumulative total of 29 wells were completed; production operations for the I-L-Y Oilfield Integrated Services Project proceeded smoothly and in an orderly manner. The ALACTE 3D geophysical project for PEMEX collected a cumulative total of 117,000 shots, with the entire process proceeding safely, smoothly, and efficiently. Operations for the TILENGA EPSCC and CPF projects in Uganda remained stable. The design and procurement project for the expansion of the CPF station at the East Baghdad Oilfield in Iraq, undertaken by Zhenhua Oil (振華石油), is proceeding as planned, and the RATAWI NPW project for TotalEnergies was successfully launched.

Technology research & development

In the first half of 2026, the Company intensified efforts in scientific and technological innovation, actively advanced key research initiatives and the construction of key laboratories, and continued to forge core tools to support reserve growth and production increases. The fully automated shale oil drilling rig completed factory handover inspection, achieving fully automated process control for six major operational conditions – including stringing and drilling – and providing critical equipment support for the large-scale development of shale oil and digital-intelligent operations. China's first fully automated casing drilling rig was officially put into operation, marking the industry's first achievement in fully automating the entire process – including casing delivery, connection, and drilling – while enabling an unmanned drill floor. The adoption of rotary steering had surpassed the 1,000-well milestone, with 175 wells utilizing the technology in the first half of the year, bringing the cumulative total to 1,089 wells; a high-temperature rotary steering system operating at 175°C set two new national records for the deepest kick-off point at 7,416 meters and the deepest vertical depth of 7,694 meters. Yinglong Scientific Drilling was selected as one of the top ten landmark achievements in national oil and gas exploration and development. It had been implemented in a cumulative total of 614 wells, increasing mechanical drilling speed by 19.8% and shortening the drilling cycle by 12.1%. The Engineering and Technology Demonstration Base of the "National Key Laboratory of Shale Oil and Gas Enrichment Mechanisms and Efficient Development" was officially inaugurated and entered the operational phase. In the first half of the year, the Company filed a cumulative total of 411 patent applications, including 270 invention patents.

Section III Discussion and Analysis of Management

Internal reform and management

In the first half of 2026, the Company researched and formulated a "1+N" plan to further comprehensively deepen reforms. It completed the drafting of the "15th Five-Year" Development Plan and four specialized plans covering scientific and technological innovation, digital and intelligent empowerment, green and low-carbon development, and talent development, clearly defining the goals, direction, and implementation pathways for reform and development over the next five years. Optimizing human resources to increase revenue and reduce costs, the Company dispatched 8,600 personnel for external business contracts, generating revenue of RMB420 million; by integrating equipment automation upgrades with the optimization of frontline team staffing, it achieved cost savings of RMB210 million. Through coordinated efforts to revitalize equipment assets to improve efficiency and reduce costs, the Company reallocated assets with an original value of RMB430 million and achieved leasing cost savings of RMB70 million; by implementing standardized design and centralized procurement for key equipment, procurement expenses were reduced by 9.2%. The Company strictly managed outsourced operations to tap potential and reduce costs, establishing a "one platform, two pathways, four safeguards" control mechanism; expanded the prohibited items list from 21 to 30 items; identified 48 internal advantageous business lines (products); and facilitated 167 instances of internal mutual supply and cultivated 34 strategic service providers.

Capital expenditure

In the first half of 2026, the Company had a capital expenditure of RMB580 million, with a year-on-year decrease of 38.9%, which was mainly used for the purchase of 8 modular drilling rigs, the retrofitting of 24 sets of pipe string automation equipment, and the purchase of 100,000 channels of geophysical seismic acquisition node instruments, 11 strings of logging-while-drilling geological monitoring and control equipment, 157 sets of ultra-high-pressure fracturing equipment, etc.

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

☐ Applicable √ Not Applicable

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

The Company has service capabilities covering the entire oilfield service industry chain. As at 30 June 2026, the Company has 551 onshore drilling rigs (among them, 324 units of 7,000 meters or above), 11 offshore drilling platforms, 57 sets of seismic acquisition equipment and 122 sets of imaging logging tools, 477 sets of mud logging instruments, 397 sets of Model 2500 and above fracturing trucks, 93 sets of 750 HP and above workover rigs and 1,419 professional teams in drilling, geophysical exploration, and other fields. The Company has ranked top in the comprehensive ranking of drilling contractors of Saudi Aramco, Kuwait Oil Company and Ecuador National Oil Company for many years, and is an important international geophysical contractor in Algeria.

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

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

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

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

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

Section III Discussion and Analysis of Management

4. Statement of main business during the reporting period

(1) Main business analysis of the Company

A. Analysis of changes in income statement and cash flow statement

	For the six months ended 30 June 2026	For the six months ended 30 June 2025	Change
	RMB'000	RMB'000	(%)
Operating income	**37,664,258**	37,050,751	1.7
Operating costs	**34,465,422**	33,923,926	1.6
Selling and distribution expenses	**30,040**	30,919	-2.8
General and administrative expenses	**900,331**	901,284	-0.1
Net financial expense	**546,889**	427,379	28.0
Research and development expenditure	**765,203**	882,537	-13.3
Net cash inflow from operating activities	**2,936,661**	2,150,567	36.6
Net cash inflow from investing activities ("-" for outflow)	**-484,907**	-790,037	not applicable
Net cash inflow from financing activities ("-" for outflow)	**-2,177,845**	407,460	not applicable

Reasons for the changes:

(a) The change in operating income was primarily driven by increased workloads for overseas pipeline and oil and gas field surface construction projects, which drove a year-on-year rise in revenue.

(b) The change in operating costs was mainly due to increases in related costs, such as material consumption and subcontracting expenses, resulting from growth in engineering and construction service workloads and revenue.

(c) The change in selling and distribution expenses was mainly due to the impact of the phased market environment, where sales of some products declined, leading to a corresponding decrease in warehousing costs.

(d) The change in general and administrative expenses was mainly due to the strengthened control over non-production expenses, with transportation fees and other non-production costs decreasing year-on-year.

(e) The change in net financial expense was mainly due to the year-on-year increase in exchange losses as a result of the depreciation of the US dollar and related currencies, and the change exceeded the decrease in interest expenses due to the decrease in financing costs.

(f) The change in research and development expenditure was mainly due to the need to support the national major oil and gas special project research, resulting in a delay in the implementation progress of some supporting R&D projects.

(g) The change in net cash flow from operating activities was mainly due to the expansion of reverse factoring (supplier financing) scale, which reclassifies some fund payments from operating cash outflows to financing cash outflows, thereby improving the operating cash flow year-on-year.

(h) The change in net cash flow from investing activities was mainly due to there being no large-scale equipment investment payments due in the current period, and expenditures on equipment purchases decreased year-on-year.

(i) The change in net cash flow from financing activities was mainly due to the year-on-year decrease in loan growth scale and the payment of matured reverse factoring (supplier financing) amounts.

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

☐ Applicable √ Not Applicable

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

☐ Applicable √ Not Applicable

(3) Statement of assets, liabilities and equity analysis

A. Assets, liabilities and equity

Item	Amount at 30 June 2026	Percentage of amount at 30 June 2026 in total assets	Amount at 31 December 2025	Percentage of amount at 31 December 2025 in total assets	Changes from the end of the preceding year to the end of the reporting period
	RMB'000	(%)	RMB'000	(%)	(%)
Cash at bank and on hand	5,065,072	6.5	5,008,213	6.5	1.1
Accounts receivable	10,313,194	13.3	11,174,568	14.5	-7.7
Receivable financing	1,402,116	1.8	4,029,356	5.2	-65.2
Prepayment	645,681	0.8	514,153	0.7	25.6
Inventories	2,578,245	3.3	1,125,005	1.5	129.2
Contractual Assets	20,492,325	26.4	17,065,962	22.1	20.1
Other current assets	3,689,708	4.8	3,010,942	3.9	22.5
Long-term equity investments	105,731	0.1	145,426	0.2	-27.3
Investment in other equity instruments	135,834	0.2	135,834	0.2	0.0
Fixed assets	22,561,850	29.1	23,803,167	30.8	-5.2
Construction in progress	474,552	0.6	628,698	0.8	-24.5
Right-of-use assets	874,109	1.1	761,546	1.0	14.8
Intangible assets	329,195	0.4	365,792	0.5	-10.0
Long-term deferred and prepaid expenses	5,690,565	7.3	6,775,975	8.8	-16.0
Short-term borrowings	30,031,421	38.7	28,311,044	36.6	6.1
Bill payable	1,906,047	2.5	1,773,050	2.3	7.5
Accounts payable	22,761,835	29.3	23,016,953	29.8	-1.1
Contractual liabilities	5,810,661	7.5	7,617,701	9.9	-23.7
Other payables	3,387,410	4.4	3,452,203	4.5	-1.9
Non-current liabilities due within one year	678,838	0.9	406,896	0.5	66.8
Long-term borrowings	1,051,888	1.4	1,095,839	1.4	-4.0
Lease liabilities	401,403	0.5	352,601	0.5	13.8
Long-term payable	145,547	0.2	120,556	0.2	20.7
Deferred income	103,272	0.1	84,040	0.1	22.9
Other comprehensive income	-22,867	0.0	-18,189	0.0	not applicable
Specific reserve	588,379	0.8	339,577	0.4	73.3
Taxes payable	439,635	0.6	1,015,033	1.3	-56.7
Estimated liabilities	87,807	0.1	88,829	0.1	-1.2

Reasons for the changes:

(a) Receivable financing decreased by RMB2,627,240,000 as compared with the beginning of the year, mainly due to the maturity and repayment of existing bills at the beginning of the year, early discounting for cash conversion, and the reduction in the scale of bill settlement by owners.

(b) Inventories increased by RMB1,453,240,000 as compared with the beginning of the year, mainly due to the fact that some ongoing labor service projects have not yet met the conditions for revenue recognition, and the contract fulfillment costs increase as the projects progress.

(c) Non-current liabilities due within one year increased by RMB271,942,000 as compared with the beginning of the year, mainly due to an increase in long-term borrowings and lease liabilities maturing within one year.

(d) Specific reserve increased by RMB248,802,000 as compared with the beginning of the year, mainly due to a slower utilization progress of the safety production funds compared to the scheduled accrual progress.

(e) Taxes payable decreased by RMB575,398,000 as compared with the beginning of the year, mainly due to the payment of value-added tax and personal income tax in the first half of the year.

B. Situation about overseas assets:

(a) Asset scale

On 30 June 2026, the Company's overseas assets were RMB26,611,576,000, accounting for 34.3% of total assets of the Company.

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

√ Applicable ☐ Not applicable

Unit: RMB'000

Overseas assets	Cause of formation	Mode of operation	Operating income of main business during the reporting period	Net profit during the reporting period
Drilling rig, workover rig, geophysical acquisition instrument, ground construction equipment, project receivables, monetary funds, etc.	Undertaking overseas oilfield engineering projects	Self-operation	11,215,955	887,662

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

On 30 June 2026, the Company's funds with restricted use such as margin deposit, etc. were RMB231,378,000 (On 31 December 2025: RMB344,167,000).

(4) Analysis of investments

A. Significant equity investment

☐ Applicable √ Not Applicable

B. Significant non-equity investment

☐ Applicable √ Not Applicable

C. Information of financial assets measured at fair value

☐ Applicable √ Not Applicable

(5) Sales of major assets and equity

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

(6) Information of major subsidiaries

Unit: RMB'000

Name of company	Registered capital	Shareholding percentage %	Amount of total assets	Amount of total liabilities	Amount of total net assets	Amount of net profit	Main Business
Sinopec Shengli Oil Engineering Company Limited *	RMB 700,000,000	100	11,431,928	10,382,664	1,049,264	122,236	Petroleum engineering technical service
Sinopec Zhongyuan Oil Engineering Company Limited *	RMB 450,000,000	100	12,133,607	12,028,343	105,264	29,728	Petroleum engineering technical service
Sinopec Jianghan Oil Engineering Company Limited *	RMB 250,000,000	100	4,712,201	3,274,854	1,437,347	55,411	Petroleum engineering technical service
Sinopec Southwest Oil Engineering Company Limited *	RMB 300,000,000	100	5,706,483	2,345,381	3,361,102	40,499	Petroleum engineering technical service
Sinopec North China Oil Engineering Company Limited *	RMB 890,000,000	100	5,465,266	3,598,910	1,866,356	21,714	Petroleum engineering technical service
Sinopec East China Oil Engineering Company Limited *	RMB 860,000,000	100	5,156,869	4,780,325	376,544	22,252	Petroleum engineering technical service
Sinopec Offshore Oil Engineering Company Limited *	RMB 2,000,000,000	100	4,600,361	527,787	4,072,574	38,151	Offshore Oil Engineering Technology Service
Sinopec International Petroleum Service Corporation *	RMB 700,000,000	100	2,347,424	1,060,436	1,286,988	28,685	Petroleum engineering technical service
Sinopec Oil Engineering and Construction Corporation *	RMB 500,000,000	100	26,684,990	25,147,724	1,537,266	116,197	Construction
Sinopec Oil Engineering Geophysical Company Limited *	RMB 300,000,000	100	5,767,616	5,456,285	311,331	1,736	Geophysical exploration
Sinopec Jingwei Company Limited	RMB 1,000,000,000	100	5,455,357	3,352,754	2,102,603	110,719	testing, logging and locating service

Name of company	Revenue RMB'000	Operating profit RMB'000
Sinopec Shengli Oil Engineering Company Limited *	7,927,948	161,297
Sinopec Zhongyuan Oil Engineering Company Limited *	5,097,971	72,328
Sinopec Jianghan Oil Engineering Company Limited *	2,406,674	61,357
Sinopec Southwest Oil Engineering Company Limited *	3,358,383	65,535
Sinopec North China Oil Engineering Company Limited *	2,191,462	32,048
Sinopec East China Oil Engineering Company Limited *	1,505,206	30,166
Sinopec Offshore Oil Engineering Company Limited *	988,348	73,185
Sinopec International Petroleum Service Corporation *	957,837	105,940
Sinopec Oil Engineering and Construction Corporation *	10,557,694	150,767
Sinopec Oil Engineering Geophysical Company Limited *	1,700,139	10,980
Sinopec Jingwei Company Limited	2,590,475	139,895

Situation of acquisition and disposal of subsidiaries during the reporting period

☐ Applicable √ Not Applicable

(7) The structured entity controlled by the Company

☐ Applicable √ Not Applicable

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

A. Statement of operation by products

Product	Operating income for the first half of 2026	Operating cost for the first half of 2026	Gross profit margin	Increase/ (decrease) in operating income of main business as compared with last year	Increase/ (decrease) in operating cost of main business as compared with the corresponding period of last year	Gross profit margin compared with the corresponding period of last year
	RMB'000	RMB'000	(%)	(%)	(%)	
Geophysical	1,698,959	1,573,369	7.4	-6.2	-6.4	increased by 0.3 percentage points
Drilling	18,198,700	16,564,300	9.0	0.0	-0.1	increased by 0.1 percentage points
Logging/Mud logging	1,573,148	1,263,320	19.7	-9.1	-9.0	decreased by 0.1 percentage points
Downhole operation	4,840,390	4,485,615	7.3	-5.8	-5.6	decreased by 0.2 percentage points
Engineering and construction	9,978,507	9,318,883	6.6	15.2	15.6	decreased by 0.3 percentage points
Other	921,283	969,786	-5.3	-16.8	-17.6	increased by 0.9 percentage points
Total	37,210,987	34,175,273	8.2	1.6	1.6	kept the same basically

B. Statement of operation by regions

Region	Operating income for the first half of 2026	Increase/(decrease) as compared with the corresponding period of last year
	RMB'000	(%)
Mainland China	25,995,032	-5.0
Hong Kong, Macau, Taiwan and overseas	11,215,955	20.9

5. Market prospects and operation arrangements in the second half of 2026

Market Forecast for the Second Half of 2026

Looking forward to the second half of 2026, the geopolitical tension in the Middle East will remain uncertain, the international crude oil market will continue to see sharp volatility, and the central price level will edge up. China's energy supply chain security will still face challenges, making it more critical to guarantee independent and controllable domestic energy supply. Meanwhile, the steady and improving economic growth momentum will drive rising energy demand. Domestic oil enterprises will keep implementing the energy security strategy and maintain stable capital expenditure on oil and gas exploration and development. Benefiting from persistently high and volatile international oil prices as well as the continuous implementation of oil companies' policies to expand reserves and boost output, the oilfield service industry will stay prosperous, which will provide workload and performance support for the Company.

Operation Plans for the Second Half of 2026

In the second half of 2026, the Company will continue to focus on enhancing support capacity for exploration and development, developing new quality productive forces, building low-cost competitiveness and strengthening risk prevention and control capacity. We will adhere to the integration of geology and engineering, optimize core resources, advance in-depth integration of industrial and innovation chains, unlock dividends brought by reform, intensify market development efforts, further carry out the special campaign of "Second Entrepreneurship", cultivate top-tier technologies, equipment, management and talent teams, and accelerate progress toward the vision of becoming a world-leading technology-oriented oilfield service company. The Company expects to achieve a newly signed contract value over RMB31.9 billion, among which over RMB19.0 billion will be from the CPC market, over RMB2.2 billion from domestic external market, and over RMB10.7 billion from overseas market. The Company expects to achieve a newly signed contract value more than RMB96 billion for the whole year.

Section III Discussion and Analysis of Management

A. Geophysical service

In the second half of 2026, the Company will focus on oil and gas exploration and development, significantly enhance its scientific and technological research and development capabilities and service support capabilities, and continue to expand into high-quality markets. The Company will continue to improve the I-BBS autonomous excitation system, node shelters, and other equipment to enhance the efficient field data acquisition capabilities; focus on developing 5G node technology, intelligent seismic teams, video monitoring and other quality control methods; promote the application of high-density seismic acquisition technology for complex surfaces; upgrade and refine full-node seismic acquisition technology, improve data quality; and support breakthroughs in oil and gas exploration. Targeting demands in areas such as unconventional and new energy exploration and development, the Company will continue to advance and promote well-source seismic technology and accelerate the expansion of its wellbore seismic service chain; closely monitor and analyze policy trends, and proactively plan adjustments to its business priorities in areas such as Beidou, environmental conservation and energy efficiency, and pipeline technical services; focus on key areas including fiber optics, smart technologies, and Beidou+, and make concerted efforts to achieve breakthroughs in new businesses and in the integration of science, industry, finance and innovation, striving to achieve new breakthroughs. In the second half of the year, it is planned to complete geophysical prospecting of 2,118 kilometers for 2D seismic and 6,871 square kilometers for 3D seismic prospecting.

B. Drilling service

In the second half of 2026, the Company will firmly uphold the concept of being a "key participant in oil and gas reservoir operations", enhance support capabilities for exploration and development, continue to deepen the integrated collaboration mechanism between the principal and contractor, strengthen the development of two-tier expert studios, and deepen technical support for key projects; select top-tier teams, equipment, and experts to fully support the construction of demonstration wells and demonstration zones, and continuously expand the demonstration's impact. The Company will vigorously promote new production organization and operation models. Leveraging the science, industry, finance, and innovation project and the development of the four demonstration zones, the Company will collaboratively drive technological iterations and management model reforms – including large-platform well factories, casing-while-drilling, super-single-run drilling, simultaneous fracturing, and resource sharing – to achieve a revolutionary improvement in single-rig efficiency; advance the "AI+" and electrification initiatives; accelerate the electrification retrofitting and digital-intelligent upgrades of equipment such as drilling rigs; strive to establish 30 digital-intelligent drilling crews and achieve a 20% efficiency increase; and take the lead in establishing a digital-intelligent management system in the Tahe region. In the second half of the year, it is planned to complete the drilling footage of 4.90 million meters.

C. Logging and mud logging service

In the second half of 2026, the Company will actively integrate into the national scientific and technological innovation system, advance the project approval of national major oil and gas special projects including downhole electric and logging-while-drilling intelligent control steering systems, intelligent drilling equipment for unconventional reservoirs and intelligent operation equipment for ten-thousand-meter coiled tubing, so as to strongly support the efficient exploration and development of shale oil and gas. The Company will fully push forward the remote measurement and control operation model, operate 110 remote operation teams, and fulfill the annual target of remote construction on no less than 1,800 wells. In the second half of the year, we plan to complete logging footage of 135,490,000 standard meters and mud logging footage of 4.04 million meters.

D. Downhole operation service

In the second half of 2026, the Company will adhere to the concept of professional development, continue to deepen integrated operations, promote the transformation of the production and organization model of downhole operations, and accelerate breakthroughs in core downhole technologies. The Company will continue to focus on fracturing and oil and gas testing technologies for "deep-earth engineering", promote the application of 175 MPa technical equipment, ensure the conduct of ultra-high-pressure fracturing tests at wells such as Xinqiao well 1 and Zhengshen well 101, and drive new breakthroughs in the exploration and development of key prospect areas. The Company will accelerate the development of intelligent fracturing scenarios to achieve unmanned operations in high-pressure fracturing zones, thereby effectively improving fracturing efficiency. The Company will comprehensively enhance the quality and efficiency of cooperative development in hard-to-recover reserves, with a focus on advancing joint development of shale oil in Jiyang and Fuxing, tight oil in the Honghe area of North China, and hard-to-recover reserves in Xujiahe, the second phase of Dingshan, and Longfengshan, while continuously expanding the scope of cooperation. In the second half of the year, we plan to complete downhole operation service of 3,794 well times.

E. Engineering and construction service

In the second half of 2026, the Company will comprehensively strengthen the management and control of ongoing projects, focus on conducting research to tackle technical challenges in areas such as oil and gas field surface engineering and storage and transportation engineering construction, and advance the large-scale application of core technologies such as tungsten inert gas welding to ensure construction efficiency and safety; support projects such as the demonstration of key technologies and major engineering demonstrations across the entire CCUS value chain, the large-scale reserve expansion and profitable development of continental shale oil, and the increase in natural gas reserves and production in the Sichuan Basin; promote the comprehensive adoption of construction technologies for large-scale wind and solar power bases in desert, gobi and barren land areas; and promote the application of the one-million-ton flue gas carbon capture process package; provide construction service support for Sinopec's oil and gas reserve expansion and production increase initiatives, as well as major engineering projects; continue to intensify efforts to develop the domestic external markets; deepen cooperation with high-quality customers such as PipeChina; focus on securing large-scale, high-quality projects; and strive to achieve new breakthroughs in business. In the second half of the year, we plan to sign new contracts with value of RMB3.0 billion and complete contracts with value of RMB7.8 billion.

F. International business

In the second half of 2026, the Company will prioritize quality improvement and efficiency enhancement, actively advancing the optimization of market layout and the transformation and upgrading of its business. The Company will continue to consolidate established markets, intensify efforts to develop potential markets, tailor development solutions, and fully explore opportunities for long-term cooperation. The Company will prioritize information gathering for geophysical exploration projects, closely monitor tender information for projects in markets such as Algeria, and prepare in advance for project bidding. The Company will complete bidding for wellbore services projects with high quality and efficiency, with a focus on key projects such as the drilling, completion, and fracturing turnkey contract for the H&G Block of Algeria Company and the workover turnkey contract in Turkmenistan. The Company will continue to optimize the market layout for surface engineering services, focusing on the three core regions of the Middle East, Africa, and Southeast Asia. The Company will continue to deeply develop mature, large-scale markets such as Saudi Arabia, Thailand, and Uganda, while continuously monitoring and paying close attention to new markets such as Iraq, Papua New Guinea, and Azerbaijan. The Company will strive to expand the project pipeline for integrated oilfield services, deepen cooperation on the I-L-Y project in the Ecuadorian market, seek to secure additional work volumes for drilling, workover, and production enhancement measures, and expand the scale of cooperation; make all-out preparations for bidding on shut-in well reactivation projects in the Mexican market, continuously monitor PEMEX policy developments, and expand business in areas such as mature field reactivation and enhanced oil recovery.

G. Technology research & development

In the second half of 2026, the Company will continue to adhere to the philosophy of building the enterprise on technology, closely focus on the exploration and development needs of “deepwater, deep earth, unconventional and mature fields”, and promote the deep integration of scientific and technological innovation with industrial innovation. Driven by key projects such as national major special projects, the Company will advance the research and development of critical technologies and equipment, including intelligent drilling for unconventional reservoirs, intelligent equipment for 10,000-meter coiled tubing operations, full-rotation near-bit systems, and small-diameter rotary steering. The Company will accelerate the testing of high-end equipment such as 175°C rotary steering systems, fully automated shale oil drilling rigs, fully automated casing drilling rigs, and small single-joint drilling rigs, thereby achieving a series of landmark results. The Company will promote 50 mature technologies, including rotary steering and precision pressure control, iteratively upgrade the Yinglong system, and accelerate the large-scale commercialization of core products. The Company will actively tackle technical challenges related to energy conservation, consumption reduction, and operational safety for surface engineering in CCUS demonstration projects; accelerate the research and development of integrated oil-water decarbonization units and equipment for the recovery and reinjection of produced gas; achieve breakthroughs in key core technologies and equipment; accelerate research into cutting-edge hydrogen energy technologies; and foster new-quality productive forces.

H. Internal reform and management

In the second half of 2026, the Company will comprehensively advance the campaign to empower reforms through innovation, continuously unleash development vitality and momentum, and accelerate the building of a world-class technology-driven oilfield services company. We will further advance streamlining and strengthening efforts, adhering to the principles of simplification, efficiency, and clear authority and responsibility, continuously optimize organizational structures, clarify responsibility boundaries, and establish a scientific, standardized, and efficient management framework. We will strengthen the construction of the scientific research management system, integrate professional R&D resources, establish a “research institute + innovation center” scientific research framework, and make every effort to forge core technologies for increasing reserves and production as well as new engines for high-quality development. We will deepen the optimization of regional resource integration, optimize support and guarantee resources based on regional exploration and development needs, implement intensive management with a focus on high-quality overseas development, and build a business layout that is both supportive and efficient in management. We will establish a professional operational platform, focusing on optimizing human resources and revitalizing equipment assets, continuously enhancing the efficiency of core resource allocation and the capacity for value creation.

I. Capital expenditure

In the second half of 2026, the planned capital expenditure is RMB2.66 billion, mainly including the update of 3 units of model 40 drilling rigs and 1 specialized casing drilling engineering machine, the procurement of 24 high-pressure mud pumps, 17 electric-driven fracturing pump skid units (sets), 1 set of automated drilling tool inspection facilities, etc.

6. Other matters of disclosure

(1) Potential risks

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

A. Market competition risk

Global economic fluctuations and changes in demand have a direct impact on the oil and gas market. In 2026, the momentum of world economic recovery is insufficient, and there are numerous unstable and uncertain factors which may affect the economy. Volatile oil prices directly affect the capital expenditure plans of oil and gas enterprises, thereby triggering a chain reaction in the oilfield service market. From the perspective of industry competition, there are many participants in the oilfield services market, the situation of supply exceeding demand still exists, and the competition is becoming increasingly fierce. In addition, there may be some countries or regions that protect local oilfield services enterprises, so the oilfield services market is still facing greater competitive pressure, and the market competition risk is still the risk that the Company needs to face.

B. Health, safety and environmental protection risk

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

C. Overseas operation risk

The Company has business in many foreign countries and regions. Due to its close connection with various local parties, the Company's overseas operations are over the long term subject to the influence of economy, religion, humanity, policies, technology, information network security, legal regulation and other conditions of the host countries, including political instability, fiscal instability and tax policy fluctuations, which will also continue to affect business stability. In addition, due to changes in the industry situation and the advancement of energy transition, the Company faces risks such as operators cancelling operation plans and terminating contracts, which directly affect production and operation results. Furthermore, the geopolitical turbulence in the Middle East has a certain impact on the operations in overseas regions and may increase the Company's overseas labour, material and transportation costs.

D. Exchange rate risk

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

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

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

A. Assets, liabilities and shareholders' equity analysis

	As at 30 June 2026	As at 31 December 2025	The change
	RMB'000	RMB'000	RMB'000
Total assets	**77,629,992**	77,254,593	375,399
Current assets	**47,249,081**	44,436,777	2,812,304
Non-current assets	**30,380,911**	32,817,816	-2,436,905
Total liabilities	**67,603,010**	67,988,891	-385,881
Current liabilities	**65,891,098**	66,299,176	-408,078
Non-current liabilities	**1,711,912**	1,689,715	22,197
Total equity attributable to equity shareholders of the Company	**10,008,067**	9,254,404	753,663

As at 30 June 2026, the Group's total assets were RMB77,629,992,000 and total liabilities were RMB67,603,010,000. The total equity attributable to shareholders of the Company was RMB10,008,067,000. Compared with the consolidated statement of financial position as at 31 December 2025 ("compared with that at the end of last year"), the changes and its main reasons were as follow:

Total assets were RMB77,629,992,000, increased by RMB375,399,000 compared with that of the end of last year, including that (i) current assets amounted to RMB47,249,081,000, representing an increase of RMB2,812,304,000 as compared to the end of the previous year, which was mainly due to the increase in contract assets of RMB4,836,624,000 as a result of the increase in completed but unsettled projects in the first half of the year. (ii) non-current assets were RMB30,380,911,000, decreased by RMB2,436,905,000 compared with that of the end of last year, mainly due to the normal provision for depreciation and amortization of fixed assets and long-term deferred expenses of the Group in the first half of the year.

The total liabilities were RMB67,603,010,000, decreased by RMB385,881,000 compared with that of the end of last year, including that (i) current liabilities were RMB65,891,098,000, decreased by RMB408,078,000 compared with that of the end of last year, mainly due to the combined effect of an increase in short-term borrowings of RMB1,783,779,000, a decrease in contract liabilities of RMB1,807,040,000, and a decrease in other payables of RMB247,463,000; and (ii) non-current liabilities were RMB1,711,912,000, increased by RMB22,197,000 compared with that of the end of last year, which was mainly due to the combined effect of an increase in deferred income of RMB19,232,000.

Total equity attributable to shareholders of the Company was RMB10,008,067,000, increased by RMB753,663,000 compared with that of the end of last year. It was mainly due to the effect of the profit attributable to shareholders of the Company of RMB758,341,000 in the first half of 2026.

As at 30 June 2026, the ratio of total liabilities to assets was 87.1%, comparing with 88.0% as at 31 December 2025.

B. Cash flow analysis

The main items of cash flow of the Company in the first half of 2026 and the first half of 2025 showed in the following table.

Main items of cash flow	For the six months ended 30 June	
	2026	2025
	RMB'000	RMB'000
Net cash inflow from operating activities	**2,936,661**	2,150,567
Net cash inflow/(outflow) from investing activities	**(484,907)**	(790,037)
Net cash inflow/(outflow) from financing activities	**(2,177,845)**	407,460
Increase in cash and cash equivalents	**273,909**	1,767,990
Cash and cash equivalents at the beginning of the year	**4,664,047**	3,441,398
Exchange gains/(loss) in Cash and cash equivalents	**(104,262)**	1,763
Cash and cash equivalents at the end of the interim year	**4,833,694**	5,211,151

In the first half of 2026, the Group's net cash inflow from operating activities was RMB2,936,661,000, representing an increase of cash inflow by RMB786,094,000 as compared with the corresponding period of last year. It was mainly due to the expansion of reverse factoring (supplier financing), a portion of fund payments was reclassified from operating cash outflows to financing cash outflows, leading to an improvement in operating cash flow year-on-year.

In the first half of 2026, the Group's net cash outflow from investing activities was RMB484,907,000, a decrease of cash outflow by RMB305,130,000 as compared with the corresponding period of last year. It was mainly due to the fact that there were no large equipment investment payments due in the current period, and equipment procurement expenditures decreased year-on-year.

In the first half of 2026, the Group's net cash outflow from financing activities was RMB2,177,845,000, an increase of cash outflow by RMB2,585,305,000 compared with the corresponding period of last year. It was mainly due to the year-on-year decline in loan growth scale and payments for maturing reverse factoring (supplier financing).

C. Borrowings from bank and related companies

As at 30 June 2026, the Group's borrowings were RMB31,332,640,000 (as at 31 December 2025: RMB22,709,141,000). Among the borrowings above, short-term borrowings amounted to RMB30,031,421,000, long-term borrowings due within one year amounted to RMB249,331,000, and long-term borrowings amounted to RMB1,051,888,000. As at 30 June 2026, 100% of the borrowings were denominated in Renminbi (as at 31 December 2025: 100%) and 0% were denominated in US dollars (as at 31 December 2025: 0%).

D. Gearing ratio

As at 30 June 2026, the gearing ratio of the Group was 73.2% (as at 31 December 2025: 73.4%). The gearing ratio = (liability with interest – cash & cash equivalents)/(liability with interest – cash & cash equivalents + shareholders' equity).

E. Assets pledge

As at 30 June 2026, there was no pledge on the Group's assets.

F. Foreign Exchange Risk Management

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

(3) Progress of the Action Plan of "Improving Quality and Efficiency and Focusing on Returns" in 2026

To further promote the Company's high-quality development and enhance its investment value, thereby increasing returns to investors, the Company has actively responded to the SSE's initiative titled Initiative on Carrying out the Special Action of "Improving Quality and Efficiency and Focusing on Returns" by Companies Listed on the SSE (《關於開展滬市公司"提質增效重回報"專項行動的倡議》) and has formulated the 2026 "Improving Quality and Efficiency and Focusing on Returns" Action Plan (hereinafter referred to as the "Action Plan"). The Action Plan was approved at the twelfth meeting of the 11th Board on 28 April 2026 and disclosed thereafter. In the first half of 2026, the Company actively implemented the relevant work outlined in the Action Plan and achieved satisfactory results.

During the year, the Company has focused on high-quality development as its central theme, thoroughly implemented the six major development strategies, vigorously carried out the initiative on tackling challenges and generating profits, systematically planned reform and development, and coordinated efforts to strengthen technology and reduce costs, thereby achieving improvements in both the quality and efficiency of production and operations. In the first half of 2026, the Company achieved consolidated operating revenue of RMB37.66 billion, representing a year-on-year increase of 1.7%; net profit attributable to the Company's shareholders reached RMB510 million, up 3.5% year-on-year. The specific details are summarized as follows:

Operational quality and efficiency continued to improve. In the first half of 2026, the Company advanced market expansion, management strengthening, and potential optimization in an integrated manner, cultivated high-quality, large-scale markets, implemented a comprehensive budget management mechanism, deepened lean management, and achieved management upgrades. Market layout continued to be optimized; the Company's cumulative value of newly signed contracts reached RMB64.08 billion, representing a year-on-year increase of 0.6%. Among these, the value of newly signed contracts in domestic external markets rose by 110.1% year-on-year. The Company vigorously expanded into light-asset technical service markets such as geophysical service, construction and engineering, and testing, logging and locating service, and won bids for multiple shale gas 3D seismic survey, mud logging, and geological steering projects, as well as the turnkey construction contract for the Jiangsu-Anhui-Henan Trunk Line and the first section of the Heihe-Daqing-Changling Natural Gas Pipeline construction project, with a total contract value of RMB3.49 billion; new contract value from overseas markets accounted for 23.8% of the total. All 20 drilling rigs in Saudi Arabia resumed operations, with a resumption rate ranking first among peer contractors. In the Kuwait drilling turnkey project, 62 wells were successfully handed over, with 40 of them meeting excellent performance standards, establishing a benchmark for integrated turnkey solutions covering the full wellbore service chain. The Company has secured the Green Source geothermal logging and mud logging project for three consecutive years, with high-value-added businesses – including turnkey contracts, technical services, and comprehensive reservoir services – accounting for 20% of total revenue. Lean management levels have steadily improved, with strengthened budget-driven guidance at all levels and enhanced control over non-production expenses, enabling the achievement of cost-reduction targets.

The integration of science, industry, finance and innovation steadily advanced. In the first half of 2026, the Company adopted a problem-oriented and demand-driven approach, concentrating its best resources to solve exploration and development challenges and driving industrialization through the commercialization of research outcomes. The Idrilling (Yinglong) Scientific Drilling System was recognized as one of the "Top Ten Landmark Achievements in National Oil and Gas Exploration and Development". It had been applied in a cumulative total of 614 wells, increasing average mechanical drilling speed by 19.8% and shortening the average drilling cycle by 12.1%. China's first drilling rig with automated casing handling entered field operation, reducing the number of operators by 38%, increasing efficiency by 30%, and lowering costs by 30%. The 175°C high-temperature rotary steerable system successfully overcame key technical challenges such as the design and packaging of high-temperature measurement and control circuits. After being tested in 15 wells, it set a new record for the deepest vertical depth – 7,694 metres – in operations using domestically developed rotary steerable systems. CPC efficiently advanced eight "dual-chain" integration projects, with 17 categories of achievements achieving industrial application and generating an output value of RMB0.57 billion; revenue from Beidou technology and terminal products grew by 20%; "Shengli Tiangong" oilfield chemical agents successfully entered overseas markets; self-developed rotary steerable systems and high-temperature logging instruments were sold for the first time to Shanghai Tartan Energy (上海達坦能源) and Uzbekistan, with the internal self-sufficiency rate for high-end instruments and tools – such as high-temperature logging and high-temperature directional drilling – reaching 78%.

Significant progress made in deepening reforms. In the first half of 2026, the Company steadfastly advanced its reform deepening and enhancement initiative, making every effort to forge a low-cost advantage. For further details, please refer to the part headed "Internal reform and management" under "2. Discussion and analysis of operation" in Section III "Discussion and Analysis of Management" of the report.

Market capitalization management progressed steadily. In the first half of 2026, the Company received registration approval from the CSRC for a RMB5 billion bond quota and successfully issued the Sci-Tech Innovation Corporate Bonds (the first tranche) on 13 July 2026. The actual issue size of this tranche was RMB1 billion; it is a three-year fixed-rate bond with a final interest rate of 1.54% and a subscription multiple of 8.83 times. The Company revised and formulated three sets of regulations, including the Information Disclosure System, the Raised Funds Management System and the Remuneration Management System for Directors and Senior Management of the Company, laying a solid foundation for the continuous improvement of corporate governance. The Company continued to enhance the effectiveness of information disclosure by voluntarily disclosing announcements regarding winning engineering bids and signing overseas project contracts, thereby increasing the Company's transparency. The Company prioritized investor communication by regularly organizing online and offline results announcement conferences and hosting research tours on new-quality productive forces for listed companies. Through these multifaceted communication channels, the Company engaged in extensive and in-depth dialogue with investors, achieving new successes in investor relations.

Section IV Corporate Governance, Environment and Society

During the reporting period, the Company continued to improve the Company governance, regulated the operation in accordance with domestic and overseas regulatory requirements, and operated in compliance with laws and regulations. In the first half of 2026, the Company completed the revision and formulation of three systems, including the Information Disclosure System, the Raised Funds Management System and the Remuneration Management System for Directors and Senior Management of the Company. The Company's general meeting, the Board and the management have a clear definition of power and responsibilities, and they perform their own duties and operate in a clear and standardized manner. The independent directors perform their duties with due diligence, actively attend the meetings of the Board and relevant specific committees, earnestly study matters to be decided on, and make suggestions and proposals for the Company's reform and development. The Company continued to improve the quality of information disclosure, voluntarily disclosed announcements regarding winning project bids and signing overseas project contracts, and enhanced corporate transparency. During the reporting period, the Company focused on investor communication, organized online and offline results announcement conferences regularly, in collaboration with Shanghai Securities News and China Southern Asset Management, co-organized the Listed Companies New Quality Productivity Research Tour, engaging in extensive and in-depth communication with investors through a multi-dimensional approach, and achieved new results in investor relations work. The Company has continuously enhanced the performance ability of its directors and senior management, meticulously organized training on securities business knowledge for them, and sent the Company Monthly Newsletter to all directors and senior management to report on corporate governance and operations, industry trends, regulatory policies, major capital market events, and other relevant content.

During the reporting period, the Company convened three general meetings of shareholders (including one A shareholders meeting and one H shareholders meeting), two meetings of the Board, and five meetings of the specific committees. A total of 10 resolutions of the shareholders meeting, 27 resolutions of the meetings of the Board and 20 resolutions of the meetings of the specific committees were formed. The preparation and convening of various meetings comply with laws and regulations, and the resolutions formed are legal and effective.

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

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

Name	Position	Change	Reasons for change
Li Lizhi	Employee representative director	Election	Elected by the employee representative meeting

After the democratic procedures carried out on 27 March 2026, Mr. Li Lizhi was elected as the employee representative director of the eleventh session of the Board, with a term of office commencing from 27 March 2026 to the date when the term of the eleventh session of the Board expires (11 June 2027).

2. Interim profit distribution plan for 2026 and plan to convert capital reserves into share capital

☐ Applicable √ Not Applicable

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

☐ Applicable √ Not Applicable

4. The Group's employees

As at 30 June 2026, the number of registered employees of the Group was 55,000 and the total employee compensation costs amounted to approximately RMB4.18 billion. The Group remunerates its employees based on their positions, performance, experience and the prevailing market remuneration trend. The Group also provides professional and vocational training to its employees.

5. Compliance with the Corporate Governance Code

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

6. Compliance with the Model Code

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

7. Independent non-executive director and Audit Committee

As at 30 June 2026, the Company has three independent non-executive directors, two of whom possess professional accounting qualifications and have experience in financial management. The members of the Audit Committee include Mr. Zheng Weijun, Ms. Zhang Lili, Mr. Wang Pengcheng and Ms. Liu Jiangning. The main responsibilities of the Audit Committee are to review and supervise the Company's financial reporting procedures and internal control system, and to provide advice to the Board. The Audit Committee of the Company has reviewed and confirmed the interim financial statements of the Company for the six months ended 30 June 2026 and the financial information contained in the 2026 Interim Report.

8. Environmental information of the listed company and its major subsidiaries included in the list of enterprises required to disclose environmental information in accordance with law

☐ Applicable √ Not applicable

Other description

√ Applicable ☐ Not applicable

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

At present, the pollutants generated by the Company mainly include production wastewater, domestic sewage, tail gas, general industrial solid waste, hazardous waste, and drilling water-based cuttings and oil-based cuttings managed by the owner unit. Production wastewater mainly includes sewage generated from drilling and operation processes, which is outsourced for compliant disposal after on-site reuse. Domestic sewage includes sewage from fixed production sites and mobile construction sites. Domestic sewage from fixed production sites is centrally disposed by the municipal pipe network, while domestic sewage from mobile construction sites is recycled or disposed of by outsourced agents after on-site pre-treatment. Tail gas mainly includes exhaust gas from various diesel engines, generators and gas-powered units, and the emission indicators have met the standard requirements of the construction site locations. General industrial solid waste mainly includes slurry and drug packaging bags (barrels), discarded rubber parts, colored strips, oil-free screens and anti-seepage membranes, etc., which are collected and handed over to environmental protection management service providers for recycling and disposal. Hazardous waste mainly includes waste mineral oil, waste oil barrels, oil-containing sludge, and oil-stained wastes such as waste paint barrels, oil-containing screens, and oil-containing anti-seepage membranes. They are collected and stored on site in a standardized manner and handed over to qualified environmental protection management service providers for disposal. Water-based rock cuttings and oil-based rock cuttings are directly outsourced by the owner or outsourced by the construction unit to qualified environmental protection management service providers for compliance disposal in accordance with the contract agreement, and strict supervision is implemented throughout the process. Based on the principles of reduction, resource utilization and harmlessness, the Company has established a long-term mechanism for clean production, continuously promoted the installation of sewage treatment equipment at work sites, optimized production processes, and strictly controlled the generation of various types of wastewater and solid waste. As of 30 June 2026, a total of 4,000 tons of general solid waste (excluding drilling water-based slurry and cuttings), 1,600 tons of hazardous waste (excluding oil-based cuttings), 288,000 cubic meters of domestic sewage and 357,000 cubic meters of drilling operation wastewater were disposed of in compliance with regulations.

The Company strengthened the on-site energy efficiency management, continuously promoted the "energy efficiency doubling" projects such as network electric drilling rig transformation, transformer renewal, distributed photovoltaic power generation, promoted energy-saving technologies such as electric fracturing skid and electric cementing device, and vigorously reduced the total energy consumption. As of 30 June 2026, the comprehensive energy consumption per RMB10,000 of industrial output value was 0.140 tons of standard coal, decreased by 8.0% year on year. The Company continuously improved the Green Business Initiative index evaluation system, organized various professional grass-roots units to carry out green grass-roots creation review, created green grass-roots benchmarking evaluation indicators for five main specialties including drilling, downhole operations, geophysical exploration, construction sites, testing, logging, mud logging and locating, selected the typical green construction from point to area, and equipped the site with 857 sets of environmental protection toilets. Working and living environment of employees had been further improved. The second phase of the Green Business Initiative has been continued to advance.

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

In the first half of 2026, the Company has focused on source control, vigorously promoted the alternative application of clean energy power such as electricity, natural gas and methanol in qualified work areas such as Xinjiang, Sichuan and Chongqing, Hubei and Northern Hubei to implement energy structure adjustment continuously. In the first half of the year, 766 wells were completed using grid electricity drilling rigs, the drilling footage was 3.032 million meters, accounting for 67% of the total domestic drilling footage. 173,000 tons of diesel were replaced and 189,000 tons of standard coal were saved, equivalent to a carbon reduction of 495,000 tons. The Company has continued to promote energy-saving and carbon-reducing measures such as energy-saving technical transformation, optimized management of energy resources, replacement of key energy-consuming equipment, and alternative use of new energy. In the first half of the year, carbon emissions (including Scope 1 and Scope 2) were 849,000 tons, a decrease of 122,000 tons year-on-year.

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

Centering on the themes of "Comprehensive Green Transformation, Jointly Building a Beautiful China", "A New Starting Point for Energy Conservation, A Low-Carbon Future Ahead", "Green Transformation, Everyone's Journey", the Company actively carried out publicity and education on World Environment Day on 5 June, National Energy Conservation Publicity Week and National Low Carbon Day, so as to enhance the awareness of green and low carbon among all employees and lead them to become pioneers in the construction of ecological civilization.

9. Consolidate and expand the achievements of poverty alleviation, rural revitalization and related work

√ Applicable ☐ Not applicable

In the first half of 2026, the Company actively responded to the national call for the implementation of the Rural Revitalization Strategy, took the initiative, made precise efforts, coordinated various aspects to continuously promote education assistance, consumption assistance and other work, and continued to contribute to the rural revitalization work.

(1) Educational assistance. Sinopec Southwest Oil Engineering Company Limited, a wholly-owned subsidiary of the Company, donated RMB230,000 to Sanhekou Town Middle School in Mabian Yi Autonomous County, Sichuan Province for student uniform allocation and campus culture development. Sinopec Jianghan Oil Engineering Company Limited, a wholly-owned subsidiary of the Company, donated RMB20,000 for study and living expenses to disadvantaged students in Luntai County, Xinjiang Uygur Autonomous Region.

(2) Consumption assistance. The Company and its subsidiaries purchased rural poverty alleviation products for over RMB12.6 million in the first half of 2026.

Section V Significant Events

1. Performance of undertakings

The special undertakings made by the Company and its shareholders holding more than 5% of the shares of the Company and their performance of the undertakings as of 30 June 2026:

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

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

☐ Applicable √ Not applicable

3. Illegal guarantee

☐ Applicable √ Not applicable

4. Audit of the interim report

☐ Applicable √ Not applicable

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

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

As proposed by the eleventh meeting of the eleventh session of the Board of the Company and approved by the shareholders at the annual general meeting for 2025, the Company re-appointed BDO China Shu Lun Pan Certified Public Accountants LLP (special general partnership) and BDO Limited as the domestic auditor and overseas auditor of the Company for the year 2026 respectively, and reappointed BDO China Shu Lun Pan Certified Public Accountants LLP (special general partnership) as the Company's internal control auditor for 2026.

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

☐ Applicable √ Not applicable

5. The changes and solutions of matters involved in non-standard opinion of 2025 annual report given by the auditors

☐ Applicable √ Not applicable

6. Insolvency and restructuring

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

7. Material litigation and arbitration

☐ During the reporting period, there were material litigations and arbitrations.

√ During the reporting period, there were no material litigations and arbitrations.

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

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

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

☐ Applicable √ Not applicable

10. Information on material connected transactions

The Company's material connected transactions for the six months ended 30 June 2026 were as follows:

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

The nature of the transaction classification	Connected parties	Amount of transaction	Proportion of the same type of transaction
		RMB'000	(%)
Purchase of materials and equipment	China Petrochemical Corporation and its associates	3,763,775	29.3
Rendering engineering services	China Petrochemical Corporation and its associates	19,287,436	52.2
Rendering engineering services	PipeChina	3,372,772	9.1
Comprehensive service expenditure	China Petrochemical Corporation and its subsidiaries	383,889	49.8
Technology R&D Income	China Petrochemical Corporation and its subsidiaries	45,440	92.6
Land and property rental expenses	China Petrochemical Corporation and its subsidiaries	90,945	34.5
Equipment leasing expenses	China Petrochemical Corporation and its subsidiaries	88,536	16.5
Loan interest expense	China Petrochemical Corporation and its associates	242,798	76.8
Borrowings obtained	China Petrochemical Corporation and its subsidiaries	14,145,000	98.6
Borrowings repaid	China Petrochemical Corporation and its subsidiaries	13,135,480	81.9
Safety and insurance fund expenses	China Petrochemical Corporation	42,040	100.0
Safety and insurance fund expenses refund	China Petrochemical Corporation	46,285	100.0

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

(2) During the reporting period, there were no connected transactions related to the acquisition or disposal of assets or equities of the Company.

(3) During the reporting period, no material connected transactions of joint external investment of the Company occurred.

(4) The following is connected obligatory rights and debts during the reporting period:

Unit: RMB'000

Connected parties	Connected relation	Funds provided to connected party			Funds provided to the Company by connected party		
		Opening balance	Occurrence amount	Closing balance	Opening balance	Occurrence amount	Closing balance
China Petrochemical Corporation and its subsidiaries	Controlling shareholders and its subsidiaries	12,773,848	1,202,718	13,976,566	6,958,841	-1,471,598	5,487,243
Sinopec Finance Company Limited	Subsidiary companies of the controlling shareholder	48,587	-24,448	24,139	22,704,813	1,014,054	23,718,867
Sinopec Century Bright Capital Investment Limited	Subsidiary companies of the controlling shareholder	1,162,538	346,139	1,508,677	0	0	0
Total		13,984,973	1,524,409	15,509,382	29,663,654	-457,544	29,206,110
Causes of related claims and debts							Normal production and operation
Influence of connected claims and debts on the Company's performance and financial situation							No material adverse effects

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

A. Deposit business

Unit: RMB'000

Connected parties	Connected relation	Daily maximum deposit limit	Deposit rate scope	Beginning balance	For the six months ended 30 June 2026		Ending balance
					Deposit amount	Withdrawal amount	
Sinopec Finance Company Limited	Subsidiary companies of the controlling shareholders	3,500,000	0.35%	48,587	**146,433,343**	**146,457,791**	24,139
Sinopec Century Bright Capital Investment Limited	Subsidiary companies of the controlling shareholders		0.01%-3.54%	1,162,538	**13,651,037**	**13,304,898**	1,508,677
Total				1,211,125	**160,084,380**	**159,762,689**	1,532,816

B. Loan business

Unit: RMB'000

Connected parties	Connected relation	Loan limit	Loan rate scope	Beginning balance	For the six months ended 30 June 2026		Ending balance
					Loan amount	Repayment amount	
Sinopec Finance Company Limited	Subsidiary companies of the controlling shareholders	32,400,000	2.11%	22,704,813	**14,158,867**	**13,144,813**	23,718,867
Sinopec Century Bright Capital Investment Limited	Subsidiary companies of the controlling shareholders	150,000,000 US dollar	TERM SOFR +1.05%	0	**0**	**0**	0
Total				22,704,813	**14,158,867**	**13,144,813**	23,718,867

C. Credit extension and other finance business

Connected parties	Connected relation	Business type	Total amount RMB'000	Actual amount RMB'000
Sinopec Finance Company Limited	Subsidiary companies of the controlling shareholders	Back letter and credit extension of bill	10,500,000	5,320,802

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

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

11. Material contracts and performance

(1) Trusteeship, sub-contracting and leasing

A. Trusteeship, contracting and leasing matters

☐ Applicable √ Not Applicable

(2) Major guarantees performed and not yet performed during the reporting period

√ Applicable ☐ Not applicable

Unit: RMB'000

External Guarantee provided by the Company (excluding Guarantees for Subsidiaries)													
Guarantor	Relationship with the listed company	Guaranteed person	Amount of guarantee	Date of guarantee (Agreement signing date)	The starting day	End date	Type of guarantee	Main debt situation	Pledged thing (if any)	Whether the guarantee has been fulfilled	Whether the guarantee is overdue	Overdue amount	Counter-guarantee	Whether to guarantee the related party	Connected relationship
The Company	itself	Mexico DS Company	1,872,657	17 June 2022	17 June 2022	The end time of annual general meeting for the year 2026	Guarantee of joint and several liability	–	No	No	No	0	Yes	Yes	Joint venture

Total Amount of Guarantees during the Reporting Period (excluding Guarantees for Subsidiaries)	-59,912
Total Balance of Guarantees at the end of the Reporting Period (A) (excluding Guarantees for Subsidiaries)	1,872,657
The Guarantee provided by the Company to the Subsidiaries	
Total Amount of Guarantees provided to Subsidiaries during the Reporting Period	2,020,221
Total Balance of Guarantees to Subsidiaries at the end of the Reporting Period (B)	30,770,317
Total Company Guarantee (including Guarantee for Subsidiaries)	
Total Guarantees (A+B)	32,642,974
Total Amount of Guarantees as a Percentage of the Company's Net Assets (%)	326.2
Among them:	
Amount of Guarantees provided to Shareholders, Actual Controllers and their related Parties (C)	0
Debt Guarantees Amount directly or indirectly for the guaranteed Object whose asset-liability Ratio exceeds 70% (D)	9,364,760
The Amount of the total Guarantee exceeds 50% of the Net Assets (E)	27,638,941
Sum of the three Guarantees above (C+D+E)	37,003,701
Statement of Unexpired Guarantees as potential subject to Joint Liability	None
Guarantee Statement	The guarantees provided by the Company are all provided for the performance of the domestic and foreign contracts by the wholly-owned subsidiaries and joint venture (DS Servicios Petroleros, S.A. de C.V.). The guarantee amount is within the amount approved by the annual general meeting for 2025 of the Company.

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

In order to satisfy the needs of international market expansion and day-to-day operation, the Company convened the seventh meeting of the eleventh session of the Board and the 2024 annual general meeting on 18 March 2025 and 6 June 2025 respectively, approved the Company to provide guarantee for wholly-owned subsidiaries and Mexico DS Company, a joint venture of the Company, and the guarantee period commences from the date of approval by the shareholders at the 2024 annual general meeting until the conclusion of the 2025 annual general meeting of the Company. The Company expected that after the conclusion of the 2025 annual general meeting, the Company would need to continue to provide guarantee for wholly-owned subsidiaries of the Company and Mexico DS Company. Therefore, the Company convened the eleventh meeting of the eleventh session of the Board and the 2025 annual general meeting on 16 March 2026 and 22 May 2026 respectively, considered and approved the resolution on the provision of guarantee for wholly-owned subsidiaries and joint venture of the Company, and the guarantee period commences from the date of approval by the shareholders at the 2025 annual general meeting until the conclusion of the 2026 annual general meeting of the Company.

For details, please refer to the "Announcement on the Progress of Provision of Guarantee for Joint Venture" (P.2022-021), "Announcement of Providing Guarantee for Wholly-owned Subsidiaries and Joint Ventures" (P.2025-012), and "Announcement of Providing Guarantee for Wholly-owned Subsidiaries and Joint Ventures" (P.2026-009) disclosed in China Securities Journal, Shanghai Securities News, Securities Times and on www.sse.com.cn on 20 June 2022, 19 March 2025 and 17 March 2026, and on www.hkexnews.hk on 19 June 2022, 18 March 2025 and 16 March 2026.

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

As at 30 June 2026, the balance of the counter-guarantee provided by the Company to China Petrochemical Corporation was RMB0.

(3) Other material contracts

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

12. Other significant events

☐ Applicable √ Not applicable

Section VI Changes in Ordinary Shares and Information on Shareholders

1. Changes in share capital

(1) Changes in share capital

A. Changes in share capital

During the reporting period, there was no change in the total number of shares and the share structure of the Company.

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

☐ Applicable √ Not Applicable

C. The effects of changes in Share Capital of Ordinary Shares on the financial indicators of the Company such as earnings per share and net assets per share, from the end of the reporting period to the date of interim report disclosure

☐ Applicable √ Not applicable

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

☐ Applicable √ Not applicable

(2) Changes in Shares with Selling Restrictions

☐ Applicable √ Not applicable

2. Issuance and listing of securities

During the reporting period, the Company did not issue any shares, convertible corporate bonds, separated transaction convertible bonds, depositary receipts and other derivative securities, nor did the Company enter into any equity-linked agreements. For more details about the issuance of the corporate bonds please refer to Section VII “Bond-Related Information” in this report.

3. Information of shareholders

(1) Number of shareholders

Total number of ordinary shareholders as at the end of the reporting period	183,742
Total number of preference shareholders with voting rights restored as at the end of the reporting period	0

As at 30 June 2026, the total number of shareholders of the Company was 183,742, including 183,446 holders of domestic A shares and 296 registered holders of overseas H shares. The minimum public float of the Company satisfied the requirements of the Listing Rules.

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

Shareholdings of the top ten shareholders						
Names of shareholders	Nature of shareholders	Changes of shareholdings during the reporting period[1] (shares)	Number of shares held at the end of the reporting period (shares)	Percentage to total share capital (%)	Number of shares with selling restrictions (shares)	Number of shares pledged or frozen
China Petrochemical Corporation[2]	State-owned legal person	0	9,968,726,364	52.59	0	0
Hong Kong Securities Clearing Company (Nominees) Limited (“HKSCC (Nominees) Limited”)[3]	Overseas legal person	-48,200	5,397,547,494	28.47	0	0
CNPC	State-owned legal person	0	759,170,000	4.00	0	0
Hong Kong Securities Clearing Company Limited[4]	Others	-10,190,225	59,186,150	0.31	0	0
Shanghai Tongneng Investment Holdings Co., Ltd.	Domestic non-state-owned legal person	2,200,000	45,200,000	0.24	0	0
Anhui Yangguang InfoComm Electronic Technology Co., Ltd.	Domestic non-state-owned legal person	0	42,000,000	0.22	0	0
He Long	Domestic natural person	-668,400	30,000,000	0.16	0	0
Li Feng	Domestic natural person	-5,210,501	26,089,499	0.14	0	0
Quanzheng (Shanghai) Investment Management Center (Limited Partnership) – Quanzheng No.1 Fund	Others	4,482,500	14,189,300	0.07	0	0
Agricultural Bank of China – China Securities 500 Trading Open Index Securities Investment Fund	Others	-46,992,967	12,982,602	0.07	0	0

Shareholdings of top ten shareholders of shares without selling restrictions		
Name of shareholders	Number of shares without selling restrictions held at the end of the reporting period (shares)	Types of shares
China Petrochemical Corporation	9,968,726,364	A Share
Hong Kong Securities Clearing Company (Nominees) Limited (“HKSCC (Nominees) Limited”)	5,397,547,494	H Share
CNPC	759,170,000	A Share
Hong Kong Securities Clearing Company Limited	59,186,150	A Share
Shanghai Tongneng Investment Holdings Co., Ltd.	45,200,000	A Share
Anhui Yangguang InfoComm Electronic Technology Co., Ltd.	42,000,000	A Share
He Long	30,000,000	A Share
Li Feng	26,089,499	A Share
Quanzheng (Shanghai) Investment Management Center (Limited Partnership) – Quanzheng No.1 Fund	14,189,300	A Share
Agricultural Bank of China – China Securities 500 Trading Open Index Securities Investment Fund	12,982,602	A Share
Statement on the connected relationship or activities in concert among the above-mentioned shareholders	The Company is not aware of any connected relationship or acting in concert among the above-mentioned shareholders.	
Description of the repurchase accounts of the top ten shareholders	Not applicable	
Explanation on the voting right entrusted, voting right and waiver of voting right by the aforesaid shareholders	Not applicable	

Note:

1. As compared with the number of shares held as of 31 December 2025.
2. Apart from directly holding 9,968,726,364 A shares of the Company, China Petrochemical Corporation also held 2,595,786,987 H shares through its wholly-owned subsidiary, Century Bright Company. Therefore, China Petrochemical Corporation directly and indirectly holds 12,564,513,351 shares of the Company, which represents 66.28% of the total shares of the Company.
3. HKSCC (Nominees) Limited is a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited, and acts as an agent to hold H shares of the Company on behalf of other companies or individual shareholders.
4. Hong Kong Securities Clearing Company Limited is a wholly-owned subsidiary of the Hong Kong Exchanges and Clearing Limited, and acts as a nominal holder to hold A shares of the Company in SSE on behalf of the investors of HKSE.

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

☐ Applicable √ Not Applicable

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

☐ Applicable √ Not Applicable

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

☐ Applicable √ Not applicable

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

To the directors' knowledge, as at 30 June 2026, the following persons (other than director or senior management of the Company) had interests or short positions in the shares or underlying shares of the Company which shall be disclosed under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO"):

Name of shareholder	Number of shares held (shares)	Percent of shareholding in the Company's total issued share capital (%)	Percent of shareholding in the Company's total issued domestic shares (%)	Percent of shareholding in the Company's total issued H shares (%)	Short position (shares)
China Petrochemical Corporation	9,968,726,364 (A share)	52.59	73.59	Not applicable	–
	2,595,786,987 (H share)[1]	13.69	Not applicable	47.98	–
CNPC	759,170,000 (A share)	4.00	5.60	Not applicable	–

Note:

1. China Petrochemical Corporation held 2,595,786,987 H shares of the Company through its wholly-owned subsidiary Century Bright Company. China Petrochemical Corporation is deemed to have H shares held by Century Bright Company.

Save as disclosed above, as at 30 June 2026, as far as known to the directors, no other person (other than director or senior management of the Company) had an interest or short position in the shares and underlying shares of the Company which would be recorded in the register kept by the Company under Section 336 of the SFO.

5. Information of directors and senior management

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

The actual number of shares in the issued share capital of the Company held by the directors and senior management as at the end of the reporting period are as follows:

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

Directors' and senior management's interests and short positions in shares, underlying shares or debentures of the Company

As at 30 June 2026, the Company's deputy general manager Mr. Sun Bingxiang as a beneficial owner held 50,300 A shares of the Company, representing 0.00037% of the A shares in issue of the Company and 0.00027% of shares in issue of the Company. Save as disclosed above, none of the directors or other senior management of the Company had any interest or short position in any share, underlying share or debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and HKSE pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors and chief executive of the Company are taken or deemed to have under such provisions of the SFO), or were required to be recorded in the registry by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and the HKSE pursuant to the Model Code as set out in Appendix C3 to the Listing Rules.

(2) Equity incentives granted to directors and senior management during the reporting period

☐ Applicable √ Not Applicable

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

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

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

For the six months ended 30 June 2026, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

1. Corporate bonds (including enterprise bonds) and debt financing instruments of non-financial enterprises

√ Applicable ☐ Not applicable

In accordance with the general mandate to issue corporate bonds and other debt financing instruments approved at the 2024 annual general meeting, the Company convened the eleventh meeting of the eleventh session of the Board, at which the resolution on the Registration and Issuance of Corporate Bonds (《關於註冊及發行公司債券的議案》) was considered and approved. The Board approved the Company's application to the SSE for the issuance of corporate bonds in an aggregate amount not exceeding RMB5 billion (inclusive). During the reporting period, the Company received the Official Reply on Approving the Registration Application of Sinopec Oilfield Service Corporation for Public Issuance of Corporate Bonds to Professional Investors (CSRC Approval No. [2026] 1210) issued by the China Securities Regulatory Commission. The core content of the reply was that the registration application of the Company for publicly issuing corporate bonds with a total par value of no more than RMB5 billion to professional investors had been approved.

The Company completed, on 13 July 2026, the public issuance of the 2026 Sci-Tech Innovation Corporate Bonds (the first tranche) to professional investors (the "Bonds"). The actual issue size of the Bonds was RMB1 billion, and the Bonds were fixed interest rate bonds with a term of three years with a final interest rate of 1.54% per annum and a subscription multiple of 8.83 times.

For details, please refer to the "Announcement on Proposed Registration and Issuance of Corporate Bonds" (P.2026-010), "Announcement on the Official Reply on Approving the Registration Application of Sinopec Oilfield Service Corporation for Public Issuance of Corporate Bonds to Professional Investors" (P.2026-019) and "Announcement on the Issuance Results of Corporate Bonds" (P.2026-021) disclosed in China Securities Journal, Shanghai Securities News, Securities Times and on www.sse.com.cn on 17 March 2026, 27 May 2026 and 14 July 2026 and disclosed on www.hkexnews.hk on 16 March 2026, 26 May 2026 and 13 July 2026.

(1) Corporate bonds (including enterprise bonds)

A. Basic information

Unit: RMB'000

Name	Abbreviation	Code	Issue Date	Value date	The Earliest Put Date After 31 August 2026	Expiration Date	Balance	Interest rate (%)	Method of Repayment	Trading Venues	Lead Underwriter	Trustee	Investor Suitability Arrangements	Transaction Mechanism	Risk of Delisting or Termination of Listing
Sinopec Oilfield Service Corporation 2026 Public Issuance of Sci-Tech Innovation Corporate Bonds (the first tranche) to Professional Investors	26 SSC K1	245605.SH	10 July 2026	13 July 2026	–	13 July 2029	1,000,000	1.54	Interest is paid annually, and the principal is repaid in a lump sum at maturity	SSE	China Securities Co., Ltd., CITIC Securities Co., Ltd., Guotai Haitong Securities Co., Ltd.	China Securities Co., Ltd.	Publicly issued to and traded by professional institutional investors	Applicable to matching trades, click trades, inquiry trades, auction trades, and negotiated trades on the SSE	No

Countermeasures adopted by the Company against risks of bond delisting or listing termination

☐ Applicable √ Not Applicable

B. Trigger and implementation of Company or investor option clauses and investor protection Clauses

☐ Applicable √ Not Applicable

C. Credit rating adjustment status

☐ Applicable √ Not applicable

D. Changes, variations and implementation status of guarantee arrangements, debt repayment plans and other debt repayment security measures during the reporting period and their impacts

☐ Applicable √ Not applicable

(2) Status of funds raised through corporate bonds

☐ Corporate bonds involved the use or rectification of raised funds during the reporting period

√ None of the Company's corporate bonds involved the use of raised funds or rectification during the reporting period

A. Raising funds for specific projects

☐ Applicable √ Not applicable

(3) Other matters to be disclosed for special variety bonds

√ Applicable ☐ Not applicable

A. The Company is the issuer of science and technology innovation corporate bonds or innovation and entrepreneurship corporate bonds

√ Applicable ☐ Not applicable

Unit: RMB'000

The issuer entity category applicable to the Bonds	√ Technology innovation enterprise ☐ Technological innovation upgrade ☐ Technological innovation investment ☐ Technological innovation incubation ☐ Financial institution
Code	245605.SH
Abbreviation	26 SSC K1
Balance	1,000,000
Progress of science and technology innovation projects or financial institutions in raising funds for investment in the field of science and technology innovation	The Company is an issuer in the sci-tech innovation enterprise category, and the use of proceeds from this bond issuance does not involve sci-tech innovation projects
The effect of promoting the development of scientific and technological innovation	The Company focuses on breakthroughs and the transformation of key core technologies, strengthens basic research, conducts forward-looking exploration and disruptive technological innovation, and has achieved R&D progress in multiple critical areas
Operation status of fund products (if applicable)	Not applicable
Other matters	–

(4) Material events related to corporate bonds during the reporting period

√ Applicable ☐ Not applicable

A. Non-operating occupied funds and fund lending

a. Balance of non-operating occupied funds and fund lending

At the beginning of the reporting period, the balance of receivables from other parties arising from non-operating occupied funds and fund lending (hereinafter referred to as non-operating occupied funds and fund lending) under the Company's consolidated scope, which were not directly generated from production and operation activities: RMB0 million.

During the reporting period, amount of newly added non-operating occupied funds and fund lending: RMB0 million, and amount recovered from non-operating occupied funds and fund lending: RMB0 million.

Whether the existence of non-operating occupied funds or fund lending constitutes a breach of relevant agreements or commitments set forth in the prospectus.

☐ Yes √ No

At the end of the reporting period, the total outstanding non-operating occupied funds and fund lending amounted to RMB0 million, of which the total occupied funds or fund lending from controlling shareholders, actual controllers and other related parties stood at RMB0 million.

b. Details of non-operating occupied funds and fund lending

At the end of the reporting period, the proportion of outstanding non-operating occupied funds and fund lending under the Company's consolidated scope to consolidated net assets: 0%

Whether it exceeds 10% of consolidated net assets: ☐ Yes √ No

c. Implementation status of the collection arrangements disclosed in previous reporting periods

☐ Totally executed ☐ Not totally executed √ Not applicable

B. Liabilities

a. Interest-bearing liabilities and changes

a.1 The Company's debt structure

At the beginning and end of the reporting period, the balance of interest-bearing debts of the Company (not on consolidated basis) was RMB20.321 billion and RMB21.837 billion respectively, and the year-on-year change in the balance of interest-bearing debts during the reporting period was 7.46%.

Unit: RMB'000

Interest-bearing debt category	Overdue debts	Maturity date: Within 1 year (inclusive)	Maturity date: Over 1 year (exclusive)	Total amount	Proportion to total interest-bearing debt (%)
Non-bank financial institution loans	–	21,805,000	–	21,805,000	99.85
Other interest-bearing debts	–	10,721	21,462	32,183	0.15
Total	–	21,815,721	21,462	21,837,183	–

At the end of the reporting period, among the outstanding corporate credit bonds of the Company, the balance of corporate bonds was RMB0 billion, the balance of enterprise bonds was RMB0 billion, and the balance of debt financing instruments of non-financial enterprises was RMB0 billion.

a.2 The structure of interest-bearing debts under the Company's consolidated scope

At the beginning and end of the reporting period, the balance of interest-bearing debts within the scope of the Company's consolidated financial statements was RMB24.513 billion and RMB25.825 billion respectively, and the year-on-year change in the balance of interest-bearing debts during the reporting period was 5.35%.

Unit: RMB'000

Interest-bearing debt category	Overdue debts	Maturity date: Within 1 year (inclusive)	Maturity date: Over 1 year (exclusive)	Total amount	Proportion to total interest-bearing debt (%)
Bank loans	–	249,331	1,051,888	1,301,219	5.04
Non-bank financial institution loans	–	23,705,000	–	23,705,000	91.79
Other interest-bearing debts	–	417,010	401,403	818,413	3.17
Total	–	24,371,341	1,453,291	25,824,632	–

At the end of the reporting period, among the outstanding corporate credit bonds under the Company's consolidated scope, the balance of corporate bonds was RMB0 billion, the balance of enterprise bonds was RMB0 billion, and the balance of debt financing instruments of non-financial enterprises was RMB0 billion.

a.3 Overseas corporate bonds

As of the end of the reporting period, the outstanding amount of overseas bonds issued within the scope of the Company's consolidated financial statements was RMB0 million.

b. Whether the Company and its subsidiaries had interest-bearing debts overdue by more than RMB10 million or overdue corporate credit bonds at the end of the reporting period

☐ Applicable √ Not Applicable

c. Liabilities with priority for repayment that can be asserted against third parties

As of the end of the reporting period, the status of liabilities with priority for repayment that can be asserted against third parties within the Company's consolidated financial statements.

☐ Applicable √ Not Applicable

C. Changes in the information disclosure management system during the reporting period

√ Changed ☐ Not changed

Changes to the information disclosure management system	To standardize the information disclosure practices of the Company, protect the legitimate rights and interests of the Company and its shareholders and creditors, and in accordance with the Securities Law of the People's Republic of China, the Administrative Measures for Information Disclosure of Listed Companies and the Provisions on the Administration of Deferral and Exemption of Information Disclosure for Listed Companies issued by the CSRC, the Administrative Measures for Information Disclosure of Corporate Credit Bonds, the Shanghai Stock Exchange Rules for the Listing of Corporate Bonds, the Guidance on the Application of Bond Self-Regulatory Rules of the Shanghai Stock Exchange No. 1 – Continuous Information Disclosure for Corporate Bonds issued by the SSE, the debt financing instrument rules issued by the People's Bank of China and the National Association of Financial Market Institutional Investors, and other relevant laws, administrative regulations, departmental rules, normative documents, securities regulatory rules of the listing venues of the Company's stocks/bonds, as well as the Articles of Association of the Company and other relevant regulations, the Company has revised and improved its information disclosure system prior to the issuance of corporate bonds
Main contents of the revised information disclosure management system	For the details, please refer to the full text of the "Information Disclosure System of Sinopec Oilfield Service Corporation" disclosed by the Company on the website of the Shanghai Stock Exchange on 29 April 2026
Impact on investor rights	No material adverse effect

(5) Status of inter-bank bond market debt financing instruments of non-financial enterprises

☐ Applicable √ Not Applicable

(6) Losses within the scope of consolidated financial statements of the Company during the reporting period exceeding 10% of net assets at the end of the previous year

☐ Applicable √ Not Applicable

(7) Violations of regulations and agreements

Circumstances of violations of laws and regulations, self-regulatory rules, Articles of Association, information disclosure management systems and other provisions, as well as agreements or commitments stipulated in the bond prospectus during the reporting period, and the impacts of such circumstances on the rights and interests of bond investors

☐ Applicable √ Not Applicable

(8) Key accounting data and financial indicators

√ Applicable ☐ Not applicable

Unit: RMB'000

Main indicators	As at 30 June 2026	As at 31 December 2025	Increase/ (Decrease) from last year	Reasons for change
Current ratio	0.72	0.67	7.46	Mainly due to the increase in current assets
Quick ratio	0.68	0.65	4.62	Mainly due to the effective control of debt
Asset-liability ratio (%)	87.08	88.01	decreased by 0.93 percentage points	Mainly due to the further strengthening of profitability and effective control of fund occupation

	For the six months ended 30 June 2026	For the six months ended 30 June 2025	Increase/ (Decrease) from corresponding period of last year	Reasons for change
Net profit deducted extraordinary gain and loss	469,294	423,900	10.71	
EBITDA-to-total debt ratio	0.1395	0.1560	-10.58	
Interest coverage ratio	3.48	3.07	13.36	
Cash interest coverage ratio	9.29	5.69	63.27	Mainly due to the increase in cash flow from operating activities and the decrease in interest expenses
EBITDA interest coverage ratio	14.19	12.09	17.37	
Loan repayment rate (%)	100	100	–	
Interest payment rate (%)	100	100	–	

2. Convertible corporate bonds

☐ Applicable √ Not Applicable

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

CONSOLIDATED BALANCE SHEET

As at June 30, 2026

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

Assets:	Note	Balance as at June 30, 2026	Balance as at December 31, 2025
Current assets:			
Cash and cash equivalents	5.1	5,065,072	5,008,213
Accounts receivable	5.2	10,313,194	11,174,568
Receivables financing	5.3	1,402,116	4,029,356
Advances to suppliers	5.4	645,681	514,153
Other receivables	5.5	2,978,911	2,416,186
Inventories	5.6	2,578,245	1,125,005
Contract assets	5.7	20,492,325	17,065,962
Other current assets	5.8	3,689,708	3,010,942
Total current assets		47,165,252	44,344,385
Non-current assets:			
Long-term equity investments	5.9	105,731	145,426
Investment in other equity instruments	5.10	135,834	135,834
Fixed assets	5.11	22,561,850	23,803,167
Construction in progress	5.12	474,552	628,698
Right-of-use assets	5.13	874,109	761,546
Intangible assets	5.14	329,195	365,792
Long-term deferred expenses	5.15	5,690,565	6,775,975
Deferred income tax assets	5.16	292,904	293,770
Total non-current assets		30,464,740	32,910,208
Total assets		77,629,992	77,254,593

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

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

CONSOLIDATED BALANCE SHEET (Continued)

As at June 30, 2026

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

Liabilities and owners' equity	Note	Balance as at June 30, 2026	Balance as at December 31, 2025
Current liabilities:			
Short-term borrowings	5.17	30,031,421	28,311,044
Notes payable	5.18	1,906,047	1,773,050
Accounts payable	5.19	22,761,835	23,016,953
Contract liabilities	5.20	5,810,661	7,617,701
Employee compensation payable	5.21	729,704	585,740
Taxes and surcharges payable	5.22	439,635	1,015,033
Other payables	5.23	3,387,410	3,452,203
Non-current liabilities maturing within one year	5.24	678,838	406,896
Total current liabilities		65,745,551	66,178,620
Non-current liabilities:			
Long-term borrowings	5.25	1,051,888	1,095,839
Lease liabilities	5.26	401,403	352,601
Long-term payables	5.27	145,547	120,556
Estimated liabilities	5.28	87,807	88,829
Deferred income	5.29	103,272	84,040
Deferred income tax liabilities	5.16	67,542	68,406
Total non-current liabilities		1,857,459	1,810,271
Total liabilities		67,603,010	67,988,891
Owners' equity:			
Share capital	5.30	18,957,046	18,957,046
Capital reserves	5.31	11,701,258	11,701,258
Other comprehensive income	5.32	-22,867	-18,189
Special reserves	5.33	588,379	339,577
Surplus reserves	5.34	200,383	200,383
Retained earnings	5.35	-21,416,132	-21,925,671
Total equity attributable to owners of the parent company		10,008,067	9,254,404
Minority interest		18,915	11,298
Total owners' equity		10,026,982	9,265,702
Total liabilities and owners' equity		77,629,992	77,254,593

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

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

PARENT COMPANY'S BALANCE SHEET

As at June 30, 2026

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

Assets:	Note	Balance as at June 30, 2026	Balance as at December 31, 2025
Current assets:			
Cash and cash equivalents		11,340	48,853
Accounts receivable	16.1	96,636	4,889
Receivables financing		39,129	185,200
Advances to suppliers		58	50
Other receivables	16.2	25,639,299	24,466,371
Inventories		31,649	37,404
Contract assets		6,348	9,864
Other current assets		24,711	23,204
Total current assets		25,849,170	24,775,835
Non-current assets:			
Long-term equity investments	16.3	36,183,582	36,183,582
Fixed assets		20,240	23,198
Construction in progress			650
Right-of-use assets		41,619	41,597
Intangible assets		45,353	55,364
Deferred income tax assets		155	119
Total non-current assets		36,290,949	36,304,510
Total assets		62,140,119	61,080,345

PARENT COMPANY'S BALANCE SHEET (Continued)

As at June 30, 2026

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

Assets:	Note	Balance as at June 30, 2026	Balance as at December 31, 2025
Liabilities and owners' equity			
Current liabilities:			
Short-term borrowings		21,817,810	20,303,266
Notes payable			
Accounts payable		62,594	69,329
Contract liabilities		88,305	89,698
Employee compensation payable		166,779	84,046
Taxes and surcharges payable		5,831	9,057
Other payables		11,261,960	11,832,820
Non-current liabilities maturing within one year		10,721	16,194
Total current liabilities		33,414,000	32,404,410
Non-current liabilities:			
Lease liabilities		21,462	14,913
Long-term payables		369	279
Deferred income		226	104
Total non-current liabilities		22,057	15,296
Total liabilities		33,436,057	32,419,706
Owners' equity:			
Share capital		18,957,046	18,957,046
Capital reserves		11,314,497	11,314,497
Surplus reserves		200,383	200,383
Undistributed profits		-1,767,864	-1,811,287
Total owners' equity		28,704,062	28,660,639
Total liabilities and owners' equity		62,140,119	61,080,345

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

Chairman:
Wu Baizhi

General Manager:
Zhang Jiankuo

Accounting Principal:
Cheng Zhongyi

Head of the Accounting Department:
Zhang Xueping

CONSOLIDATED INCOME STATEMENT

For the Six Months Ended June 30, 2026

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

Item	Note	Current period	Prior period
I. Total operating revenue		37,664,258	37,050,751
Including: operating revenue	5.36	37,664,258	37,050,751
II. Total operating costs		36,890,817	36,345,911
Including: operating costs	5.36	34,465,422	33,923,926
Taxes and surcharges	5.37	182,932	179,866
Selling and distribution expenses	5.38	30,040	30,919
General and administrative expenses	5.39	900,331	901,284
Research and development expenses	5.40	765,203	882,537
Financial expenses	5.41	546,889	427,379
Including: interest expenses	5.41	316,020	377,778
Interest income	5.41	32,596	28,131
Plus: other income	5.42	39,575	13,176
Investment income ("-" for losses)	5.43	-11,339	-28,683
Including: income from investment in associates and joint ventures	5.43	-29,051	-45,678
Losses from credit impairment ("-" for losses)	5.44	34,358	82,040
Losses from assets impairment ("-" for losses)	5.45	-11,689	-9,669
Gains from disposal of assets ("-" for losses)	5.46	874	26,503
III. Operating profits ("-" for losses)		825,220	788,207
Plus: non-operating revenue	5.47	39,588	49,720
Less: non-operating expenses	5.48	81,109	54,957
IV. Total profits ("-" for total losses)		783,699	782,970
Less: income tax expenses	5.49	274,152	290,714
V. Net profit ("-" for net loss)		509,547	492,256
(I) Classified by operating sustainability			
1. Net profit from continued operation ("-" for net loss)		509,547	492,256
2. Net profit from discontinued operation ("-" for net loss)			
(II) Classified by ownership			
1. Net profit attributable to shareholders of the parent company ("-" for net loss)		509,539	492,256
2. Minority interest income ("-" for net loss)		8	

CONSOLIDATED INCOME STATEMENT

For the Six Months Ended June 30, 2026

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

Item	Note	Current period	Prior period
VI. Other comprehensive income, net of tax		-4,678	-63,492
Other comprehensive income, net of tax, attributable to owners of the parent company		-4,678	-63,492
(I) Other comprehensive income that cannot be reclassified into profit or loss			
1. Changes in fair value of other equity instrument investment			
(II) Other comprehensive income that will be reclassified into profit or loss		-4,678	-63,492
1. Other comprehensive income from transferable gains or losses under the equity method		-4,678	-63,492
Other comprehensive income, net of tax, attributable to minority shareholders			
VII. Total comprehensive income		504,869	428,764
Total comprehensive income attributable to owners of the parent company		504,861	428,764
Total comprehensive income attributable to minority shareholders		8	
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/Share)		0.027	0.026
(II) Diluted earnings per share (RMB/Share)		0.027	0.026

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

Chairman: *Wu Baizhi*

General Manager: *Zhang Jiankuo*

Accounting Principal: *Cheng Zhongyi*

Head of the Accounting Department: *Zhang Xueping*

PARENT COMPANY'S INCOME STATEMENT

For the Six Months Ended June 30, 2026

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

Item	Note	Current period	Prior period
I. Operating revenue	16.4	181,199	219,755
Less: operating costs	16.4	117,260	171,670
Taxes and surcharges		1,870	1,722
General and administrative expenses		87,331	89,300
Research and development expenses		83,039	160,000
Financial expenses		-29,455	-100,697
Including: interest expenses		-40,329	-113,485
Interest income		-10,722	-11,221
Plus: other income		193	153
Investment income ("-" for losses)	16.5	121,613	14
Including: income from investment in associates and joint ventures			
Losses from credit impairment ("-" for losses)			
Losses from asset impairment ("-" for losses)		11	26
Gain from asset disposal ("-" for losses)			
II. Operating profits ("-" for losses)		42,971	-102,047
Plus: non-operating revenue		433	341
Less: non-operating expenses		18	58
III. Total profits ("-" for total losses)		43,386	-101,764
Less: income tax expenses		-37	3,119
IV. Net profit ("-" for net loss)		43,423	-104,883
(I) Net profit from continued operation ("-" for net loss)		43,423	-104,883
(II) Net profit from discontinued operation ("-" for net loss)			
V. Other comprehensive income, net of tax			
VI. Total comprehensive income		43,423	-104,883

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

Chairman: *Wu Baizhi*

General Manager: *Zhang Jiankuo*

Accounting Principal: *Cheng Zhongyi*

Head of the Accounting Department: *Zhang Xueping*

Section VIII Financial Reports

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Six Months Ended June 30, 2026

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

Item	Note	Current period	Prior period
I. Cash flows from operating activities			
Cash received from sales of goods and rendering of services		35,045,218	34,967,272
Refund of taxes and surcharges		45,787	33,956
Cash received from other operating activities	5.50	1,099,714	1,593,730
Sub-total of cash inflows from operating activities		36,190,719	36,594,958
Cash paid for purchase of goods and receipt of services		22,151,176	23,418,655
Cash paid to and on behalf of employees		7,864,893	7,819,768
Various taxes and surcharges paid		1,670,747	1,696,233
Cash paid for other operating activities	5.50	1,567,242	1,509,735
Sub-total of cash outflows from operating activities		33,254,058	34,444,391
Net cash flows from operating activities		2,936,661	2,150,567
II. Cash flows from investing activities			
Cash received from recovery of investments			
Cash received from investment income		6,626	5,335
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		15,399	64,720
Net cash received from disposal subsidiaries and other business units			
Sub-total of cash inflows from investing activities		22,025	70,055
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		506,932	860,092
Sub-total of cash outflows from investing activities		506,932	860,092
Net cash flows from investing activities		-484,907	-790,037
III. Cash flows from financing activities			
Cash received from investors		7,609	
Including: cash received from minority shareholders by subsidiaries		7,609	
Cash received from borrowings		14,345,982	12,856,918
Cash received from other financing activities			
Sub-total of cash inflows from financing activities		14,353,591	12,856,918
Cash paid for debt repayments		16,037,632	11,886,274
Cash paid for distribution of dividends and profits or payment of interest		272,047	329,174
Cash paid for other financing activities	5.50	221,757	234,010
Sub-total of cash outflows from financing activities		16,531,436	12,449,458
Net cash flows from financing activities		-2,177,845	407,460
IV. Effect of fluctuation in exchange rate on cash and cash equivalents		-104,261	1,763
V. Net increase in cash and cash equivalents		169,648	1,769,753
Plus: beginning balance of cash and cash equivalents		4,664,046	3,441,398
VI. Ending balance of cash and cash equivalents		4,833,694	5,211,151

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

Chairman:
Wu Baizhi

General Manager:
Zhang Jiankuo

Accounting Principal:
Cheng Zhongyi

Head of the Accounting Department:
Zhang Xueping

PARENT COMPANY'S STATEMENT OF CASH FLOWS

For the Six Months Ended June 30, 2026

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

Item	Note	Current period	Prior period
I. Cash flows from operating activities			
Cash received from sales of goods and rendering of services		210,847	163,703
Refund of taxes and surcharges			
Cash received from other operating activities		327,405	599,170
Sub-total of cash inflows from operating activities		538,252	762,873
Cash paid for purchase of goods and receipt of services		13,442	267,418
Cash paid for salary and employees		67,168	46,461
Taxes and fees paid		9,125	21,286
Cash paid for other operating activities		1,772,993	412,000
Sub-total of cash outflows from operating activities		1,862,728	747,165
Net cash flows from operating activities		-1,324,476	15,708
II. Cash flows from investing activities			
Cash received from recovery of investments			
Cash received from investment income			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal subsidiaries and other business units			
Receipt of other cash related to investment activities			
Sub-total of cash inflows from investing activities			
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		42	
Cash paid for investments			
Sub-total of cash outflows from investing activities		42	
Net cash flows from investing activities		-42	
III. Cash flows from financing activities			
Cash received from borrowings		12,945,000	11,495,000
Sub-total of cash inflows from financing activities		12,945,000	11,495,000
Cash paid for debt repayments		11,430,000	10,570,000
Cash paid for distribution of dividends and profits or payment of interest		218,316	279,314
Cash paid for other financing activities		9,641	
Sub-total of cash outflows from financing activities		11,657,957	10,849,314
Net cash flows from financing activities		1,287,043	645,686
IV. Effect of fluctuation in exchange rate on cash and cash equivalents		-38	1,974
V. Net increase in cash and cash equivalents		-37,513	663,368
Plus: beginning balance of cash and cash equivalents		48,853	8,569
VI. Ending balance of cash and cash equivalents		11,340	671,937

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

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

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the Six Months Ended June 30, 2026

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

Item	Current period								
	Equity attributable to owners of the parent company								
	Share capital	Capital reserves	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Sub-total	Minority equity	Total owners' equity
I. Balance at the end of the last year	18,957,046	11,701,258	-18,189	339,577	200,383	-21,925,671	9,254,404	11,298	9,265,702
II. Balance at the beginning of the current year	18,957,046	11,701,258	-18,189	339,577	200,383	-21,925,671	9,254,404	11,298	9,265,702
III. Increases/decreases in current year ("-" for decreases)			-4,678	248,802		509,539	753,663	7,617	761,280
(I) Total comprehensive income			-4,678			509,539	504,861	8	504,869
(II) Capital contributed or reduced by owners								7,609	7,609
1. Common stock contributed by owners								7,609	7,609
(III) Profit distribution									
(IV) Internal carry-forward of owners' equity									
1. Transfer of Other Comprehensive Income to Retained Earnings									
(V) Special reserves				248,802			248,802		248,802
1. Amount withdrawn in the current period				511,221			511,221		511,221
2. Amount used in the current period				262,419			262,419		262,419
(VI) Others									
IV. Balance at the end of the current period	18,957,046	11,701,258	-22,867	588,379	200,383	-21,416,132	10,008,067	18,915	10,026,982

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

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

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY (Continued)

For the Six Months Ended June 30, 2026

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

Item	Prior period								
	Equity attributable to owners of the parent company							Minority equity	Total owners' equity
	Share capital	Capital reserves	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Sub-total		
I. Balance at the end of the last year	18,979,412	11,720,452	30,193	302,874	200,383	-22,584,512	8,648,802		8,648,802
II. Balance at the beginning of the current year	18,979,412	11,720,452	30,193	302,874	200,383	-22,584,512	8,648,802		8,648,802
III. Increases/decreases in current year ("-" for decreases)	-22,366	-19,603	-63,492	267,893		492,256	654,688		654,688
(I) Total comprehensive income			-63,492			492,256	428,764		428,764
(II) Capital contributed or reduced by owners	-22,366	-19,603					-41,969		-41,969
1. Common stock contributed by owners	-22,366	-19,603					-41,969		-41,969
(III) Profit distribution									
(IV) Internal carry-forward of owners' equity									
1. Transfer of Other Comprehensive Income to Retained Earnings									
(V) Special reserves				267,893			267,893		267,893
1. Amount withdrawn in the current period				542,706			542,706		542,706
2. Amount used in the current period				274,813			274,813		274,813
(VI) Others									
IV. Balance at the end of the current period	18,957,046	11,700,849	-33,299	570,767	200,383	-22,092,256	9,303,490		9,303,490

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

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

PARENT COMPANY'S STATEMENT OF CHANGES IN OWNERS' EQUITY

For the Six Months Ended June 30, 2026

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

Item	Current period				
	Share capital	Capital reserves	Surplus reserves	Undistributed profits	Total owners' equity
I. Balance at the end of the last year	18,957,046	11,314,497	200,383	-1,811,287	28,660,639
II. Balance at the beginning of the current year	18,957,046	11,314,497	200,383	-1,811,287	28,660,639
III. Increases/decreases in current year ("-" for decreases)				43,423	43,423
(I) Total comprehensive income				43,423	43,423
(II) Capital contributed or reduced by owners					
1. Common stocks invested by owners					
(III) Profit distribution					
(IV) Internal carry-forward of owners' equity					
(V) Special reserves					
(VI) Others					
IV. Balance at the end of the current period	18,957,046	11,314,497	200,383	-1,767,864	28,704,062

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

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

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

For the Six Months Ended June 30, 2026

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

Item	Prior period				
	Share capital	Capital reserves	Surplus reserves	Undistributed profits	Total owners' equity
I. Balance at the end of the last year	18,979,412	11,334,100	200,383	-1,820,779	28,693,116
II. Balance at the beginning of the current year	18,979,412	11,334,100	200,383	-1,820,779	28,693,116
III. Increases/decreases in current year ("-" for decreases)	-22,366	-19,603		-104,883	-146,852
(I) Total comprehensive income				-104,883	-104,883
(II) Capital contributed or reduced by owners	-22,366	-19,603			-41,969
1. Common stocks invested by owners	-22,366	-19,603			-41,969
(III) Profit distribution					
(IV) Internal carry-forward of owners' equity					
(V) Special reserves					
(VI) Others					
IV. Balance at the end of the current period	18,957,046	11,314,497	200,383	-1,925,662	28,546,264

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

Chairman:
Wu Baizhi

General Manager:
Zhang Jiankuo

Accounting Principal:
Cheng Zhongyi

Head of the Accounting Department:
Zhang Xueping

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2026

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

1 COMPANY PROFILE

1.1 Overview

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

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

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

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

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

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

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

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

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

1 COMPANY PROFILE (Continued)

1.1 Overview (Continued)

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

The financial statements and the notes to the financial statements have been approved for issue by the 13th meeting of the 11th Board of Directors of the Company on August 17, 2026.

2 BASIS OF PREPARATION FOR THE FINANCIAL STATEMENTS

2.1 Basis of preparation

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

2.2 Going Concern

The financial statements are prepared based on going concern.

As at June 30, 2026, the Group's accumulated loss amounted to RMB21,416,132,000, the current liabilities exceeded the current assets by about RMB18,580,299,000 (In 2025, the current liabilities exceeded the current assets by about RMB21,834,235,000). Directors of the Company have made the assessment, by which the sufficient cash flows for operating activities are likely to generate in the future 12 months; as the Group's borrowings mainly come from Sinopec Group and its subsidiaries, and the Group has maintained a long-term and good relationship with them, the Group is able to obtain adequate financial support from Sinopec Group and its subsidiaries. As of June 2026, the Company has obtained a credit line of RMB32.4 billion and an equivalence of USD150 million as well as a credit line of RMB5 billion for acceptance bill issuance from subsidiaries of Sinopec Group. Management and those charged with governance believe that these credit lines are sufficient to guarantee the Company's going-concern ability. The Company will broaden the channel for financing and develop good relationships with all listed and state-owned financial institutions to obtain the more sufficient credit line. As directors of the Group believe that the above-mentioned measures are enough to meet the Group's fund requirement for debts repayment and commitment, the Group prepared the financial statements for this reporting period on a going concern basis..

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Tips for specific accounting policies and accounting estimates:

The following disclosures have covered the specific accounting policies and accounting estimates formulated by the Company according to the characteristics of its actual production and operation. For more details, please see Note 3.14 Fixed assets, Note 3.17 Intangible assets, Note 3.19 Long-term deferred expenses and Note 3.23 Revenue.

3.1 Statement on compliance with the Accounting Standards for Business Enterprises

The financial statements meet the requirements of the Accounting Standards for Business Enterprises issued by the Ministry of Finance, and truly and completely reflect the consolidated and the parent company's financial position of the Company as at June 30, 2026,, and the consolidated and the parent company's operating results and cash flows for the six months ended.

3.2 Accounting period

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

3.3 Operating cycle

The Company's operating cycle is 12 months.

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.4 Functional currency

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

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

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

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

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

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

3.6 Preparation method of consolidated financial statements

3.6.1 Scope of consolidation

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

3.6.2 Consolidation procedures

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

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

(1) Acquisition of subsidiaries or business

For transactions occurring within the reporting period:

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

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.6 Preparation method of consolidated financial statements (Continued)

3.6.2 Consolidation procedures (Continued)

(2) Disposal of subsidiaries

General method of disposal

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

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

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

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

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

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

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

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

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

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

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

3.8 Recognition criteria of cash and cash equivalents

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

3.9 Foreign currency transactions and translation of foreign currency statements

3.9.1 Foreign currency transactions

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

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

3.9.2 Translation of foreign currency financial statements

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

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

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.10 Financial instruments

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

3.10.1 Classification of financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.10 Financial instruments (Continued)

3.10.2 Recognition basis and measurement methods of financial instruments

(1) Financial assets measured at amortized cost

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(6) Financial liabilities measured at amortized cost

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.10 Financial instruments (Continued)

3.10.3 Derecognition and transfer of financial assets

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

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

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

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

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

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

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

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

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

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

(1) The book value of the derecognized part;

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

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

3.10.4 Derecognition of financial liabilities

Except for the case where a financial liability (or part thereof) is cash-settled via an electronic payment system, a financial liability or part thereof shall be derecognised when its present obligation is wholly or partly discharged.

For cash settlement of a financial liability (or part thereof) via an electronic payment system, the Company shall derecognise such financial liability (or part thereof) only when a payment instruction has been initiated and all of the following conditions are satisfied:

(1) The Company has no practical ability to revoke, suspend or cancel the payment instruction;

(2) The Company has no practical ability to withdraw the cash designated for settlement under the payment instruction;

(3) Settlement risks associated with the electronic payment system are not significant.

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.10 Financial instruments (Continued)

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

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

3.10.6 Test method and accounting treatment of depreciation of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

A. Notes receivable

Notes receivable portfolio 1: bank acceptance bill

Notes receivable portfolio 2: commercial acceptance bill

B. Accounts receivable

Accounts receivable portfolio 1: receivable from related parties

Accounts receivable portfolio 2: receivable from other clients

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

Contract assets portfolio 1: engineering service

Contract assets portfolio 2: others

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

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.10 Financial instruments (Continued)

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

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

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

Other receivables portfolio 1: reserve funds

Other receivables portfolio 2: deposits or security deposits receivable

Other receivables portfolio 3: other receivables

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

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

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

3.11 Inventories

3.11.1 Classification and cost of inventories

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

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

3.11.2 Measurement method of dispatched inventories

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

3.11.3 Inventory system

The perpetual inventory system is adopted.

3.11.4 Amortization method for low-cost consumables

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

(2) Packaging materials are amortized using the one-time write-off method

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.12 Contract assets

3.12.1 Recognition method and criteria for contract assets

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

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

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

3.13 Long-term equity investments

3.13.1 Judgment criteria for joint control and significant influence

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

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

3.13.2 Determination of initial investment costs

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.13 Long-term equity investments (Continued)

3.13.3 Subsequent measurements and recognition of profit or loss

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

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

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

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

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

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

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

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

(3) Disposal of long-term equity investments

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.14 Fixed assets

3.14.1 Recognition and initial measurement of fixed assets

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

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

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

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

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

3.14.2 Depreciation method

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

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

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

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

3.14.3 Disposal of fixed assets

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

3.15 Construction in progress

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

3.16 Borrowing costs

3.16.1 Recognition criteria of capitalization of borrowing costs

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

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

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.16 Borrowing costs (Continued)

3.16.2 Capitalization period for borrowing costs

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

Capitalization shall start when the following conditions are satisfied simultaneously:

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

(2) Borrowing costs have already been incurred; and

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

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

3.16.3 Period of capitalization suspension

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

3.16.4 Measurement of capitalization rate and capitalized amounts of borrowing costs

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

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

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

3.17 Intangible assets

3.17.1 Measurement method of intangible assets

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

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

(2) Subsequent measurement

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.17 Intangible assets (Continued)

3.17.3 Scope of R&D expenditure Specific

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

3.17.4 Specific criteria for classifying research and development stages

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

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

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

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

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

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

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

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

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

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

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

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

3.18 Impairment of long-term assets

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.19 Long-term deferred expenses

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

3.20 Contract liabilities

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

3.21 Employee compensation

3.21.1 Accounting treatment of short-term compensation

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

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

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

3.21.2 Accounting treatment of post-employment benefits

(1) Defined Contribution Plans

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

(2) Defined Benefit Plans

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

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

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

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

3.21.3 Accounting treatment of dismissal benefits

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

3.21.4 Accounting treatment of other long-term employee benefits

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

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.22 Estimated liabilities

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

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

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

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

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

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

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

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

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

3.23 Revenue

3.23.1 Accounting policies for revenue recognition and measurement

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.23 Revenue (Continued)

3.23.1 Accounting policies for revenue recognition and measurement (Continued)

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

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

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

3.23.2 Specific methods

Specific methods of the Group for recognition of revenue:

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.24 Contract costs

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

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

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

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

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

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

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

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

3.25 Government grants

3.25.1 Type

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

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

3.25.2 Timing of recognition

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

3.25.3 Accounting treatment

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

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

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.26 Deferred income tax assets and deferred income tax liabilities

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

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

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

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

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

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

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

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

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

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

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

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

3.27 Leases

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

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

3.27.1 The Company as the lessee

(1) Right-of-use assets

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

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

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.27 Leases (Continued)

3.27.1 The Company as the lessee (Continued)

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

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

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

(2) Lease liabilities

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

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

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

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

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

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

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

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

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

(4) Lease changes

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.27 Leases (Continued)

3.27.2 The Company as the lessor

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

(1) Accounting treatment of operating lease

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

(2) Accounting treatment of finance lease

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

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

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

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

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

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

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

3.27.3 Sale-and-leaseback transactions

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

(1) The Company as the lessee

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

(2) The Company as the lessor

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

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.28 Work safety expenses

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

3.29 Share repurchases

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

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

3.30 Debt restructuring

3.30.1 The Company acts as a creditor

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

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

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

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

3.30.2 The Company acts as the debtor

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.31 Segment reporting

The Company determines operating segments based on its internal organizational structure, management requirements and internal reporting system, and determines reportable segments and disclose segment information by operating segments.

The operating segments refer to the Company's components that simultaneously meet the following conditions: (1) the components can generate income and incur expenses in daily activities; (2) The Management of the Company can regularly evaluate the operating results of this component to decide the allocatable resources and assess its performance; (3) The Company can obtain relevant accounting information such as the financial positions, operating results and cash flows of this component. If two or more operating segments have similar economic characteristics and meet certain conditions, they can be merged into one operating segment.

3.32 Significant accounting estimates and judgments

The Group evaluates the significant accounting estimates and key assumptions used on an ongoing basis, based on historical experience and other factors, including reasonable expectations of future events. Significant accounting estimates and critical assumptions that have a significant risk of causing a material adjustment to the book values of assets and liabilities within the next accounting year are presented below.

3.32.1 Classification of financial assets

The significant judgments involved in determining the classification of the Group's financial assets include analysis of the business model and contractual cash flow characteristics, etc.

The Group determines the business model for managing financial assets at the level of the financial asset portfolio, taking into account factors such as the manner in which the performance of financial assets is evaluated and reported to key management personnel, the risks affecting the performance of financial assets and the manner in which they are managed, and the manner in which the relevant business management personnel are compensated.

In assessing whether the contract cash flow of financial assets is consistent with the basic lending arrangements, the Group has the following judgments: whether the principal's time distribution or amount may change during the lifetime for early repayment and other reasons; whether the interest only includes the time value of money, credit risk, other basic lending risks and the consideration of cost and profit. For example, does the amount of advance payment only reflect the unpaid principal and interest based on the unpaid principal, and reasonable compensation paid for the early termination of the contract.

3.32.2 Measurement of expected credit loss of receivables

The Group calculates the expected credit losses of accounts receivable by default risk exposure and expected credit losses rate of accounts receivable and determines the expected credit losses rate based on default probability and default loss rate. In determining the expected credit losses rate, the Group uses internal historical credit loss and other data and adjusts the historical data with current situation and forward-looking information. In considering forward-looking information, the indicators used by the Group include the risks of economic downturn, external market environment, technological environment, and changes in customer conditions. The Group regularly monitors, and reviews assumptions related to the calculation of expected credit losses.

3.32.3 Provision for inventory depreciation

The net realizable value of inventories is under the Group's regular review, and as a result, the provision for inventory depreciation is recognized at the excess part of inventories' book values over their net realizable value. When making estimates of net realizable value, the Company takes into consideration the use of inventories held on hand and other information available to form the underlying assumptions, including the inventories' market prices and the Company's historical operating costs. The actual selling price, cost of completion, and selling expenses and taxes of inventories may change in response to changes in market sales conditions, production technology processes or the actual use of inventories, etc. Therefore, the amount of provision for inventory depreciation may change in response to the above reasons. The adjustment to the provision for inventory depreciation will affect the profit or loss of the current period in which the estimate is changed.

3.32.4 Depreciation and amortization of fixed assets, intangible assets and long-term deferred expenses

The Group depreciates and amortizes fixed assets, intangible assets and long-term deferred expenses over their useful lives after taking into account their residual values. The Group periodically reviews the useful lives and amortization period of the related assets to determine the amount of depreciation and amortization expense to be charged to each reporting period. The useful lives of the assets are determined by the Group based on past experience with similar assets and in conjunction with expected technological changes, and the amortization period of long-term deferred expenses is determined by the Group based on the expected benefit period of each expense. Depreciation and amortization expense is adjusted in future periods if there is a significant change in previous estimates.

3.32.5 Development expenses

In determining the amount to be capitalized, management must make assumptions about the expected future cash generation from the asset, the discount rate to be used, and the expected period of benefit.

3.32.6 Pending litigations

For the legal proceedings and claims, the Group, after making reference to the opinions of its legal advisors and understanding the progress of the case and the settlement solution, judges the expected losses to be borne based on the best estimate of the expenses required to fulfill the relevant present obligations. The estimated losses will change during the development of the legal proceedings and claims.

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.32 Significant accounting estimates and judgments (Continued)

3.32.7 Revenue recognition

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

3.32.8 Deferred income tax assets

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

3.32.9 Taxation

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

3.33 Determination method and selection basis of materiality standards

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

3.34 Changes in significant accounting policies and accounting estimates

3.34.1 Changes in significant accounting policies

(1) Adoption of Interpretation No.19 to the Accounting Standards for Business Enterprises

The Ministry of Finance issued the Interpretation No.19 to the Accounting Standards for Business Enterprises (Cai Kuai [2025] No.32) on 19 December 2025 (hereinafter referred to as "Interpretation No.19"), which shall be effective on 1 January 2026.

① Accounting treatment for compensatory assets in business combinations under non-common control

Interpretation No.19 stipulates that, in a business combination under non-common control, the acquirer and the acquiree may enter into contractual arrangements for certain matters of the acquiree, or for uncertain outcomes of specific assets or liabilities. The seller provides compensation to the acquirer, and the acquirer obtains compensatory assets accordingly.

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

3.34.1 Changes in significant accounting policies (Continued)

(1) Adoption of Interpretation No.19 to the Accounting Standards for Business Enterprises (Continued)

① Accounting treatment for compensatory assets in business combinations under non-common control (Continued)

While recognising the compensated items in its consolidated financial statements, the acquirer shall recognise compensatory assets, measured on the same basis as the compensated items. It shall consider management's estimate of recoverability and deduct the amount expected to be unrecoverable from the initial carrying amount of the compensatory assets. At each subsequent reporting date, the acquirer shall perform subsequent measurement on compensatory assets on the same basis as the compensated items, subject to contractual limits on compensation amounts. Changes in the carrying amount of compensated items shall result in corresponding adjustments to the carrying amount of compensatory assets, with adjustments recognised in investment income.

For compensatory assets not measured at fair value for subsequent measurement, the acquirer shall separately reassess their recoverability at each reporting date, and recognise the amount expected to be unrecoverable in investment income.

When the acquirer recovers, sells or otherwise loses the right to the compensatory assets, it shall derecognise such assets. Any difference between the consideration received and the carrying amount of the compensatory assets shall be recognised in investment income.

In its separate financial statements, the acquirer shall recognise compensatory assets when the criteria for recognising a contingent asset are satisfied (i.e. it is virtually certain that future economic benefits will flow to the enterprise and the amount can be reliably measured), and simultaneously reduce the initial cost of the long-term equity investment. At each subsequent reporting date, the acquirer shall apply Accounting Standard for Business Enterprises No.13 – Contingencies, take into account contractual limits on compensation amounts and management's estimate of recoverability of compensatory assets, and recognise the amount expected to be unrecoverable in investment income.

On initial adoption, enterprises shall apply retrospective adjustment to compensatory assets existing at the effective date. No retrospective adjustment shall be made for compensatory assets for which the right had already been recovered, sold or otherwise lost before the effective date.

The adoption of this requirement has no material impact on the Company's financial statements.

② Accounting treatment of capital reserves upon disposal of a subsidiary previously obtained through a business combination under common control

Interpretation No.19 stipulates that, when an enterprise disposes of a subsidiary previously obtained through a business combination under common control and loses control, regardless of whether the counterparty is a related party or unrelated party of the enterprise, the capital reserve arising from the difference between the initial cost of the long-term equity investment and the carrying amount of the consideration at the original combination date shall not be reclassified into profit or loss for the period or retained earnings in either separate or consolidated financial statements.

The adoption of this requirement has no material impact on the Company's financial statements.

③ Derecognition of financial liabilities settled via electronic payment systems

Interpretation No.19 stipulates that where an enterprise settles a financial liability (or part thereof) in cash through an electronic payment system, it may elect to derecognise the liability prior to the settlement date only when the payment instruction has been initiated and all of the following conditions are met:

The enterprise has no practical ability to revoke, stop or cancel the payment instruction;

The enterprise has no practical ability to withdraw cash earmarked for settlement under the payment instruction;

Settlement risks associated with the electronic payment system are not significant.

For example, settlement risks are not significant where the electronic payment system processes payment instructions in accordance with standard procedures and the time lag between satisfying the first two conditions and delivering cash to the counterparty is very short. If execution of the payment instruction depends on the enterprise's ability to deliver cash on the settlement date, settlement risks associated with the electronic payment system shall not be regarded as insignificant.

On initial adoption, enterprises shall apply retrospective adjustment. Cumulative effects shall be adjusted against retained earnings as at 1 January 2026 and other relevant financial statement line items; comparative prior-period financial information need not be restated. The Company has made the aforesaid accounting policy election and applies it to all settlements processed through the same electronic payment system.

The adoption of this requirement has no material impact on the Company's financial statements.

④ Assessment and disclosure of contractual cash flow characteristics of financial assets

Interpretation No.19 stipulates that when assessing whether contractual cash flows of a financial asset are consistent with a basic lending arrangement, an enterprise shall consider different components of interest. Assessment of interest shall focus on the basis on which compensation is obtained, rather than the amount of compensation. The latter may indicate that compensation is received for factors other than basic lending risks and costs.

Where contractual cash flows are linked to variables unrelated to basic lending risks and costs (e.g. value of equity instruments, commodity prices), or represent a portion of the obligor's income or profit, such contractual cash flows are not consistent with a basic lending arrangement.

Where contractual cash flows arising from a contingent feature remain consistent with a basic lending arrangement regardless of the magnitude of variability, the enterprise shall still assess the nature of the contingency.

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

3.34.1 Changes in significant accounting policies (Continued)

(1) Adoption of Interpretation No.19 to the Accounting Standards for Business Enterprises (Continued)

④ Assessment and disclosure of contractual cash flow characteristics of financial assets (Continued)

If the contingency is directly related to changes in basic lending risks and costs and the variability direction of contractual cash flows is consistent with changes in such basic lending risks and costs, the contractual cash flows represent solely payments of principal and interest on the principal amount outstanding.

If the contingency is not directly related to changes in basic lending risks and costs (e.g. a loan whose contracted base rate is reduced when the enterprise meets agreed carbon emission reduction targets), contractual cash flows represent solely payments of principal and interest on the principal amount outstanding only if, under all possible contractual scenarios, the contractual cash flows do not differ materially from those of an otherwise identical financial instrument without that contingent feature.

On initial adoption, enterprises shall apply retrospective adjustment. Cumulative effects shall be adjusted against retained earnings as at 1 January 2026 and other relevant financial statement line items; comparative prior-period financial information need not be restated.

The adoption of this requirement has no material impact on the Company's financial statements.

⑤ Disclosure of equity instruments designated at fair value through other comprehensive income

Interpretation No.19 stipulates that enterprises shall disclose, by category at minimum, the fair value of investments in equity instruments designated at fair value through other comprehensive income as at the end of the reporting period, together with fair-value changes during the reporting period. Further breakdown by item may be provided based on materiality and actual circumstances of the enterprise.

Changes relating to investments derecognised during the reporting period and changes relating to investments held at the end of the reporting period shall be disclosed separately. Enterprises shall also disclose transfers out of cumulative gains or losses recognised in equity for investments derecognised during the reporting period.

The Company discloses relevant information on other equity-instrument investments in accordance with the above requirements. Adoption of this Interpretation has no material impact on the Company's financial position and operating results.

(2) Adoption of Interpretation No.20 to the Accounting Standards for Business Enterprises

The Ministry of Finance issued the Interpretation No.20 to the Accounting Standards for Business Enterprises (Cai Kuai [2026] No.7) on 17 June 2026 (hereinafter referred to as "Interpretation No.20"), which shall be effective upon issuance.

① Assessment of contractual cash flow characteristics of financial assets

Interpretation No.20 sets out special classification requirements for "non-recourse financial assets" and "contract-linked instruments" when assessing whether their contractual cash flows represent solely payments of principal and interest on the principal amount outstanding.

A financial asset is non-recourse if the enterprise's contractual right to receive cash flows is limited to cash flows from specified assets. Under such circumstances, the enterprise's exposure is driven primarily by the performance of the specified assets rather than the obligor's credit risk.

When assessing whether a non-recourse financial asset meets the "solely payments of principal and interest" criterion, the enterprise shall evaluate the linkage (i.e. pass-through) between the underlying specified assets/their cash flows and the contractual cash flows of the financial asset, and consider how such linkage is affected by other contractual arrangements such as subordinated debt or equity instruments issued by the obligor.

If contractual terms generate other cash flows or restrict cash flows in a manner inconsistent with payments of principal and interest, the financial asset fails the "solely payments of principal and interest" test. Whether underlying assets are financial or non-financial assets does not affect this assessment.

In certain non-recourse transactions, an issuer may use multiple contract-linked instruments (multiple tranches) to determine the order of payments to holders, with senior-subordinated priority. This creates a waterfall payment structure that concentrates credit risk and allocates cash shortfalls of underlying assets disproportionately across tranche holders. For a given tranche holder, entitlement to principal and interest payments arises only when the issuer generates sufficient cash flows to satisfy more-senior tranches.

In such cases, each tranche holder shall apply classification requirements for contract-linked instruments, rather than those for non-recourse financial assets. One condition for a contract-linked instrument to meet the "solely payments of principal and interest" criterion is that its underlying assets must include one or more instruments that themselves satisfy the "solely payments of principal and interest" condition. The underlying assets may include instruments that do not meet the classification requirements of Accounting Standard for Business Enterprises No.22 – Recognition and Measurement of Financial Instruments, yet whose contractual cash flows represent solely payments of principal and interest on the principal amount outstanding (e.g. certain lease receivables).

On initial adoption, enterprises shall apply retrospective adjustment. Cumulative effects shall be adjusted against retained earnings as at 1 January 2026 and other relevant financial statement line items; comparative prior-period financial information need not be restated.

The adoption of this requirement has no material impact on the Company's financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

3.34.1 Changes in significant accounting policies (Continued)

(2) Adoption of Interpretation No.20 to the Accounting Standards for Business Enterprises (Continued)

② Accounting treatment and disclosure for lack of currency convertibility

Interpretation No.20 defines that one currency is convertible into another if an enterprise is able, within a timeframe, to exchange one currency for another via a market or exchange mechanism that creates enforceable rights and obligations for exchange transactions. An enterprise shall assess convertibility for a specific purpose at measurement date. If only an immaterial amount of the other currency can be obtained for that purpose at measurement date, the currency is deemed non-convertible. A currency may still be judged non-convertible even if reverse convertibility exists.

Where one currency is non-convertible into another, the enterprise shall estimate the spot exchange rate at measurement date to reflect the rate that market participants would use for an orderly exchange transaction under prevailing economic conditions.

On initial adoption, no restatement of comparative prior-period financial information is required. Transition treatment shall be applied as follows:

i) Where an enterprise reports foreign-currency transactions in its functional currency and identifies lack of convertibility between a foreign currency and the functional currency: monetary foreign-currency items and non-monetary items measured at foreign-currency fair value shall be retranslated using the estimated spot exchange rate at the date of initial adoption. Effects of initial adoption shall be adjusted against opening retained earnings.

The adoption of this requirement has no material impact on the Company's financial statements.

ii) Where the presentation currency differs from the functional currency, or when translating the financial position and operating results of a foreign operation, and lack of convertibility exists between the functional currency (of the enterprise or the foreign operation) and the presentation currency: assets and liabilities shall be retranslated using the estimated spot exchange rate at the date of initial adoption. If the functional currency is subject to hyperinflation, equity items shall also be retranslated using the estimated spot exchange rate at the date of initial adoption. Effects of initial adoption shall be accounted for as adjustments to the cumulative amount of translation differences (recognised in equity as a separate line item).

The adoption of this requirement has no material impact on the Company's financial statements.

3.34.2 Changes in significant accounting estimates

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

3.34.3 Correction of significant accounting errors of prior periods

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

3.35 Others

The Company had no other adjustments this year.

4 TAXATION

4.1 Major tax types and tax rates

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

Disclosure of information about taxpayers applying different enterprise income tax rates

Taxpayer name	Income tax rate
Sinopec Shengli Petroleum Engineering Corporation	15
Shandong Shenggong Testing Technology Co., Ltd	15
Sinopec Zhongyuan Petroleum Engineering Corporation	15
Sinopec Jianghan Petroleum Engineering Corporation	15
Sinopec Zhongyuan Oil Engineering Design Company Limited	15
Sinopec Oil Engineering Design Company Limited	15
Sinopec Geophysical Corporation	15
Sinopec Jianghan Oil Engineering Design Company Limited	15
Sinopec Henan Oil Engineering Design Company Limited	15
Sinopec Huabei Petroleum Engineering Corporation	15
Sinopec Pipeline Technical Service Co., Ltd.	15
SinoFTS Petroleum Services Ltd.	15
Sinopec Jianghan Oil Construction Engineering Co., Ltd.	15
Sinopec Southwest Petroleum Engineering Co., Ltd	15
Sinopec Jingwei Co., Ltd	15
Beijing Shihua Shuzhi Technology Co., Ltd.	20

4.2 Tax preference

4.2.1 Consumption tax refund of self-used refined oil

According to the Circular on the Refund of Consumption Tax on the Self-use Refined Oil Produced by Oil (Gas) Field Enterprises (CS [2011] No. 7), since January 1, 2009, the full amount of consumption tax contained in the internally purchased refined oil consumed by oil (gas) field enterprises during the extraction of crude oil will be temporarily refunded according to the actual amount of consumption tax paid.

4.2.2 Enterprise income tax

Sinopec Shengli Petroleum Engineering Corporation, Shandong Shenggong Testing Technology Co., Ltd, Sinopec Zhongyuan Petroleum Engineering Corporation, Sinopec Jianghan Petroleum Engineering Corporation, Sinopec Zhongyuan Oil Engineering Design Company Limited, Sinopec Oil Engineering Design Company Limited, Sinopec Geophysical Corporation, Sinopec Jianghan Oil Engineering Design Company Limited, Sinopec Henan Oil Engineering Design Company Limited, Sinopec Huabei Petroleum Engineering Corporation, Sinopec Pipeline Technical Service Co., Ltd., SinoFTS Petroleum Services Ltd, Sinopec Jianghan Oil Construction Engineering Co., Ltd. Sinopec Jingwei Co., Ltd. have obtained the certification of high-tech enterprise and are subject to a reduced enterprise income tax rate of 15% in accordance with the *Enterprise Income Tax Law of the People's Republic of China and the Circular of the State Administration of Taxation on Issues Related to the Implementation of High and New Technology Enterprise Income Tax Preference* (GSX [2009] No. 203), the enterprise income tax will be paid at a reduced rate of 15%.

Sinopec Southwest Petroleum Engineering Co., Ltd., a subsidiary of the Group, is in line with the encouraged industries in the western region, and according to the Announcement of the Ministry of Finance, the State Administration of Taxation and the National Development and Reform Commission on Extending the Enterprise Income Tax Policy for the Development of the Western Region (No. 23 [2020]), from January 1, 2021 to December 31, 2030, the enterprises in the encouraged industries located in the western region will be levied enterprise income tax at a reduced rate of 15%.

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

5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

5.1 Monetary funds

Item	Balance as at June 30, 2026	Balance as at December 31, 2025
Cash on hand	998	1,131
Cash at banks	3,531,258	3,795,501
Cash in finance companies	1,532,816	1,211,125
Other monetary funds	–	456
Total	5,065,072	5,008,213
Including: Amount deposited abroad	3,331,688	3,267,752

As at June 30, 2026, the Group's monetary funds restricted for use due to mortgage, pledge or freezing, or placed overseas with restrictions on fund repatriation are as follows:

Item	Balance as at June 30, 2026	Balance as at December 31, 2025
Guarantee deposit	14,227	27,983
Frozen and pledged deposits	67,507	67,219
Time deposit	12,452	62,452
Security and Civilized Construction Deposit	11,759	11,759
Land Reclamation Deposit	99,821	131,097
Other	25,612	43,657
Total	231,378	344,167

As at June 30, 2026, the Group had not pledged deposit with any bank for the issuance of bank acceptance bill.

5.2 Accounts receivable

5.2.1 Disclosure of accounts receivable by aging

Aging	Balance as at June 30, 2026	Balance as at December 31, 2025
Within 1 year	9,781,497	10,546,327
Including: Not overdue	7,096,460	8,794,248
Overdue – Within 1 year	2,685,037	1,752,079
1 – 2 years	437,596	525,990
2 – 3 years	150,026	162,185
3 – 4 years	83,783	83,570
4 – 5 years	41,051	46,835
Over 5 years	1,314,471	1,378,734
Sub-total	11,808,424	12,743,641
Less: provision for bad debts	1,495,230	1,569,073
Total	10,313,194	11,174,568

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

5.2 Accounts receivable (Continued)

5.2.2 Disclosure of accounts receivable by category based on the method for provision for bad debts

	Balance as at June 30, 2026					Balance as at December 31, 2025				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
Category	Amount	Proportion (%)	Amount	Expected credit loss ratio (%)	Book value	Amount	Proportion (%)	Amount	Expected credit loss ratio (%)	Book value
Provision made on an individual basis	599,135	5.07	599,135	100.00		661,056	5.19	661,056	100.00	
Provision for bad debts made by portfolio	11,209,289	94.93	896,095	7.99	10,313,194	12,082,585	94.81	908,017	7.52	11,174,568
Including:										
Related-party portfolio	4,922,187	41.68	59,734	1.21	4,862,453	6,050,218	47.48	55,945	0.92	5,994,273
Non-related-party portfolio	6,287,102	53.25	836,361	13.30	5,450,741	6,032,367	47.33	852,072	14.13	5,180,295
Total	11,808,424	100.00	1,495,230		10,313,194	12,743,641	100.00	1,569,073		11,174,568

Provision made on an individual basis:

	Balance as at June 30, 2026			
Item	Book balance	Provision for bad debts	Proportion of provision (%)	Reason for provision
Entity I	515,195	515,195	100.00	The debtor is short of funds and the funds have not been recovered for a long time.
Entity II	45,368	45,368	100.00	The debtor is short of funds and the funds have not been recovered for a long time.
Entity III	26,390	26,390	100.00	The debtor is short of funds and the funds have not been recovered for a long time.
Entity IV	9,252	9,252	100.00	The debtor is short of funds and the funds have not been recovered for a long time.
Entity V	2,930	2,930	100.00	The debtor is short of funds and the funds have not been recovered for a long time.
Total	599,135	599,135		

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

Provision by portfolio:

	Balance as at June 30, 2026		
Item	Accounts receivable	Provision for bad debts	Proportion of provision (%)
Accounts receivable from related-party clients	4,922,187	59,734	1.21
Accounts receivables from non-related-party clients	6,287,102	836,361	13.30
Total	11,209,289	896,095	

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

5.2 Accounts receivable (Continued)

5.2.2 Disclosure of accounts receivable by category based on the method for provision for bad debts (Continued)

Provision by portfolio: Accounts receivable from related-party clients

	Balance as at June 30, 2026			Balance as at December 31, 2025		
	Book balance	Provision for bad debts		Book balance	Provision for bad debts	
Category	Amount	Amount	Expected credit loss ratio (%)	Amount	Amount	Expected credit loss ratio (%)
Within 1 year	4,551,378	16,905	0.37	5,611,469	18,439	0.33
Including:						
Not overdue	3,525,088	10,575	0.30	4,962,170	14,886	0.30
Overdue – Within 1 year	1,026,290	6,330	0.62	649,299	3,553	0.55
1 – 2 years	266,076	12,962	4.87	317,678	12,290	3.87
2 – 3 years	49,819	5,701	11.44	58,698	4,109	7.00
3 – 4 years	20,606	4,225	20.50	37,478	6,404	17.09
4 – 5 years	18,057	8,228	45.57	6,732	2,487	36.94
Over 5 years	16,251	11,713	72.08	18,163	12,216	67.26
Total	4,922,187	59,734	1.21	6,050,218	55,945	0.92

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

	Balance as at June 30, 2026			Balance as at December 31, 2025		
	Book balance	Provision for bad debts		Book balance	Provision for bad debts	
Category	Amount	Amount	Expected credit loss ratio (%)	Amount	Amount	Expected credit loss ratio (%)
Within 1 year	5,230,119	35,990	0.69	4,934,858	28,396	0.58
Including:						
Not overdue	3,571,372	10,714	0.30	3,832,078	11,497	0.30
Overdue – Within 1 year	1,658,747	25,276	1.52	1,102,780	16,899	1.53
1 – 2 years	171,520	32,533	18.97	208,312	30,782	14.78
2 – 3 years	100,207	42,618	42.53	103,487	38,934	37.62
3 – 4 years	63,177	38,331	60.67	46,092	24,009	52.09
4 – 5 years	22,994	20,343	88.47	40,103	30,436	75.89
Over 5 years	699,085	666,546	95.35	699,515	699,515	100.00
Total	6,287,102	836,361	13.30	6,032,367	852,072	14.13

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

Category	Balance as at December 31, 2025	Changes in the current period				Balance as at June 30, 2026
		Provision	Recovery or reversal	Write-off or charge-off	Other decreases	
Provision for bad debts	1,569,073	4,099	41,537		36,405	1,495,230
Total	1,569,073	4,099	41,537		36,405	1,495,230

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

Company name	Recovery or reversal amount	Reason for transfer or withdrawal	Recovery method
Company A	41,537	partial recovery	Cash recoverary
total	41,537		

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

5.2 Accounts receivable (Continued)

5.2.4 Top 5 of accounts receivable as at June 30, 2026, presented by debtor

Item	Accounts receivable	Contract asset closing balance	Accounts receivable and contract assets closing balances	Proportion of the total closing balance of accounts receivable and contract assets (%)	Accounts receivable bad debt provision and contract asset impairment provision closing balance
Entity 1	3,861,812	12,285,321	16,147,133	49.88	68,993
Entity 2	1,019,785	2,256,856	3,276,641	10.12	36,503
Entity 3	531,288	493,609	1,024,897	3.17	9,544
Entity 4	762,426		762,426	2.36	11,589
Entity 5	172,482	542,422	714,904	2.21	2,053
Total	6,347,793	15,578,208	21,926,001	67.74	128,682

5.3 Receivables financing

5.3.1 Breakdowns of receivables financing

Item	Balance as at June 30, 2026	Balance as at December 31, 2025
Notes receivable	1,402,116	4,029,320
Digitize accounts receivable vouchers		36
Total	1,402,116	4,029,356

Some subsidiaries of the Group discounted and transferred via endorsement a part of bank acceptance bills and commercial acceptance bills based on its routine funds management demand and derecognized the discounted and endorsed notes receivable based on the situation that almost all risks and remuneration have been transferred to relevant counterparties. As at June 30, 2026, the notes receivable endorsed or discounted but not matured amounted to RMB359,276,000 (As at December 31, 2025, RMB6,724,355,000). As relevant subsidiaries manage notes receivable with the purpose of collecting contractual cash flows and selling such financial assets, the Company classifies these subsidiaries' bank acceptance bills and commercial acceptance bills as the financial assets measured at fair value through other comprehensive income.

As at June 30, 2026, the Group believed that the bank acceptance bills and commercial acceptance bills it held had not significant credit risk as they were accepted by the banks or finance companies with higher credit levels, and it would not be subjected to the significant loss caused by the default of these banks and finance companies.

The Group has no pledged receivable financing at the end of the period.

5.4 Advances to suppliers

5.4.1 Presentation of advances to suppliers by aging

Aging	Balance as at June 30, 2026		Balance as at December 31, 2025	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	583,679	90.40	497,809	96.82
1 – 2 years	60,078	9.30	15,427	3.00
2 – 3 years	1,201	0.19	466	0.09
Over 3 years	723	0.11	451	0.09
Sub-total	645,681	100.00	514,153	100.00
Less: Provision for bad debts				
Total	645,681		514,153	

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

5.4 Advances to suppliers (Continued)

5.4.2 Top 5 of advances to suppliers as at June 30, 2026, collected by supplier

The sum amount of top 5 of accounts receivable as at June 30, 2026, presented by debtor was RMB362,147,000, accounting for 56.1% of the total ending balance of advances to suppliers.

5.5 Other receivables

Item	Balance as at June 30, 2026	Balance as at December 31, 2025
Interest receivable		
Dividends receivable		469
Other receivables	2,978,911	2,415,717
Total	2,978,911	2,416,186

5.5.1 Dividends receivable

(1) Details of dividends receivable

Project (or investee)	Balance as at June 30, 2026	Balance as at December 31, 2025
Qianjiang Hengyun Motor Vehicle Comprehensive Performance Inspection & Testing Co., Ltd.		469
Sub-total		469
Less: provision for bad debts		
Total		469

5.5.2 Other receivables

(1) Disclosure of other receivables by aging

Aging	Balance as at June 30, 2026	Balance as at December 31, 2025
Within 1 year	2,527,490	1,948,391
1 – 2 years	136,272	142,794
2 – 3 years	112,390	95,685
3 – 4 years	76,061	105,685
4 – 5 years	68,170	73,690
Over 5 years	570,961	560,521
Sub-total	3,491,344	2,926,766
Less: provision for bad debts	512,433	511,049
Total	2,978,911	2,415,717

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

	Balance at June 30, 2026			Balance as at December 31, 2025		
	Book balance	Provision for bad debts	Book value	Book balance	Provision for bad debts	Book value
Category	Amount	Amount	Amount	Amount	Amount	Amount
Imprest	5,521	194	5,327	2,097	194	1,903
Security deposit	936,347	55,154	881,193	1,169,777	59,175	1,110,602
Advance money for the Company	1,100,655	178,675	921,980	776,987	173,337	603,650
Suspense payment	880,637	197,617	683,020	528,060	215,720	312,340
Escrow payment	4,817	1,671	3,146	4,808	1,671	3,137
Deposit	33,458	1,987	31,471	26,765	3,822	22,943
Export rebates receivable	7,866	1,044	6,822	16,909	336	16,573
Others	522,043	76,091	445,952	401,363	56,794	344,569
Total	3,491,344	512,433	2,978,911	2,926,766	511,049	2,415,717

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

5.5 Other receivables (Continued)

5.5.2 Other receivables (Continued)

(3) Details of provision for bad debts

Provision for bad debts at stage I as at June 30, 2026:

Category	Book balance	Expected credit loss ratio in future 12 months (%)	Provision for bad debts	Book value
Provision for bad debts made by portfolio	2,846,951	0.81	22,918	2,824,033
– Imprest	5,327			5,327
– Margin and deposit	917,563	1.13	10,323	907,240
– Other receivables	1,924,061	0.65	12,595	1,911,466
Total	2,846,951		22,918	2,824,033

Provision for bad debts at stage II as at June 30, 2026:

Category	Book balance	Expected credit loss ratio in future 12 months (%)	Provision for bad debts	Book value
Provision for bad debts made by portfolio	149,209	7.23	10,786	138,423
– Other receivables	149,209	7.23	10,786	138,423
Total	149,209	7.23	10,786	138,423

Provision for bad debts at stage III as at June 30, 2026:

Category	Book balance	Expected credit loss ratio in future 12 months (%)	Provision for bad debts	Book value
Provision for bad debts made by portfolio	495,184	96.68	478,729	16,455
– Imprest	194	100.00	194	
– Margin and deposit	52,241	89.62	46,818	5,423
– Other receivables	442,749	97.51	431,717	11,032
Total	495,184		478,729	16,455

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

Provision for bad debts	Stage I	Stage II	Stage III	Total
	Expected credit loss in future 12 months	Expected credit loss in the whole duration (without credit impairment)	Expected credit loss in the whole duration (with credit impairment)	
Balance as at December 31, 2025	37,181	11,029	462,839	511,049
Balance as at December 31, 2025 in the current period				
– Transferred to Stage II				
– Transferred to Stage III				
– Reversal to Stage II				
– Reversal to Stage I				
Provision in the current period	9,847	12	26,880	36,739
Reversal in the current period	24,069	243	9,347	33,659
Write-off in the current period			1,135	1,135
Other changes	41	12	508	561
Balance as at June 30, 2026	22,918	10,786	478,729	512,433

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

5.5 Other receivables (Continued)

5.5.2 Other receivables (Continued)

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

Other receivables of RMB1,135,000 has been charged off in the year.

(6) Top 5 of other receivables as at June 30, 2026, presented by debtor

Company name	Nature	Balance as at June 30, 2026	Aging	Proportion in the total balance of other receivables as at June 30, 2026 (%)	Balance of provision for bad debts as at June 30, 2026
Enterprises under China National Pipe-network Group	Security deposits Advance payment	674,341	Within 1 year and Over 5 years	19.31	14,055
EP PETROECUADOR S.A.	Suspense payment	313,967	Within 1 year	8.99	
Enterprises within Sinopec Group	Security deposits Advance payment	184,403	Within 1 year and Over 5 years	5.28	2,074
Xinjiang Qixing Construction Engineering Group Co., Ltd	Suspense payment	166,288	Over 5 years	4.76	166,288
Sinopec Group International Petroleum Engineering Mexico DS Joint-Venture Company	Disbursements	149,209	Within 1 year and Over 5 years	4.27	10,786
Total		1,488,208		42.61	193,203

5.6 Inventories

5.6.1 Classification of inventories

Item	Balance as at June 30, 2026			Balance as at December 31, 2025		
	Book balance	Provision for inventory depreciation/ Provision for impairment of contract performance cost	Book value	Book balance	Provision for inventory depreciation/ Provision for impairment of contract performance cost	Book value
Raw materials	778,704	9,978	768,726	804,607	9,978	794,629
Revolving materials	70,630		70,630	62,981		62,981
Goods in process	8,537	1,671	6,866	3,798	1,671	2,127
Stock commodities	215,967	797	215,170	159,473	797	158,676
Contract performance cost	1,516,853		1,516,853	106,592		106,592
Total	2,590,691	12,446	2,578,245	1,137,451	12,446	1,125,005

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

Item	Balance as at December 31, 2025	Increase in the current period		Decrease in the current period		Balance as at June 30, 2026
		Provision	Others	Reversal or write-off	Others	
Raw materials	9,978					9,978
Goods in process	1,671					1,671
Stock commodities	797					797
Total	12,446					12,446

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

5.7 Contract assets

5.7.1 Breakdowns of contract assets

Item	Balance as at June 30, 2026			Balance as at December 31, 2025		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Contract assets	20,562,469	70,144	20,492,325	17,124,416	58,454	17,065,962
Total	20,562,469	70,144	20,492,325	17,124,416	58,454	17,065,962

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

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

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

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

Category	Balance as at June 30, 2026					Balance as at December 31, 2025				
	Book balance		Provision for impairment			Book balance		Provision for impairment		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	Book value	Amount	Proportion (%)	Amount	Proportion of provision (%)	Book value
Provision made on an individual basis	13,566	0.07	6,783	50.00	6,783	13,566	0.08	6,783	50.00	6,783
Provision for impairment made by portfolios	20,548,903	99.93	63,361	0.31	20,485,542	17,110,850	99.92	51,671	0.30	17,059,179
Including:										
Petroleum Engineering	11,953,222	58.13	35,898	0.30	11,917,324	8,948,317	52.25	26,564	0.30	8,921,753
Construction and Engineering	8,595,681	41.80	27,463	0.32	8,568,218	8,162,533	47.67	25,107	0.31	8,137,426
Total	20,562,469	100.00	70,144		20,492,325	17,124,416	100.00	58,454		17,065,962

5.7.4 The contract assets actually written off in the current period

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

5.8 Other current assets

Item	Balance as at June 30, 2026	Balance as at December 31, 2025
Value-added tax retained	1,344,804	1,033,485
Input VAT to be certified	118,763	103,880
Value-added tax prepaid	1,982,688	1,752,315
Enterprise income tax prepaid	243,323	121,262
Carbon emission rights assets	130	
Total	3,689,708	3,010,942

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

5.9 Long-term equity investments

5.9.1 The situation of long-term equity investments

Investee	Balance as at December 31, 2025	Ending balance of impairment provisions at the end of last year	Additional investment	Increase/decrease in the current period							Balance as at June 30, 2026	Ending balance of provision for impairment
				Negative investment	Profit or loss on investments recognized by the equity method	Adjustment to other comprehensive income	Other changes in equity	Cash dividends or profits declared to be distributed	Provision for impairment made	Others		
1. Joint ventures												
EBAPAN,S.A.DEC.V	2,270				127						2,397	
Sinopec International Petroleum Engineering Mexico DS Joint Venture	103,723	274,419			-32,827	-4,678					66,218	274,419
Sub-total	105,993	274,419			-32,700	-4,678					68,615	274,419
2. Associates												
Hua Bei Ruida Oil Service Company Limited ("Ordos North")	12,484				1,595			-3,150			10,929	
Xinjiang North China Tianxiang Oil Service Company Limited ("Xinjiang North")	4,694				465			-1,800			3,359	
Qianjiang HengYun Comprehensive Vehicle Performance Inspecting Company Limited	1,880				319						2,199	
Zhenjiang Huajiang Oil and Gas Engineering Technology Service Co., Ltd	2,669							-278			2,391	
Henan Zhongyuan Oil & Gas Technology Service Co., Ltd	2,836				625			-70			3,391	
Henan Zhongyou Oil & Gas Technology Service Co., Ltd	7,131				485			-668			6,948	
Beijing Masonry Intelligent Control Technology Co., Ltd	7,739				160						7,899	
Sub-total	39,433				3,649			-5,966			37,116	
Total	145,426	274,419			-29,051	-4,678		-5,966			105,731	274,419

5.10 Investment in other equity instruments

5.10.1 Details of investment in other equity instruments

Item	Balance as at December 31, 2025	Gains or losses accumulated in other comprehensive income at the end of last year	New this issue	Fair value change this period			This issue's handling	Others	Balance as at June 30, 2026	The cumulative gains or losses transferred from other comprehensive income to retained earnings this period	Gains or losses accumulated in other comprehensive income at the end of the period	Specified reason
				Changes related to investments held at the end of the period	Changes related to investments confirmed as terminated in this period	Subtotal						
Shengli Oilfield Niuzhuang Petroleum Development Co., Ltd.	10,544	6,408							10,544		6,408	The shareholding ratio is no significant to have a significant impact.
Sinopec Carbon Industry Technology Co., Ltd.	125,290	218							125,290		218	The shareholding ratio is no significant to have a significant impact.
Total	135,834	6,626							135,834		6,626	

5.10.2 Dividend income from other equity investments

Dividend income	Current period	Prior period
Dividend income from investments held at the end of the period	190	
Total	190	

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

5.11 Fixed assets

5.11.1 Fixed assets and disposal of fixed assets

Item	Balance as at June 30, 2026	Balance as at December 31, 2025
Fixed assets	22,478,020	23,710,775
Disposal of fixed assets	83,830	92,392
Total	22,561,850	23,803,167

5.11.2 Breakdowns of fixed assets

Item	Buildings and constructions	Equipment and others	Total
1. Original book value			
(1) Balance as at December 31, 2025	1,746,979	66,411,625	68,158,604
(2) Increase in the current period	3,784	274,509	278,293
– Purchase		27	27
– Transferred from construction in progress	3,784	274,482	278,266
(3) Decrease in the current period	23,639	835,686	859,325
– Disposal or retirement	23,639	835,686	859,325
(4) Balance as at June 30, 2026	1,727,124	65,850,448	67,577,572
2. Accumulated depreciation			
(1) Balance as at December 31, 2025	835,483	42,731,975	43,567,458
(2) Increase in the current period	27,567	1,434,136	1,461,703
– Provision	27,567	1,434,136	1,461,703
(3) Decrease in the current period	9,457	782,699	792,156
– Disposal or retirement	9,457	782,699	792,156
(4) Balance as at June 30, 2026	853,593	43,383,412	44,237,005
3. Provision for impairment			
(1) Balance as at December 31, 2025	654	879,717	880,371
(2) Increase in the current period		498	498
– Provision		498	498
(3) Decrease in the current period		18,322	18,322
– Disposal or retirement		18,322	18,322
(4) Balance as at June 30, 2026	654	861,893	862,547
4. Book value			
(1) Book value as at June 30, 2026	872,877	21,605,143	22,478,020
(2) Book value as at December 31, 2025	910,842	22,799,933	23,710,775

5.11.3 Fixed assets with pending certificates of title

There had been a total amount of 19 premises without qualified ownership certificates up to June 30, 2026, totaling amount in cost of RMB190,167,000, in accumulated depreciation of RMB55,835,000 and net book value of RMB134,332,000.

5.11.4 Disposal of fixed assets

Item	Balance as at June 30, 2026	Balance as at December 31, 2025
Equipment	83,830	92,392
Total	83,830	92,392

5.12 Construction in progress

5.12.1 Construction in progress and project materials

Item	Balance as at June 30, 2026	Balance as at December 31, 2025
Construction in progress	471,880	622,528
Engineer material	2,672	6,170
Total	474,552	628,698

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

5.12 Construction in progress (Continued)

5.12.2 Details of construction in progress

Item	Balance as at June 30, 2026			Balance as at December 31, 2025		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Major Materials and equipment procurement projects	471,880		471,880	622,528		622,528
Total	471,880		471,880	622,528		622,528

5.12.3 Changes in important construction in progress in the current period

Project name	Budget amount	Balance as at December 31, 2025	Increase in the current period	Amount transferred to fixed assets in the current period	Other decreases in the current period	Balance as at June 30, 2026	Proportion of accumulated project investments in budget amount (%)	Project progress	Accumulated capitalized amount of interest	Source of funds
Workover Rig Renewal and Retrofit	237,330.00	64,495	25,368	73,189		16,674	87.13	85.54		Self-financing and loans
Pipeline Project Equipment	50,336.00		25,341	15,332		10,009	50.34	50.34		Self-financing in full
Highway Project Equipment	37,180.00		24,081	24,081			64.77	100.00		Self-financing in full
Infrastructure Construction Project	88,215.00	198	23,236			23,434	33.48	33.48		Self-financing in full
Baniadul Project in Ecuador	189,840.00	1,726	16,300		14,274	3,752	9.50	9.50		Self-financing in full
Cementing Equipment Procurement Project	38,500.00		14,709			14,709	38.21	38.21		Self-financing in full
Renewal of Off-Road Mobile Machinery	98,990.00	24,138	10,661	15,577		19,222	82.75	94.32		Self-financing and loans
Drilling Rig Renewal and Retrofit	437,092.00	227,151	6,336	99,239		134,248	78.01	76.56		Self-financing in full
Drilling Rig Renewal and Retrofit in Kuwait	155,017.00	11,133	2,240	8,820		4,553	69.80	69.80		Self-financing in full
Safety Hazard Rectification	13,560.00	3,274	1,255	1,728		2,801	99.70	99.70		Self-financing in full
Total		332,115	149,527	237,966	14,274	229,402				

5.13 Right-of-use assets

Item	Land	Buildings and Structures	Equipment and others	Total
1. Original book value				
(1) Balance as at December 31, 2025	136,701	1,157,179	553,755	1,847,635
(2) Increase in the current period	9,807	206,083	225,952	441,842
– Newly-added leases	9,302	199,492	225,923	434,717
– Adjustment of lease liabilities	505	6,591	29	7,125
(3) Decrease in the current period	10,517	170,233	40,556	221,306
– Write-off or early termination	10,294	164,622	39,847	214,763
– Adjustment of lease liabilities	223	5,611	709	6,543
(4) Balance as at June 30, 2026	135,991	1,193,029	739,151	2,068,171
2. Accumulated depreciation				
(1) Balance as at December 31, 2025	75,252	691,995	318,842	1,086,089
(2) Increase in the current period	24,069	180,048	114,960	319,077
– Depreciation	24,069	180,048	114,960	319,077
(3) Decrease in the current period	9,291	161,989	39,824	211,104
– Write-off or early termination	9,291	161,989	39,824	211,104
(4) Balance as at June 30, 2026	90,030	710,054	393,978	1,194,062
3. Provision for impairment				
4. Book value				
(1) Book value as at June 30, 2026	45,961	482,975	345,173	874,109
(2) Book value as at December 31, 2025	61,449	465,184	234,913	761,546

Other description: As at June 30, 2026, the lease expenses recognized by the Group and relevant to the short-term lease and low-value assets lease amounted to RMB896,894,000.

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

5.14 Intangible assets

5.14.1 Breakdowns of intangible assets

Item	Land use right	Software use right	Contract income right	Others	Total
1. Original book value					
(1) Balance as at December 31, 2025	175,559	362,433	1,076,778	81,641	1,696,411
(2) Increase in the current period		2,655	14,274		16,929
– Purchase					
– Complete of construction		2,655	14,274		16,929
(3) Decrease in the current period		447		8,256	8,703
(4) Balance as at June 30, 2026	175,559	364,641	1,091,052	73,385	1,704,637
2. Accumulated amortization					
(1) Balance as at December 31, 2025	45,841	259,492	955,706	69,580	1,330,619
(2) Increase in the current period	2,117	19,263	31,150	996	53,526
– Provision	2,117	19,263	31,150	996	53,526
(3) Decrease in the current period		620		8,083	8,703
(4) Balance as at June 30, 2026	47,958	278,135	986,856	62,493	1,375,442
3. Provision for impairment					
4. Book value					
(1) Book value as at June 30, 2026	127,601	86,506	104,196	10,892	329,195
(2) Book value as at December 31, 2025	129,718	102,941	121,072	12,061	365,792

5.14.2 Land use right with pending certificate of title

As at June 30, 2026, there were 1 land-use-right with pending certificates of title and the original book value thereof amounted to RMB6,551,000. The provision for accumulated amortization made amounted to RMB2,866,000, and the net book value was RMB3,685,000.

5.15 Long-term deferred expenses

Item	Balance as at December 31, 2025	Increase in the current period	Amortization in the current period	Other decreases	Balance as at June 30, 2026
Special tools for petroleum engineering	5,035,684	82,951	913,341		4,205,294
Other tools for petroleum engineering	1,118,797	359,346	493,365		984,778
Camping house	560,658	11,874	135,825		436,707
Other long-term deferred expenses	60,836	10,451	7,501		63,786
Total	6,775,975	464,622	1,550,032		5,690,565

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

5.16 Deferred income tax assets and deferred income tax liabilities

5.16.1 Deferred income tax assets without offset

Item	Balance as at June 30, 2026		Balance as at December 31, 2025	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for asset impairment and impact of depreciation	880,107	143,426	881,520	144,309
Provision for bad debts	658,550	99,726	585,241	97,127
Deferred income	18,788	2,818	18,788	2,818
Deductible loss	253,103	41,950	293,808	44,071
Lease liabilities	791,376	125,440	641,709	104,046
Subtotal	2,601,924	413,360	2,421,066	392,371
Net-off amount of deferred income tax assets and liabilities	763,583	120,456	611,111	98,601
Total	1,838,341	292,904	1,809,955	293,770

5.16.2 Deferred income tax liabilities before offset

Item	Balance as at June 30, 2026		Balance as at December 31, 2025	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Depreciation of fixed assets	435,129	65,269	441,000	66,150
Changes in fair value through other comprehensive income	8,834	2,208	8,834	2,208
Right-of-use assets	764,009	120,521	611,392	98,649
Subtotal	1,207,972	187,998	1,061,226	167,007
Net-off amount of deferred income tax assets and liabilities	763,583	120,456	611,111	98,601
Total	444,389	67,542	450,115	68,406

5.16.3 Details of unrecognized deferred income tax assets

Item	Balance as at June 30, 2026	Balance as at December 31, 2025
Deductible temporary differences	1,746,006	1,888,420
Deductible losses	14,385,036	14,748,236
Total	16,131,042	16,636,656

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

Year	Balance as at June 30,2026	Balance as at December 31, 2025	Remark
Year 2026	8,335,353	8,730,617	
Year 2027	2,217,611	2,250,156	
Year 2028	276,328	293,644	
Year 2029	529,132	543,899	
Year 2030	332,858	192,206	
Year 2031 and later	2,693,754	2,737,714	
Total	14,385,036	14,748,236	

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

5.17 Short-term borrowings

5.17.1 Classification of short-term borrowings

Item	Currency	Balance as at June 30, 2026	Balance as at December 31, 2025
Credit loans	RMB	23,705,000	22,690,000
Accrued interest	RMB	13,867	14,813
Supplier financing amounts transferred to short-term loans	RMB	6,312,554	5,606,231
Total		30,031,421	28,311,044

Description:

As at June 30, 2026, the Group has no overdue short-term borrowings.

As at June 30, 2026, the interest rate on RMB borrowings ranged from 2.11% to 3.40% (As at December 31, 2025: 2.11%-3.50%).

5.18 Notes payable

Category	Balance as at June 30, 2026	Balance as at December 31, 2025
Bank acceptance bill	107,772	54,587
Finance company acceptance bill	1,798,275	1,718,463
Commercial acceptance bill		
Total	1,906,047	1,773,050

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

5.19 Accounts payable

5.19.1 Presentation of accounts payable

Item	Balance as at June 30, 2026	Balance as at December 31, 2025
Payables for materials	5,321,305	5,380,947
Payables for construction	5,975,123	6,042,093
Payable for labour cost	7,159,076	7,239,316
Payables for equipment	3,566,145	3,606,115
Others	740,186	748,482
Total	22,761,835	23,016,953

5.19.2 Significant accounts payable with aging over one year

Item	Balance as at June 30, 2026	Reason for no payment or carry-forward
Entity 1	35,821	Unsettled payment
Entity 2	7,657	Unsettled payment
Entity 3	2,009	Unsettled payment
Entity 4	1,707	Unsettled payment
Total	47,194	

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

5.20 Contract liabilities

Item	Balance as at June 30, 2026	Balance as at December 31, 2025
Petroleum Engineering	1,577,786	2,916,335
Construction Engineering	4,232,875	4,701,366
Total	5,810,661	7,617,701

In the current period, revenue recognized based on the contract liabilities at the beginning of the current period amounted to RMB4,696,615,000.

5.21 Employee compensation payable

5.21.1 Presentation of employee compensation payable

Item	Balance as at December 31, 2025	Increase in the current period	Decrease in the current period	Balance as at June 30, 2026
Short term employee benefits	584,487	6,774,588	6,630,800	728,275
Post-employment benefits	1,253	1,150,804	1,150,628	1,429
Termination benefits		11,477	11,477	
Total	585,740	7,936,869	7,792,905	729,704

5.21.2 Presentation of short-term compensation

Item	Balance as at December 31, 2025	Increase in the current period	Decrease in the current period	Balance as at June 30, 2026
(1) Wages or salaries, bonuses, allowances and subsidies	408,150	4,177,321	4,027,808	557,663
(2) Staff welfare		442,565	442,565	
(3) Social security contributions	7,318	620,000	620,396	6,922
Including: 1. Basic medical insurance	6,766	511,697	511,636	6,827
2. Work-related injury insurance	72	39,631	39,611	92
3. Birth insurance	2	15,545	15,544	3
4. Other insurance	478	53,127	53,605	
(4) Housing funds	30	568,776	568,684	122
(5) Labor union and employee education funds	163,392	106,173	113,453	156,112
(6) Others	5,597	859,753	857,894	7,456
Total	584,487	6,774,588	6,630,800	728,275

5.21.3 Presentation of defined contribution plans

Item	Balance as at December 31, 2025	Increase in the current period	Decrease in the current period	Balance as at June 30, 2026
Basic pension insurance	1,216	735,493	735,397	1,312
Unemployment insurance	37	30,719	30,717	39
Annuity		384,592	384,514	78
Total	1,253	1,150,804	1,150,628	1,429

The in-service employees of the Group are subject to basic pension and medical insurance, which are extracted and paid according to regulated rates and set up and governed by local government. In addition, the Company provides a supplementary defined contribution retirement plan for its employees at rates not exceeding 8% of their salaries. Employees who have served the Group for more than one year may participate in this plan. The assets of this plan are held separately from those of the Group in an independent fund administered by a committee consisting of representatives from the employees and the Group. A member of the above plans is entitled to a pension amount equal to a fixed proportion of the salary prevailing at his or her retirement date. The Group has no other material obligation for the payment of pension benefit associated with the basic and supplementary pension plans beyond the annual contributions described above.

During this report, the Group paid RMB11,477,000 compensation to the resigning employee for terminating labor relation.

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

5.22 Taxes and surcharges payable

Taxes and surcharges	Balance as at June 30, 2026	Balance as at December 31, 2025
VAT	201,370	558,240
Corporate income tax	114,757	129,990
Urban maintenance and construction tax	2,103	36,339
House property tax	981	1,458
Land use tax	9,211	10,704
Individual income tax	30,739	183,886
Education surtax	13,039	22,891
Other taxes	67,435	71,525
Total	439,635	1,015,033

5.23 Other payables

Item	Balance as at June 30, 2026	Balance as at December 31, 2025
Interest payable		
Dividends payable		
Other payables	3,387,410	3,452,203
Total	3,387,410	3,452,203

5.23.1 Other payables

(1) Presentation of other payables by nature

Item	Balance as at June 30, 2026	Balance as at December 31, 2025
Guarantee	1,060,766	1,043,411
Deposit	100,120	101,803
Amount paid on behalf	790,433	727,824
Temporary receipts	602,414	591,152
Escrow payments	31,014	28,084
Withheld payments	49,552	51,387
Others	753,111	908,542
Total	3,387,410	3,452,203

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

As at June 30, 2026, other payables with aging over one year amounted to RMB490,298,000 (As at December 31, 2025: RMB467,008,000), mainly including the project quality guarantee deposit, deposit and security fund which are payable. As the project guarantee period has not been matured, or the settlement period has not been due, such payables have not been settled.

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

5.24 Non-current liabilities maturing within one year

Item	Balance as at June 30, 2026	Balance as at December 31, 2025
Current portion of long-term borrowings	249,331	20,619
Current portion of long-term payables	10,151	30,150
Lease liabilities maturing within one year	417,010	353,608
Current portion of estimated liabilities	2,346	2,519
Total	678,838	406,896

5.25 Long-term borrowings

Item	Balance as at June 30, 2026	Interest rate period	Balance as at December 31, 2025	Interest rate period
Loans on credit	1,301,219	0.69%-2.24%	1,116,458	0.74%-2.34%
Subtotal	1,301,219		1,116,458	
Less: Current portion of long-term borrowings	249,331		20,619	
Total	1,051,888		1,095,839	

The Group has no overdue long-term borrowings payable.

5.26 Lease liabilities

Item	Balance as at June 30, 2026	Balance as at December 31, 2025
Land and housing	475,508	476,042
Equipment and others	342,905	230,167
Sub-total	818,413	706,209
Less: Lease liabilities within one year	417,010	353,608
Total	401,403	352,601

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

5.27 Long-term payables

Item	Balance as at June 30, 2026	Balance as at December 31, 2025
Long-term payables	145,547	120,556
Total	145,547	120,556

5.27.1 Long-term payables

Item	Balance as at June 30, 2026	Balance as at December 31, 2025
Payables under finance leases	10,151	30,150
Other long-term payables	145,547	120,556
Sub-total	155,698	150,706
Less: Current portion of long-term payables	10,151	30,150
Total	145,547	120,556

5.28 Estimated liabilities

Item	Balance as at December 31, 2025	Balance as at June 30, 2026	Forming reason
Outstanding litigation	51,687	50,668	Pending litigation remains after the conclusion of the judicial reorganization
Executory onerous contracts	82	79	Expected loss of construction contract
Estimated foreign tax expenses	37,060	37,060	Estimated tax expense
Total	88,829	87,807	

5.29 Deferred income

Item	Balance as at December 31, 2025	Increase in current period	Decrease in current period	Balance as at June 30, 2026	Forming reason
Government grants	84,040	53,888	34,656	103,272	Government grants received
Total	84,040	53,888	34,656	103,272	

5.30 Share capital

Current Period

Item	Balance as at December 31, 2025	Changes in current period ("+" for increase and "-" for decrease)					Balance as at June 30, 2026
		New shares issued	Share donation	Share Repurchase	Others	Sub-total	
Legal person share held by domestic capital	11,674,989						11,674,989
RMB social public shares (A-share)	1,872,024						1,872,024
Foreign shares listed overseas (H-share)	5,410,033						5,410,033
Total	18,957,046						18,957,046

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

5.30 Share capital (Continued)

Prior Period

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

5.31 Capital reserves

Current Period

Item	Balance as at December 31, 2025	Increase in current period	Decrease in current period	Balance as at June 30, 2026
Share premium	11,632,880			11,632,880
Other capital reserves	68,378			68,378
Total	11,701,258			11,701,258

Prior Period

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

5.32 Other comprehensive income

Item	Balance as at December 31, 2025	Current period						Balance as at June 30, 2026
		Pre-tax amount incurred in current period	Less: the amount included in other comprehensive income in prior period and transferred to current profits or losses	Less: income tax expenses	Amount after tax attributable to the parent company	Amount after tax attributable to minority shareholders	Less: Other comprehensive income is transferred to retained earnings in the current period	
1. Other comprehensive income that cannot be reclassified into profit or loss	6,626							6,626
Including: changes in the fair value of other equity instruments investment	6,626							6,626
2. Other comprehensive income that will be reclassified into profit or loss	-24,815	-4,678			-4,678			-29,493
Including: other comprehensive income from transferable gains or losses under the equity method	-24,815	-4,678			-4,678			-29,493
Total of other comprehensive income	-18,189	-4,678			-4,678			-22,867

Net other comprehensive income after tax for the period was RMB-4,678,000. Among them, the net after-tax amount of other comprehensive income attributable to shareholders of the parent company was RMB-4,678,000 for the period.

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

5.33 Special reserves

Item	Balance as at December 31, 2025	Increase in current period	Decrease in current period	Balance as at June 30, 2026
Production safety fund	339,577	511,221	262,419	588,379
Total	339,577	511,221	262,419	588,379

For the six months ended June 30, 2026, the Group accrued production safety fees of RMB511,221,000 in accordance with relevant national regulations, which were included in the production costs of the relevant products for the current period and recorded in special reserves at the same time.

During the period January 1 to June 30, 2026 the Group utilized a total of RMB262,419,000 of the accrued production safety fees, all of which were revenue expenditures.

5.34 Surplus reserves

Item	Balance as at December 31, 2025	Increase in current period	Decrease in current period	Balance as at June 30, 2026
Statutory surplus reserves	200,383			200,383
Total	200,383			200,383

5.35 Retained earnings

Item	Current period	Prior period
Undistributed profit at the beginning of the year	-21,925,671	-22,584,512
Plus: net profit attributable to owners of the parent company in the period	509,539	492,256
Other comprehensive income carried forward to retained earnings		
Retained earnings as at the end of the period	-21,416,132	-22,092,256
Including: the amount of the surplus reserve withdrawn by subsidiaries in the year attributable to the parent company		

5.36 Revenue and cost of sales

5.36.1 Revenue and cost of sales

Item	Current period		Prior period	
	Revenue	Cost	Revenue	Cost
Major business	37,210,987	34,175,273	36,640,408	33,634,860
Other business	453,271	290,149	410,343	289,066
Total	37,664,258	34,465,422	37,050,751	33,923,926

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

5.36 Revenue and cost of sales (Continued)

5.36.2 Revenue from contracts

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

The current revenue breakdown information is as follows:

Contract segments (Amount of current period)	Geophysics	Drilling engineering	Logging and mud logging	Special down-hole operations	Engineering construction	Others	Total
Main business premise							
Mainland China	804,802	12,216,316	1,478,518	4,157,570	6,871,064	466,762	25,995,032
Other countries or regions	894,157	5,982,384	94,630	682,820	3,107,443	454,521	11,215,955
Total	1,698,959	18,198,700	1,573,148	4,840,390	9,978,507	921,283	37,210,987
Client type							
Related parties	461,362	10,986,585	1,375,292	3,903,758	5,851,098	129,203	22,707,298
Third party	1,237,597	7,212,115	197,856	936,632	4,127,409	792,080	14,503,689
Total	1,698,959	18,198,700	1,573,148	4,840,390	9,978,507	921,283	37,210,987
Recognition time of revenue							
Goods (recognised at a point of time)					18,014	225,194	243,208
Service (recognised over time)	1,698,959	18,198,700	1,573,148	4,840,390	9,960,493	696,089	36,967,779
Total	1,698,959	18,198,700	1,573,148	4,840,390	9,978,507	921,283	37,210,987

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

5.36.3 Notes to performance obligations

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

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

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

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

5.36 Revenue and cost of sales (Continued)

5.36.4 Transaction price allocated to the remaining performance obligations

The Group has entered into engineering service contracts with several customers to provide petroleum engineering technical services and construction contracting services, which are to be performed over a future period of time. These contracts generally constitute a single performance obligation in their entirety. As of June 30, 2026, part of the Group's petroleum engineering technical services and construction projects were still in the course of performance. The total transaction price allocated to the remaining performance obligations amounted to approximately RMB45,990,000,000. Such amount is relevant to the performance progress of each contract and will be recognized as revenue in accordance with the performance progress during the future performance period of each contract.

5.37 Taxes and surcharges

Item	Current period	Prior period
Urban maintenance and construction tax	18,665	17,783
Educational surcharges	16,441	15,011
Overseas taxes and surcharges	88,093	90,287
Property taxes	6,121	5,647
Land use taxes	22,574	22,632
Vehicle and vessel usage tax	3,755	4,232
Stamp duty	22,036	20,707
Others	5,247	3,567
Total	182,932	179,866

5.38 Selling and distribution expenses

Item	Current period	Prior period
Staff costs	22,521	21,042
Depreciation cost	423	407
Expenses for business trips	1,618	1,921
Publicity expenses		223
Rental expenses	527	167
Office expenses	2,951	4,184
Others	2,000	2,975
Total	30,040	30,919

5.39 General and administrative expenses

Item	Current period	Prior period
Repair and maintenance	740	870
Staff costs	679,719	670,710
The information system runs maintenance fees	7,484	8,788
Business entertainment	1,196	2,702
Travel expenses	18,536	17,332
Rental expenses	9,376	4,768
Depreciation and amortization	61,435	65,926
Consultation	7,317	7,941
Property insurance	2,600	1,383
Others	111,928	120,864
Total	900,331	901,284

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

5.40 Research and development expenses

Item	Current period	Prior period
Staff costs	255,789	261,656
Materials costs	364,958	336,029
Technical collaboration fee	18,147	29,532
Experimental expenses	4,865	7,934
Depreciation	6,289	10,039
Others	115,155	237,347
Total	765,203	882,537

5.41 Financial expenses

Item	Current period	Prior period
Interest expenses on borrowings	293,237	356,141
Interest expenses on lease liabilities	22,783	21,637
Interest income	-32,596	-28,131
Exchange losses/(gains)	223,314	25,439
Bank charges and others	40,151	52,293
Total	546,889	427,379

5.42 Other income

Grant items	Current period	Prior period
National research grants	25,186	2,545
Subsidies of enterprise development	1,345	2,986
Subsidies of stable post	5,892	2,229
Government incentives	300	978
National research grants	1,933	20
Return of individual income tax fee	4,919	4,418
Total	39,575	13,176

5.43 Investment income

Item	Current period	Prior period
Investment income from Long-term equity calculated by equity method	-29,051	-45,678
Dividend income obtained during the holding period of other equity instrument investments	190	
Investment income from debt restructuring	17,522	16,995
Total	-11,339	-28,683

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

5.44 Impairment of credit losses

Item	Current period	Prior period
Losses form impairment of accounts receivable	-37,438	-72,534
Losses form impairment of other receivables	3,080	-9,506
Total	-34,358	-82,040

5.45 Impairment of assets

Item	Current period	Prior period
Losses from impairment of contract assets	11,689	9,669
Total	11,689	9,669

5.46 Gains from disposal of assets

Item	Current period	Prior period	included in non-recurring gains and losses
Gain on disposal of fixed assets (“-” for losses)	-1,539	22,518	-1,539
Others	2,413	3,985	2,413
Total	874	26,503	874

5.47 Non-operating income

Item	Current period	Prior period	Amount included in the current non-recurring profit or loss
Income from waived payables	1,244	14,873	1,244
Compensation received	7,841	14,746	7,841
Penalty income	1,521	1,764	1,521
Insurance compensation	3,388	3,107	3,388
Gain from asset scrap	24,560	14,756	24,560
Other	1,034	474	1,034
Total	39,588	49,720	39,588

5.48 Non-operating expenses

Item	Current period	Prior period	Amount included in the current non-recurring profit or loss
Donation	724	333	724
Compensation	11,743	5,970	11,743
Penalty	1,102	749	1,102
Non-current assets written off	25,203	5,439	25,203
Others	42,337	42,466	42,337
Total	81,109	54,957	81,109

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

5.49 Income tax expenses

5.49.1 Table of income tax expenses

Item	Current period	Prior period
Current tax in accordance with tax laws and related regulations	274,150	294,007
Deferred income tax	2	-3,293
Total	274,152	290,714

5.49.2 Adjustment process of accounting profits and income tax expenses

Item	Current period
Total profits	783,699
Income tax expenses calculated at statutory tax rate	195,925
Effect of different tax rates used by subsidiaries	-10,744
Adjustments of current tax in previous years	-2,291
Profit and loss of joint ventures and associates accounted for using the equity method	7,628
Effect of non-deductible costs, expenses, and losses	53,491
Effect of unrecognized deferred income tax assets in prior periods	-15,634
Effect of deductible temporary differences or losses from deferred income tax assets unrecognized in current period	76,418
Tax effect of additional deduction of research and development expenses	-30,641
Income tax expenses	274,152

5.50 Items of statement of cash flows

5.50.1 Cash received from other operating activities

Item	Current period	Prior period
Amount paid on behalf	569,363	810,543
Government grants	58,807	45,932
Temporary receipt and payment	218,297	333,009
Guarantee	217,355	327,174
Compensation	11,646	17,949
Others	24,246	59,123
Total	1,099,714	1,593,730

5.50.2 Cash paid for other operating activities

Item	Current period	Prior period
Temporary receipt and payment	399,971	328,579
Guarantee	233,413	198,935
Research and development expenses	510,244	618,045
Integrated service	32,014	36,105
Repair and maintenance expenses	254,162	194,561
Other operating expenses	111,177	110,192
Others	26,261	23,318
Total	1,567,242	1,509,735

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

5.50 Items of statement of cash flows (Continued)

5.50.3 Cash paid for other financing activities

Item	Current period	Prior period
Lease payments	189,048	173,884
Notes acceptance fee	435	668
Payment of guarantee and commitment fees	12,275	17,458
Share Repurchase		42,000
sale-and-leaseback	19,999	
Total	221,757	234,010

5.51 Supplementary information to the statement of cash flows

5.51.1 Supplementary information to the statement of cash flows

Supplementary information	Current period	Prior period
1. Net profits adjusted to cash flows from operating activities		
Net profit	509,547	492,256
Plus: Impairment of credit losses	-34,358	-82,040
Impairment losses on assets	11,689	9,669
Depreciation of fixed assets	1,461,703	1,470,639
Depreciation of right-of-use assets	319,077	299,900
Amortization of intangible assets	53,526	100,791
Amortization of long-term deferred expenses	1,550,032	1,531,045
Losses on disposal of fixed assets, intangible assets, and other long-term assets (“-” for gains)	-874	-26,503
Losses from scrapping of fixed assets (“-” for gains)	643	-8,806
Financial expenses (“-” for gains)	530,131	388,888
Investment loss (“-” for gains)	11,339	28,683
Decreases in deferred income tax assets (“-” for increases)	866	-3,310
Increases in deferred income tax liabilities (“-” for decreases)	-864	16
Decreases in inventories (“-” for increases)	-1,453,240	-1,637,731
Decreases in operating receivables (“-” for increases)	2,187,585	3,671,409
Increases in operating payables (“-” for decreases)	-2,458,944	-4,352,232
Production safety fund	248,803	267,893
Net cash flows from operating activities	2,936,661	2,150,567
2. Significant investing and financing activities not involving cash receipts and payments		
3. Net change in cash and cash equivalents		
Ending balance of cash and cash equivalents	4,833,694	5,211,151
Less: beginning balance of cash and cash equivalents	4,664,046	3,441,398
Net increase in cash and cash equivalents	169,648	1,769,753

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

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

5.51.2 Breakdowns of cash and cash equivalents

Item	Balance as at June 30, 2026	Balance as at December 31, 2025
I. Cash	4,833,694	4,664,046
Including: cash on hand	998	1,131
Unrestricted bank deposits	4,832,696	4,662,460
Other unrestricted monetary funds		455
II. Cash equivalents		
III. Ending balance of cash and cash equivalents	4,833,694	4,664,046

5.51.3 Supplier financing arrangements

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

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

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

Item	Balance as at June 30, 2026	Balance as at December 31, 2025
Accounts payable	2,880,170	2,258,481
Including: The amount that the supplier has received from the financing provider	2,880,170	2,258,481
Short-term borrowing	6,312,554	5,606,231
Including: The amount that the supplier has received from the financing provider	6,312,554	5,606,231

(3) The range of payment due dates

	At June 30, 2026
Financial liabilities that are part of a vendor financing arrangement	On-demand

(4) The type and impact of current changes in cash receipts and expenditures are not included in the carrying amount of financial liabilities of vendor financing arrangements

Type	Current period	Previous period
The financier pays directly to the vendor's account and shows the change in accounts payable internal merchants	3,604,789	4,635,970

5.52 Assets with restrictions on the ownership or use right

Item	Book value as at June 30, 2026	Reason for restriction
Cash at bank and on hand	231,378	Guarantee and funds that are blocked frozen
Total	231,378	

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

5.53 Foreign currency monetary items

5.53.1 Foreign currency monetary items

Item	Balance in foreign currency as at June 30, 2026	Exchange rate for conversion	RMB amount translated as at June 30, 2026
Monetary funds			3,328,768
Including: USD	311,568	6.81	2,122,056
KWD	10,122	22.12	223,909
SAR	351,847	1.81	636,978
DZD	1,083,449	0.05	55,366
Others			290,459
Accounts receivable			3,862,308
Including: USD	432,777	6.81	2,947,602
KWD	12,624	22.12	279,248
SAR	232,817	1.81	421,487
DZD	1,044,065	0.05	53,354
Others			160,617
Other receivables			1,473,043
Including: USD	115,978	6.81	789,916
KWD	18,464	22.12	408,427
SAR	57,731	1.81	104,515
DZD	102,011	0.05	5,213
Others			164,972
Accounts payable			1,005,639
Including: USD	54,161	6.81	368,886
KWD	3,479	22.12	76,952
SAR	239,219	1.81	433,078
DZD	420,320	0.05	21,479
Others			105,244
Other payables			398,511
Including: USD	41,113	6.81	280,018
KWD	2,074	22.12	45,888
SAR	22,705	1.81	41,104
Others			31,501

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

5.54 Lease

5.54.1 As the lessee

Item	Current period	Prior period
Interest expenses on lease liabilities	22,783	21,637
Expense on short-term lease under simplified treatment and included in relevant asset costs or the current profit or loss	896,894	463,417
Total cash outflows relevant to lease	1,239,063	787,633

The Company's future potential cash outflows not included in the lease liabilities for measurement mainly come from leases where the leasee has committed but not started yet. The estimated annual cash outflows in the future of leases where the lease has committed but not started are as below:

Remaining lease term	Lease payment undiscounted
Within 1 year	235,769
1 – 2 years	64,157
2 – 3 years	12,368
Over 3 years	25,297
Total	337,591

5.54.2 As the lessor

(1) Operating lease

Item	Current period	Prior period
Revenue from operating lease	52,967	55,109

Undiscounted lease receipts that will be collected after June 30, 2026:

Remaining lease term	Current period	Prior period
Within 1 year	156,659	215,726
1 – 2 years	7,482	22,683
2 – 3 years	5,290	5,220
3 – 4 years	55	5,227
4 – 5 years	4	51
Over 5 years		
Total	169,490	248,907

6 R&D EXPENDITURES

(1) R&D expenditures

Item	Current period	Prior period
Labor costs	255,789	261,656
Material costs	364,958	336,029
Technical collaboration fee	18,147	29,532
Expenses for scientific research experiments	4,865	7,934
Depreciation	6,289	10,039
Other	115,155	237,347
Total	765,203	882,537
Including: Expense R&D expenditure	765,203	882,537
Capitalize R&D expenditures		

(2) Development expenditures

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

7 EQUITY IN OTHER ENTITIES

7.1 Equity in the subsidiaries

7.1.1 Structure of enterprise group

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

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

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

7.2 Equity in joint venture arrangements or associates

7.2.1 Major joint ventures or associates

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

7 EQUITY IN OTHER ENTITIES (Continued)

7.2 Equity in joint venture arrangements or associates (Continued)

7.2.2 Principal financial information of major joint ventures

	Sinopec International Petroleum Engineering Mexico DS Joint Venture.	
	Balance as at June 30, 2026/ Current period	Balance as at December 31, 2025/ Prior period
Current assets	724,319	777,638
Including: cash and cash equivalents	100,364	120,019
Non-current assets	1,915,609	1,883,477
Total assets	2,639,928	2,661,115
Current liabilities	1,248,865	1,205,336
Non-current liabilities	709,792	699,497
Total liabilities	1,958,657	1,904,833
Net assets	681,271	756,282
Share of net assets calculated based on the shareholding ratio	340,637	378,142
Provision for asset impairment	274,419	274,419
Carrying amount of equity investments in joint ventures	66,218	103,723
Revenue	88,962	55,435
Financial expenses	41,389	66,616
Net profit	-65,654	-99,053
Other comprehensive income	-9,356	-126,983
Total comprehensive income	-75,010	-226,036
Dividends received from joint ventures		

7.2.3 Summary of financial information on insignificant joint ventures or associates

	Balance as at June 30, 2026/ Current period	Balance as at December 31, 2025/ Prior period
Joint ventures:		
Total book value of investments	2,397	2,270
Total amount calculated based on the following shareholding proportions		
– Net profit	127	721
– Other comprehensive income		
– Total comprehensive income	127	721
Associates:		
Total book value of investments	37,116	39,433
Total amount calculated based on the following shareholding proportions		
– Net profit	3,649	10,631
– Other comprehensive income		
– Total comprehensive income	3,649	10,631

8 GOVERNMENT GRANTS

8.1 The type, amount and presentation of government subsidies

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

Asset-related government grants

Balance sheet presentation items	The amount of government subsidy	The amount included in profit or loss for the current period or offset related costs and expenses		Items included in profit or loss for the current period or offset related costs and expenses
		Amount for the current period	The amount of the previous period	
Deferred earnings	29,349	1,933	20	Other earnings
Total	29,349	1,933	20	

Revenue-related government grants

Items included in profit or loss for the current period or offset related costs and expenses	The amount of government subsid	The amount included in profit or loss for the current period or offset related costs and expenses	
		Amount for the current period	The amount of the previous period
Other earnings	113,497	37,642	13,156
Total	113,497	37,642	13,156

Grant item	Category	Balance as at December 31, 2025	New grants in current period	Amount carried forward and included in profit or loss in current period	Balance as at June 30, 2026	Presented items carried forward and included in profit or loss in current period	Assets-related/ Income-related
Return of individual income tax fee	Financial appropriation		4,919	4,919		Other gains	Income-related
Special funds for national scientific research	Financial appropriation	53,368	45,586	25,186	73,768	Other gains	Income-related
Special National Research Funding – Asset-related	Financial appropriation	29,349		1,933	27,416	Other gains	Asset-related
Grants for enterprise development	Financial appropriation	1,323	2,111	1,346	2,088	Other gains	Income-related
Subsidy for job stabilization	Financial appropriation		5,891	5,891		Other gains	Income-related
Government incentive payment	Financial appropriation		300	300		Other gains	Income-related
Total		84,040	58,807	39,575	103,272		

9 RISKS RELATED TO FINANCIAL INSTRUMENTS

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

9.1 Risk management objectives and policies

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

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

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

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

9.2 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group.

Credit is managed on the grouping basis. Credit risk is mainly arises from cash at bank, bills receivable, accounts receivable, other receivables, contract assets, long-term receivables etc.

The Group expects that there is no significant credit risk associated with cash at bank since it is deposited or will be accepted by the sate-owned banks and other medium or large size listed banks.

In addition, the Group has policies to limit the credit risk exposure on bills receivable and accounts receivable, other receivables, contract assets and long-term receivables. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

The highest credit risk exposed to the Group is limited to the carrying amount of each financial instrument illustrated in the balance sheet. The Group would not provide any guarantee that might cause credit risk to the Group.

Among the bills receivable and accounts receivable of the Group, the bills receivable and accounts receivable of the top five customers accounted for 56.71% (in 2025: 56.79%); among the other receivable of the Group, the other receivable of the top five customers accounted for 42.43% (2025: 43.47%).

9.3 Liquidity risk

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

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

The Group raises working capital from its operations, bank and other borrowings. As at June 30, 2026, the amount of bank loans not yet used by the Group is RMB15,678,004,000. (as at December 31, 2025: RMB17,162,296,000).

9 RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

9.3 Liquidity risk (Continued)

As at the end of the period, the financial assets, financial liabilities and off-balance sheet guarantee items held by the Company are analyzed based on the maturity of remaining undiscounted contractual cash flows as follows (unit: RMB ’000):

Item	Balance as at June 30, 2026				
	Within 1 year	1 – 2 years	2 – 5 years	Over 5 years	Total
Financial assets:					
Cash and cash equivalents	5,065,072				5,065,072
Accounts receivable	10,313,194				10,313,194
Accounts receivable financing	1,402,116				1,402,116
Other receivables	2,978,911				2,978,911
Other current assets	3,689,708				3,689,708
Total financial assets	23,449,001				23,449,001
Financial liabilities:					
Short-term loans	30,664,705				30,664,705
Bills payable	1,906,047				1,906,047
Accounts payable	22,761,835				22,761,835
Other payables	3,387,410				3,387,410
Non-current liabilities due within 1 year	698,550				698,550
Long-term borrowings		1,074,470			1,074,470
Lease liabilities		167,209	218,382	114,529	500,120
Long-term payables		145,547			145,547
Total financial liabilities and contingent liabilities	59,418,547	1,387,226	218,382	114,529	61,138,684

Item	Balance as at December 31, 2025				
	Within 1 year	1 – 2 years	2 – 5 years	Over 5 years	Total
Financial assets:					
Cash and cash equivalents	5,008,213				5,008,213
Accounts receivable	11,174,568				11,174,568
Accounts receivable financing	4,029,356				4,029,356
Other receivables	2,416,186				2,416,186
Other current assets	3,010,942				3,010,942
Total financial assets	25,639,265				25,639,265
Financial liabilities:					
Short-term loans	28,976,874				28,976,874
Bills payable	1,773,050				1,773,050
Accounts payable	23,016,953				23,016,953
Other payables	3,452,203				3,452,203
Non-current liabilities due within 1 year	422,278				422,278
Long-term borrowings		1,110,762			1,110,762
Lease liabilities		163,258	167,157	98,896	429,311
Long-term payables		120,556			120,556
Total financial liabilities and contingent liabilities	57,641,358	1,394,576	167,157	98,896	59,301,987

9 RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

9.4 Market risk

Market risk, includes interest rate risk and foreign currency risk, refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate because of the changes in market price.

9.4.1 Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate because of the floating rate. Interest rate risk arises from recognized interest-bearing financial instrument and unrecognized financial instrument (e.g. loan commitments).

The Group's interest rate risk arises from long-term bank loans and other interest-bearing liabilities. Financial liabilities issued at floating rate expose the Group to cash flows interest rate risk. Financial liabilities issued at fixed rate expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. At the same time, the Group monitors and maintains the combined financial instruments of fixed rate and floating rate.

The Group closely monitors the impact of changes in interest rates on the Group's interest rate risk. The Group currently does not adopt an interest rate hedging policy. However, management is responsible for monitoring interest rate risk and will consider hedging significant interest rate risk when it will be needed. Increase in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial position. The Group's management will make decisions with reference to the latest market conditions. The Group may enter into interest swap agreement to mitigate its exposure to the interest rate risk. For the period ended June 30, 2026 and the year ended December 31, 2025, the Company did not enter into any interest rate swap arrangements. The fair value interest rate risk of the deposit with bank was not principal because the fixed term deposits are short-term deposits etc.

The interest-bearing financial instruments held by the Group are as follows:

As at 30 June 2026, if the interest rate of borrowings calculated at floating rates had increased or decreased by 50 basis points, with all other factors remaining constant, the net profit and equity of the Group would have decreased or increased by approximately RMB2,345,000.

For financial instruments held as at the balance sheet date that expose the Group to fair value interest rate risk, the impact on the net profit and equity set out in the above sensitivity analysis is the effect resulting from the remeasurement of the aforesaid financial instruments at the new interest rates, assuming that the interest rate changes occurred as at the balance sheet date.

For floating-rate non-derivative instruments held as at the balance sheet date that expose the Group to cash flow interest rate risk, the impact on the net profit and equity set out in the above sensitivity analysis is the effect of the aforesaid interest rate changes on the interest expenses or income estimated on an annual basis. The analysis of the previous period is based on the same hypothesis and method.

Item	Balance as at June 30, 2026	Balance as at December 31, 2025
Fixed interest rate financial instruments		
Financial assets:	959,632	845,365
Monetary funds	959,632	845,365
Financial liabilities:	31,286,570	28,880,389
Short-term borrowings	29,763,974	28,144,032
Long-term borrowings	694,031	
Lease liabilities	818,414	706,207
Long-term payables	10,151	30,150
Floating interest rate financial instruments		
Financial assets:	4,105,440	4,162,848
Monetary funds	4,105,440	4,162,848
Financial liabilities:	625,304	1,283,470
Short-term borrowings	267,447	167,012
Long-term borrowings	357,857	1,116,458

9 RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

9.4 Market risk (Continued)

9.4.2 Exchange rate risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. Foreign currency risk arises from the functional currency denominated financial instrument measured at individual entity.

The Group's major operational activities are carried out in Mainland China and most of the transactions are denominated in RMB. However, the Group's recognized foreign currency assets and liabilities and future foreign currency transactions (foreign currency assets and liabilities and foreign currency transactions are mainly denominated in US dollar, Saudi Riyal and Kuwaiti Dinar) still have foreign exchange risks.

As at June 30, 2026, the foreign currency financial assets and liabilities held by the Group were converted to RMB. The amounts are listed as follows:

	Foreign currency liabilities		Foreign currency assets	
Item	Amount as at June 30, 2026	Amount as at December 31, 2025	Amount as at June 30, 2026	Amount as at December 31, 2025
USD	648,904	476,729	5,859,574	4,303,099
SAR	474,182	502,916	1,162,980	1,031,018
KWD	122,840	106,030	911,585	671,388
Other foreign currencies	158,225	147,481	729,981	1,110,110
Total	1,404,151	1,233,156	8,664,120	7,115,615

The Group closely monitors the impact of changes in interest rates on the Group's interest rate risk. The Group's management is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies. The Group may consider entering into forward exchange agreements or currency swap agreements to mitigate the foreign currency risk.

Under the circumstance that other variables remain unchanged, the after-tax effects of possible reasonable changes in the exchange rate of foreign currencies against RMB this year on the Group's current profit or loss are as follows:

Increase (decrease) in after-tax profit	Current year		Prior year	
USD exchange rate rises	5%	195,400	5%	143,489
USD exchange rate declines	-5%	-195,400	-5%	-143,489
SAR exchange rate rises	5%	25,830	5%	19,804
SAR exchange rate declines	-5%	-25,830	-5%	-19,804
KWD exchange rate rises	5%	29,578	5%	21,201
KWD exchange rate declines	-5%	-29,578	-5%	-21,201

10 DISCLOSURE OF FAIR VALUE

The input value used for measuring fair value is divided into three levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access on the measurement date.

Level 2 inputs are directly or indirectly observable inputs of relevant assets or liabilities other than first-level inputs;

Level 3 inputs refer to unobservable inputs of relevant assets or liabilities.

The fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

10.1 Fair value of assets and liabilities measured at fair value as at June 30, 2026

Item	Fair value as at June 30, 2026			
	Measurement of fair value at level 1	Measurement of fair value at level 2	Measurement of fair value at level 3	Total
10.1.1 Continuous measurement at fair value				
◆Receivables financing			1,402,116	1,402,116
◆Other equity instrument investments			135,834	135,834
Total assets with continuous measurement at fair value			1,537,950	1,537,950

10.2 Nature and quantitative information of valuation techniques and key parameters adopted for items measured at the fair value of Level 3 on a going and non-going concern

Item	Fair value as at June 30, 2026	Valuation techniques	Unobservable input values	Range (weighted average value)
Receivables financing	1,402,116	Asset-based valuation or Discounted Cash Flow Model	N/A	N/A
Other equity instrument investments	135,834	Net value of assets	N/A	N/A

10.3 Analysis on the measurement items measured at fair value of level 3 on a going concern, adjustment information between the book value as at the end of the last year and the book value as at the end of last period and sensitivity of unobservable parameters

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

Item	Balance as at December 31, 2025	Transferred to Level III	Transferred from Level III	Total gains or losses in the current period		Purchase, Issue, Sale and Settlement				Balance as at June 30, 2026	For the assets held at the end of the reporting period, the current unrealized gains or changes included in profit or loss
				Included in the profit or loss	Included in the other comprehensive income	Purchase	Issue	Sale	Settlement		
Other equity instrument investments	135,834									135,834	
Total	135,834									135,834	

10.4 Fair value of financial assets and financial liabilities not measured at fair value

The Group's financial assets and financial liabilities measured at amortized cost mainly include: monetary funds, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable, other payables, long-term payables and long-term borrowings.

Except for the above-mentioned financial assets and financial liabilities, the book value and fair value of other financial assets and financial liabilities not measured at fair value have a very small difference.

11 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS

11.1 Parent company of the Company

Name of parent company	Registration place	Business nature	Registered capital (RMB100 million)	Shareholding ratio of the parent company in the Company (%)	Voting ratio of the parent company in the Company (%)
China Petrochemical Corporation ("Sinopec Group")	22 Chaoyangmen North Street, Chaoyang District Beijing	Petroleum and natural gas exploration, exploitation and sales; petroleum refining; production, sales, storage and transportation of petrochemical, chemical fiber and other chemical products; pipeline transportation of oil and natural gas; research, development, and application of technology and information.	3,265.47	52.59	66.28

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

The ultimate controller of the Company is China Petrochemical Corporation.

11.2 Information on subsidiaries of the Company

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

11.3 Joint ventures and associates of the Company

See "Note 8 Equity in other entities" for the details of significant joint ventures or associates of the Company

Other joint ventures and associates that conduct related-party transactions with the Company in the current period or have a balance arising from the related transactions with the Company occurred in the prior period are follows:

Name of joint venture or associate	Relationship with the Company
Qianjiang Hengyun Motor Vehicle Performance Testing Corporation	Associate
Huabei Ruida Oil Service Company Limited	Associate
Xinjiang North China Tianxiang Oil Service Company Limited	Associate
Zhenjiang Huajiang Oil & Gas Engineering Technology Service Co., Ltd	Associate
Henan Zhongyuan Oil & Gas Engineering Technology Service Co., Ltd	Associate
Henan Zhongyou Petroleum and Natural Gas Technical Service Co., Ltd	Associate

11 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (Continued)

11.4 Other related parties

Name of other related parties	Relationship between other related parties and the Company
China Petroleum & Chemical Corporation	Under the common control of Sinopec Group
Sinopec Shengli Petroleum Administrative Bureau Co., Ltd.	Under the common control of Sinopec Group
Sinopec Zhongyuan Petroleum Exploration Bureau Co., Ltd.	Under the common control of Sinopec Group
Sinopec Jianghan Petroleum Administrative Bureau Co., Ltd.	Under the common control of Sinopec Group
Sinopec Henan Petroleum Exploration Bureau Co., Ltd.	Under the common control of Sinopec Group
Sinopec Jiangsu Petroleum Prospecting Bureau Co., Ltd.	Under the common control of Sinopec Group
Sinopec Star Co., Ltd.	Under the common control of Sinopec Group
Sinopec East China Petroleum Bureau	Under the common control of Sinopec Group
Sinopec North China Petroleum Bureau Co., Ltd.	Under the common control of Sinopec Group
Sinopec Southwest Petroleum Bureau Co., Ltd.	Under the common control of Sinopec Group
Sinopec Northeast Petroleum Bureau Co., Ltd.	Under the common control of Sinopec Group
Sinopec Pipeline Storage and Transportation Company	Under the common control of Sinopec Group
Sinopec Shanghai Offshore Oil Bureau Co., Ltd	Under the common control of Sinopec Group
Sinopec Finance Co., Ltd.	Under the common control of Sinopec Group
Sinopec Century Bright Capital Investment Limited	Under the common control of Sinopec Group
Sinopec Assets Operation and Management Co., Ltd.	Under the common control of Sinopec Group
Taiping & Sinopec Financial Leasing Co., Ltd.	Joint venture of Sinopec
Sinopec International Petroleum Exploration and Production Corporation	Associate of Sinopec
China Oil & Gas Pipeline Network Group	Associate of Sinopec
Directors, managers, chief accountant and secretary of the Board of Directors	Key management personnel

11.5 Related-party transactions

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

11.5.1.1 Purchase of goods

Related party	Content of related transaction	Pricing and decision-making process of related transactions	**Current period**	Prior period
Sinopec Group and its subsidiaries	Purchase of materials and equipment	According to normal commercial terms or related agreements	**3,763,775**	4,192,896

11.5.1.2 Sales of goods

Related party	Content of related transaction	Pricing and decision-making process of related transactions	Current period	Prior period
Sinopec Group and its subsidiaries	Sales of products	According to normal commercial terms or related agreements	50,420	41,552
Joint ventures and associates of Sinopec Group	Sales of products	According to normal commercial terms or related agreements	5	71
Associates and joint ventures of the Group	Sales of products	According to normal commercial terms or related agreements		209

11 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (Continued)

11.5 Related-party transactions (Continued)

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

11.5.1.3 Rendering of services

Related party	Content of related transaction	Pricing and decision-making process of related transactions	Current period	Prior period
Sinopec Group and its subsidiaries	Petroleum engineering technology service	According to normal commercial terms or related agreements	19,243,498	21,437,034
Joint ventures and associates of Sinopec Group	Petroleum engineering technology service	According to normal commercial terms or related agreements	3,416,710	2,313,997
Associates and joint ventures of the Group	Petroleum engineering technology service	According to normal commercial terms or related agreements	2,399	1,091

11.5.1.4 Receipt of labor services

Related party	Content of related transaction	Pricing and decision-making process of related transactions	Current period	Prior period
Sinopec Group and its subsidiaries	Receipt of labor services	According to normal commercial terms or related agreements	54,387	127,371
Joint ventures and associates of Sinopec Group	Receipt of labor services	According to normal commercial terms or related agreements	86,666	88,924
Associates and joint ventures of the Group	Receipt of labor services	According to normal commercial terms or related agreements	917,524	1,103,259

11.5.1.5 Rendering of comprehensive services

Related party	Content of related transaction	Pricing and decision-making process of related transactions	Current period	Prior period
Sinopec Group and its subsidiaries	Rendering of comprehensive services	According to normal commercial terms or related agreements	75,483	54,823
Joint ventures and associates of the Sinopec Group	Rendering of comprehensive services	According to normal commercial terms or related agreements	1,260	1,119
Associates and joint ventures of the Group	Rendering of comprehensive services	According to normal commercial terms or related agreements	3,678	2,905

11.5.1.6 Receipt of comprehensive services

Related party	Content of related transaction	Pricing and decision-making process of related transactions	Current period	Prior period
Sinopec Group and its subsidiaries	Receipt of community comprehensive services	According to normal commercial terms or related agreements	12,499	13,802
	Receipt of other comprehensive services	According to normal commercial terms or related agreements	371,390	402,993
Joint ventures and associates of Sinopec Group	Receipt of community comprehensive services	According to normal commercial terms or related agreements	1,996	569

11.5.1.7 Rendering R&D services

Related party	Content of related transaction	Pricing and decision-making process of related transactions	Current period	Prior period
Sinopec Group and its subsidiaries	Rendering sci-tech R&D services	According to normal commercial terms or related agreements	45,440	68,017
Joint ventures and associates of Sinopec Group	Rendering sci-tech R&D services	According to normal commercial terms or related agreements		

11 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (Continued)

11.5 Related-party transactions (Continued)

11.5.2 Related-party lease

The Company as the lessor:

Name of lessee	Type of leased assets	Pricing and decision-making process of related transactions	Lease revenue recognized in the current period	Lease revenue recognized in the previous period
Sinopec Group and its subsidiaries	Equipment	According to normal commercial terms or related agreements	1,232	479
Sinopec Group and its subsidiaries	Housing	According to normal commercial terms or related agreements	448	1,340
Joint ventures and associates of Sinopec Group	Equipment	According to normal commercial terms or related agreements		354
Joint ventures and associates of Sinopec Group	Housing	According to normal commercial terms or related agreements	339	
Associates and joint ventures of the Group	Equipment	According to normal commercial terms or related agreements	132	

The Company as the lessee:

Name of the lessor	Type of leased assets	Pricing and decision-making process of related transactions	Current period Rental fees paid in the current period	Prior period Rental fees paid in the prior period
Sinopec Group and its subsidiaries	Land and real estate	According to normal commercial terms or related agreements	90,945	282,798
	Including: short-term lease	According to normal commercial terms or related agreements	46,120	56,788
	Right-of-use assets	According to normal commercial terms or related agreements	44,826	226,010
Sinopec Group and its subsidiaries	Equipment	According to normal commercial terms or related agreements	831	11,275
	Including: short-term lease	According to normal commercial terms or related agreements	831	11,275
Joint ventures and associates of Sinopec Group	Equipment	According to normal commercial terms or related agreements	87,705	30,219
	Including: short-term lease	According to normal commercial terms or related agreements	55,133	30,219
	Right-of-use assets	According to normal commercial terms or related agreements	32,572	

11 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (Continued)

11.5 Related-party transactions (Continued)

11.5.3 Related-party guarantees

The Company acted as guarantor:

The guaranteed	Guarantee type	Guarantee amount	Guarantee commencement date	Guarantee expiry date	Guarantee performance completed or not
Guarantee for subsidiaries					
Sinopec International Petroleum Engineering Co., Ltd	Performance guarantee	USD 98,786 thousand	02/2025	04/2027	No
Sinopec International Petroleum Engineering Co., Ltd	Performance guarantee	USD 24,000 thousand	04/2025	04/2028	No
Central Plains Uganda Branch	Performance guarantee	USD 174,000 thousand	01/2023	02/2028	No
Sinopec International Petroleum Service Corporation	Performance guarantee	USD 611,000 thousand	06/2021	10/2029	No
Sinopec International Petroleum Service Corporation	Performance guarantee	USD 91,664 thousand	02/2022	10/2029	No
Sinopec International Petroleum Service Corporation	Performance guarantee	USD 118,000 thousand	07/2022	06/2028	No
Sinopec International Petroleum Service Corporation	Performance guarantee	USD 359,118 thousand	11/2025	12/2032	No
Sinopec International Petroleum Service Corporation	Performance guarantee	USD 30,000 thousand	2/2026	2/2029	No
Sinopec International Petroleum Service Corporation	Performance guarantee	USD 44,290 thousand	4/2026	10/2028	No
Sinopec International Petroleum Service Corporation	Performance guarantee	USD 106,560 thousand	4/2026	11/2028	No
Guarantee for related parties					
Sinopec International Petroleum Engineering Mexico DS Joint Venture	Performance guarantee	USD 274,950 thousand	06/2022	12/2048	No

11.5.4 Loans to and from related parties

Related party	Content of related-party transaction	Pricing and decision-making process of related-party transactions	Current period	Prior period
Sinopec Group and its subsidiaries	Revenue from deposit interest	Based on normal commercial terms	15,626	16,034
	Loan interest expense	Based on normal commercial terms	242,798	301,468
	Obtaining the borrowing	Based on normal commercial terms	14,145,000	12,645,000
	Payment of the loan	Based on normal commercial terms	13,135,480	11,878,786

11.5.5 Assets transfer and debt restructuring of related parties

Related party	Content of related-party transaction	Pricing and decision-making process of related-party transactions	Current period	Prior period
Sinopec Group and its subsidiaries	Security fund expenditure	Based on normal commercial terms or relevant agreements	42,040	42,100
	Return on security fund	Based on normal commercial terms or relevant agreements	46,285	44,917

11.5.6 Remuneration of key management personnel

Item	Current period	Prior period
Remuneration	4,199	6,102
Retirement scheme contribution	222	314
Total	4,421	6,416

11 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (Continued)

11.6 Receivables from and payables to related parties

11.6.1 Receivables

Item	Related party	Balance as at June 30, 2026	Balance as at December 31, 2025
		Book balance	Book balance
Bank deposits	Sinopec Finance Co., Ltd.	24,139	48,587
	Sinopec Century Bright Capital Investment Limited	1,508,677	1,162,538
Accounts receivable	Sinopec Group and its subsidiaries	3,867,597	5,226,551
	Joint ventures of the Group	12,415	11,863
	Joint ventures and associates of Sinopec Group	1,045,105	811,804
Contract assets	Sinopec Group and its subsidiaries	9,909,997	7,318,392
	Joint ventures and associates of Sinopec Group	2,330,959	1,936,535
Prepayments	Sinopec Group and its subsidiaries	34,135	43,805
	Joint ventures and associates of Sinopec Group	226	191
Other receivables	Sinopec Group and its subsidiaries	164,837	185,100
	Joint ventures and associates of the Group	149,590	152,741
	Joint ventures and associates of Sinopec Group	688,902	593,177

11.6.2 Payables

Item	Related party	Balance as at June 30, 2026	Balance as at December 31, 2025
Accounts payable	Sinopec Group and its subsidiaries	2,911,637	2,606,864
	Joint ventures and associates of the Group	37,186	5,814
	Joint ventures and associates of Sinopec Group	5,979	2,506
Contract liabilities	Sinopec Group and its subsidiaries	2,430,442	4,217,553
	Joint ventures and associates of Sinopec Group	1,105,159	1,706,192
Other payables	Sinopec Group and its subsidiaries	86,123	48,120
	Joint ventures and associates of the Group	494	1,803
	Joint ventures and associates of Sinopec Group	716,306	868,661
Short-term borrowings	Sinopec Finance Co., Ltd.	23,718,867	22,704,813
	Sinopec Century Bright Capital Investment Limited		4,328
Lease liabilities	Sinopec Group and its subsidiaries	59,041	81,976

11 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (Continued)

11.7 Centralized management of funds

11.7.1 The main contents of the centralized management of funds that the company participates in and implements are as follows:

In order to regulate the capital operation of its subsidiaries, accelerate capital turnover, improve capital operation efficiency, improve internal control mechanism, and ensure the maximization of the group's overall benefits, China Petrochemical Corporation (hereinafter referred to as "Sinopec Group") implemented centralized and unified management of the funds of the Sinopec Group and its member units through Sinopec Finance Co., Ltd. ("Sinopec Finance") and Sinopec Century Bright Capital Investment Limited. ("Century Bright") according to relevant laws and regulations.

11.7.2 Funds collected by the Company to the Group

Funds deposited by the Group is directly deposited into the Sinopec Finance and Century Bright without being collected into the account of the parent company of the Group:

As of June 30, 2026, the total amount deposited by the Group in Sinopec Finance and Century Bright was RMB1,532,816,000 (December 31, 2025: RMB1,211,125,000), which was listed as "Cash at bank and on hand", and there existed no withdrawal restriction or impairment..

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

As of June 30, 2026, the balance of funds borrowed by the Group from Sinopec Finance and Century Bright was RMB23,718,867,000 (December 31, 2025: RMB22,704,813,000). As of the relevant date, the balance of factoring financing obtained by the Group from EPEC Commercial Factoring Co., Ltd. was RMB0 (December 31, 2025: RMB4,328,000).

12 COMMITMENTS AND CONTINGENCIES

12.1 Significant commitments

12.1.1 Significant commitments existed on the balance sheet date

Capital commitments contracted for but not yet necessary to be recognized on the balance sheet	As at June 30, 2026	As at December 31, 2025
Construction of long-term assets commitments	127,519	309,309

12.1.2 Performance of prior commitments

The Group has fulfilled the capital and operating lease commitments as at December 31, 2025.

12 COMMITMENTS AND CONTINGENCIES (Continued)

12.2 Contingencies

12.2.1 Significant contingencies existed on the balance sheet date

The Group might involve in disputes, litigations and claims for compensation with customers, sub-contractors, and suppliers in the ordinary course of business. The Management has assessed the possibility of adverse results of these contingencies, litigations or other proceedings and believes that any resulting liabilities will not have material adverse effect on the financial position, operating results, or cash flow of the Group, and thus accrues no provision.

(1) Judicial reorganization of the Brazil subsidiary and its financial impact

On August 16, 2018, Sinopec (Brazil) Co., Ltd., an indirectly wholly-owned overseas subsidiary of the Company (the "Brazil Subsidiary") applied for judicial reorganization to the Third State Court of Commercial Enterprises in Rio de Janeiro, Brazil (the "Court of Rio") according to the relevant local laws in Brazil. On August 31, 2018, the Brazil subsidiary received ruling from Court of Rio, approved Brazil Subsidiary's entering judicial reorganization and the law firm Nascimento & Rezende Advogados was appointed as the judicial reorganization manager by Court of Rio.

To obtain approval from creditors' meeting and the Court of Rio in Brazil, the Brazil Subsidiary's reorganization plan shall include full settlement of the amount due to employees in respect of the Project, repaying a proportion of debt due to Three Suppliers, and paying legal fees, fees on judicial authorities and other services fees in relation to the implementation of legal reorganization procedure. After assessing the impact, the management of the Company made an estimated judicial restructuring expenditure of USD69.25 million (equivalent to approximately RMB475 million) in 2018 in accordance with the restructuring plan.

Based on the practice of judicial restructuring in Brazil, the Brazilian subsidiary continued to promote the judicial restructuring work in accordance with the approved judicial restructuring plan, communicated and negotiated with the relevant creditors, and applied to the competent court for the closure of the judicial restructuring procedure in accordance with the relevant laws and regulations of Brazil. On June 25, 2024, the Brazilian subsidiary received a final ruling from the Rio Court in Brazil, which determined that it had fulfilled its obligations of judicial reorganization, concluded the judicial reorganization process, and resumed normal operations.

As of the date of the final ruling, most of the labor litigation and tri-commercial litigation involved in the project of Brazil's third fertilizer plant have been settled.

In view of the resumption of normal operations of the Brazilian subsidiary, the Company accrue the estimated liabilities based on the latest developments in the pending litigation after the end of the judicial reorganization. As of June 30, 2026, the estimated balance of liabilities is RMB50,668,000.

(2) Contingent liabilities arising from overseas tax penalties and their financial impacts

Sinopec International Petroleum Engineering Algeria Co., Ltd. ("Algeria Subsidiary"), a subsidiary of Sinopec International Petroleum Service Corporation (hereinafter referred to as "Sinopec International"), has been operating in Algeria since its establishment. The Algerian tax department is conducting a tax audit on the taxes and chargers generated by the business income of the Algerian subsidiary in 2018-2020, and the Algerian subsidiary and the project departments of Sinogong have hired local agents to conduct tax defense after receiving the preliminary investigation results. Based on the results of previous annual audits and the assessment of the tax risks of the project, the management of the Company has made provision for estimated liabilities for the relevant taxes and fees that may be incrurred. As of December 31, 2023, the balance of estimated liabilities was RMB49,366,000. In mid-2024, the Company will pay 20% of the amount upfront. As of June 30, 2026, the estimated balance of liabilities is RMB36,186,000.

The Colombian subsidiary of Sinopec International Petroleum Engineering Co., Ltd has engaged a local intermediary to conduct tax defense due to the tax audit of business income during the historical period. Based on the assessment of the results of historical tax audits and the tax risks of the project, the company's management has made provision for estimated liabilities for the relevant taxes and fees that may be incurred. As of June 30, 2026, the relevant estimated liability balance was RMB874,000.

(3) Contingent liabilities arising from guarantees provided for debt of other entities and their financial effects

As of June 30, 2026, the amount of guarantees provided by the Company to its subsidiaries was USD1,657,418,000.

The Group has provided a guarantee for the performance obligations under the Production Sharing Contract (PSC) for the EBANO Project in Mexico, which was signed between DS Servicios Petroleros, S.A. de C.V. (the joint venture company of Sinopec Group International Petroleum Engineering in Mexico) and the beneficiary, the National Hydrocarbons Commission of Mexico. The guarantee undertakes that the Group shall perform the obligations on behalf of Mexico DS Company in the event that the latter loses its ability to perform. As of June 30, 2026, the maximum limit of the joint and several liability assumed by the Group under this guarantee during the guarantee period shall not exceed the equivalent of USD274,950,000.

13 POST BALANCE SHEET EVENTS

As at August 17, 2026, there are no post balance sheet events to be disclosed by the Group.

14 CAPITAL MANAGEMENT

The objective of the Group's capital management policy is to safeguard the Group's ability to continue as a going concern, thereby providing returns to shareholders and benefits to other stakeholders, while maintaining an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the method of financing, adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares and other equity instruments or sell assets to reduce debt.

The Group monitors its capital using the debt-to-capital ratio, which is calculated as net debt divided by total capital. The net debt is total borrowings (including short-term borrowings, long-term borrowings maturing within one-year, long-term borrowings, and long-term payables) less the cash balance shown in the statement of cash flows. Total capital is the sum of shareholders' equity and net debt as presented in the consolidated balance sheet. Total shareholders' equity includes the shareholders' equity attributable to the parent company and the minority interests.

As at the balance sheet date, the Group's debt-to-capital ratio is as follows:

Item	Balance as at June 30, 2026	As at December 31, 2025
Short-term borrowings	30,031,421	28,311,044
Lease liabilities maturing within one year	417,010	353,608
Long-term payables due within one year	10,151	30,150
Long-term borrowings due within one year	249,331	20,619
Long-term borrowings	1,051,888	1,095,839
Lease liabilities	401,403	352,601
Less: cash balances as shown in the statement of cash flows	4,833,694	4,664,046
Net debt	27,327,510	25,499,815
Shareholders' equity	10,026,982	9,265,702
Total capital	37,354,492	34,765,517
Debt-to-capital ratio	73.16%	73.35%

15 OTHER SIGNIFICANT EVENTS

15.1 Correction of prior accounting errors

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

15.2 Annuity plan

For details about the main components of the annuity plans, please refer to the Note 3.21.2 Accounting treatment of dismissal benefits".

15.3 Discontinued operation

There is no discontinued operation during the reporting period.

15.4 Segment information

15.4.1 Determination criteria and accounting policies for reportable segments

The Group has identified five reportable segments based on its internal structure, management requirements and internal reporting policy. The reportable segments are: geophysics, drilling engineering, logging and mud logging, special down-hole operations, and engineering construction. The segment information is prepared based on the financial information of the Company's daily management requirements. The Group's management reviews reportable segments' financial information periodically for the purposes of allocating resources and assessing the performance.

The Group's reportable segments include:

(1) Geophysics, which provides geophysical exploration, development and technical services;

(2) Drilling engineering, which provides customers with drilling construction, technical services and drilling instrumentation;

(3) Logging and mud logging, which provides logging and mud logging technology services;

(4) Special down-hole operations, which provides oil engineering technical and construction, including oil (gas) testing, well repair, lateral drilling, fracturing, acidising and oil assignments;

(5) Engineering construction, which provides a package of services, including feasibility studies, design, procurement, construction for projects of onshore and offshore oil and gas fields, long-distance pipeline projects.

15 OTHER SIGNIFICANT EVENTS (Continued)

15.4 Segment information (Continued)

15.4.1 Determination criteria and accounting policies for reportable segments (Continued)

The segment information is disclosed in accordance with the accounting policies and measurement standards reported to management by each segment. These accounting policies and measurement standards are consistent with the accounting policies and measurement standards of preparation of the financial statements.

Inter-segment transfers are measured by reference to market price. The assets are allocated based on the operations of the segment and the physical location of the asset.

The resources related to long-term equity investment and investment (loss)/income on joint venture, income tax expenses as well as shared assets of all segments are centrally managed and accounted for by the Company, and thus are not allocated among segments.

15.4.2 Financial information of reportable segments

Current period or As at June 30, 2026	Geophysics	Drilling engineering	Logging and mud logging	Special down-hole operations	Engineering construction	Others	Offset	Total
Operating revenue	1,738,810	19,087,358	2,813,398	5,052,030	10,028,062	3,631,149	-4,686,549	37,664,258
Including: income from external transactions	1,698,959	18,198,700	1,573,148	4,840,390	9,978,507	1,374,554		37,664,258
Income from inter-segment transactions	39,851	888,658	1,240,250	211,640	49,555	2,256,595	-4,686,549	
Including: income from primary business	1,738,810	19,087,358	2,813,398	5,052,030	10,028,062	3,018,026	-4,526,697	37,210,987
Operating costs	1,613,220	17,571,112	2,503,570	4,697,941	9,369,260	3,396,868	-4,686,549	34,465,422
Including: costs of primary business	1,613,220	17,571,112	2,503,570	4,697,941	9,369,260	2,970,010	-4,549,840	34,175,273
Operating expenses	156,527	729,802	63,148	96,556	424,506	932,187		2,402,726
Operating profit (loss)	-20,592	797,488	249,391	268,222	239,956	-709,245		825,220
Total assets	6,481,752	9,601,677	5,455,357	7,834,938	26,562,136	23,270,304	-1,576,172	77,629,992
Total liabilities	5,612,595	4,743,042	3,352,754	3,814,381	25,094,570	26,561,840	-1,576,172	67,603,010
Supplementary information:								
1. Capital expenditure	8,844	241,180	72,923	93,864	68,122	91,442		576,375
2. Depreciation and amortization expenses	193,485	1,970,787	175,722	666,899	172,395	205,050		3,384,338
3. Losses from impairment of assets	3,611	6,064	4,658	-39,721	2,835	-116		-22,669

Prior period or As at December 31, 2025	Geophysics	Drilling engineering	Logging and mud logging	Special down-hole operations	Engineering construction	Others	Offset	Total
Operating revenue	1,817,690	19,064,382	3,052,517	5,439,053	8,694,991	3,902,518	-4,920,400	37,050,751
Including: income from external transactions	1,810,923	18,193,198	1,731,249	5,138,698	8,658,435	1,518,248		37,050,751
Income from inter-segment transactions	6,767	871,184	1,321,268	300,355	36,556	2,384,270	-4,920,400	
Including: income from primary business	1,817,690	19,064,382	3,052,517	5,439,053	8,694,991	3,293,325	-4,721,550	36,640,408
Operating costs	1,703,519	17,588,094	2,709,040	5,051,463	8,091,488	3,700,722	-4,920,400	33,923,926
Including: costs of primary business	1,703,519	17,588,094	2,709,040	5,051,463	8,091,488	3,237,956	-4,746,700	33,634,860
Operating expenses	117,421	897,491	53,830	116,050	401,792	763,030		2,349,614
Operating profit (loss)	-1,958	591,552	290,753	272,932	213,237	-578,309		788,207
Total assets	6,692,536	12,685,021	4,897,322	8,259,888	26,797,390	19,759,241	-942,415	78,148,983
Total liabilities	5,733,201	8,462,422	2,841,312	4,354,212	25,419,166	22,977,595	-942,415	68,845,493
Supplementary information:								
1. Capital expenditure	191,633	316,030	43,205	15,469	84,494	296,072		946,903
2. Depreciation and amortization expenses	195,203	2,005,478	188,681	584,795	155,815	272,403		3,402,375
3. Losses from impairment of assets	-1,460	-11,199	-7,237	-41,188	-9,316	-1,971		-72,371

15 OTHER SIGNIFICANT EVENTS (Continued)

15.4 Segment information (Continued)

15.4.3 Other segment information

15.4.3.1 Revenue from external transactions of products and services

Item	Current period	Prior period
Geophysics	1,698,959	1,810,923
Drilling engineering	18,198,700	18,193,198
Logging and mud logging	1,573,148	1,731,249
Special down-hole operations	4,840,390	5,138,698
Engineering construction	9,978,507	8,658,435
Others	1,374,554	1,518,248
Total	37,664,258	37,050,751

15.4.3.2 Area information

Current period or As at June 30, 2026	China	Other countries	Offset	Total
Operating revenue	26,424,573	11,239,685		37,664,258
Non-current assets	22,977,934	7,486,806		30,464,740
Prior period or As at December 31, 2025	**China**	**Other countries**	**Offset**	**Total**
Operating revenue	27,756,496	9,294,255		37,050,751
Non-current assets	24,665,052	8,245,156		32,910,208

15.4.3.3 Dependence to principal customers:

The Group obtained over 50% of the total geophysics, drilling engineering, logging, and mud logging, special down-hole operations and engineering construction revenue from a single customer.

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

16.1 Accounts receivable

(1) Accounts receivable are disclosed by ageing

Aging	Balance as at June 30, 2026	Balance as at December 31, 2025
Within 1 year	96,636	4,889
Sub-total	96,636	4,889
Less: provision for bad debts		
Total	96,636	4,889

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

Category	Balance as at June 30, 2026					Balance as at December 31, 2025				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Expected credit loss rate in the next 12 months (%)	Book value	Amount	Proportion (%)	Amount	Expected credit loss rate in the next 12 months (%)	Book value
Provision for bad debts is made according to the combination of credit risk characteristics	96,636	100.00			96,636	4,889	100.00			4,889
Including:										
Related-party portfolio	96,636	100.00			96,636	4,889	100.00			4,889
Total	96,636	100.00			96,636	4,889	100.00			4,889

Provision for bad debts based on credit risk characteristics:

Portfolio accrual items:

Category	Balance as at June 30 2026		
	Accounts receivable	provision for bad debts	loss rate in the next 12 months (%)
Related-party portfolio-Receivables from wholly-owned subsidiaries	96,636		
Total	96,636		

Category	Balance as at December 31, 2025		
	Accounts receivable	provision for bad debts	loss rate in the next 12 months (%)
Related-party portfolio-Receivables from wholly-owned subsidiaries	4,889		
Total	4,889		

(3) Top 5 of accounts receivable and contract assets as at June 30, 2026, presented by debtor

The aggregate ending balance of accounts receivable for the top five customers by concentration of debtor balances amounted to RMB92,140,000, and the aggregate ending balance of contract assets amounted to RMB6,144,000. The total ending balance of accounts receivable and contract assets was RMB98,284,000, accounting for 95.42% of the total ending balance of accounts receivable and contract assets. The aggregate ending balance of allowance for bad debts on accounts receivable and provision for impairment of contract assets was RMB18,000.

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

16.2 Other receivables

Item	Balance as at June 30 2026	Balance as at December 31, 2025
Interest receivable		
Dividends receivable		
Other receivables	25,639,299	24,466,371
Total	25,639,299	24,466,371

16.2.1 Other receivables

(1) Disclosure of other receivables by aging

Aging	Balance as at June 30 2026	Balance as at December 31, 2025
Within 1 year	25,638,300	24,465,372
1 – 2 years	1,000	1,000
2 – 3 years		
3 – 4 years		
4 – 5 years	7	7
Over 5 years	109	109
Sub-total	25,639,416	24,466,488
Less: provision for bad debts	117	117
Total	25,639,299	24,466,371

(2) Details of provision for bad debts

Category	Balance as at June 30, 2026					Balance as at December 31, 2025				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Expected credit loss rate in the next 12 months (%)	Book value	Amount	Proportion (%)	Amount	Expected credit loss rate in the next 12 months (%)	Book value
Provision for bad debts accrued on a combination basis	25,640,415	100.00	117		25,640,298	24,466,488	100.00	117		24,466,371
Including:										
Related-party portfolio	25,525,000	99.55			25,525,000	24,350,091	99.52			24,350,091
Non-related-party portfolio	115,415	0.45	117	0.1	115,298	116,397	0.48	117	0.1	116,280
Total	25,640,415	100.00	117		25,640,298	24,466,488	100.00	117		24,466,371

(3) Classification by nature

Category	Balance as at June 30, 2026	Balance as at December 31, 2025
Other receivables from wholly-owned subsidiaries	25,523,000	24,349,091
Others	117,415	117,397
Total	25,640,415	24,466,488

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

16.2 Other receivables (Continued)

16.2.1 Other receivables (Continued)

(4) Top 5 of other receivables as at June 30, 2026, presented by debtor

Company	Nature	Balance as at June 30, 2026	Aging	Proportion in the total ending balance of other receivables (%)	Ending balance of provision for bad debts
Sinopec Petroleum Engineering and Construction Corporation	Amount from wholly-owned subsidiaries	8,900,000	Within 1 year	34.71	
Sinopec Zhongyuan Petroleum Engineering Corporation	Amount from wholly-owned subsidiaries	6,300,000	Within 1 year	24.57	
Sinopec Geophysical Corporation	Amount from wholly-owned subsidiaries	3,580,000	Within 1 year	13.96	
Sinopec East China Petroleum Engineering Corporation	Amount from wholly-owned subsidiaries	3,055,000	Within 1 year	11.91	
Sinopec Shengli Petroleum Engineering Corporation	Amount from wholly-owned subsidiaries	2,603,000	Within 1 year	10.15	
Total		24,438,000		95.30	

16.3 Long-term equity investments

Item	Balance as at June 30, 2026			Balance as at December 31, 2025		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investments in subsidiaries	36,183,582		36,183,582	36,183,582		36,183,582
Total	36,183,582		36,183,582	36,183,582		36,183,582

16.3.1 Investments in subsidiaries

Investee	Balance as at December 31, 2025	Increase in the current period	Decrease in the current period	Others	Balance as at June 30, 2026	Provision for impairment made in the current period	Balance of provision for impairment as at June 30, 2026
Sinopec Jingwei Co., Ltd.	1,292,995				1,292,995		
Sinopec Shengli Petroleum Engineering Corporation	5,205,033				5,205,033		
Sinopec Jianghan Petroleum Engineering Corporation	1,493,285			-10,254	1,483,031		
Sinopec Geophysical Corporation	1,757,237				1,757,237		
Sinopec Zhongyuan Petroleum Engineering Corporation	4,741,156			10,927	4,752,083		
Sinopec South West Petroleum Engineering Corporation	3,153,948				3,153,948		
Sinopec North China Petroleum Engineering Corporation	2,445,771				2,445,771		
Sinopec East China Petroleum Engineering Corporation	2,912,441				2,912,441		
Sinopec Petroleum Engineering and Construction Corporation	8,810,288				8,810,288		
Sinopec International Petroleum Service Corporation	871,691			-673	871,018		
Sinopec Offshore Petroleum Engineering Corporation	3,499,737				3,499,737		
Total	36,183,582				36,183,582		

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

16.4 Operating income and operating costs

Item	Current period		Prior period	
	Revenue	Cost	Revenue	Cost
Major business	122,353	111,870	199,171	169,106
Other business	58,846	5,390	20,584	2,564
Total	181,199	117,260	219,755	171,670

16.5 Investment income

Item	Current period	Prior period
Long-term equity investment income accounted for by the cost method	121,580	
Investment income arising from debt restructuring	33	14
Total	121,613	14

17 SUPPLEMENTARY INFORMATION

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

Item	Amount	Remark
Profit or loss from disposal of non-current assets	232	
Government grants included in the current profit or loss (except for government grants closely related to the enterprise business, obtained by quota or quantity at unified state standards)	28,939	
Reversal of impairment charges for receivables that are tested separately for impairment	41,537	
Profit or loss from debt restructuring	17,522	
Other items of profit or loss subject to the definition of non-recurring profit or loss	-40,878	
Sub-total	47,352	
Affected amount of income tax	7,107	
Total	40,245	

17 SUPPLEMENTARY INFORMATION (Continued)

17.2 ROE and earnings per share

Profit during the reporting period	Weighted average ROE (%)	Earnings per share (RMB)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	5.36	0.027	0.027
Net profit attributable to ordinary shareholders of the Company after deducting the non-recurring profit or loss	4.94	0.025	0.025

17.3 Accounting data difference between the domestic and overseas accounting standards

17.3.1 Reconciliation of differences between CASBE and IFRS financial statements

	Net profit		Net assets	
	Current period	Prior period	**Balance as at June 30, 2026**	Balance as at December 31, 2025
Based on CASBE	**509,547**	492,256	**10,026,982**	9,265,702
Adjusted items and amounts in accordance with IFRS:				
Special reserves	**248,802**	267,893		
Based on IFRS	**758,349**	760,149	**10,026,982**	9,265,702

17.3.2 Related notes

In accordance to CASBE, provision of safety fund according to the PRC regulation is recognised to the profit or loss in the current period and at the same time included in the “special reserve” account. When safety costs and maintenance funds provided are used according to the specified scope, payment of expenses is directly offset against the special reserve; payment in formation of fixed assets is first imputed through “construction in progress” account, then recognised as fixed assets when the project is completed to its intended use state; meanwhile, offset the special reserve according to the cost in formation of the fixed assets and recognize the same amount of accumulated depreciation. The fixed assets will no longer depreciate in the subsequent accounting periods. According to IFRSs, expenditure in cost nature is recognised in the profit or loss and expenditure in capital nature is recognised as fixed assets when incurred and depreciate in the corresponding depreciation method.

2. PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF SINOPEC OILFIELD SERVICE CORPORATION

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

INTRODUCTION

We have reviewed the interim condensed consolidated financial statements set out on pages 133 to 159, which comprises the condensed consolidated statement of financial position of Sinopec Oilfield Service Corporation (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2026 and the related condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and notes to the interim financial information, including material accounting policy information (the "interim financial information"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

BDO Limited

Certified Public Accountants

Chan Tsz Hung

Practising Certificate no. P06693

Hong Kong, 17 August 2026

Section VIII Financial Reports

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2026

	Notes	For the six months ended 30 June	
		2026	2025
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4	37,664,258	37,050,751
Cost of sales and taxes and surcharges		(34,399,552)	(33,835,899)
Gross profit		3,264,706	3,214,852
Selling expenses		(30,040)	(30,919)
General and administrative expenses		(900,331)	(901,284)
Research expenses		(765,203)	(882,537)
Finance expenses – net	5	(546,889)	(427,379)
Reversal of expected credit loss ("ECL") – net	6	22,669	72,371
Share of loss from joint ventures		(32,700)	(49,526)
Share of profit from associates		3,649	3,848
Investment income		190	–
Other income	7	97,559	106,394
Other expenses	8	(81,109)	(54,957)
Profit before income tax	9	1,032,501	1,050,863
Income tax expense	10	(274,152)	(290,714)
Profit for the period		758,349	760,149
Other comprehensive income for the period, net of tax			
Item that will or may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of overseas joint venture		(4,678)	(63,492)
Total comprehensive income for the period		753,671	696,657
Profits for the period attributable to:			
Owners of the Company		758,341	760,149
Non-controlling interests		8	–
		758,349	760,149
Total comprehensive income attributable to:			
Owners of the Company		753,663	696,657
Non-controlling interests		8	–
		753,671	696,657
Earnings per share for profit attributable to owners of the Company (presented in RMB per share)		RMB	RMB
Basic and diluted	11	0.040	0.040

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2026

	Notes	As at 30 June 2026 RMB'000 (Unaudited)	As at 31 December 2025 RMB'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	14	23,952,822	25,230,737
Other non-current assets	14	5,692,024	6,775,975
Intangible assets		201,596	236,074
Interests in joint ventures		68,615	105,993
Interests in associates		37,116	39,433
Financial assets at FVTOCI	15	135,834	135,834
Deferred tax assets		292,904	293,770
Total non-current assets		30,380,911	32,817,816
Current assets			
Inventories	19	1,061,392	1,018,413
Financial assets at FVTOCI	15	1,402,116	4,029,356
Trade receivables	16	10,313,194	11,174,568
Prepayments and other receivables	17	7,398,129	6,033,673
Contract assets and cost to fulfil contracts	18(a)	22,009,178	17,172,554
Restricted cash		231,378	344,166
Cash and cash equivalents		4,833,694	4,664,047
Total current assets		47,249,081	44,436,777
Total assets		77,629,992	77,254,593
Equity			
Share capital	20	18,957,046	18,957,046
Reserves		(8,948,979)	(9,702,642)
Equity attributable to owners of the Company		10,008,067	9,254,404
Non-controlling interests		18,915	11,298
Total equity		10,026,982	9,265,702
Liabilities			
Non-current liabilities			
Long-term borrowings	23	1,453,291	1,448,440
Deferred income		103,272	84,040
Deferred tax liabilities		67,542	68,406
Provisions		87,807	88,829
Total non-current liabilities		1,711,912	1,689,715
Current liabilities			
Notes and trade payables and liabilities under supplier finance arrangement	21	24,667,882	24,790,003
Other payables	22	4,849,367	5,096,830
Contract liabilities	18(b)	5,810,661	7,617,701
Short-term borrowings	23	30,448,431	28,664,652
Current income tax payable		114,757	129,990
Total current liabilities		65,891,098	66,299,176
Total liabilities		67,603,010	67,988,891
Total equity and liabilities		77,629,992	77,254,593
Net current liabilities		(18,642,017)	(21,862,399)
Total assets less current liabilities		11,738,894	10,955,417

On behalf of the board of directors

Chairman — *Executive Director and General Manager*

Wu Baizhi — *Zhang Jiankuo*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2026

For the six months ended 30 June 2026 (Unaudited)

	Attributable to owners of the Company									
	Share capital	Share premium	Other capital reserve	Surplus reserve	Specific reserve	Translation reserve	Other comprehensive income reserve (non-recycling)	Accumulated losses	Non-controlling interests	Total equity
	RMB'000 (Note 20)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2025 (Audited)	18,957,046	11,605,769	95,490	200,383	339,577	(24,815)	6,625	(21,925,671)	11,298	9,265,702
Profit for the period	–	–	–	–	–	–	–	758,341	8	758,349
Other comprehensive income for the period:										
Exchange differences on translation of financial statements of overseas joint venture	–	–	–	–	–	(4,678)	–	–	–	(4,678)
Total comprehensive income for the period	–	–	–	–	–	(4,678)	–	758,341	8	753,671
Transactions with owners:										
Appropriation of specific reserve	–	–	–	–	511,221	–	–	(511,221)	–	–
Utilisation of specific reserve	–	–	–	–	(262,419)	–	–	262,419	–	–
Capital contributions from non-controlling interests	–	–	–	–	–	–	–	–	7,609	7,609
Total transactions with owners	–	–	–	–	248,802	–	–	(248,802)	7,609	7,609
At 30 June 2026 (Unaudited)	18,957,046	11,605,769	95,490	200,383	588,379	(29,493)	6,625	(21,416,132)	18,915	10,026,982

For the six months ended 30 June 2025 (Unaudited)

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Six Months ended 30 June 2026

	For the six months ended 30 June	
	2026	2025
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash flows generated from operations	3,232,966	2,411,111
Interest received	32,596	28,131
Income tax paid	(328,901)	(288,675)
Net cash generated from operating activities	2,936,661	2,150,567
Cash flows from investing activities		
Purchases of property, plant and equipment	(278,281)	(433,445)
Purchases of intangible assets	(16,929)	(5,893)
Purchases of other non-current assets	(211,722)	(420,754)
Proceeds from disposal of property, plant and equipment	15,399	64,720
Dividends received from associates	6,626	5,335
Net cash used in investing activities	(484,907)	(790,037)
Cash flows from financing activities		
Proceeds from borrowings	14,345,982	12,856,918
Repayments of borrowings	(16,037,632)	(11,886,274)
Release of restricted cash	112,789	19,504
Payment of lease liabilities	(290,573)	(162,941)
Interests paid	(316,020)	(377,778)
Repurchase of shares	–	(41,969)
Capital contributions from non-controlling interests	7,609	–
Net cash (used in)/generated from financing activities	(2,177,845)	407,460
Net increase in cash and cash equivalents	273,909	1,767,990
Effect of foreign exchange rate changes on cash and cash equivalents	(104,262)	1,763
Cash and cash equivalents at the beginning of the period	4,664,047	3,441,398
Cash and cash equivalents at the end of the period	4,833,694	5,211,151

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the Six Months Ended 30 June 2026

1. GENERAL INFORMATION

Sinopec Oilfield Service Corporation (the "Company") is a joint stock company with limited liability established in the People's Republic of China (the "PRC"). The registered office is No. 9, Jishikou Road, Chaoyang District, Beijing, the PRC and the headquarter address is No. 22, Chaoyangmen North Street, Chaoyang District, Beijing, the PRC.

The immediate and ultimate holding company of the Company is China Petrochemical Corporation (hereinafter referred to as the "Sinopec Group") which is a state wholly-owned enterprise established in the PRC.

The principal activities of the Group are the provision of onshore and offshore oil, natural gas and other mineral prospecting, exploration, drilling and exploitation and provision of general contracting, design and construction services for the oil and gas and other types of construction projects.

This interim financial information is presented in RMB, unless otherwise stated. This interim financial information has been approved and authorised for issue by the Board of Directors on 17 August 2026.

2. BASIS OF PREPARATION AND GOING CONCERN ASSUMPTION

2.1 Basis of preparation

This interim financial information for the six months ended 30 June 2026 has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

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

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

2.2 Going concern assumption

The interim financial information is prepared using the going concern basis notwithstanding that as at 30 June 2026, the Group had net current liabilities of approximately RMB18,642,017,000 and capital commitments of approximately RMB127,519,000. Included in the current liabilities was contract liabilities of RMB5,810,611,000 recognised for which no direct cash settlement is required but will gradually reduce through satisfaction of performance obligations. The directors of the Company have performed an assessment covering a period of 12 months from the six months ended 30 June 2026, taking account of the following events and measures:

(i) As at 30 June 2026, the Group has renewed the credit facility from Sinopec Group's subsidiaries that includes a line of credit of RMB32.4 billion and USD150 million (Total: approximately RMB33.4 billion), and also a line of credit promissory note of RMB5.0 billion and a line of letter of guarantee of RMB5.5 billion and USD0.6 billion (Total: approximately RMB9.6 billion). The total undrawn amount of these facilities was approximately RMB17.8 billion as at 30 June 2026 and the facilities remain valid until 28 February 2027;

(ii) As disclosed in Note 23, the Group's borrowings amounted to approximately RMB23.7 billion are sourced from Sinopec Group and its subsidiaries, where the Group maintains ongoing good relationship with these companies, which enables the Group to secure sufficient financial support from these companies; and

(iii) To obtain additional credits facilities, the Group will diversify its source of finance by exploring and developing good relationship with listed and state-owned financial institutions. In this regard, subsequent to the end of the reporting period the Group successfully issued RMB1 billion of Sci-Tech Innovation Corporate Bonds (First Tranche) to professional investors (see Note 28).

The directors of the Company are in the opinion that the above measures are sufficient to meet with the expected liquidity, daily operation and working capital needs and the Group is expected to be able to generate net operating cash in-flows in the next twelve months. As a result, the directors of the Company considered that the going concern basis of accounting is appropriate for the preparation of the interim financial information.

3. SUMMARY OF ACCOUNTING POLICY

The Group has applied the same accounting policies and methods of computation in its interim financial information as in its annual financial statements for the year ended 31 December 2025, except that in the current interim period, the Group has applied, for the first time, the following amendments to standards which are mandatory effective for the annual period beginning on or after 1 January 2026:

Amendments to IAS 21 and IFRS 1	Lack of Exchangeability

3.1 Lack of exchangeability

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

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

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

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

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

4. REVENUE AND SEGMENT INFORMATION

The Group's revenue is as follows:

	For the six months ended 30 June	
	2026	2025
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Geophysics	**1,698,959**	1,810,923
Drilling engineering	**18,198,700**	18,193,198
Logging and mud logging	**1,573,148**	1,731,249
Special downhole operations	**4,840,390**	5,138,698
Engineering construction	**9,978,507**	8,658,435
Others	**1,374,554**	1,518,248
	37,664,258	37,050,751

Segment information

The Group identifies its operating segments based on the internal organisation structure, senior executive management requirements and internal reporting system. The Group has identified five operating segments including geophysics, drilling engineering, logging and mud logging, special downhole operations and engineering construction. These operating segments are identified based on the regular internal financial information reported to the senior executive management. Senior executive management of the Company regularly reviews the segment information for their decision about the resources allocation and performance assessment.

Five reportable operating segments are as follows:

– Geophysics, which provides terrestrial and marine geophysical exploration, development and technical services;

– Drilling engineering, which provides customers with land and ocean drilling design, construction, technical services and drilling instrumentation;

– Logging and mud logging, which provides land and ocean project contracting and technical services for collection, monitoring, transmission, processing and interpretation and evaluation of wellbore oil and gas, geology and engineering information;

– Special downhole operations, which provides oil engineering technical and construction, including oil (gas) testing, well repair, lateral drilling, fracturing, acidising and oil assignments; and

– Engineering construction, which provides a package of services, including feasibility studies, design, procurement, construction for projects of onshore and offshore oil and gas fields, long-distance pipeline projects, oil and gas transporting process projects, storage and transportation projects, petrochemical supporting projects, building construction, water resources and hydropower, ports and waterways, electricity transmission and distribution projects, manufacturing of pressure vessels, LNG projects, coal chemical engineering, geothermal utilisation, energy saving and municipal roads and bridges.

4. REVENUE AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

Inter-segment transfers are measured by reference to market price. The assets are allocated based on the operations of the segment and the physical location of the asset.

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

All liabilities are allocated to operating segments other than certain borrowings, certain deferred income, certain deferred tax liabilities, certain notes and trade payables, certain other payables, certain contract liabilities and certain current income tax payable.

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

Segment information of each operating segment were reported and disclosed to the senior executive management in accordance with the accounting policies and the respective measurement bases. These accounting policies and measurement bases were the same as those used in for the preparation of the financial statements.

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

(a) Segment revenue results, assets and liabilities

For the six months ended 30 June 2026 and as at that date, segment revenue results, assets and liabilities were as follows:

	Geophysics	Drilling engineering	Logging and mud logging	Special downhole operations	Engineering construction	Unallocated	Eliminated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the six months ended 30 June 2026 (Unaudited)								
Segment revenue and results								
Revenue from external customers	1,698,959	18,198,700	1,573,148	4,840,390	9,978,507	1,374,554	–	37,664,258
Inter-segment revenue	39,851	888,658	1,240,250	211,640	49,555	2,256,595	(4,686,549)	–
Reportable segment revenue	1,738,810	19,087,358	2,813,398	5,052,030	10,028,062	3,631,149	(4,686,549)	37,664,258
Reportable segment (loss)/profit	(37,606)	1,032,543	252,199	302,410	260,893	(794,388)	–	1,016,051
Other income	10,648	28,714	3,211	16,776	15,082	23,128	–	97,559
Other expenses	(3,672)	(39,697)	(8,734)	(3,403)	(15,539)	(10,064)	–	(81,109)
(Loss)/Profit before income tax	(30,630)	1,021,560	246,676	315,783	260,436	(781,324)	–	1,032,501
Income tax expense								(274,152)
Profit for the period								758,349
For the six months ended 30 June 2026 (Unaudited)								
Supplementary information								
Depreciation and amortisation								
– Property, plant and equipment	181,918	990,717	97,847	233,791	160,675	119,408	–	1,784,356
– Other non-current assets	11,479	979,385	76,895	432,202	7,918	40,695	–	1,548,574
– Intangible assets	88	685	980	906	3,802	44,947	–	51,408
Capital expenditure								
– Property, plant and equipment	8,844	241,180	72,923	93,864	68,122	74,513	–	559,446
– Other non-current assets	–	–	–	–	–	–	–	–
– Intangible assets	–	–	–	–	–	16,929	–	16,929
Provision/(Reversal of provision) for ECL on trade receivables, net	5,315	651	2,555	(41,801)	(4,442)	284	–	(37,438)
Provision/(Reversal of provision) for ECL on other receivables, net	(733)	(224)	(69)	10	4,914	(818)	–	3,080
Provision/(Reversal of provision) for ECL on contract assets, net	(971)	5,637	2,172	2,071	2,363	417	–	11,689
As at 30 June 2026 (Unaudited)								
Assets								
Segment assets	6,481,752	9,601,677	5,455,357	7,834,938	26,562,136	23,270,304	(1,576,172)	77,629,992
Liabilities								
Segment liabilities	5,612,595	4,743,042	3,352,754	3,814,381	25,094,570	26,561,840	(1,576,172)	67,603,010

4. REVENUE AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

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

For the six months ended 30 June 2025, segment revenue results, and as at 31 December 2025, segment assets and liabilities were as follows:

	Geophysics	Drilling engineering	Logging and mud logging	Special downhole operations	Engineering construction	Unallocated	Eliminated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the six months ended 30 June 2025 (Unaudited)								
Segment revenue and results								
Revenue from external customers	1,810,923	18,193,198	1,731,249	5,138,698	8,658,435	1,518,248	–	37,050,751
Inter-segment revenue	6,767	871,184	1,321,268	300,355	36,556	2,384,270	(4,920,400)	–
Reportable segment revenue	1,817,690	19,064,382	3,052,517	5,439,053	8,694,991	3,902,518	(4,920,400)	37,050,751
Reportable segment profit/(loss)	12,894	899,469	313,013	311,984	220,799	(758,733)	–	999,426
Other income	2,622	27,034	2,544	3,118	15,213	55,863	–	106,394
Other expenses	(2,583)	(29,979)	(2,419)	(6,997)	(4,870)	(8,109)	–	(54,957)
Profit/(Loss) before income tax	12,933	896,524	313,138	308,105	231,142	(710,979)	–	1,050,863
Income tax expense								(290,714)
Profit for the period								760,149
For the six months ended 30 June 2025 (Unaudited)								
Supplementary information								
Depreciation and amortisation								
– Property, plant and equipment	174,867	977,778	101,176	239,897	144,030	134,889	–	1,772,637
– Other non-current assets	20,248	1,026,833	86,822	340,985	5,548	50,611	–	1,531,047
– Intangible assets	88	867	683	3,913	6,237	86,903	–	98,691
Capital expenditure								
– Property, plant and equipment	191,633	310,137	43,205	15,469	84,494	296,072	–	941,010
– Other non-current assets	–	5,893	–	–	–	–	–	5,893
Reversal of provision for ECL on trade receivables, net	(1,843)	(15,276)	(8,851)	(42,678)	(2,500)	(1,386)	–	(72,534)
Provision/(Reversal of provision) for ECL on other receivables, net	1,047	(563)	(190)	62	(9,105)	(757)	–	(9,506)
Provision/(Reversal of provision) for ECL on contract assets, net	(664)	4,640	1,802	1,430	2,287	174	–	9,669
As at 31 December 2025 (Audited)								
Assets								
Segment assets	6,677,686	9,433,322	4,979,267	7,722,895	26,663,172	24,252,383	(2,474,132)	77,254,593
Liabilities								
Segment liabilities	5,791,903	5,005,180	2,892,051	3,888,633	25,256,262	27,628,994	(2,474,132)	67,988,891

4. REVENUE AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

(b) Geographical information

The following table presents the geographical information. Revenue is based on the location at which revenue were derived. Specified non-current assets include property, plant and equipment, other non-current assets, intangible assets, interest in joint ventures and interest in associates, which are based on the physical location of the assets.

	Revenue from external customers	
	For the six months ended 30 June	
	2026	2025
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
The PRC	**26,424,573**	27,756,496
Middle East (Note)	**6,131,051**	5,557,849
Other countries	**5,108,634**	3,736,406
	37,664,258	37,050,751

	Specified non-current assets	
	As at 30 June 2026	As at 31 December 2025
	RMB'000	RMB'000
	(Unaudited)	(Audited)
The PRC	**22,913,304**	24,665,053
Saudi Arabia	**3,956,293**	4,321,621
Other countries	**3,082,576**	3,401,538
	29,952,173	32,388,212

Note:
Middle East represented Saudi Arabia of RMB4,832,392,000 (2025: RMB3,958,236,000) and Kuwait of RMB1,298,659,000 (2025: RMB1,599,613,000).

(c) Major customer

For the six months ended 30 June 2026 and 2025, revenue from customers which individually contributed over 10% of the Group's revenue is as follows:

	For the six months ended 30 June	
	2026	2025
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Customer A	**19,416,521**	21,603,245

Revenue from this customer was derived from the operating segments of geophysics, drilling engineering, logging and mud logging, special downhole operations and engineering construction which accounted for 51% (2025: 58%) of the Group's revenue.

4. REVENUE AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

(d) Analysis on revenue from contracts

For the six months ended 30 June 2026 and 2025, the Group derives revenue from the transfer of goods and service at a point in time and over time in the following operating segments of geophysics, drilling engineering, logging and mud logging, special downhole operations and engineering construction service:

	Geophysics	Drilling engineering	Logging and mud logging	Special downhole operations	Engineering construction	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the six months ended 30 June 2026 (Unaudited)							
Timing of revenue recognition:							
– At a point in time	–	–	–	–	18,014	381,608	399,622
– Over time	1,698,959	18,198,700	1,573,148	4,840,390	9,960,493	992,946	37,264,636
Total	1,698,959	18,198,700	1,573,148	4,840,390	9,978,507	1,374,554	37,664,258
For the six months ended 30 June 2025 (Unaudited)							
Timing of revenue recognition:							
– At a point in time	–	–	–	–	17,588	309,986	327,574
– Over time	1,810,923	18,193,198	1,731,249	5,138,698	8,640,847	1,208,262	36,723,177
Total	1,810,923	18,193,198	1,731,249	5,138,698	8,658,435	1,518,248	37,050,751

5. FINANCE EXPENSES – NET

	For the six months ended 30 June	
	2026	2025
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Finance income		
Interest income		
– Sinopec Group's subsidiaries	15,626	16,034
– Third parties and other financial institutions	16,970	12,097
	32,596	28,131
Finance expenses		
Interest expenses on loans wholly repayable within 5 years		
– Sinopec Group and its subsidiaries	(242,798)	(306,290)
– Third parties and other financial institutions	(50,440)	(49,851)
Interest expenses on lease liabilities		
– Sinopec Group and its subsidiaries	(7,854)	(7,998)
– Associates and joint ventures of Sinopec Group	–	(68)
– Third parties	(14,929)	(13,571)
Exchange losses, net	(223,314)	(25,439)
Bank and other charges	(40,150)	(52,293)
	(579,485)	(455,510)
	(546,889)	(427,379)

6. REVERSAL OF PROVISION FOR ECL – NET

	For the six months ended 30 June	
	2026	2025
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Reversal of provision for ECL on trade and other receivables, net	34,358	82,040
Provision for ECL on contract assets, net	(11,689)	(9,669)
	22,669	72,371

7. OTHER INCOME

	For the six months ended 30 June	
	2026	2025
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Gain on disposal of property, plant and equipment, net	874	26,503
Gain on disposal of other non-current assets, net	24,560	14,756
Gain on debt restructuring	17,522	16,995
Government grants (Note)	39,575	13,176
Penalty income	1,521	1,764
Compensation received	7,841	14,746
Waived payables	1,244	14,873
Others	4,422	3,581
	97,559	106,394

Note:

For the six months ended 30 June 2026 and 2025, government grants primarily represent financial appropriation income and non-income tax refunds received from respective government agencies without conditions or other contingencies attached to the receipts of the grants.

8. OTHER EXPENSES

	For the six months ended 30 June	
	2026	2025
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Penalty	1,102	749
Compensation	11,743	5,970
Others	68,264	48,238
	81,109	54,957

9. PROFIT BEFORE INCOME TAX

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

	For the six months ended 30 June	
	2026	2025
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Staff costs, including directors and supervisors emoluments (Note 13)	8,000,705	7,904,455
Retirement benefit plan contribution (including in the above mentioned staff costs)		
– Municipal retirement scheme costs	735,493	755,270
– Supplementary retirement scheme costs	384,591	386,334
Changes in inventories of finished goods and work in progress	61,223	54,611
Raw materials and consumables used	14,458,777	15,564,485
Depreciation and amortisation		
– Property, plant and equipment	1,784,356	1,772,637
– Other non-current assets	1,548,574	1,531,047
– Intangible assets	51,408	98,691
Short-term leases and leases with lease term of 12 months or less	896,894	463,417
(Reversal of)/Provision for ECL – net		
– Trade and other receivables	(34,358)	(82,040)
– Contract assets	11,689	9,669
Rental income from property, plant and equipment after relevant expenses	(52,967)	(55,109)
Exchange losses, net	223,314	25,439

10. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2026	2025
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
PRC enterprise income tax	151,750	114,802
Overseas enterprise income tax	122,400	179,205
	274,150	294,007
Deferred tax		
Origination and reversal of temporary differences	2	(3,293)
Income tax expense	274,152	290,714

According to the Corporate Income Tax Law of the PRC, the applicable income tax for the six months ended 30 June 2026 and 2025 is 25%.

According to the statutory PRC corporate income tax and relevant rules, apart from certain subsidiaries of the Company subjected to the relevant development zone policy or participation in technology development and the PRC's western development project that can enjoy a 15% preferential tax rate during the six months ended 30 June 2026 and 2025, the majority of the companies of the Group are subject to 25% income tax rate.

Taxes in other countries are calculated according to the tax laws and rates of tax where the related companies of the Group operate.

11. EARNINGS PER SHARE

(a) Basic

For the six months ended 30 June 2026 and 2025, the basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue.

	For the six months ended 30 June	
	2026	2025
	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company (RMB'000)	**758,341**	760,149
Weighted average number of ordinary shares in issue (Shares)	**18,957,045,833**	18,967,637,056
Basic earnings per share (RMB)	**0.040**	0.040

(b) Diluted

For the six months ended 30 June 2026 and 2025, the diluted earnings per share was the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during both periods.

12. DIVIDENDS

The Board of Directors of the Company did not recommend the payment of any interim dividends for the six months ended 30 June 2026 (2025: Nil).

13. EMPLOYEE BENEFITS

	For the six months ended 30 June	
	2026	2025
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries, wages and other benefits	**6,880,621**	6,762,851
Retirement benefit plan contribution (Note)		
– Municipal retirement scheme costs	**735,493**	755,270
– Supplementary retirement scheme costs	**384,591**	386,334
	8,000,705	7,904,455

Note:

Retirement benefits

As stipulated by the regulations of the PRC, the Group participates in basic defined contribution retirement schemes organised by respective municipal government under which it is governed. As at 30 June 2026, the Group and the employees pay 16% and 8% (31 December 2025: 16% and 8%) of salary respectively to basic defined contribution plan.

In addition, the Group provides a supplementary defined contribution retirement plan for its staff at rates not exceeding 8% (31 December 2025: 8%) of the salaries. Employees who have served the Group for one year or more are entitled to participating in this plan. The funds of this plan are held separately from the Group in an independent fund administered by a committee consisting of representatives from the employees and the Group.

Those employees who involved supplementary retirement scheme are entitled to receive the pension in accordance with a certain percentage of the pre-retirement salary after retirement. The Group has no other material obligation for the payment of retirement benefits associated with these plans beyond municipal retirement scheme and supplementary retirement scheme.

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

(a) Property, Plant and Equipment

For the six months ended 30 June 2026 (Unaudited)

	Buildings	Oil engineering equipment and others	Land	Prepaid land leases	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost						
At 1 January 2026	2,904,157	66,965,392	136,701	175,559	628,698	70,810,507
Additions	199,492	225,949	9,303	–	124,121	558,865
Remeasurement of leases	981	(679)	282	–	–	584
Expiration of or early termination of lease	(164,623)	(39,847)	(10,294)	–	–	(214,764)
Disposals/Write-off	(23,639)	(835,686)	–	–	–	(859,325)
Transferred from construction in progress	3,784	274,482	–	–	(278,266)	–
At 30 June 2026	2,920,152	66,589,611	135,992	175,559	474,553	70,295,867
Accumulated depreciation and impairment						
At 1 January 2026	1,528,137	43,930,540	75,252	45,841	–	45,579,770
Depreciation	207,614	1,550,556	24,069	2,117	–	1,784,356
Expiration of or early termination of lease	(161,989)	(39,824)	(9,291)	–	–	(211,104)
Disposals/Write-off	(9,457)	(800,520)	–	–	–	(809,977)
At 30 June 2026	1,564,305	44,640,752	90,030	47,958	–	46,343,045
Carrying amounts						
At 30 June 2026 (Unaudited)	1,355,847	21,948,859	45,962	127,601	474,553	23,952,822
At 31 December 2025 (Audited)	1,376,020	23,034,852	61,449	129,718	628,698	25,230,737

Note:

As at 30 June 2026, right-of-use assets with carrying amounts of RMB1,001,706,000 are included in property, plant and equipment (31 December 2025: RMB891,261,000).

	Carrying amounts		Depreciation
	As at 30 June 2026	As at 1 January 2026	During the six months ended 30 June 2026
	RMB'000	RMB'000	RMB'000
Buildings	482,972	465,182	180,048
Oil engineering equipment and others	345,171	234,912	114,960
Land	45,962	61,449	24,069
Prepaid land leases	127,601	129,718	2,117
	1,001,706	891,261	321,194

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

(a) Property, Plant and Equipment (Continued)

For the six months ended 30 June 2025 (Unaudited)

	Buildings	Oil engineering equipment and others	Land	Prepaid land leases	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost						
Balance at 1 January 2025	2,915,672	66,530,950	151,277	164,176	796,989	70,559,064
Additions	427,009	127,122	40,688	5,281	373,682	973,782
Remeasurement of leases	(14,051)	(2,312)	(830)	–	–	(17,193)
Expiration of or early termination of contract	(346,471)	(83,677)	(60,939)	–	–	(491,087)
Disposals/Write-off	(8,117)	(596,779)	–	–	–	(604,896)
Transferred from construction in progress	–	373,149	–	–	(373,149)	–
At 30 June 2025	2,974,042	66,348,453	130,196	169,457	797,522	70,419,670
Accumulated depreciation and impairment						
Balance at 1 January 2025	1,592,576	43,133,599	97,496	41,752	3,502	44,868,925
Depreciation	208,399	1,600,564	20,982	2,099	–	1,832,044
Expiration of or early termination of contract	(346,471)	(83,677)	(60,939)	–	–	(491,087)
Disposals/Write-off	(7,595)	(572,515)	–	–	–	(580,110)
At 30 June 2025	1,446,909	44,077,971	57,539	43,851	3,502	45,629,772
Carrying amounts						
At 30 June 2025 (Unaudited)	1,527,133	22,270,482	72,657	125,606	794,020	24,789,898
At 31 December 2024 (Audited)	1,323,096	23,397,351	53,781	122,424	793,487	25,690,139

(b) Other Non-Current Assets

For the six months ended 30 June 2026 (unaudited)

	Special tools of petroleum engineering	Other tools of petroleum engineering	Camping house	Other long-term deferred expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost					
At 1 January 2026	21,833,505	4,967,467	3,147,194	91,347	30,039,513
Additions	82,951	359,346	11,874	10,452	464,623
At 30 June 2026	21,916,456	5,326,813	3,159,068	101,799	30,504,136
Accumulated depreciation					
At 1 January 2026	16,797,596	3,817,226	2,586,761	61,955	23,263,538
Depreciation	913,341	493,365	135,825	6,043	1,548,574
At 30 June 2026	17,710,937	4,310,591	2,722,586	67,998	24,812,112
Carrying amounts					
At 30 June 2026 (Unaudited)	4,205,519	1,016,222	436,482	33,801	5,692,024
At 31 December 2025 (Audited)	5,035,909	1,150,241	560,433	29,392	6,775,975

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

(b) Other Non-Current Assets (Continued)

For the six months ended 30 June 2025 (unaudited)

	Special tools of petroleum engineering	Other tools of petroleum engineering	Camping house	Other long-term deferred expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost					
At 1 January 2025	20,124,343	4,039,024	2,952,399	79,398	27,195,164
Additions	151,454	234,144	9,291	31,445	426,334
At 30 June 2025	20,275,797	4,273,168	2,961,690	110,843	27,621,498
Accumulated depreciation					
At 1 January 2025	14,736,145	2,896,265	2,301,895	51,959	19,986,264
Depreciation	991,292	394,817	139,948	4,986	1,531,043
Other decrease	250	2,319	334	–	2,903
At 30 June 2025	15,727,687	3,293,401	2,442,177	56,945	21,520,210
Carrying amounts					
At 30 June 2025 (Unaudited)	4,548,110	979,767	519,513	53,898	6,101,288
At 31 December 2024 (Audited)	5,388,198	1,142,759	650,504	27,439	7,208,900

15. FINANCIAL ASSETS AT FVTOCI

	As at 30 June 2026	As at 31 December 2025
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Non-current assets:		
Unlisted equity investments – the PRC	135,834	135,834
Current assets:		
Notes receivables	1,402,116	4,029,356

Notes:

(a) Unlisted equity investments represent the Groups' equity interests in the unlisted entities in the PRC. They are mainly engaged in drilling and technical services operations.

The Group designated its investment in unlisted equity investment as financial assets at FVTOCI (non-recycling), as the investment is held for strategic purpose.

(b) As at 30 June 2026 and 31 December 2025, notes receivables were classified as financial assets at FVTOCI, as the Group's business model is achieved both by collecting contractual cash flows and by selling of these assets.

All notes receivables of the Group are banks' acceptance notes and commercial acceptance bills usually collected within six months from the date of issue.

As at 30 June 2026 and 31 December 2025, none of the Group's notes receivables were pledged as collateral or overdue.

(c) All financial assets at FVTOCI are denominated in RMB.

16. TRADE RECEIVABLES

	As at 30 June 2026 RMB'000 (Unaudited)	As at 31 December 2025 RMB'000 (Audited)
Trade receivables		
– Sinopec Group and its subsidiaries	3,867,597	5,226,551
– Joint ventures of the Group	12,415	11,863
– Joint ventures and associates of Sinopec Group	25,319	23,414
– Third parties	7,903,093	7,481,813
	11,808,424	12,743,641
Less: ECL allowance	(1,495 230)	(1,569,073)
Trade receivables – net	10,313,194	11,174,568

As at 30 June 2026 and 31 December 2025, the Group's trade receivables were approximately their fair values.

The Group usually provides customers with a credit term between 90 to 180 days. For the settlement of trade receivables from provision of services, the Group usually reaches an agreement on the term of each payment with the customer by taking into account factors such as, among other things, the credit history of the customer, its liquidity position and the Group's working capital needs, which varies on a case-by-case basis that requires the judgment and experience of the management. The Group does not hold any collateral as security.

Ageing analysis of trade receivables net of ECL allowance based on invoice date is as follows:

	As at 30 June 2026 RMB'000 (Unaudited)	As at 31 December 2025 RMB'000 (Audited)
Within 1 year	9,781,497	10,546,327
1 to 2 years	386,880	466,971
2 to 3 years	89,902	98,897
Over 3 years	54,915	62,373
	10,313,194	11,174,568

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

	For the six months ended 30 June 2026 RMB'000 (Unaudited)	For the year ended 31 December 2025 RMB'000 (Audited)
At the beginning of the period/year	1,569,073	1,788,860
Reversal	(37,438)	(137,218)
Others	(36,405)	(22,827)
Receivables write-off as uncollectible	–	(59,742)
At the end of the period/year	1,495,230	1,569,073

17. PREPAYMENT AND OTHER RECEIVABLES

	As at 30 June 2026 RMB'000 (Unaudited)	As at 31 December 2025 RMB'000 (Audited)
Prepayments (Note (a))	645,681	514,153
Other receivables (Note (b))		
Petty cash funds	5,522	2,097
Guarantee deposits	936,346	1,169,777
Disbursement of funds	1,100,655	776,987
Temporary payment	880,637	528,060
Escrow payments	4,817	4,808
Deposits	33,458	26,765
Export tax refund receivables	7,866	16,909
Excess value-added tax paid	1,344,804	1,033,485
Value added tax to be certified	118,763	103,880
Prepaid value-added tax	1,982,688	1,752,315
Prepaid income tax	243,322	121,262
Dividend receivable	–	469
Others	606,002	493,755
	7,264,880	6,030,569
Less: ECL allowance	(512,432)	(511,049)
	6,752,448	5,519,520
Prepayments and other receivables – net	7,398,129	6,033,673

Notes:

(a) As at 30 June 2026, prepayments included related party balances: Sinopec Group and its subsidiaries amounting to RMB34,135,000 (31 December 2025: RMB43,805,000).

(b) As at 30 June 2026, other receivables included related party balances: Sinopec Group and its subsidiaries amounting to RMB164,837,000 (31 December 2025: RMB185,100,000), the joint ventures of the Group amounting to RMB149,590,000 (31 December 2025: RMB152,741,000) and the associates and joint ventures of Sinopec Group amounting to RMB688,901,000 (31 December 2025: RMB593,176,000).

(c) The amounts due from related parties are unsecured, interest free and repayable on demand.

(d) The carrying amounts of the Group's prepayments and other receivables as at 30 June 2026 and 31 December 2025 approximate their fair value.

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

	For the six months ended 30 June 2026 RMB'000 (Unaudited)	For the year ended 31 December 2025 RMB'000 (Audited)
At the beginning of the period/year	511,049	542,901
ECL allowance	36,740	72,691
Reversal	(33,660)	(105,747)
Receivables written-off as uncollectible	(561)	6,319
Others	(1,136)	(5,115)
At the end of the period/year	512,432	511,049

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

(a) Contract assets and cost to fulfil contracts

	As at 30 June 2026 RMB'000 (Unaudited)	As at 31 December 2025 RMB'000 (Audited)
Contract assets arising from construction and service contracts	**20,562,469**	17,124,416
Cost to fulfil contracts	**1,516,852**	106,592
Less: ECL allowance	**(70,143)**	(58,454)
	22,009,178	17,172,554

Typical payment terms which impact the amount of contract assets recognised are as follows:

The Group's construction and service contracts include payment schedules which require progress payments over the construction period once certain specified milestones are reached. Approximate 5% of progress billings of engineering construction service would be retained as quality guarantee. This amount is included in contract assets until the end of guarantee period.

The amount of contract assets that is expected to be recovered after more than one year is RMB1,465,118,000 (31 December 2025: RMB2,949,424,000).

(b) Contract liabilities

	As at 30 June 2026 RMB'000 (Unaudited)	As at 31 December 2025 RMB'000 (Audited)
Contract liabilities arising from construction and service contracts	**5,810,661**	7,617,701

The balance of contract liabilities as at 1 January 2026 is RMB7,617,701,000, in which RMB5,810,661,000 was recognised as revenue during the period.

Unsatisfied performance obligation:

The Group has signed engineering service contracts with several customers to provide petroleum engineering and technical service and construction engineering contracts, which will be completed within the agreed period and regarded as a single performance obligation as a whole. As at 30 June 2026, part of the Group's petroleum engineering and technical service and construction engineering contracts were still in the process, and the total transaction price apportioned to the unsatisfied and partially unsatisfied performance obligation was RMB45.99 billion (31 December 2025: RMB46.42 billion), the amount of which was related to the progress of the performance of each contract, and will be recognised as revenue in accordance with the percentage of work performed in the future, which is expected to be completed in the coming 60 months.

19. INVENTORIES

	As at 30 June 2026 RMB'000 (Unaudited)	As at 31 December 2025 RMB'000 (Audited)
Raw materials	**778,703**	804,607
Work in progress	**8,537**	3,798
Finished goods	**215,967**	159,473
Turnover materials	**70,631**	62,981
	1,073,838	1,030,859
Less: Inventories write-down	**(12,446)**	(12,446)
	1,061,392	1,018,413

For the six months ended 30 June 2026 and 2025, cost of inventories recognised as expenses and included in "cost of sales" amounting to RMB14,091,362,000 and RMB15,191,866,000 respectively. For the six months ended 30 June 2026, no addition provision for inventories was made to write down inventories to their net realisable value and no reversal of inventories write-down (For the six months ended 30 June 2025: RMB nil) was made.

20. SHARE CAPITAL

	As at 30 June 2026		As at 31 December 2025	
	Number of shares	Share capital	Number of shares	Share capital
	(Share)	RMB'000	(Share)	RMB'000
		(Unaudited)		(Audited)
Registered:				
– Domestic non-public legal person shares of RMB1.00 each	11,674,988,900	11,674,989	11,674,988,900	11,674,989
– Social public A shares of RMB1.00 each	1,872,023,933	1,872,024	1,872,023,933	1,872,024
– H shares of RMB1.00 each	5,410,033,000	5,410,033	5,410,033,000	5,410,033
	18,957,045,833	18,957,046	18,957,045,833	18,957,046

	As at 30 June 2026		As at 31 December 2025	
	Number of shares	Share capital	Number of shares	Share capital
	(Share)	RMB'000	(Share)	RMB'000
		(Unaudited)		(Audited)
Issued and paid:				
At beginning of the period/year	18,957,045,833	18,957,046	18,979,412,033	18,979,412
Share repurchased	–	–	(22,366,200)	(22,366)
At end of the period/year	18,957,045,833	18,957,046	18,957,045,833	18,957,046

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

	As at 30 June 2026	As at 31 December 2025
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade payables		
– Sinopec Group and its subsidiaries	2,911,637	2,606,864
– Joint ventures of the Group	37,186	5,814
– Joint ventures and associates of Sinopec Group	5,979	2,505
– Third parties	16,926,863	18,143,289
	19,881,665	20,758,472
Notes payables	1,906,047	1,773,050
Liabilities under supplier finance arrangement	2,880,170	2,258,481
	24,667,882	24,790,003

As at 30 June 2026 and 31 December 2025, the carrying amount of Group's notes and trade payables and liabilities under supplier finance arrangement were approximately their fair values.

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

	As at 30 June 2026	As at 31 December 2025
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 1 year	24,620,280	24,751,015
1 to 2 years	11,780	2,018
2 to 3 years	–	3
Over 3 years	35,822	36,967
	24,667,882	24,790,003

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

Liabilities under supplier finance arrangement

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

Range of payment due dates	As at 30 June 2026	As at 31 December 2025
Liabilities under supplier finance arrangement	3 to 18 months	12 to 18 months
Comparable trade payables that are not part of the supplier finance arrangement	3 to 18 months	12 to 18 months

Carrying amount of liabilities under supplier financing arrangement	As at 30 June 2026	As at 31 December 2025
	RMB'000	RMB'000
Liabilities under supplier finance arrangement	2,880,170	2,258,481
– of which the supplier has received payment from the institutions	2,880,170	2,258,481

The payments to the Institutions are included within operating cash flows because they continue to be part of the normal operating cycle of the Group and their principal nature remains operating – i.e. payments for the purchase of goods and services. The payments to a supplier by the Institutions of RMB2,880,170,000 (31 December 2025: RMB2,258,481,000) are considered non-cash transactions.

22. OTHER PAYABLES

	As at 30 June 2026	As at 31 December 2025
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Salaries payables	729,704	585,740
Other tax payables	324,878	885,042
Other payables (Note (a))		
Guarantee deposits	1,060,766	1,043,411
Other deposits	100,120	101,803
Disbursement of funds	790,433	727,824
Temporary receipts	602,415	591,152
Escrow payments	31,014	28,084
Withheld payments	49,552	51,387
Project expenses payable	114,064	200,236
Others	1,046,421	882,151
	4,849,367	5,096,830

Notes:

(a) As at 30 June 2026, other payables include related party balances with Sinopec Group and its subsidiaries amounting to RMB86,123,000 (31 December 2025: RMB48,120,000), joint ventures of the Group amounting to RMB494,000 (31 December 2025: RMB1,803,000) and the joint venture of Sinopec Group amounting to RMBNil (31 December 2025: RMB1,000).

(b) The above amounts due to related parties are unsecured, interest free and repayable on demand.

23. BORROWINGS

	As at 30 June 2026 RMB'000 (Unaudited)	As at 31 December 2025 RMB'000 (Audited)
Current liabilities		
Loans from Sinopec Finance Company Limited (Note (a))	23,718,867	22,704,813
Lease liabilities (Note (b))	417,010	353,608
Other loan (Note (a))	6,312,554	5,606,231
	30,448,431	28,664,652
Non-current liabilities		
Bank borrowings (Note (a))	1,051,888	1,095,839
Lease liabilities (Note (b))	401,403	352,601
	1,453,291	1,448,440
	31,901,722	30,113,092

Notes:

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

	As at 30 June 2026 RMB'000 (Unaudited)	As at 31 December 2025 RMB'000 (Audited)
Within 1 year	30,031,421	28,311,044
1 to 2 years	1,051,888	1,095,839
	31,083,309	29,406,883

As at 30 June 2026, annual interest rate of credit loans from related parties and bank ranged from 0.69% to 2.24% (31 December 2025: 0.74% to 2.34%).

(b) Lease liabilities

Total future lease payments	As at 30 June 2026 RMB'000 (Unaudited)	As at 31 December 2025 RMB'000 (Audited)
– Within 1 year	435,280	368,990
– 1 to 2 years	167,209	163,258
– 2 to 5 years	218,382	167,157
– Over 5 years	114,529	98,896
	935,400	798,301
Future finance charges on lease liabilities	(116,987)	(92,092)
Present value of lease liabilities	818,413	706,209

	As at 30 June 2026 RMB'000 (Unaudited)	As at 31 December 2025 RMB'000 (Audited)
Present value of future lease payments		
– Within 1 year	417,010	353,608
– 1 to 2 years	137,924	115,720
– 2 to 5 years	156,582	145,136
– Over 5 years	106,897	91,745
	818,413	706,209
Less: Portion due within one year included under current liabilities	(417,010)	(353,608)
Portion due after one year included under non-current liabilities	401,403	352,601

As at 30 June 2026, the Group leases various residential properties, office and equipment. The leases run for an initial period of 1 to 30 years (31 December 2025: 1 to 30 years), with an option to renew the leases and renegotiate the terms at the expiry date or at dates mutually agreed between the Group and respective landlords/lessors.

For the six months ended 30 June 2026, total cash outflow for the lease payment is RMB1,239,063,000 (30 June 2025: RMB787,633,000).

24. COMMITMENTS

(a) Capital commitments

Capital commitments for the purchase of property, plant and equipment outstanding as at 30 June 2026 and 31 December 2025 are as follows:

	As at 30 June 2026	As at 31 December 2025
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Contracted but not provided for	127,519	309,309

(b) Lease commitments

The lease commitments for short-term leases as at 30 June 2026 and 31 December 2025 are as follows:

	As at 30 June 2026	As at 31 December 2025
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 1 year	235,769	128,823

As at 30 June 2026 and 31 December 2025, the Group leases various residential properties, office and equipment with a lease period of 6 to 12 months, which are qualified to be accounted for under short-term lease exemption under IFRS 16.

(c) Investment commitments

As at 30 June 2026, the Group does not have any outstanding investment commitments (31 December 2025: RMB Nil).

(d) Fulfilment of commitments

The Group has fulfilled the capital and operating lease commitments as at 30 June 2026.

25. CONTINGENCIES AND GUARANTEES

In preparing this interim financial information, except for described below, there were no further developments of those contingencies as at 30 June 2026, which were disclosed in the 2025 annual report.

(a) Contingent liabilities arising from overseas tax penalties and their financial impact

Sinopec Group International Petroleum Engineering Algeria Co., Ltd. ("Algeria Subsidiary"), a subsidiary of Sinopec International Oil Engineering Company Limited ("Sinopec International"), has been operating in Algeria since its establishment. The Algerian tax department is conducting a tax audit on the taxes and fees generated by the business income of the Algerian subsidiary from 2018 to 2020. After receiving the preliminary investigation results, the Algerian subsidiary of Sinopec International and each project department hired a local intermediary agency to conduct tax defense. Based on the audit results of previous years and the assessment of project tax risks, the company's management accrues estimated liabilities for the relevant taxes that may be involved. As at 30 June 2026, the estimated liability balance is RMB36,186,000 (31 December 2025: RMB36,186,000).

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

As at 30 June 2026 there is no material contingency from guarantee provided for other entities except for disclosed in note 25(c) below (31 December 2025: none).

(c) Performance guarantee

As at 30 June 2026, the Group agreed to provide performance guarantee for DS Servicios Petroleros, S.A.de C.V. ("Mexico DS Company") for the performance obligations under the production sharing contract for the EBANO project entered into between Mexican National Hydrocarbons Commission, being the beneficiary, and the Mexico DS Company. During the guarantee period, when Mexico DS Company loses contract performance capabilities, the Group shall undertake to perform the contracts on its behalf to an amount not exceed USD274,950,000.

26. SIGNIFICANT RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. The Group is subject to the control of the PRC government which also controls a significant portion of the productive assets and entities in the PRC (collectively known as the "state-owned enterprises").

In accordance with IAS 24 "Related party disclosures", other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC government are regarded as related parties of the Group ("other state-owned enterprises"). For the purpose of related party disclosures, the Group has in place procedures to identify the immediate ownership structure of its customers and suppliers to determine whether they are state-owned enterprises. Many state-owned enterprises have multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatisation programs. Nevertheless, management believes that meaningful information relating to related party transaction has been adequately disclosed.

In addition to the related party transactions and balances shown elsewhere in this interim financial information, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, including other state-owned enterprises, for the six months ended 30 June 2026 and 2025.

The transactions with related parties are carried out on normal commercial terms or relevant agreements with counterparties in the ordinary course of business.

The majority of these significant related party transactions with Sinopec Group and its fellow subsidiaries also constitute continuing connected transactions as defined under Chapter 14A of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

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

	For the six months ended 30 June	
	2026	2025
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Purchases of materials		
– Sinopec Group and its subsidiaries	**3,763,775**	4,192,896
Sale of products		
– Sinopec Group and its subsidiaries	**50,420**	41,552
Rendering of engineering services		
– Sinopec Group and its subsidiaries	**19,243,498**	21,437,034
Receiving of engineering services		
– Sinopec Group and its subsidiaries	**54,387**	127,371
Rendering of integrated services		
– Sinopec Group and its subsidiaries	**75,483**	54,823
Receiving of community services		
– Sinopec Group and its subsidiaries	**12,499**	13,802
Receiving of integrated services		
– Sinopec Group and its subsidiaries	**371,390**	402,993
Rendering of technology research and development services		
– Sinopec Group and its subsidiaries	**45,440**	68,017
Rental income – Buildings		
– Sinopec Group and its subsidiaries	**448**	1,340
Rental income – Equipment		
– Sinopec Group and its subsidiaries	**1,232**	479
Lease payment – Lands and buildings		
– Sinopec Group and its subsidiaries	**90,945**	282,798
Lease payment – Equipment		
– Sinopec Group and its subsidiaries	**831**	11,275
Deposits interest income		
– Sinopec Group's subsidiaries	**15,626**	16,034
Loans interest expenses		
– Sinopec Group and its subsidiaries	**242,798**	301,468

26. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

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

	For the six months ended 30 June	
	2026	2025
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest expenses on lease liabilities		
– Sinopec Group and its subsidiaries	7,853	7,998
Borrowings obtained		
– Sinopec Group and its subsidiaries	14,145,000	12,645,000
Borrowings repaid		
– Sinopec Group and its subsidiaries	13,135,480	11,878,786
Safety and insurance fund expenses		
– Sinopec Group	42,040	42,100
Safety and insurance fund refund		
– Sinopec Group	46,285	44,917

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

	For the six months ended 30 June	
	2026	2025
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sale of products		
– Associates and joint ventures of the Group	–	209
Rendering of engineering services		
– Associates and joint ventures of the Group	2,399	1,091
Receiving of engineering services		
– Associates and joint ventures of the Group	917,524	1,103,259
Rendering of integrated services		
– Associates and joint ventures of the Group	3,678	2,905

26. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

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

	For the six months ended 30 June	
	2026	2025
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sale of products		
– Associates and joint ventures of Sinopec Group	5	71
Rendering of engineering services		
– Associates and joint ventures of Sinopec Group	3,416,710	2,313,997
Receiving of engineering services		
– Associates and joint ventures of the Group	86,666	88,924
Rendering of integrated services		
– Associates and joint ventures of Sinopec Group	1,260	1,119
Receiving of integrated services		
– Associates and joint ventures of Sinopec Group	1,996	569
Rental income – Equipment		
– Sinopec Group and its subsidiaries	–	354
Lease payment – Equipment		
– Associates and joint ventures of Sinopec Group	87,705	30,219
Interest expenses on lease liabilities		
– Associates and joint ventures of Sinopec Group	–	68

(d) Remuneration of key management personnel

Key management includes directors, supervisors, president, vice presidents, chief financial officer and secretary to the Board of Directors. The compensation paid or payable to key management for employee services is shown below:

	For the six months ended 30 June	
	2026	2025
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Fee	300	300
Salaries, allowances and bonus	3,899	5,802
Contributions to pension plans	222	314
	4,421	6,416

(e) Provision for counter guarantee

As at 31 December 2025, the Group has not provided the counter guarantee to Sinopec Group. As at 30 June 2026, the Group does not provide any counter guarantee.

27. FAIR VALUE

Other than noted as below, the carrying amount of the Group's financial assets and liabilities stated in the condensed consolidated statement of financial position are not materially different from their fair values.

Fair value is the price that would be received to sell assets or paid to transfer liabilities in an orderly transaction between market participants at the measurement date. The Group discloses fair value measurements of financial instruments by level of the following fair value measurement hierarchy:

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

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

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

	Level 3	
	As at 30 June 2026	As at 31 December 2025
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Financial assets at FVTOCI (non-recycling)		
– Unlisted equity investments	**135,834**	135,834
Financial assets at FVTOCI		
– Notes receivables	**1,402,116**	4,029,356
	1,537,950	4,165,190

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

	For the six months ended 30 June 2026	For the year ended 31 December 2025
	RMB'000	RMB'000
	(Unaudited)	(Audited)
At the beginning of the period/year	**4,165,190**	2,694,752
(Settlement)/Addition, net	**(2,627,240)**	1,472,045
Movement in fair value recognised in other comprehensive income	**–**	(1,607)
At the end of the period/year	**1,537,950**	4,165,190

The fair value of the unlisted equity investments and notes receivables is measured using valuation techniques with reference to the net asset value and discounted cash flows, respectively. The Directors believe that the change in fair value (which is included in other comprehensive income) derived from the valuation technique is reasonable and is the most appropriate value at the end of the reporting period. There have been no transfers into or out of Level 3 during the six months period ended 30 June 2026 (2025: Nil).

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

The carrying amount of the Group's financial instruments measured at amortised cost are not materially different from fair value as at 30 June 2026 and 31 December 2025.

28. EVENT AFTER THE REPORTING PERIOD

On 13 July 2026, the Group completed the public issuance of its 2026 Sci-Tech Innovation Corporate Bonds (First Tranche) (the "Bonds") of RMB1 billion to professional investors. The Bonds are interest bearing at 1.54% per annum. The net proceeds, after deducting issuance expenses, will be used to repay the interest-bearing debts of the Group. Details of the issuance of the Bonds are set out in the Company's announcements dated 13 July 2026 and 16 March 2026.

Section IX Documents Available for Inspection

The following documents will be available for inspection at the office address of the Company from 18 August 2026 (Tuesday) upon requests from related supervisory institutes and shareholders during normal business hours in accordance with the Articles of Association or the relevant regulations:

1. The original copy of the interim report for the six months ended 30 June 2026 signed by the Chairman of the Company;
2. The interim financial report of the Company for the six months ended 30 June 2026 signed by the Chairman, General Manager, Chief Financial Officer and the person in charge of the accounts;
3. The Articles of Association;
4. The original manuscripts of all the documents and announcements disclosed by the Company in the newspapers designated by the CSRC during the report period.

** This interim report has been drafted in both English and Chinese. In the event that different interpretation occurs, with the exception of the interim financial report prepared in accordance with IFRS, the Chinese version shall prevail.*