

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Sinopec Oilfield Service Corporation

(a joint stock limited company established in the People's Republic of China)

(Stock code: 1033)

Announcement on Annual Results in 2023

The board of directors (the “**Board**”) and the supervisory committee (the “**Supervisory Committee**”) of Sinopec Oilfield Service Corporation (the “**Company**”) and its directors (the “**Director(s)**”), supervisors (the “**Supervisor(s)**”) and senior management warrant that there are no false representations, misleading statements or material omissions in this announcement and individually and jointly accept full responsibility for the authenticity, accuracy and completeness of the information contained in this announcement. The content of the annual results is extracted from the 2023 annual report (the “**Annual Report**”). In order to understand the full content, the investors should read the Annual Report for more details.

The Board of the Company hereby presents the audited annual results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2023.

1. COMPANY PROFILE

- | | |
|----------------------------|--|
| (1). Legal name: | 中石化石油工程技術服務股份有限公司 |
| English name: | Sinopec Oilfield Service Corporation |
| Chinese abbreviation: | 石化油服 |
| Abbreviation: | SSC |
| (2). Legal representative: | Mr. Chen Xikun |
| (3). Registered address: | 22#, Chaoyangmen North Street, Chaoyang District, Beijing,
P.R. The People's Republic of China (“ China ”) |
| Office address: | 9#, Jishikou Road, Chaoyang District, Beijing, P.R. China |
| Postal code: | 100728 |
| Telephone: | 86-10-59965998 |
| Fax: | 86-10-59965997 |
| Internet website: | http://ssc.sinopec.com |
| E-mail: | ir.ssc@sinopec.com |

- (4). Secretary to the Board: Mr. Cheng Zhongyi
Company Secretary /
Securities affairs representative: Mr. Shen Zehong
Address: 9#, Jishikou Road, Chaoyang District, Beijing, P.R.
China Office of the Board
Telephone: 86-10-59965998
Fax: 86-10-59965997
E-mail: ir.ssc@sinopec.com
- (5). Domestic newspapers to disclose information: China Securities, Shanghai Securities News, and Securities Times
Website designated by HKSE to disclose information: <http://www.hkexnews.hk>
Website designated by the China Securities Regulatory Commission ("CSRC") to publish the annual report: <http://www.sse.com.cn>
Place where the annual report available for inspection: Office of the Board of the Company
- (6). Places of listing, names and codes of the stock:
- H share: The Stock Exchange of Hong Kong Limited (“**HKSE**” or “**Hong Kong Stock Exchange**”)
Stock name: SINOPEC SSC
Stock code: 01033
- A Share: Shanghai Stock Exchange (“**SSE**”)
Stock name: SSC
Stock code: 600871

2. PRINCIPAL FINANCIAL INFORMATION AND FINANCIAL INDICATORS

(1) Extracted from the financial statements prepared in accordance with International Financial Reporting Standards ("IFRS")

Unit: RMB'000

	As at 31 December				
	2023	2022	2021	2020	2019
Total assets	75,162,974	71,208,061	64,052,447	61,091,195	62,069,378
Total liabilities	67,139,772	63,778,327	57,190,930	54,368,329	55,305,506
Equity attributable to owners of the Company	8,023,202	7,429,734	6,861,517	6,722,866	6,763,872
Net assets per share attributable to owners of the Company (RMB)	0.42	0.39	0.36	0.35	0.36
Equity ratio of owners	10.67%	10.43%	10.71%	11.00%	10.90%
Return on net assets	7.18%	7.86%	2.05%	(0.53%)	14.59%
	For the year ended 31 December				
	2023	2022	2021	2020	2019
Revenue	79,980,939	73,772,688	69,533,053	68,073,394	69,870,147
Profit/(Loss) before income tax	915,207	837,162	451,181	233,339	1,428,397
Income tax expense	339,124	253,463	310,731	269,076	441,524
Profit/(Loss) attributable to owners of the Company	576,083	583,699	140,450	(35,737)	986,873
Basic and diluted earnings/(loss) per share (RMB)	0.030	0.031	0.007	(0.002)	0.052

(2) Extracted from the financial statements prepared in accordance with the PRC Accounting Standards for Business Enterprises ("PRC ASBE")

2.1 Principal financial information

Unit: RMB'000

	For the year ended 31 December 2023	For the year ended 31 December 2022		Increase/(Decrease) (%)	For the year ended 31 December 2021
		After Adjustment	Before Adjustment		
Operating income	79,980,939	73,772,688	73,772,688	8.4	69,533,053
Operating profit	899,969	732,392	732,392	22.9	347,678
Profit before income tax	928,340	729,361	729,361	27.3	490,522
Net profit attributable to equity shareholders of the Company	589,216	475,898	463,814	23.8	179,791
Net profit deducted extraordinary gain and loss attributable to equity shareholders of the Company ("-" for losses)	359,452	389,447	377,363	-7.7	-100,263
Net cash inflow from operating activities	5,576,913	4,197,869	4,197,869	32.9	6,206,909

	As at 31 December 2023	As at 31 December 2022		Year-on-year change (%)	As at 31 December 2021
		After Adjustment	Before Adjustment		
Net assets attributable to shareholders of the Company	8,023,202	7,429,734	7,427,319	8.0	6,861,517
Total assets	75,162,974	71,208,061	71,200,517	5.6	64,052,447

2.2 Principal financial indicators

	For the year ended 31 December 2023	For the year ended 31 December 2022		Year-on-year change (%)	For the year ended 31 December 2021
		After Adjustment	Before Adjustment		
Basic earnings per share (RMB)	0.031	0.025	0.024	24.0	0.009
Diluted earnings per share (RMB)	0.031	0.025	0.024	24.0	0.009
Basic earnings per share deducted extraordinary gain and loss (RMB) (“-” for losses)	0.019	0.021	0.020	-9.5	-0.005
Weighted average return on net assets (%)	7.63	6.70	6.54	increased by 0.93 percentage points	2.64
Weighted average return on net assets deducted extraordinary gain and loss (%)	4.65	5.49	5.32	decreased by 0.84 percentage points	-1.47

2.3 Extraordinary gain and loss items and amounts

Unit: RMB'000

Extraordinary gain and loss item	2023	2022	2021
Gain and loss on disposal of non-current assets	156,514	-6,205	88,723
Government grants recognised in profit or loss during the year	83,467	104,391	123,873
Gain and loss from debt restructuring	34,011	18,157	29,404
In addition to the company normal business related effective hedging business, holding transactional financial assets, derivative financial assets, transactional financial liabilities, gains and losses on fair value changes arising from derivative financial liabilities, and investment income from the disposal of transactional financial assets, derivative financial assets, transactional financial liabilities, derivative financial liabilities and other creditor's rights investment	-1,020	798	-
Reversal of provision for impairment of receivables and contractual assets subject to separate impairment test	49,867	-	-
Other non-operating income and expenses excluding the aforesaid items	-40,300	-7,642	107,666
Tax effect	-52,775	-23,048	-69,612
Total	229,764	86,451	280,054

(3) Differences between the financial statements prepared in accordance with PRC ASBE and IFRS

Unit: RMB'000

	Net profit attributable to owners of the Company		Total equity attributable to owners of the Company	
	For the year ended 31 December 2023	For the year ended 31 December 2022	For the year ended 31 December 2023	For the year ended 31 December 2022
PRC ASBE	589,216	475,898	8,023,202	7,429,734
Adjustments under IFRS:				
Specific reserve (a)	-13,133	107,801		-
IFRS	576,083	583,699	8,023,202	7,429,734

Explanation of differences between domestic and foreign accounting standards:

(a) Special reserve

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

3. INFORMATION ON CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

(1) Changes in the Company's share capital

In the reporting period, the total number of shares and share capital structure of the Company have not change.

(2) Information on shareholders

2.1 Number of shareholders

As at 31 December 2023, the number of shareholders of the Company was 115,374, including 115,048 holders of A shares and 326 registered holders of H shares. The public float of the Company satisfied the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”).

As at 29 February 2024, the number of shareholders of the Company was 114,466, including 114,141 holders of A shares and 325 registered holders of H shares.

2.2 The shareholdings of the top ten shareholders of the Company

Shareholdings of the top ten shareholders						
Names of shareholders	Nature of shareholders	Changes of shareholdings ¹ (shares)	Number of shares held at the end of the reporting period (shares)	Percentage to total share capital (%)	Number of shares with selling restrictions (shares)	Number of shares pledged or frozen
China Petrochemical Corporation ²	State-owned legal person	0	10,727,896,364	56.51	0	0
Hong Kong Securities Clearing Company (Nominees) Limited (“HKSCC (Nominees) Limited”) ³	Overseas legal person	264,000	5,402,348,694	28.46	0	0
CITIC Corporation Limited	State-owned legal person	-259,343,400	325,469,800	1.71	0	0
Hong Kong Securities Clearing Company Limited ⁴	Others	-43,563,558	112,083,338	0.59	0	0
Anhui Yangguang Xintong Electronic Technology Corp., Ltd.	Domestic non-state-owned legal person	29,225,000	51,725,000	0.27	0	0
Shanghai Tongneng Investment Holdings Co., Ltd.	Domestic non-state-owned legal person	24,272,000	44,522,000	0.23	0	0
Li Feng	Domestic natural person	5,123,000	25,123,000	0.13	0	0
Agricultural Bank of China – China Securities 500 Trading Open Index Securities Investment Fund	Others	-11,850,400	22,782,700	0.12	0	0
He Long	Domestic natural person	20,000,000	20,000,000	0.11	0	0
China Life Insurance Company Limited-Dividends-Individual Dividends-005L-FH002 Shanghai	Others	9,576,600	13,622,000	0.07	0	0
Shareholdings of top ten tradable shareholders of shares without selling restrictions						
Name of shareholders					Number of shares without selling restrictions	Types of shares

	held at the end of the reporting period (shares)	
China Petrochemical Corporation	10,727,896,364	A Share
HKSCC (Nominees) Limited	5,402,348,694	H Share
CITIC Corporation Limited	325,469,800	A Share
Hong Kong Securities Clearing Company Limited	112,083,338	A Share
Anhui Yangguang Xintong Electronic Technology Corp., Ltd.	51,725,000	A Share
Shanghai Tongneng Investment Holdings Co., Ltd.	44,522,000	A Share
Li Feng	25,123,000	A Share
Agricultural Bank of China – China Securities 500 Trading Open Index Securities Investment Fund	22,782,700	A Share
He Long	20,000,000	A Share
China Life Insurance Company Limited-Dividends-Individual Dividends-005L-FH002 Shanghai	13,622,000	A Share
Statement on the related relationship or activities in concert among the above-mentioned shareholders	The Company is not aware of any related relationship or acting in concert among the above-mentioned shareholders.	

Note:

- As compared with the number of shares held as of 31 December 2022.
- Apart from directly holding 10,727,896,364 A shares of the Company, China Petrochemical Corporation also held 2,595,786,987 H shares of the Company through its wholly-owned subsidiary, Sinopec Century Bright Capital Investment Limited (“**Century Bright Company**”). Therefore, China Petrochemical Corporation directly and indirectly holds 13,323,683,351 shares of the Company, which represents 70.18% of the total shares of the Company.
- HKSCC (Nominees) Limited is a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited, acting as an agent to hold H shares of the Company on behalf of other companies or individual shareholders.
- Hong Kong Securities Clearing Company Limited is a wholly-owned subsidiary of the Hong Kong Exchanges and Clearing Limited, acting as a nominee holder to hold A shares of the Company in the Shanghai Stock Exchange on behalf of the investors of the Hong Kong Stock Exchange.

(3) The interest or short position held by the substantial shareholders and other persons in the Company’s shares or underlying shares

As at 31 December 2023, so far as the Directors, Supervisors and senior management of the Company are aware of, each of the following persons, not being a Director, Supervisor or senior management of the Company, had an interest in the Company’s shares which is required to be disclosed to the Company and the HKSE under the provisions of Divisions 2 and 3 of Part XV of 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
China Petrochemical Corporation	10,727,896,364 (A Share)	56.51	79.06	Not Applicable	-
	2,595,786,987 (H Share) ¹	13.67	Not Applicable	47.94	-
China State-owned Enterprise Structural Adjustment Fund Co., Ltd. ²	719,174,495 (H Share)	3.79	Not Applicable	13.28	-

Note: 1. China Petrochemical Corporation held 2,595,786,987 H shares of the Company through its wholly owned subsidiary Century Bright Company. China Petrochemical Corporation is deemed to be interested in the H shares held by Century Bright Company.

2. China State-owned Enterprise Structural Adjustment Fund Co., Ltd. held 402,265,632 H shares of the Company through Yifangda Fund Management Co., Ltd., accounting for 7.43% of the total issued H shares of the Company, and 317,366,863 H shares of the Company through Huaxia Fund Management Co., Ltd., accounting for 5.86% of the total issued H shares of the Company.

Save as disclosed above and so far as the Directors, Supervisors and senior management of the Company are aware of, as at 31 December 2023, no other person had an interest or short position in the Company's shares or underlying shares (as the case may be) which are required to be disclosed to the Company and the HKSE under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was otherwise a substantial shareholder (as such term is defined in the Hong Kong Listing Rules) of the Company.

(4) The controlling shareholder of the Company

Name of the controlling shareholder: China Petrochemical Corporation, holding 70.18% of the Company's shares directly and indirectly

Legal representative: Ma Yongsheng

Date of establishment: 14 September 1983

Registered capital: RMB 326.547 billion

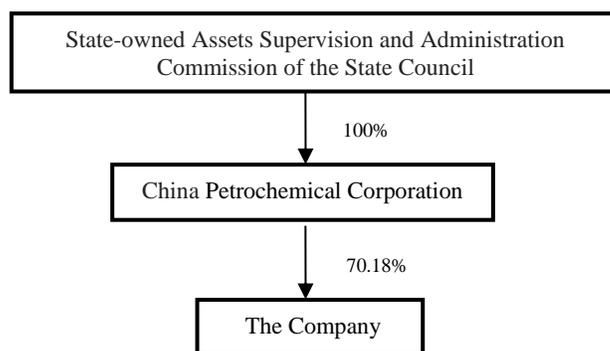
Principal activities: Upon the reorganisation in 2000, China Petrochemical Corporation injected its principal petroleum and petrochemical operations into China Petroleum & Chemical Corporation ("Sinopec"), and retained operations in certain smaller scale petrochemical facilities and refineries, provision of well drilling services, oil-testing services, in-well operation services, manufacture and maintenance of production equipment, engineering construction, water, electricity and other utility services and social services, etc.

During the reporting period, the controlling shareholder of the Company did not change.

(5) The de facto controller of the Company

The de facto controller of the Company remains to be China Petrochemical Corporation.

(6) The diagram of the property and control relationship between the Company and the de facto controller



Note: Apart from directly holding 10,727,896,364 A shares of the Company, China Petrochemical Corporation also held 2,595,786,987 H shares of the Company through Century Bright Company. Therefore, China Petrochemical Corporation directly and indirectly held 13,323,683,351 shares of the Company, which represents 70.18% of the total issued shares of the Company.

4. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(1) Information on interests in share and remuneration of Directors, Supervisors and senior management

Name	Position	Gender	Age	The beginning of the term	The end of the term	Number of shares at the beginning of the year	Number of shares at the end of the year	Reason for change	Salaries from the Company during reporting period (RMB) (before taxation)	Whether get payment from related party of the Company
Chen Xikun	Chairman	male	59	19 December 2019	1 February 2024	0	0	No Change	1,030,200	No
	Excutive Director			8 February 2018						
Fan Zhonghai	Non-Excutive Director	male	58	8 February 2018	1 February 2024	0	0	No Change	-	Yes
Wei Ran	Non-Excutive Director	male	56	20 June 2018	1 February 2024	0	0	No Change	-	No
Zhou Meiyun	Non-Excutive Director	male	54	2 February 2021	1 February 2024	0	0	No Change	-	Yes
Chen Weidong	Independent Non-Excutive Director	male	68	20 June 2018	1 February 2024	0	0	No Change	200,000	No
Dong Xiucheng	Independent Non-Excutive Director	male	62	20 June 2018	1 February 2024	0	0	No Change	200,000	No
Zheng Weijun	Independent Non-Excutive Director	male	57	2 February 2021	1 February 2024	0	0	No Change	200,000	No
Wang Jun	Chairman of the Supervisory Committee	male	56	26 May 2022	1 February 2024	0	0	No Change	876,000	No
Du Jiangbo	Supervisor	male	59	16 June 2015	1 February 2024	0	0	No Change	-	Yes

Zhang Qin	Supervisor	female	61	9 February 2015	1 February 2024	0	0	No Change	55,000	No
Sun Yongzhuang	Employee Representative Supervisor	male	58	2 February 2021	1 February 2024	0	0	No Change	970,700	No
Zhang Bailing	Employee Representative Supervisor	male	58	2 February 2021	1 February 2024	0	0	No Change	821,400	No
Du Guangyi	Employee Representative Supervisor	male	60	2 February 2021	1 February 2024	0	0	No Change	1,029,300	No
Zhang Jiankuo	General Manager	male	49	8 December 2023	1 February 2024	0	0	No Change	0	No
Zhang Congbang	Deputy General Manager	male	53	8 December 2023	1 February 2024	0	0	No Change	0	No
Cheng Zhongyi	Chief Financial Officer	male	47	27 April 2021	1 February 2024	0	0	No Change	869,971	No
	Secretary to the Board			3 August 2021						
Du Kun	Deputy General Manager	male	45	27 October 2022	1 February 2024	0	0	No Change	851,614	No
Sun Bingxiang	Deputy General Manager	male	52	3 August 2021	1 February 2024	50,300	50,300	No Change	862,131	No
Yuan Jianqiang	Former General Manager	male	60	20 May 2019	8 December 2023	0	0	No Change	1,030,200	No
	Former Executive Director			26 June 2019						
Lu Baoping	Former Non-Executive Director	male	62	8 February 2018	27 July 2023	0	0	No Change	35,000	Yes
Zhang Jianbo	Former Supervisor	male	61	8 February 2018	13 February 2023	0	0	No Change	-	Yes

Zhang Yongjie	Former Deputy General Manager	male	60	9 February 2015	8 December 2023	0	0	No Change	986,900	No
Zhang Jinhong	Former Deputy General Manager	male	60	28 April 2015	29 May 2023	0	0	No Change	442,083	No

Note:

1. Mr. Chen Xikun, Mr. Wang Jun, Mr. Sun Yongzhuang, Mr. Zhang Bailing, Mr. Du Guangyi, Mr. Cheng Zhongyi, Mr. Du Kun and Mr. Sun Bingxiang all received 12 months of salary in 2023. Ms. Zhang Qin received 11 months of subsidy in 2023. Mr. Zhang Jiankuo started to serve as general manager of the Company since 8 December 2023 and didn't receive salary in 2023. Mr. Zhang Congbang started to serve as deputy general manager of the Company since 8 December 2023 and didn't receive deputy general manager's salary in 2023.

2. Mr. Yuan Jianqiang resigned as executive Director, general manager and member of the Strategy Committee of the Company on 8 December 2023 and received 12 months of salary in 2023. Mr. Lu Baoping resigned as non-executive Director and member of the Strategy Committee of the Company on 27 July 2023 and received 7 months of subsidy in 2023. Mr. Zhang Yongjie resigned as deputy general manager of the Company on 8 December 2023 and received 12 months of salary in 2023. Mr. Zhang Jinhong resigned as deputy general manager of the Company on 29 May 2023 and received 5 months of salary in 2023.

3. Mr. Chen Weidong, Mr. Dong Xiucheng and Mr. Zheng Weijun all received 12 months of directors' fee in 2023.

4. The terms of the tenth session of the Board and the Supervisory Committee of the Company have expired on 1 February 2024. In view of the fact that the nomination of candidates for the new session of the Board of Directors and the Supervisory Committee of the Company is still in progress, in order to ensure the continuity and stability of the relevant work of the Board and the Supervisory Committee of the Company, the tenth session of the Board and Supervisory Committee will be postponed, and the term of office of senior management of the Company will be extended accordingly.

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

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

In Qi Xin Gong Ying Scheme, the Company's Directors, Supervisors and senior management subscribed for a total of 5.45 million scheme units, accounting for approximately 9.0% of the total units of Qi Xin Gong Ying scheme. The total number of Directors, Supervisors and senior management of the Company who subscribed for the Qi Xin Gong Ying Scheme was 16 persons. For details of the participation of the incumbent and former

Directors, Supervisors and senior management of the Company in the Qi Xin Gong Ying Scheme, please see the following table.

Name	Position	Subscription scheme amount under Qi Xin Gong Ying Scheme (RMB)	Subscription scheme unit under Qi Xin Gong Ying Scheme (unit)	Subscription price (RMB/A Share)	Approximate subscription amount of A share (share)
Chen Xikun	Chairman, Secretary of Party Committee	400,000	400,000	2.62	152,671
Wang Jun	Chairman of Supervisory Committee	300,000	300,000	2.62	114,503
Sun Yongzhuang	Employee Representative Supervisor	300,000	300,000	2.62	114,503
Zhang Bailing	Employee Representative Supervisor	350,000	350,000	2.62	133,587
Du Guangyi	Employee Representative Supervisor	350,000	350,000	2.62	133,587
Zhang Jiankuo	General Manager	300,000	300,000	2.62	114,503
Zhang Congbang	Deputy General Manager	300,000	300,000	2.62	114,503
Sun Qingde	Former Deputy Chairman, General Manager	400,000	400,000	2.62	152,671
Li Wei	Former Chairman of the Supervisory Committee	350,000	350,000	2.62	133,587
Huang Songwei	Former Supervisor	350,000	350,000	2.62	133,587
Zhang Hongshan	Former Supervisor	350,000	350,000	2.62	133,587
Zhang Yongjie	Former Deputy General Manager	350,000	350,000	2.62	133,587
Zhang Jinhong	Former Deputy General Manager	350,000	350,000	2.62	133,587
Zuo Yaojiu	Former Deputy General Manager	350,000	350,000	2.62	133,587
Li Tian	Former Chief Financial Officer	350,000	350,000	2.62	133,587
Li Honghai	Former Secretary to the Board	300,000	300,000	2.62	114,503
Total	/	5,450,000	5,450,000	-	2,080,140

3. Changes in Directors, Supervisors and Senior Management

Name	Position	Change	Reasons for change
Lu Baoping	Non-executive director	Resigned	Age
Yuan Jianqiang	Executive director General manager	Resigned	Age

Zhang Jianbo	Supervisor	Resigned	Age
Zhang Yongjie	Deputy general manager	Resigned	Age
Zhang Jinhong	Deputy general manager	Resigned	Age
Zhang Jiankuo	General manager	Appointment	Appointed by the Board
Zhang Congbang	Deputy general manager	Appointment	Appointed by the Board

On 13 February 2023, Mr. Zhang Jianbo resigned as the Supervisor of the Company due to his age.

On 29 May 2023, Mr. Zhang Jinhong resigned as the deputy general manager of the Company due to his age.

On 27 July 2023, Mr. Lu Baoping resigned as the non-executive Director and member of strategic committee of the board of the Company due to his age.

On 8 December 2023, Mr. Yuan Jianqiang resigned as the executive Director, member of strategic committee of the Board and general manager of the Company due to his age.

On 8 December 2023, Mr. Zhang Yongjie resigned as the deputy general manager of the Company due to his age.

On 8 December 2023, the Company held the eighteenth meeting of the tenth session of the board. According to the management and development needs of the Company, upon the qualification review of the nomination committee of the Board, the Board decided to appoint Mr. Zhang Jiankuo as the general manager of the Company and Mr. Zhang Congbang as the deputy general manager of the Company, with a term of office from 8 December 2023 to the date when the term of the tenth session of the Board expires.

The Company expresses its sincere gratitude to Mr. Yuan Jianqiang, Mr. Lu Baoping, Mr. Zhang Jianbo, Mr. Zhang Yongjie and Mr. Zhang Jinhong for their hard work and important contributions during their tenure.

(4) Directors', Supervisors' and Chief Executive's interests in the shares of the Company

As at 31 December 2023, the Company's deputy general manager Mr. Sun Bingxiang held 50,300 A shares of the Company. Save as disclosed above and Qi Xin Gong Ying Scheme disclosed above, none of the Directors, Supervisors or other senior management of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO, as recorded in the register by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the HKSE pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

5 REPORT OF THE BOARD

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

(1) Discussion and analysis of operation during the reporting period

1.1 Annual results

In 2023, the Company actively grasped the favorable opportunities arising from the continuous recovery of the oilfield services market, took the initiative to overcome adverse factors such as the increased raw material prices and oilfield service prices which had not yet recovered, continued to deepen reform and management, expanded the market and created efficiency with both quality and quantity, further expanded the high-quality market scale, firmly promoted scientific and technological innovation, and further promoted the construction of project management system, steadily implemented the development of characteristic business. The Company achieved

better growth in drilling footage, newly signed contracts amount, operating income, total profit, net profit and other major production and operation indicators, and achieved a new level of high-quality development.

In 2023, the Company's consolidated revenue was RMB79.98 billion, representing a year-on-year increase of 8.4%, and net profit attributable to shareholders of the Company amounted to RMB590 million, representing a year-on-year increase of 23.8%. Basic earnings per share was RMB0.031, representing a year-on-year increase of RMB0.006. Net cash generated from operating activities amounted to RMB5.58 billion, representing a year-on-year increase in net inflow of RMB1.38 billion.

1.2 Market review

In 2023, the world economy maintained a moderate growth momentum, China's economy rebounded, and the gross domestic product (GDP) grew by 5.2% year-on-year, which strongly promoted the sustained growth of domestic market demand for refined oil and natural gas. Although international crude oil prices fluctuated downward, the price remained at medium to high level as a whole. The average spot price of Brent crude oil in the North Sea for the whole year was \$82.25 per barrel. The high international oil price pushed oil companies to continue to increase investment in upstream exploration and development, and the oilfield service industry recovered steadily. Benefiting from the continuous and vigorous promotion of the national energy security strategy and the "Seven-year Action Plan" for increasing reserves and production, the domestic oilfield service market maintained a good warming trend, and domestic oil and gas production reached a record high. Affected by this, the Company's main professional workload and team utilization rate increased to varying degrees.

1.3 Operations review

In 2023, the Company focused on both quality and quantity, and made every effort to expand the high-quality scale market. The total cumulative amount of newly signed contracts reached RMB82.4 billion, representing a year-on-year increase of 1.7%, the best level since the "13th Five-Year" Plan, of which the newly signed contracts in the China Petrochemical Corporation's market amounted to RMB50 billion, representing a year-on-year decrease of 0.8%; the newly signed contracts in domestic external markets amounted to RMB15.7 billion, representing a year-on-year increase of 4.7%; the newly signed contracts in overseas markets amounted to RMB16.7 billion, representing a year-on-year increase of 7.1%. As the Company provided good and efficient engineering and technical services, 419 new records of engineering construction were set throughout the year; scientific and technological innovation achievements were constantly emerging, and breakthroughs in a number of key core technologies were accelerated; new progress was made in the overall optimization of resources, solid progress was made in the construction of project management system, and risk prevention leaped to a new level; the Company's production and operation remained safe and stable throughout the year, and new achievements and developments were made in all aspects of work.

1.3.1 Geophysical services

In 2023, the Company's operation revenue from the principal business of geophysical service was RMB5.67 billion, an increase of 19.2% from RMB4.76 billion in the same period of the previous year. The completed 2D seismic exploration accumulated for 2,783 kilometers in the year, a decrease of 43.6% than the previous year; while the 3D seismic exploration accumulated for 15,273 square kilometers, a decrease of 3.3% than the previous year. The pass rate of 2D and 3D records was 100%, and the proportion of the seismic data acquired with first-grade quality was 4.1 percent points higher than required by the contracts. Key geophysical technologies such as single-point high-density, broadband vibroseis, full-node acquisition and high-precision exploration were comprehensively promoted and applied. As a result, production efficiency and service quality were effectively improved. New businesses related to wellbore seismic, Beidou application, energy conservation and environmental protection grew steadily, and the amount of newly signed contracts for the whole year reached RMB797 million, representing a year-on-year increase of 58.8%, which is the best record in our history.

1.3.2 Drilling service

In 2023, the Company's operation revenue from the principal business of drilling service was RMB39.80 billion, an increase of 8.1% from RMB36.81 billion in the same period of the previous year. Our completed drilling

footage reached 10,980 kilometers, representing a year-on-year increase of 10.0%. The Company made every effort to promote the improvement of the quality, service speed, efficiency and production, i.e., the Four Improvements, further improving the efficiency of drilling construction. Despite an increase of 92.3 meters in average well depth year-on-year, the average drilling cycle and the time on complicated failures were reduced by 5.6% and 12% respectively. The drilling cycles of the Shunbei work area and the Shengli shale oil work area were iteratively shortened by 33% and 39% respectively. The drilling depth of the Yuejin 3-3XC well was 9,432 meters, and the Shunbei 10X well has achieved high oil and gas production through blowout testing and was tracked and reported by CCTV's all forms of media. The Shunbei 6-4X well (with a drilling cycle of 97 days) has for the first time controlled the drilling cycle of wells with a depth of over 8,000 meters to within 100 days, and the Xingye 9 well has helped to develop the shale oil resource site with billion tons of reserves.

1.3.3 Logging/Mud logging service

In 2023, the Company's operation revenue from the principal business of logging and mud logging service was RMB3.56 billion, an increase of 9.2% from RMB3.26 billion in the same period of the previous year. Our completed logging projects had a total of 307,800 standard kilometers, an increase of 10.2% than the previous year. Our completed mud logging projects had a total of 8,680 kilometers, an increase of 3.3% than the previous year. The pass rate of logging and mud logging data was 100% and the one-time success rate of logging was above 97%. The Company has been consistently improving its logging, mud logging and directional drilling technical service capabilities, and leveraged its resource aggregation advantages to establish a strong integrated standard team for geological engineering and directional drilling, logging, mud logging and rotary steering, which assists in obtaining accurate data, accurately discovering and evaluating oil and gas reservoirs, in a bid to fully ensure safe and fast drilling and completion, improve the drilling encounter rate of reservoirs, and support high-quality exploration and profitable development in key areas.

1.3.4 Downhole operation service

In 2023, the Company's operation revenue in downhole operation was RMB10.7 billion, an increase of 14.2% from RMB9.37 billion in the same period of the previous year. It completed downhole operation for 6,959 wells, an increase of 1.3% than the previous year. The one-time pass rate of downhole operation was 99.8%. The Company continued to improve the technical service capabilities of download operation, and has assisted Sinopec in the testing of discovering a total of 26 high-yield oil and gas wells in the Shunbei oil and gas field of "Shendi No.1". For the first time, a single platform "dual unit" fracturing construction was adopted in the Niuye Zone 1 test well group, the largest shale oil development platform in Eastern China. The fracturing construction efficiency in key work areas in "Northwest China, North China, Northeast China and Sichuan" was improved by 11.8% year-on-year. The Company continued to improve the operational level of oil reservoir business, focusing on hard-to-recover blocks to actively explore new cooperation models. The Company has provided comprehensive oil reservoir production-increasing services for more than 150 hard-to-recover blocks of Sinopec, achieving the profitable development of cooperative blocks.

1.3.5 Engineering and construction service

In 2023, the Company's operation revenue in engineering and construction service was RMB17.82 billion, an increase of 2.2% from RMB17.44 billion in the same period of the previous year. In 2023, the cumulative value of newly signed contracts was RMB22.54 billion, a decrease of 10.9% than the same period of the previous year. The natural gas processing plant in Shunbei Zone 2 undertaken by the Company was completed and put into operation in 168 days, with the construction period shortened by about 40% compared to similar projects. We have successfully completed key projects such as the Qilu Petrochemical-Shengli Oilfield Million-ton CCUS Demonstration Project's Carbon Dioxide Transportation Pipeline, Section Four of Western-Eastern China Natural Gas Transmission Pipeline Three, Guangxi LNG Guilin Branch Pipeline, New Gas Pipeline Guangxi Branch Line, and Shengli Niuzhuang Shale Oil Demonstration Project with high quality, demonstrating our ability and advantages in increasing oil and gas reserves and production and constructing large-scale projects. We continued our expansion in PipeChina's market, forming a large-scale and efficient market base, with newly signed contracts amounting to RMB5.18 billion. As such, the high-quality and large-scale markets are more concentrated.

1.3.6 International business

In 2023, the Company's operation revenue in international business service was RMB16.09 billion, an increase of 23.6% from RMB13.01 billion in the same period of the previous year. The revenue contributed by the international business accounted for 20.4% of the total revenue, with a year-on-year increase of 2.4 percentage points. In 2023, by seizing strategic opportunities such as the joint construction of the Belt and Road Initiative and the continued recovery of the industry, the Company focused on the main markets in the Middle East, South America and Central Asia, optimized the market layout in-depth, won bids and signed contracts for new high-quality long-term projects in Saudi Arabia, Kuwait, Mexico and Ecuador, and maintained efficient operation of key projects such as well drilling and workover projects, 3D seismic acquisition, ground construction and reservoir operation. As such, the operating efficiency of overseas markets has reached a historic high. In the Saudi Arabian market, we have entered the Saudi Aramco exploration well service market for the first time, signing contracts for 5 new exploration well daily fee drilling rig projects with a contract value of US\$330 million. Our market share in the unconventional field continued to expand as we signed two new contracts for unconventional daily fee drilling rig projects with a contract value of US\$210 million. We renewed the contract for the Saudi Aramco S84 3D acquisition project for one year, with a contract value of US\$58 million. Our technical service business has accelerated its development, and we have successively obtained multiple service contracts from Saudi Aramco, including ground testing, coiled tubing and hydrogen sulfide detection. We have successfully passed the acid qualification review for coiled tubing operations, achieving a breakthrough in the field of chemical qualifications for increasing production in the Saudi Aramco oilfields. In the Kuwaiti market, we have renewed contracts for 18 drilling and workover rigs, with a total contract value of US\$180 million. Among them, 9 were extended for the 8th year beyond the 5+1-year contract, setting a record for the longest contract period for KOC drilling and workover rigs. We also successfully obtained the service qualification for all-terrain seismic acquisition projects. In the Ecuadorian market, we have renewed the contract for the first phase of the WAYRA and SACHA drilling and completion general contracting project, and won the bid for the second phase of the SACHA drilling and completion general contracting project, further consolidating our advantageous position in the local market. In the Mexican market, we have strengthened and deepened our cooperation with Petróleos Mexicanos, signing the contract for the IXACHI 3D seismic acquisition and processing project with a contract value of US\$160 million.

1.3.7 Technology research and development

In 2023, the Company continued to increase its investment in scientific research and overcoming difficulties, won 20 science and technology awards at the provincial and ministerial level, applied for 1,004 patents, including 8 foreign-related patents, and was licensed for 541 patents. Our technological innovation achievements continued to emerge, and our independently developed rotary steering system continued to iterate and upgrade, with a large-scale application of 190 wells and drilling footage of 220,000 meters. As a high-end drilling technology equipment, it has been selected as one of the "Top 10 Iconic Achievements of National Oil and Gas Exploration and Development in 2023" by the National Energy Administration. The national major special project "Beidou Intelligent Oilfield Construction Comprehensive Application Demonstration Project" has cultivated 22 "petrochemical+Beidou" application scenarios, while high standard construction of the National Industry Metrology and Testing Center for Petroleum and Petrochemical Industry - Petroleum Drilling Instrument Industry Metrology and Testing Center has been achieved. High-temperature logging, post-drilling logging and other technical equipment have become more mature, providing core tools to support and ensure the construction of "deep-ground engineering". Our research and development have resulted in key technologies for non-oil-or-gas medium long-distance pipelines such as supercritical CO₂ pipelines and large-scale hydrogen pipelines, which have effectively supported the construction and operation of the first million-ton, 100km Qilu Petrochemical-Shengli Oilfield CO₂ transmission pipeline in China. 88 equipment and instruments, including column automation equipment and direct-push storage logging tools, have been applied on a large scale. As a result, the industrialization of products and the commercialization of research achievements have achieved a production value of RMB3.1 billion. As we efficiently promoted digital transformation, the integrated cloud platform for petroleum engineering has been launched and operated well. The in-depth integration and application of well site acquisition and decision-making integration, drilling and completion digital twins,

geological engineering integration and other systems have effectively supported real-time optimization and intelligent decision-making throughout the drilling and completion cycle.

1.3.8 Internal reform and management

In 2023, the Company continued to deepen internal reform and empower high-quality development. We developed and implemented the “Implementation Plan for Accelerating High-Quality Development of the Company”, with 20 key measures implemented in an orderly manner in 8 aspects. Sinopec Jingwei Co., Ltd. has effectively promoted the development of the “Technology Reform Demonstration Action” and the “World-class Professional Leading Demonstration Enterprise”. The construction of a project-based management system has been solidly promoted, integrating 3 professional operating units, merging 97 homogeneous project departments, and reducing 36 lower-ranked drilling teams, thereby further improving management efficiency and reducing operating costs. The development of special businesses has been accelerated, as the average concentration rate of 13 wellbore special businesses increased from 41% in 2022 to 62%. We continued to improve the level of first-line management, and deepen the integration of internal control, risk control and compliance management, in order to further consolidate the foundation of high-quality development. As we deepened the management of cost targets for all employees, we achieved a cost reduction and efficiency increase of RMB560 million for the whole year.

1.3.9 Capital expenditures

In 2023, the Company had a capital expenditure of RMB4.01 billion, of which RMB3.47 billion was fixed asset investment. In 2023, guided by the enhancement of exploration and development service capabilities and market competitiveness, the Company increased investment in equipment and actively optimized the equipment structure, increased investment in the upgrading of drilling rigs and electric fracturing equipment, and continued to promote the standardization construction of drilling sites and downhole operation sites. The Company also increased investment in equipment required by overseas high-quality markets, so as to further enhance its competitiveness in the high-end business market. Throughout the year, the investment projects such as the upgrading and reconstruction of 23 drilling rigs, 16 fracturing trucks (skids), 6,100 underwater OBN acquisition instruments, 5 sets of automatic welding units, 3 sets of rotary steering instruments, 4 sets of high temperature measurement instruments as well as safety hazard treatment and environmental protection were mainly arranged.

1.4 Financial analysis (Prepared in accordance with IFRS)

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

1.4.1 Assets, liabilities and equity analysis

Total assets were RMB75,162,974,000, representing an increase of RMB3,954,913,000 from that at the end of 2022, of which: current assets were RMB39,402,551,000, representing an increase of RMB2,814,972,000 from that at the end of 2022. This was mainly due to the combined effect of an increase in cash and cash equivalents of RMB987,648,000, an increase in financial assets at FVTOCI of RMB1,266,741,000 and an increase in contract assets and cost to fulfil contracts of RMB647,990,000. Non-current assets amounted to RMB35,760,423,000, representing an increase of RMB1,139,941,000 as compared with the end of 2022, which was mainly due to the increase of RMB494,621,000 in interests in joint ventures and the increase of RMB683,328,000 in other non-current assets as a result of the purchase of special tools for petroleum engineering.

Total liabilities were RMB67,139,772,000, representing an increase of RMB3,361,445,000 from that at the end of 2022, of which: current liabilities were RMB66,186,004,000, representing an increase of RMB3,666,349,000 as compared with the end of 2022, which was mainly due to the combined effect of an increase in notes and trade payables of RMB1,604,235,000, an increase in other payables of RMB959,512,000, and an increase of short-term borrowings of RMB903,158,000. Non-current liabilities amounted to RMB953,768,000,

representing a decrease of RMB304,904,000 as compared with the end of 2022, which was mainly due to the combined effect of a decrease of RMB341,761,000 in long-term borrowings and an increase of RMB18,532,000 in deferred income tax liabilities.

Total equity attributable to owners of the Company was RMB8,023,202,000, an increase of RMB593,468,000 as compared with the end of 2022, mainly because the gains attributable to equity holders of the Company in 2023 achieved RMB576,083,000.

As at 31 December 2023, the ratio of total liabilities to total assets was 89.3%, and 89.6% as at 31 December 2022.

1.4.2 Cash flow analysis

During the year ended 31 December 2023, the Group's net cash inflow from operating activities was RMB5,576,913,000, representing an increase of cash inflow by RMB1,379,044,000 as compared with last year. This was mainly due to the increase in the collection of the two funds and the landlord's payment of the unsettled project funds last year.

During the year ended 31 December 2023, the Group's net cash outflow from investing activities was RMB4,059,383,000, representing an increase of cash outflow by RMB108,221,000 as compared with last year. It was mainly due to an expenditure on equipment acquisitions.

During the year ended 31 December 2023, the Group's net cash inflow from financing activities was RMB558,226,000, representing an increase of cash inflow by RMB493,023,000 compared with last year. This was mainly due to the failure to repay the loan in time on non-working days at the end of the year.

1.4.3 Bank and related company borrowings

As at 31 December 2023, the Company's bank and related company borrowings were RMB20,226,157,000 (31 December 2022: RMB19,403,765,000). These borrowings included the short-term borrowings of RMB19,907,435,000, the long-term borrowings of RMB318,722,000, the fixed-rate loans of RMB19,185,000,000 and the floating rate loans were RMB1,041,157,000. Of the borrowings as at 31 December 2023, the balance of RMB borrowings accounted for approximately 94.9% and the balance of US dollar borrowings accounted for 5.1%.

1.4.4 Assets pledge

As at year ended 31 December 2022, there was no pledge on the Group's assets.

1.4.5 Gearing ratio

As at 31 December 2023, the gearing ratio of the Group was 69.4% (31 December 2022: 71.5%). The gearing ratio is computed as the following formula: (liability with interest – cash & cash equivalents)/ (liability with interest – cash & cash equivalents + shareholders' equity)

1.5 Statement of operation by industries (in accordance with PRC ASBE)

Industry	Operating income for 2023 RMB'000	Operating cost for 2023 RMB'000	Gross profit margin (%)	Increase or decrease in operating income as compared with last year (%)	Increase or decrease in operating cost as compared with last year (%)	Gross profit margin compared with last year

Geophysical	5,672,348	5,201,043	8.3	19.2	16.6	Increased by 2.1 percentage points
Drilling	39,803,724	37,601,945	5.5	8.1	8.8	Decreased by 0.6 percentage points
Logging/Mud logging	3,555,682	2,930,260	17.6	9.2	9.0	Increased by 0.1 percentage points
Downhole operation	10,697,995	9,958,187	6.9	14.2	14.1	Increased by 0.1 percentage points
Engineering and construction	17,817,700	16,486,641	7.5	2.2	3.6	Decreased by 1.2 percentage points
Other	1,377,596	1,359,260	1.3	61.8	62.1	Decreased by 0.3 percentage points
Total	78,925,045	73,537,336	6.8	8.9	9.4	Decreased by 0.5 percentage points

1.6 Statement of operation by regions (in accordance with PRC ASBE)

Region	Operating income for 2023 RMB'000	Operating cost for 2023 RMB'000	Gross profit margin (%)	Change in operating income as compared with last year (%)	Change in operating cost as compared with last year (%)	Gross profit margin compared with last year (%)
Mainland China	62,834,035	59,541,827	5.2	5.7	6.9	Decreased by 1.1 percentage points
Hong Kong, Macau, Taiwan, and overseas	16,091,010	13,995,509	13.0	23.6	21.6	Increased by 1.5 percentage points

1.7 Major suppliers and customers

Aggregate purchase amounts from the top five largest suppliers	RMB13,983,966,000	Percent of total purchase amounts	29.2%
Aggregate sales amounts to the top five largest customers	RMB65,488,024,000	Percent of total amounts	81.9%

(2) Discussion and analysis on the Company's business in the future

2.1 Competitive industry structure and development trend

Looking forward to 2024, the world economy is expected to continue to recover moderately, China's economy is facing more opportunities than challenges, more favorable conditions than unfavorable factors, and the basic

trend of economic recovery and long-term improvement has not changed. The global demand for crude oil will continue to grow, geopolitical conflicts still have a risk premium, and it is expected that the international oil price will continue to fluctuate at a medium and high level; the high oil price will drive the total capital expenditure of global upstream exploration and development to continue to increase, and the domestic oil and gas exploration and development and investment will continue to increase under the environment of ensuring energy security and enhancing supply security in an all-round way. Affected by this, the overall workload and demand for drilling rigs in the oilfield service market will remain stable and rising, and the prosperity of the oilfield service market will continue to improve.

2.2 Operation plans in 2024

In 2024, facing the market situation of continuous recovery, the Company will continue to give full play to its comprehensive oil and gas service capabilities and unique technological advantages, focusing on enhancing the core functions of service support, improving the core competitiveness of the market, shouldering responsibilities and strengthening support, tamping the foundation and ensuring security, expanding the market and optimizing the layout, developing science and technology to increase stamina, grasping reform to increase momentum, and striving to create a new situation of high-quality development, and speeding up the construction of a world-class technology-oriented oilfield service company. The Company plans to sign new contract to reach a yearly value of over RMB83.5 billion, in which RMB56.5 billion will be from China Petrochemical Corporation's internal market, RMB11 billion from domestic external market, and RMB16 billion from overseas market. The Company puts emphasis on the following aspects:

2.2.1 Geophysical service

In 2024, the Company will continue to improve quality control measures such as intelligent nodes, enhance the integrated capabilities of seismic data acquisition, processing and interpretation, and use high-quality seismic data to assist oil companies in achieving major breakthroughs in exploration. The Company will vigorously develop technologies such as high-density, full-node and controllable seismic sources, focus on tackling key issues in wellbore seismic technology, and shape the brand with first-class technology and high-quality services. The Company will strengthen the market development of energy conservation, environmental protection and pipeline technology service businesses, and actively expand businesses such as fiber optic monitoring, pipeline testing and fiber optic cable survey. The Company will explore markets in the extended field of seismic business by focusing on expansion into businesses such as the construction of gas storage facilities and seismic detection. The Company will concentrate on the construction of the Beidou application demonstration zone and promote the Beidou business to achieve new breakthroughs. The Company plans to complete the annual acquisition of 2D seismic data of 3,600 kilometers and 3D seismic data of 15,000 sq. kilometers.

2.2.2 Drilling Service

In 2024, the Company will focus on the goals of expanding mining rights and resources and increasing storage and production of CPC, comprehensively deepening the linkage between Party A and Party B, integrated operation, efficient organization of production and strict implementation of the connection of processes, in order to strengthen technical support, strictly curb complicated failures, and continuously improve the drilling encounter rate of reservoirs and construction quality rate. The Company will accelerate the upgrading and transformation of drilling rig electrification, as well as the installation of automated and intelligent devices, and will orderly expand "factory" drilling to effectively improve construction efficiency and production timeliness. The annual drilling cycle will be shortened by 5%, the time spent on tackling complicated failures will be reduced by 10%, and a team utilization rate of over 85% will be achieved. In the domestic external markets, the Company continued to increase the concentration of high-quality large-scale markets such as CNPC, CNOOC, and PipeChina, enhancing the overall efficiency creation ability of the external market. The Company plans to complete drilling footage of 10,700 kilometers for the year.

2.2.3 Logging/Mud logging service

In 2024, the Company will continue to leverage its advantages in logging and mud logging throughout the entire exploration and development process, implement an integrated operating mechanism, highlight model innovation and service upgrading, and deeply build a “project general contracting+technical services+reservoir operation” linkage service model to promote the synchronous improvement of market quality, scale, and efficiency. The Company will consolidate the internal market of CPC by strengthening the assurance of key work areas, optimizing applicable technical solutions in different regions, and providing better services and assurances. The Company will optimize the domestic external markets by strengthening advanced research and prediction and pre-calculation of the possibility of success, efficiently operating integrated general contracting projects, and vigorously developing emerging markets such as coalbed methane and geothermal energy. The Company plans to complete logging footage of 277,500 standard kilometers and mud logging footage of 8,000 kilometers for the year.

2.2.4 Downhole operation service

In 2024, the Company will adhere to the concept of specialized development by steadily expanding the scale of the fracturing and oil and gas testing markets, focusing on and strengthening high-end businesses such as high-pressure operations and coiled tubing, promoting the three-dimensional development of shale gas in the Sichuan Basin and the profitable development of Shengli shale oil, enhancing its ability to provide exploration and development assurance for “deep-ground engineering” services, in an effort to create a new position for increasing storage and production. The annual efficiency of fracturing construction will increase by 10%. The Company will focus on Sinopec’s proven non-producing and low-grade reserves, strive to improve the comprehensive service level of oil reservoirs, and increase beneficial cooperation and development efforts in hard-to-recover blocks such as Shengli, Puyang, Western Sichuan, Southern Sichuan and Southern Hubei. The Company plans to complete downhole operations for 6,000 wells for the year.

2.2.5 Engineering and construction service

In 2024, the Company will continue to take full advantage of specialization and integration, refine measures to overcome difficulties, improve the risk prevention and control mechanism, comprehensively increase its market share, maintain a high-quality market, and ensure efficiency at the source. In the market of CPC, the Company will improve the service quality and focus on the construction of projects, such as the Dongying crude oil commercial reserve facility, the acidic gas pressure boosting project in the main body of the Puguang Gas Field, and the Zaozhuang branch line of the Shandong pipeline network. The Company leverages the advantages of large-diameter long-distance pipelines to expand the domestic long-distance pipeline engineering market and focuses on projects, such as the second line of the Sichuan-Eastern China Natural Gas Transmission Pipeline and the west section of the fourth line of the Western-Eastern China Natural Gas Transmission Pipeline. In domestic overseas markets, the Company will seize the opportunities of new energy development and strengthen the market expansion of large LNG storage tanks, CCUS, green power hydrogen production, maritime wind power and hydrogen transmission. In 2024, the Company plans to sign new contracts valued at RMB20.0 billion and complete contracts valued at RMB17.2 billion.

2.2.6 International business

In 2024, the Company will increase its efforts to develop target markets such as Saudi Arabia, Kuwait, Ecuador, Mexico, and Uganda to further consolidate its main position for increasing revenue and creating efficiency. The Company continues to expand the market of technical services, such as coiled tubing and well washing, and strives to meet the business qualification review of technical services such as drilling fluid, cementing and fracturing, and promotes the transformation into a comprehensive contractor providing “engineering package + technical services + geological engineering integrated services” in overseas regions. The Company consolidates the market scale of daily-paid services for conventional drilling and workovers in Saudi Arabia and Kuwait and accelerates the “export” of domestic leading drilling and completion technologies such as unconventional development and deep- and ultra-deep wells. The Company enhances its competitiveness in geophysical prospecting business in the overseas market, gains a firm foothold in the Middle East market, and completes the HUELITLI and IXACHI 3D geophysical prospecting projects with high quality and efficiency, thus

maintaining its market competitive advantage in Mexico. The Company also promotes the improvement of the quality and efficiency of its ground business, continues to deepen the development of core markets such as Saudi Arabia, Uganda and Thailand, and focuses on the development of long-distance oil and gas pipelines, station warehouses, and municipal road and bridge construction projects. In addition, the Company promotes the geological engineering integrated service business to achieve greater development, actively keeps abreast of market information in the Middle East, fully utilizes the Company's drilling and workover brand advantages, and strives to undertake relevant geological engineering integrated projects in Saudi Arabia and Kuwait. The value of newly signed contracts throughout the year is planned to reach US\$2.25 billion, and the value of completed contracts throughout the year is planned to reach US\$2.11 billion.

2.2.7 Technology development

In 2024, the Company will coordinate internal and external resources, innovate the research and development mechanism, make every effort to overcome technical "obstacles", forge core products, and unswervingly become a technology-leading oilfield services company. The Company accelerates the iteration and upgrade of high-quality and rapid drilling and completion technologies for deep, ultra-deep and shale oil and gas, and promotes the R&D and application of key core equipment such as fully automated drilling rigs for shale oil, high-temperature and high-build rate high-build rate rotary steering tools, and ultra-high-temperature and high-pressure oil and gas well testing tools. Through in-depth industrial development, the Company promotes the large-scale application of advantageous special products such as rotary steering, drilling and completion tools, automation equipment and oilfield chemical additives. The Company promotes the transformation of characteristic scientific and technological achievements into actual productivity, accelerates the cultivation of "specialized, special and new" businesses and products in sub-sectors, expands the application scenarios and the scope of use, and enhances the concentration of characteristic and advantageous businesses. As a result, the Company's industrialization and new technology transformation-related annual output value has reached more than RMB3.5 billion. By promoting the transformation and development of digital intelligence, the Company continues to improve the application scenarios of the Services Integrated Cloud Platform (SICP), strengthens organic integration with the domestic upstream petroleum engineering business management and control platform (IPPE), establishes a remote decision-making platform for well site operations and a new model of scientific, efficient and rapid drilling and remote command of operations, leading to the promotion and upgrading of project management. The Company accelerates the development of its new energy business, strengthens research on new energy engineering technologies such as CCUS, geothermal, photovoltaic, and hydrogen storage and transportation, promotes the iteration and upgrades of CCUS technology throughout the chain, tackles key technologies in all aspects of hydrogen energy production, storage, and transportation, and accelerates the cultivation of new economic growth poles.

2.2.8 Internal reform and management

In 2024, the Company will continue to optimize its system and mechanism and make every effort to enhance its internal development capabilities. Firstly, the Company will further promote the project management system based on "two pools, two repositories and one platform" to break down management barriers and promote the concentration of core resources to accurately and efficiently ensure the implementation of key projects for increasing reserves and production, so as to enhance the concentration and conservation level of project resource allocation. Secondly, the Company will comprehensively optimize the organizational structure, streamline the management level, actively build a "market-oriented, regionalized, platform-based, shared-based and intensive" operation model, coordinate and optimize the sector organization and team structure, and reduce management levels to reduce management costs and improve efficiency creation capabilities. Thirdly, the Company will vigorously promote the development of specialized businesses. By making full use of the Company's integration advantages and the comparative advantages of each subsidiary, it aims to highlight the Company's characteristics, reduce homogeneity, and orderly develop 13 types of characteristic businesses in wellbores and geophysical, surface, and detection, recording and directional wells, as well as marine engineering and other specialized businesses. Fourthly, the Company will organize and carry out an action to tackle difficulties and create benefits, accelerate the all-around optimization of production and operation, promote efficient allocation

of resources, and promote the reduction of management costs such as labor costs, variable costs of RMB100 and institutional operating costs. The Company plans to reduce costs and increase efficiency by RMB650 million for 2024.

2.2.9 Capital expenditures

In 2024, the Company's capital expenditure is expected to be RMB4.0 billion, of which fixed asset investment is RMB3.5 billion. The Company will continue to promote the renewal and upgrading of drilling rig electrification, automation and grid electrification, including arranging for the renewal and renovation of 21 drilling rigs; optimize the structure of downhole operation equipment, promote the updating of high-power, high-displacement and high-pressure fracturing equipment, and purchase 14 fracturing trucks (skids); promote the upgrade and iteration of its independently developed rotary steering instruments, strengthen the matching of high-temperature and high-pressure MWD tools and comprehensive logging tools, and purchase 3 sets of high-temperature rotary steering instruments; upgrade the geophysical prospecting equipment and the technical level of micro-seismic fracturing monitoring technology and set up engineering construction automation equipment such as hydraulic rock drilling rigs to improve the prefabrication level of the factory; and according to the bidding status of unconventional gas well drilling and deep well drilling and workover projects in Saudi Arabia, Kuwait and other markets, the Company will purchase service equipment to meet the needs of the projects.

(3) Profit distribution plan

In 2023, after the audit by BDO China Shu Lun Pan Certified Public Accountants LLP and prepared in accordance with the PRC ASBE, the net profit attributable to shareholders of the Company is RMB589,216,000 (in accordance with the IFRS, the net profit attributable to shareholders of the Company is RMB576,083,000), and the parent company's undistributed profit at the end of 2023 is RMB-1,900,922,000. Since the undistributed profit of the parent company at the end of the year is negative, the Board recommends that no cash dividend distribution will be made for the financial year 2023, nor the capital reserve conversion to share capital. The proposal is subject to consideration at the general meeting.

6 SIGNIFICANT EVENTS

- (1) During this reporting period, the Company had no material litigation, arbitration and common doubts in the media.
- (2) During this reporting period, there was no occupancy of funds for non-operating purpose by the controlling shareholders and other related parties of the Company.
- (3) During this reporting period, there were no material acquisition or disposals of assets and merger and acquisitions activities of the Company.
- (4) Information on connected transactions

The Company's significant connected transactions entered into during the year ended 31 December 2023 are as follows:

- (a) The significant connected transactions relating to ordinary operation during the reporting period are as follows:

The nature of the transaction	Related parties	Amount of transaction RMB'000	Proportion of the same type of transaction (%)
Purchase of raw materials and equipments	China Petrochemical Corporation and its associates	10,383,643	34.2

Providing engineering services	China Petrochemical Corporation and its associates	49,123,887	62.4
Providing engineering services	PipeChina	4,472,718	5.7
Comprehensive service expenditure	China Petrochemical Corporation and its subsidiaries	34,198	95.1
Other comprehensive service expenditure	China Petrochemical Corporation and its subsidiaries	943,691	58.5
Technology and development income	China Petrochemical Corporation and its subsidiaries	237,410	94.6
Land and property lease expenses	China Petrochemical Corporation and its subsidiaries	283,338	38.3
Equipment rental expenses	China Petrochemical Corporation and its subsidiaries	175,292	22.2
Interest expenses	China Petrochemical Corporation and its subsidiaries	682,830	96.2
Loan obtained	China Petrochemical Corporation and its subsidiaries	27,351,504	100
Loan repaid	China Petrochemical Corporation and its subsidiaries	26,398,951	99.4
Safety production insurance fund expenses	China Petrochemical Corporation	84,290	100
Safety production insurance fund return	China Petrochemical Corporation	114,933	100

The Company considers that it is necessary for the above connected transactions and selection of connected parties for transactions and the above transactions would continue to occur. The agreements of connected transaction are based on the needs of the Company's operation and production and actual market situation. Purchasing raw materials and equipment from China Petrochemical Corporation and its subsidiaries will ensure the stable and safe supply of the Company's raw materials. Providing engineering service to China Petrochemical Corporation and its subsidiaries is decided by the history of the operating system of China's petroleum development and by the history of China Petrochemical Corporation's development, which also constitutes the Company's main business income source. The loan borrowed from China Petrochemical Corporation can satisfy the financial needs of the Company under the situation of the fund shortage, which therefore is beneficial to the Company. The pricing of the above transactions was mainly based on the market price or contract price determined through open bidding or negotiation, reflecting the principal of fairness, justice and openness, which is 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.

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

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

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

(b) The following is non-operational connected claims and debts with related parties during the reporting period:
Unit: RMB '000

Connected parties	Funds provided to connected party			Funds provided to the Company by connected party		
	Opening balance	Occurrence amount	Closing balance	Opening balance	Occurrence amount	Closing balance
China Petrochemical Corporation and its subsidiaries	11,514,494	-381,190	11,133,304	7,097,429	-856,488	6,240,941
Sinopec Finance Company Limited	47,531	996,283	1,043,814	16,095,000	3,090,000	19,185,000
Sinopec Century Bright Capital Investment Limited	802,100	-5,685	796,415	1,828,208	-1,105,773	722,435
Total	12,364,125	609,408	12,973,533	25,020,637	1,127,739	26,148,376
Causes of connected claims and debts	Normal production and operation					
Influence of connected claims and debts on the Company	No material adverse effect					

(c) Material connected transactions of joint external investment

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

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

a. Deposit business

Unit: RMB '000

Connected parties	Connected relation	Daily maximum deposit limit	Deposit rate	Beginning balance	For the twelve months ended 31 December 2023		Ending balance
					Total deposit in this period	Total withdrawal amount for this period	
Sinopec Finance Company Limited	Subsidiary of controlling shareholder	3,500,000	0.35%	47,531	323,746,685	322,750,402	1,043,814
Sinopec Century Bright	Subsidiary of controlling shareholder		0.01%	802,100	13,787,866	13,793,551	796,415

Capital Investment Limited							
Total	/	/	/	849,631	337,534,551	336,543,953	1,840,229

B. Loan business

Unit: RMB '000

Connected parties	Connected relation	Daily maximum deposit limit	Deposit rate scope	Beginning balance	For the twelve months ended 31 December 2023		Ending balance
					Total deposit in this period	Total withdrawal amount for the period	
Sinopec Finance Company Limited	Subsidiary of controlling shareholder	22,500,000	2.90%	16,095,000	25,534,000	22,444,000	19,185,000
Sinopec Century Bright Capital Investment Limited	Subsidiary of controlling shareholder	400,000 US dollars	TERM SOFR +1.21%	1,828,208	1,830,846	2,936,619	722,435
Total	/	/	/	17,923,208	27,364,846	25,380,619	19,907,435

C. Credit extension and other finance business

Unit: RMB '000

Connected parties	Connected relation	Business Type	Total Amount	Actual Amount
Sinopec Finance Company Limited	Subsidiary of controlling shareholder	Guarantees and bill credit	13,300,000	9,293,862

(5) During the reporting period, there were no trusteeship, contracting or leasing which would contribute profit to the Company of 10% or more of its total profits for the current period.

(6) Guarantee of the Company during the reporting period

Unit: RMB '000

External Guarantee provided by the Company (excluding Guarantees for Subsidiaries)													
Guarantor	Guaranteed person	Amount of guarantee	Date of guarantee (Agreement signing date)	The starting day	End date	Type of guarantee	Pledged thing	Whether the guarantee has been fulfilled	Whether the guarantee is overdue	Overdue amount	Counter-guarantee	Whether to guarantee the related party	Related relationship
The Company	Mexico DS Company	1,947,388	17 June 2022	17 June 2022	The end time of annual meeting of shareholders for the year 2023	Joint and several liability guarantee	No	No	No	Not Applicable	Yes	Yes	Joint venture
Total Amount of Guarantees during the Reporting Period (excluding Guarantees for Subsidiaries)									1,947,388				

Total Balance of Guarantees at the end of the Reporting Period (A) (excluding Guarantees for Subsidiaries)	1,947,388
The Guarantee provided by the Company and its Subsidiaries to the Subsidiaries	
Total Amount of Guarantees paid to Subsidiaries during the Reporting Period	2,521,532
Total Balance of Guarantees to Subsidiaries at the end of the Reporting Period (B)	27,499,720
Total Company Guarantee (including Guarantee for Subsidiaries)	
Total Guarantees (A+B)	29,447,108
Total Amount of Guarantees as a Percentage of the Company's Net Asset (%)	367.0
Among them:	
Amount of Guarantees provided to Shareholders, De Facto Controllers and their related Parties (C)	
Debt Guarantees Amount directly or indirectly for the guaranteed Object whose asset-liability Ratio exceeds 70% (D)	10,541,373
The Amount of the total Guarantee exceeds 50% of the Net Assets (E)	25,435,507
Sum of the three Guarantees above (C+D+E)	35,976,880
Statement of Unexpired Guarantees as potential subject to Joint Liability	No
Guarantee Statement	The guarantees provided by the Company are all for the performance of the performance guarantee letters issued by the subsidiaries in the domestic and foreign contracts. The guarantee amount is within the amount approved by the annual general meeting of the Company for 2022.

On 17 June 2022, the Company, as guarantor, entered into the guarantee agreement with Mexican National Hydrocarbons Commission, as beneficiary, pursuant to which the Company has agreed to provide guarantee under the Production Sharing Contract for Mexico DS Company, to ensure that when Mexico DS Company loses contract performance capabilities, the Company will perform the contracts on its behalf to Mexican National Hydrocarbons Commission. The maximum amount of the joint and several guarantee liabilities undertaken by the Company during the guarantee period shall not exceed US\$ 274,950,000, and the guarantee period commences from the date of approval by the shareholders at the 2021 annual general meeting until the conclusion of the 2022 annual general meeting of the Company. For details, please refer to the “Announcement on provision of guarantee for wholly-owned subsidiaries and joint venture” (P.2022-021) disclosed in China Securities Journal, Shanghai Securities News, Securities Times and on www.sse.com.cn on 20 June 2022, and on www.hkexnews.hk on 19 June 2022.

In order to satisfy the needs of international market expansion and day-to-day operation, the Company expects that after the conclusion of the 2022 annual general meeting, the Company needs to continue to provide guarantee for Mexico DS Company, a joint venture of the Company. On 28 March 2023, the fourteenth meeting of the tenth session of the Board of the Company considered and approved the resolution on provision of guarantee for wholly-owned subsidiaries and joint venture, and approved the Company to provide guarantee for wholly-owned subsidiaries and Mexico DS Company, a joint venture of the Company. For details, please refer to the “Announcement on provision of Guarantee for Wholly-owned Subsidiaries and Joint Venture” disclosed in China Securities Journal, Shanghai Securities News, Securities Times and on www.sse.com.cn on 29 March 2023, and on www.hkexnews.hk on 28 March 2023. On 6 June 2023, the Company convened the 2022 annual general meeting to approve the aforesaid matters, and the guarantee period shall be from the time of approval at the 2022 annual general meeting until the conclusion of the 2023 annual general meeting. For details, please refer to the “Announcement on the Actual Occurrence of External Guaranty in the Semi-annual Period of 2023” (P.2023-020) disclosed in China Securities Journal, Shanghai Securities News, Securities Times and on www.sse.com.cn on 13 July 2023, and on www.hkexnews.hk on 12 July 2023.

The Company expects that it will continue to use the credit line granted by China Construction Bank Corporation to China Petrochemical Corporation after 5 November 2021 and China Petrochemical Corporation will continue to undertake the joint guarantee liability for the RMB300 million credit line jointly and severally. On 16 September 2021, the sixth meeting of the tenth session of the Board considered and approved Resolution on Provision of Counter-guarantee to China Petrochemical Corporation by the Company, which approved the Company to provide corresponding counter-guarantee in respect of the joint guarantee liability under the financing credit line of no more than RMB300 million provided by China Petrochemical Corporation to the Company. Such resolution has been reviewed and approved by the the second extraordinary general meeting for 2021 of the Company. For details, please refer to the "Related party transaction announcement on provision of counter-guarantee to controlling shareholders by the Company" (P. 2021-037) disclosed in China Securities Journal, Shanghai Securities News, Securities Times and on www.sse.com.cn on 17 September 2021, and on www.hkexnews.hk on 16 September 2021.

On 31 December 2023, the balance of the counter-guarantee provided by the Company to China Petrochemical Corporation was RMB13 million.

(7) The appointment and dismissal of the accounting firm during the reporting period.

	Currently hired
The name of the domestic accounting firm	BDO China Shu Lun Pan Certified Public Accountants LLP
The remuneration of the domestic accounting firm	RMB 6,050,000
The audit period for the domestic accounting firm	3 years
Name of certified public accountant of domestic accounting firm	Jin Chunhua, Miao Song
The accumulative number of years of audit services provided by the certified public accountants of the domestic accounting firm	3 years
The name of the overseas accounting firm	BDO Limited
The remuneration of the overseas accounting firm	RMB 1,150,000
The audit period for the overseas accounting firm	3 years

	Name	Remuneration
The internal control accounting firm	BDO China Shu Lun Pan Certified Public Accountants LLP	RMB 1,300,000

The description for the appointment and dismissal of the auditor:

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

After recommended by the fourteenth meeting of the tenth session of the Board and approved by the annual general meeting for the year 2022, the Company re-appointed BDO China Shu Lun Pan Certified Public Accountants LLP and BDO Limited as the domestic auditor and the international auditor of the Company for 2023. BDO China Shu Lun Pan Certified Public Accountants LLP was appointed as the internal control accounting firm of the Company for 2023 again at the same time.

(8) The special undertakings for the reporting period or continuing to the reporting period made by the Company, the de facto controller, shareholders, related parties, acquirer and other associated parties and the performance of such undertakings for the year ended 31 December 2023:

Undertaking Background	Undertaking	Undertaking	Date and duration of	Whether there is a	Whether the undertaking

	party		the Undertaking	performance period	has been strictly fulfilled
Undertaking regarding the material assets reorganization	China Petrochemical Corporation	<p>The Non-Competition Undertaking</p> <p>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 Sinopec Star's new business opportunity has any direct or indirect competition with the Company's main business, priorities of the above-mentioned opportunity will be given to the Company. 3. After the material assets reorganization, if China Petrochemical Corporation and its subsidiaries' new business opportunity has any direct or indirect competition with the Company's main business, priorities of the above-mentioned opportunity will be given to the Company. If China Petrochemical Corporation intends to transfer, sell, lease, license or otherwise transfer or permit to use any of the above business which would result in the competition with the Company's main business, priorities of the above-mentioned opportunity will be given to the Company for avoiding the competition. 4. China Petrochemical Corporation consent that it will bear and pay damages to the listed companies caused by its violation of the commitment.</p>	<p>Date of undertaking: 12 September 2014</p> <p>Duration: long term</p>	No	During the reporting period, China Petrochemical Corporation did not act contrary to the undertaking.
Undertaking regarding the Material Assets Reorganization	China Petrochemical Corporation	<p>The Undertaking of Regulating the connected transaction: China Petrochemical Corporation and its other controlling companies will regulate its/their connected transactions with the Company. For the connected transactions with reasonable grounds, China Petrochemical Corporation and its controlling Company's will sign the standard agreement of connected transactions, and will fulfill the obligations of the program approval and information disclosure, in accordance with the provisions of relevant laws and regulations, and the Company's Articles of Association. The confirmation price related to the connected transaction will follow the principle of fair, reasonable and impartial.</p>	<p>Date of undertaking: 12 September 2014</p> <p>Duration: long term</p>	No	During the reporting period, China Petrochemical Corporation did not act contrary to the promise.

Undertaking regarding the Material Assets Reorganization	China Petrochemical Corporation	<p>Issued “The China Petrochemical Corporation commitment letter regarding to the regulating of connected transaction and maintaining the independence of the listed Company”: 1. China Petrochemical Corporation and its controlling companies guarantee the maintaining of the separation from the Company’s asset, personnel, finance, organization and business, strictly comply with the relevant provisions regarding to the listed Company’s independency of CSRC. China Chemical Corporation will not utilize, control or 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 violates the above commitment, it would undertake the law and compensate the losses caused to the Company.</p>	<p>Date of undertaking: 12 September 2014 Duration: long term</p>	No	<p>During the reporting period, China Petrochemical Corporation did not act contrary to the promise.</p>
--	---------------------------------	---	---	----	--

7. FINANCIAL REPORT

7.1 Audit Opinion

The financial statements of the Group for the year ended 31 December 2023, prepared in accordance with the PRC ASBE have been audited by Jin Chunhua and Miao Song of BDO China (Special General Partnership), which has issued unqualified opinion on 26 March 2024. Also, the financial statements of the Group for the year ended 31 December 2023, prepared in accordance with IFRS have been audited by BDO Limited, which has issued unmodified opinion on 26 March 2024.

7.2 Financial Statements prepared in accordance with IFRS

The following financial information were extracted from the audited consolidated financial statements of the Company and its subsidiaries (hereinafter referred to as the “Group”) for the year ended 31 December 2023, which were prepared in accordance with the IFRS.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
Revenue	4	79,980,939	73,772,688
Cost of sales and taxes and surcharges		(74,530,517)	(68,186,777)
Gross profit		5,450,422	5,585,911
Selling expenses		(82,689)	(75,044)
General and administrative expenses		(2,394,486)	(2,303,286)
Research and development expenses		(2,083,796)	(1,838,968)
Finance expenses - net	5	(894,073)	(627,596)
Expected credit loss and write-down of inventories to net realisable value.	6	403,244	(24,353)
Investment income	7	1,200	500
Share of profit/(loss) from joint ventures		13,992	890
Share of profit from associates		6,850	6,614
Operating profit		420,664	724,668
Other income	8	609,315	266,592
Other expenses, net	9	(114,772)	(154,098)
Profit before income tax	10	915,207	837,162
Income tax expense	11	(339,124)	(253,463)
Profit for the year		576,083	583,699
Other comprehensive expense for the year, net of tax			
Items that will not be reclassified subsequently to profit or loss:			
Net movement in fair value of financial assets at fair value through other comprehensive income (“FVTOCI”)		938	(5,813)
Exchange differences on transaction of financial statements of overseas joint venture		16,447	-
Total comprehensive income for the year		593,468	577,886
		RMB'000	RMB'000
Earnings per share for profit attributable to owners of the Company (presented in RMB per share)			
Basic and diluted	12	0.030	0.031

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000 (Restated)	As at 1 January 2022 RMB'000 (Restated)
Assets				
Non-current assets				
Property, plant and equipment		26,401,129	26,432,082	24,924,711
Other non-current assets		7,938,767	7,255,439	6,595,302
Intangible assets		330,581	378,240	400,130
Interests in joint ventures		517,961	23,340	24,122
Interests in associates		35,535	26,875	22,926
Financial assets at FVTOCI		135,763	134,492	21,760
Deferred tax assets		400,687	370,014	316,475
Total non-current assets		35,760,423	34,620,482	32,305,426
Current assets				
Inventories		1,042,559	1,013,245	1,009,166
Financial assets at FVTOCI		2,735,081	1,468,340	1,295,971
Trade receivables	14	10,602,242	10,537,217	8,151,019
Prepayments and other receivables		5,841,569	6,013,554	5,162,319
Contract assets and cost to fulfil contracts		16,364,984	15,716,994	13,626,033
Restricted cash		27,318	37,079	32,917
Cash and cash equivalents		2,788,798	1,801,150	2,475,307
Total current assets		39,402,551	36,587,579	31,752,732
Total assets		75,162,974	71,208,061	64,058,158

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2023

	Note	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000	As at 1 January 2022 RMB'000
Equity				
Share capital		18,984,340	18,984,340	18,984,340
Reserves		(10,961,138)	(11,554,606)	(12,132,492)
Total equity		8,023,202	7,429,734	6,851,848
Liabilities				
Non-current liabilities				
Long-term borrowings		635,842	977,602	1,945,552
Deferred income		18,189	11,576	9,288
Deferred tax liabilities		87,028	68,496	24,818
Provisions		212,709	200,998	205,771
Total non-current liabilities		953,768	1,258,672	2,185,429
Current liabilities				
Notes and trade payables	15	35,195,688	33,591,453	29,890,348
Other payables		5,078,771	4,119,259	3,555,046
Contract liabilities		5,361,274	5,115,819	3,547,938
Short-term borrowings		20,343,556	19,440,398	17,816,036
Current income tax payable		206,715	252,726	211,513
Total current liabilities		66,186,004	62,519,655	55,020,881
Total liabilities		67,139,772	63,778,327	57,206,310
Total equity and liabilities		75,162,974	71,208,061	64,058,158
Net current liabilities		(26,783,453)	(25,932,076)	(23,268,149)
Total assets less current liabilities		8,976,970	8,688,406	9,037,277

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1 GENERAL INFORMATION

Sinopec Oilfield Service Corporation (the “Company”) is a joint stock company with limited liability established in the People’s Republic of China (the “PRC”). The registered office is No. 22, Chaoyangmen North Street, Chaoyang District, Beijing, the PRC and the headquarter address is No. 9, Jishikou Road, Chaoyang District, Beijing, the PRC.

The immediate and ultimate holding company of the Company is China Petrochemical Corporation (hereinafter referred to as the “Sinopec Group”) which is a state wholly-owned enterprise established in the PRC. The principal activities of the Group are the provision of onshore and offshore oil, natural gas and other mineral prospecting, exploration, drilling and exploitation and provision of general contracting, design and construction services for the oil and gas and other types of construction projects.

These consolidation financial statements are presented in Renminbi (“RMB”), unless otherwise stated. These consolidation financial statements have been approved and authorised for issue by the Board of Directors on 26 March 2024.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The consolidation financial statements set out in this report have been prepared in accordance with International Financial Reporting Standards and International Accounting Standards as issued by the International Accounting Standards Board (the “IASB”) and interpretations (collectively IFRS Accounting Standards). These consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “Listing Rules”).

2 BASIS OF PREPARATION (Continued)

2.2 Basis of preparation of the consolidated financial statements and going concern assumption

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income, which are carried at fair value.

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies of the Group.

As at 31 December 2023, the Group had net current liabilities of approximately RMB26,783,453,000 and capital commitments of approximately RMB138,720,000. These conditions may cast significant doubt about the Group's ability to continue as a going concern. The directors of the Company have performed an assessment covering a period of 12 months from the year ended 31 December 2023, taking account of the following events and measures:

- (i) On 26 February 2024, the Group has renewed the credit facility from Sinopec group's subsidiaries that includes a line of credit of RMB23.0 billion and USD0.3billion (Total: approximately RMB24.8 billion), and also a line of credit promissory note and letter of guarantee of RMB12.0 billion. The facility remains valid until 1 March 2025;
- (ii) The Group's borrowings amounted to approximately RMB19.9 billion are sourced from Sinopec Group and its subsidiaries, where the Group maintains ongoing good relationship with these companies, which enables the Group to secure sufficient financial support from these companies; and
- (iii) To obtain additional credits facilities, the Group will diversify its source of finance by exploring and developing good relationship with listed and state-owned financial institutions.

The directors of the Company are in the opinion that the above measures are sufficient to meet with the expected liquidity, daily operation and capital and the Group is expected to be able to generate net operating cash inflows in the next twelve months. As a result, the directors of the Company considered that the going concern basis of accounting is appropriate for the preparation of these consolidated financial statements.

3 NEW AND AMENDED IFRS ACCOUNTING STANDARDS

The IASB has issued a number of amended IFRSs. The Group has adopted all these amended IFRSs, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the accounting period beginning on or after 1 January 2023:

IFRS 17 and amendments to IFRS 17	Insurance contracts and related amendments
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 1 and IFRS Accounting Standards Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules

IFRS 17 and amendments to IFRS 17, Insurance contracts and related amendments

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts that was issued in 2004. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- (i) A specific adaptation for contracts with direct participation features (the variable fee approach)
- (ii) A simplified approach (the premium allocation approach) mainly for short-duration contracts.

The adoption of IFRS 17 and its amendments does not have a material impact on the consolidated financial statements.

3 **NEW AND AMENDED IFRS ACCOUNTING STANDARDS (CONTINUE)**

Amendment to IAS 8, Definition of Accounting Estimates

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on the consolidated financial statements as the Group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

Amendments to IAS 1 and IFRS Accounting Standards Practice Statement 2, Disclosure of Accounting Policies

IAS 1 is amended to replace all instances of the term "material accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Accounting Standards Practice Statement 2 Making Materiality Judgements (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

These amendments have no effect on the measurement or presentation of any items in the consolidated financial statements but affect the disclosure of accounting policies of the Group.

3 NEW AND AMENDED IFRS ACCOUNTING STANDARDS (CONTINUE)

Amendments to IAS 12, Deferred Tax Related to Assets and Liabilities arising from a Single Transaction

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets as at 1 January 2022.

The table below illustrate the effects of the changes in accounting policy as a result of application of amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction” on the consolidated statement of financial position as at 1 January 2022 and 31 December 2022 and the consolidated statement of comprehensive income and earnings per share for the year ended 31 December 2022:

	1 January 2022 RMB’000 (Originally stated)	Adjustments RMB’000	1 January 2022 RMB’000 (Restated)
<u>Consolidated statement of financial position</u>			
Deferred tax assets	310,764	5,711	316,475
Deferred tax liabilities	9,438	15,380	24,818
Net assets	6,861,517	(9,669)	6,851,848
Accumulated losses	24,256,338	9,669	24,266,007
Total equity	6,861,517	(9,669)	6,851,848
	31 December 2022 RMB’000 (Originally stated)	Adjustment RMB’000	31 December 2022 RMB’000 (Restated)
<u>Consolidated statement of financial position</u>			
Deferred tax assets	362,470	7,544	370,014
Deferred tax liabilities	63,367	5,129	68,496
Net assets	7,427,319	2,415	7,429,734
Accumulated losses	23,807,114	(2,415)	23,804,699
Total equity	7,427,319	2,415	7,429,734

3 NEW AND AMENDED IFRS ACCOUNTING STANDARDS (CONTINUE)

Amendments to IAS 12, Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Continued)

	For the year ended 31 December 2022		
	RMB'000	Adjustments RMB'000	RMB'000
	(Originally stated)		(Restated)
<u>Consolidated statement of comprehensive income</u>			
Income tax expense	265,547	(12,084)	253,463
Profit for the year	571,615	12,084	583,699
Total comprehensive income for the year	565,802	12,084	577,886
<u>Earnings per shares</u>			
Basic and diluted earnings per share (RMB)	<u>0.030</u>	0.001	<u>0.031</u>

Amendments to IAS 12, International Tax Reform – Pillar Two Model Rules

In December 2021, the Organisation for Economic Co-operation and Development (OECD) released a draft legislative framework for a global minimum tax that is expected to be used by individual jurisdictions. The goal of the framework is to reduce the shifting of profit from one jurisdiction to another in order to reduce global tax obligations in corporate structures. In March 2022, the OECD released detailed technical guidance on Pillar Two of the rules.

Stakeholders raised concerns with the IASB about the potential implications on income tax accounting, especially accounting for deferred taxes, arising from the Pillar Two model rules. The IASB issued the final amendments International Tax Reform – Pillar Two Model Rules, in response to stakeholder concerns, on 23 May 2023. The amendments were effective immediately upon being released.

The Amendments introduce a mandatory exception to entities from the recognition and disclosure of information about deferred tax assets and liabilities related to Pillar Two model rules. The Amendments also provide for additional disclosure requirements with respect to an entity's exposure to Pillar Two income taxes.

In one of the jurisdictions where the Group operates, the tax laws have been enacted to implement the Pillar Two model rules but such new tax laws are not yet effective as at 31 December 2023.

3 NEW AND AMENDED IFRS ACCOUNTING STANDARDS (CONTINUE)

The new and amended accounting standards issued but not yet effective for the accounting period ended 31 December 2023 which are relevant to the Group but the Group has not early adopted are set out below:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ¹
Amendments to IAS 1	Non-current Liabilities with Covenants ¹
Amendment to IAS 7 and IFRS 7	Supplier Finance Arrangements ¹
Amendments to IAS 21	Lack of Exchangeability ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective for annual periods beginning on or after 1 January 2025

³ The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined

The directors of the Company anticipate that the application of these new and amended IFRS Accounting Standards will have no material impact on the results and the financial position of the Group.

4 REVENUE AND SEGMENT INFORMATION

The Group's revenue is as follows:

	2023 RMB'000	2022 RMB'000
Geophysics	5,672,348	4,756,990
Drilling engineering	39,803,724	36,814,540
Logging and mud logging	3,555,682	3,257,608
Special downhole operations	10,697,995	9,366,492
Engineering construction	17,817,700	17,436,238
Others	2,433,490	2,140,820
	<u>79,980,939</u>	<u>73,772,688</u>

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.

- 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)

Five reportable operating segments are as follows:

Inter-segment transfers are measured by reference to market price. The assets are allocated based on the operations of the segment and the physical location of the asset.

All assets are allocated to reportable segments other than certain property, plant and equipment, certain prepaid land leases, certain intangible assets, certain other non-current assets, certain inventories, certain contract assets, certain notes and trade receivables, certain prepayment and other receivables, certain cash and cash equivalents, and certain deferred tax assets.

All liabilities are allocated to reportable segments other than certain borrowings, certain deferred income, certain deferred tax liabilities, certain notes and trade payables, certain other payables, certain contract liabilities, and certain current income tax payable.

The resources related to interest income, interest expenses, interests in joint ventures, interests in associates, gain on investment, income tax expense as well as shared assets of all segments are centrally managed and accounted for by the Company, and thus are not allocated among segments.

Segment information of each reportable segment were reported and disclosed to the senior executive management in accordance with the accounting policies and the respective measurement bases. These accounting policies and measurement bases were the same as those used in for the preparation of the consolidated financial statements.

4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information (Continued)

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

(a) Segment results, assets and liabilities

For the year ended 31 December 2023 and as at that date, the segment results, assets and liabilities were as follows:

	Geophysics	Drilling engineering	Logging and mud logging	Special downhole operations	Engineering construction	Unallocated	Eliminated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
During the year ended 31 December 2023								
Segment revenue and results								
Revenue from external customers	5,672,348	39,803,724	3,555,682	10,697,995	17,817,700	2,433,490	-	79,980,939
Inter-segment revenue	107,976	2,370,872	3,088,804	551,490	34,420	6,639,421	(12,792,983)	-
Segment revenue	5,780,324	42,174,596	6,644,486	11,249,485	17,852,120	9,072,911	(12,792,983)	79,980,939
Reportable segment profit/(loss)	177,706	114,220	248,443	281,902	579,917	(981,524)	-	420,664
Other income	23,287	344,965	20,860	77,134	106,567	36,502	-	609,315
Other expenses	(12,440)	(69,061)	(6,520)	(3,670)	(5,477)	(17,604)	-	(114,772)
Profit/(loss) before income tax	188,553	390,124	262,783	355,366	681,007	(962,626)	-	915,207
Income tax expense								(339,124)
Profit for the year								576,083
Supplementary information								
Depreciation and amortisation								
- Property, plant and equipment	359,971	1,951,469	204,290	530,992	297,357	301,228	-	3,645,307
- Other non-current assets	171,697	1,949,614	173,755	267,620	10,092	69,673	-	2,642,451
- Intangible assets	191	373	634	8,470	12,714	157,991	-	180,373

4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information (Continued)

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

For the year ended 31 December 2023 and as at that date, the segment results, assets and liabilities were as follows: (Continued)

	Geophysics	Drilling engineering	Logging and mud logging	Special downhole operations	Engineering construction	Unallocated	Eliminated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
During the year ended 31 December 2023								
Capital expenditure								
- Property, plant and equipment	302,077	1,857,162	354,838	512,720	321,345	519,116	-	3,867,258
- Intangible assets	-	2,400	-	4,714	18,162	107,530	-	132,806
- Other non-current assets	50,898	2,570,035	137,244	386,021	126,956	84,214	-	3,355,368
(Reversal of provision for)/ Provision for ECL on trade receivables, net	(3,463)	(67,040)	(7,913)	(5,049)	(37,620)	(13,323)	-	(134,408)
Provision for ECL/(Reversal of provision for) on other receivables, net	983	2,655	(477)	(1,608)	(268,648)	2,509	-	(264,586)
(Reversal of provision for)/Provision for ECL on contract assets	(699)	(6,697)	432	(561)	3,139	136	-	(4,250)
As at 31 December 2023								
Assets								
Segment assets	6,249,564	10,614,355	4,457,471	8,124,855	22,914,821	24,186,553	(1,384,645)	75,162,974
Liabilities								
Segment liabilities	5,251,583	7,995,911	2,970,292	4,437,053	22,098,107	25,771,471	(1,384,645)	67,139,772

4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information (Continued)

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

For the year ended 31 December 2022 and as at that date, the segment results, assets and liabilities were as follows:

	Geophysics	Drilling engineering	Logging and mud logging	Special downhole operations	Engineering construction	Unallocated	Eliminated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
During the year ended 31 December 2022								
Segment revenue and results								
Revenue from external customers	4,756,990	36,814,540	3,257,608	9,366,492	17,436,238	2,140,820	-	73,772,688
Inter-segment revenue	111,765	2,741,580	2,810,395	598,371	103,722	7,045,592	(13,411,425)	-
Segment revenue	4,868,755	39,556,120	6,068,003	9,964,863	17,539,960	9,186,412	(13,411,425)	73,772,688
Reportable segment profit/(loss)								
Reportable segment profit/(loss)	33,329	608,255	321,038	332,297	316,388	(886,639)	-	724,668
Other income	19,936	81,225	11,337	6,554	99,721	47,819	-	266,592
Other expenses	(44,865)	(49,730)	(4,785)	(4,280)	(39,830)	(10,608)	-	(154,098)
Profit/(loss) before income tax	8,400	639,750	327,590	334,571	376,279	(849,428)	-	837,162
Income tax expense								(253,463)
Profit for the year								583,699
Supplementary information								
Depreciation and amortisation								
- Property, plant and equipment	345,261	1,960,365	197,647	529,509	287,390	313,618	-	3,633,790
- Other non-current assets	119,152	1,780,771	142,358	203,453	9,842	14,722	-	2,270,298
- Intangible assets	190	1,171	1,495	10,112	13,130	131,906	-	158,004

4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information (Continued)

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

For the year ended 31 December 2022 and as at that date, the segment results, assets and liabilities were as follows: (Continued)

	Geophysics	Drilling engineering	Logging and mud logging	Special downhole operations	Engineering construction	Unallocated	Eliminated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
During the year ended 31 December 2022								
Capital expenditure								
- Property, plant and equipment	585,413	2,259,002	195,919	714,069	596,172	617,128	-	4,967,703
- Intangible assets	3,189	80,694	-	1,166	5,561	45,504	-	136,114
- Other non-current assets	192,146	2,242,586	212,335	205,265	58,268	72,577	-	2,983,177
(Reversal of provision for)/ Provision for ECL on trade receivables, net	(26,011)	16,921	2,898	(25,273)	(81,936)	30,886	-	(82,515)
(Reversal of provision for)/ Provision for ECL on other receivables, net	(1,639)	11,091	951	695	(2,857)	(1,256)	-	6,985
Provision for ECL on contract assets	1,797	(1,315)	650	(64)	1,705	94,681	-	97,454
Written down of inventories to net realisable value	-	-	-	-	2,429	-	-	2,429
As at 31 December 2022								
Assets								
Segment assets	5,709,085	30,373,430	4,636,423	7,743,455	22,352,376	37,592,428	(37,199,136)	71,208,061
Liabilities								
Segment liabilities	4,680,689	24,488,460	3,359,394	4,850,991	21,672,974	41,924,955	(37,199,136)	63,778,327

Note: Capital expenditure includes additions resulting from an acquisition through business combination.

4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information (Continued)

(b) Geographical information

The following table sets out information about the geographical location. Revenue is based on the location in which revenue were derived. Specified non-current assets include property, plant and equipment, other non-current assets, intangible assets, interests in joint ventures and interests in associates, which are based on the physical location of the assets.

	Revenue from external customers	
	2023	2022
	RMB'000	RMB'000
The PRC	63,835,888	60,654,155
Middle East (Note)	9,830,963	9,399,935
Other countries	6,314,088	3,718,598
	79,980,939	73,772,688

	Specified non-current assets	
	2023	2022
	RMB'000	RMB'000
The PRC	28,152,481	28,834,098
Saudi Arabia	4,608,373	3,736,517
Other countries	2,463,120	1,545,361
	35,223,974	34,115,976

Note: Middle East and other countries are mainly represented Saudi Arabia and Kuwait.

(c) Major customer

For the years ended 31 December 2023 and 2022, revenue from customers which individually contributed over 10% of the Group's revenue is as follows:

	2023	2022
	RMB'000	RMB'000
Customer A	54,004,946	47,105,168

Revenue from this customer was derived from the operating segments of geophysics, drilling engineering, logging and mud logging, special downhole operations, engineering construction and accounted for more than 60% of the Group's revenue.

4 SEGMENT INFORMATION (CONTINUED)

Segment information (Continued)

(d) Analysis on revenue from contracts

For the years ended 31 December 2023 and 2022, the Group derives revenue from the transfer of goods and service at a point in time and over time in the following customers' segment for geophysics, drilling engineering, logging and mud logging, special downhole operations, engineering construction service:

	Geophysics RMB'000	Drilling engineering RMB'000	Logging and mud logging RMB'000	Special downhole operations RMB'000	Engineering construction RMB'000	Unallocated RMB'000	Total RMB'000
During the year ended 31 December 2023							
Timing of revenue recognition:							
- At a point in time	-	7,359	-	6,120	20,432	633,433	667,344
- Over time	5,672,348	39,796,365	3,555,682	10,691,875	17,797,268	1,800,057	79,313,595
Total	5,672,348	39,803,724	3,555,682	10,697,995	17,817,700	2,433,490	79,980,939
During the year ended 31 December 2022							
Timing of revenue recognition:							
- At a point in time	-	3,999	-	1,833	13,015	970,380	989,227
- Over time	4,756,990	36,810,541	3,257,608	9,364,659	17,423,223	1,170,440	72,783,461
Total	4,756,990	36,814,540	3,257,608	9,366,492	17,436,238	2,140,820	73,772,688

(e) Performance obligation of contracts with customers

The Group enters into petroleum engineering technical service contracts or construction contracts with customers to provide geophysical exploration, drilling, logging and mud logging, special downhole operations and surface engineering construction services of which rendering of services and construction contracts is completed according to the agreed schedule. When value of the completed work is confirmed and is certified, customers pay progress payments within 30-180 days after billing. Final billing and payment is made upon the completion and acceptance of the work.

In accordance with contracts and relevant legal requirement, the Group's engineering construction business provides quality assurance for the constructed assets. This type of quality assurance is an assurance-type warranty that ensures that the constructed assets fulfil the established quality standards, which does not constitute a single performance obligation.

5 FINANCE EXPENSES - NET

	2023	2022
	RMB'000	RMB'000
Finance income		
Interest income		
- Sinopec Group's subsidiaries	7,658	1,145
- Third parties and other financial institutions	15,991	14,263
	23,649	15,408
Finance expenses		
Interest expenses on borrowings wholly repayable within 5 years		
- Sinopec Group and its subsidiaries	(682,830)	(594,984)
- Third parties and other financial institutions	(79,730)	(49,261)
Interest expenses on lease liabilities		
- Sinopec Group and its subsidiaries	(15,854)	(26,516)
- Sinopec Group's associates and joint ventures	(7,399)	(13,698)
- Third parties	(19,203)	(19,845)
Exchange (loss)/gain, net	(34,952)	98,667
Bank and other charges	(77,754)	(37,367)
	(917,722)	(643,004)
	(894,073)	(627,596)

6 EXPECTED CREDIT LOSS ("ECL") AND WRITE-DOWN OF INVENTORIES TO NET REALISABLE VALUE

	2023	2022
	RMB'000	RMB'000
Reversal of ECL on trade and other receivables, net	(398,994)	(75,530)
(Reversal of ECL)/ECL on contract assets, net	(4,250)	97,454
Write down of inventories to net realizable value	-	2,429
	(403,244)	24,353

7 INVESTMENT INCOME

	2023	2022
	RMB'000	RMB'000
Investment income from financial assets at FVTOCI	1,200	500

8 OTHER INCOME

	2023 RMB'000	2022 RMB'000
Gain on disposal of property, plant and equipment, net	85,168	13,525
Gain on disposal of other non-current assets, net	2,675	12,363
Gain on debt restructuring	34,011	18,157
Government grants (Note)	350,293	107,386
Waived payables	20,509	14,711
Penalty income	2,508	4,290
Compensation received	3,489	8,201
Insurance claims	1,159	1,455
Asset surplus	90,682	41,648
Others	18,821	44,856
	<u>609,315</u>	<u>266,592</u>

Note:

For the years ended 31 December 2023 and 2022, 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.

9 OTHER EXPENSES, NET

	2023 RMB'000	2022 RMB'000
Loss on scraps of assets	22,011	71,538
Penalty	2,067	2,265
Donation	966	1,764
Compensation	1,314	9,016
Impairment loss on property, plant and equipment	4,957	-
Loss on disposal of a joint venture	13,003	-
Others	70,454	69,515
	<u>114,772</u>	<u>154,098</u>

10 PROFIT BEFORE INCOME TAX

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

	2023	2022
	RMB'000	RMB'000
Staff costs, including directors and supervisors emoluments	19,130,017	17,968,202
Retirement benefit plan contribution (including in the above mentioned staff costs)		
—Municipal retirement scheme costs	1,449,372	1,374,355
—Supplementary retirement scheme costs	722,845	695,202
Changes in inventories of finished goods and work in progress	(3,815)	(2,044)
Raw materials and consumables used	30,961,028	30,508,153
Depreciation and amortisation		
—Property, plant and equipment	3,645,307	3,633,790
—Other non-current assets	2,642,451	2,270,298
—Intangible assets	180,373	158,004
Short-term leases and leases with lease term of 12 months or less	2,953,666	1,504,664
ECL, net		
—Trade and other receivables	(398,994)	(75,530)
—Contract assets	(4,250)	97,454
Provision of impairment of assets, net		
—Inventories	-	2,429
—Property, plant and equipment	4,957	-
Rental income from property, plant and equipment after relevant expenses	(24,330)	(13,794)
Gain on disposal of property, plant and equipment, net	(85,168)	(13,525)
Gain on disposal of other non-current assets, net	(2,675)	(12,363)
Auditors' remuneration	7,200	7,200
Exchange loss/(gain), net	34,952	(98,667)

11 INCOME TAX EXPENSE

	2023 RMB'000	2022 RMB'000
Current tax		
PRC enterprise income tax	109,339	193,683
Overseas enterprise income tax	242,259	71,367
	<u>351,598</u>	<u>265,050</u>
Deferred tax		
Origination and reversal of temporary difference	(12,474)	(11,587)
	<u>339,124</u>	<u>253,463</u>

According to the Corporate Income Tax Law of the PRC, the applicable income tax of the years ended 31 December 2023 and 2022 is 25%.

According to the normal statutory PRC corporate income tax and relevant rules, apart from a certain subsidiaries of the Company subjected to the relevant development zone policy or participation in technology development and the PRC's western development project can enjoy 15% preferential tax rate during the period, for the years ended 31 December 2023 and 2022, the majority of the companies of the Group are subject to 25% income tax rate.

Taxes in other countries are calculated according to the tax laws where the related companies of the Group operate.

During the year ended 31 December 2023, Pillar Two legislation was enacted in Kuwait in which the Group operates. However, the legislation is not in effect by 31 December 2023 and therefore there is no current income tax impact for the year.

The Group is in the progress of assessing the impacts. Due to the complexity of the tax laws, the Group has yet to complete their assessment and therefore the effect is not yet reasonably estimated.

Following the amendments to IAS 12, the Group has not recognised deferred tax assets and liabilities, if any, related to Pillar Two income taxes.

11 INCOME TAX EXPENSE (CONTINUED)

Reconciliation between income tax expense and profit before income tax calculated at the statutory tax rate is as follows:

	2023 RMB'000	2022 RMB'000
Profit before income tax	915,207	837,162
Taxation calculated at the statutory tax rate	228,802	209,291
Income tax effects of:		
Difference in overseas profits tax rates	(11,339)	48,104
Non-deductible expenses	91,560	44,081
Utilization of unrecognized tax losses and deductible temporary differences	(28,915)	(84,828)
Unrecognized tax losses and deductible temporary differences	248,619	193,632
Adjustment of current tax in previous years	(38,439)	(4,102)
Equity method accounting for the joint ventures and associates' profit or loss	(4,552)	(1,268)
Research and development expenses	(146,612)	(151,447)
Income tax expense	339,124	253,463

12 EARNINGS PER SHARE

(a) Basic

For the years ended 31 December 2023 and 2022, the basic earnings per share is calculated by dividing the profit attributable to owners of the Company.

	2023	2022 (Restated)
Profit for the year attributable to owners of the Company (RMB'000)	576,083	583,699
Weighted average number of ordinary shares in issue (Shares)	18,984,340,033	18,984,340,033
Basic earnings per share (RMB)	<u>0.030</u>	<u>0.031</u>

(b) Diluted

For the years ended 31 December 2023 and 2022, the diluted earnings per share was the same as the basic earnings per share for the years as there were no dilutive potential ordinary shares in existence during both years.

13 DIVIDENDS

The Board of Directors of the Company do not recommend the payment of any dividend for the years ended 31 December 2023 and 2022.

14 TRADE RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables		
- Sinopec Group and its subsidiaries	3,927,454	4,362,460
- Joint ventures	20,354	11,341
- Sinopec Group's joint ventures and associates	73,269	20,031
- Third parties	8,814,526	8,541,180
	<u>12,835,603</u>	<u>12,935,012</u>
Less: ECL allowance	(2,233,361)	(2,397,795)
Trade receivables - net	<u>10,602,242</u>	<u>10,537,217</u>

As at 31 December 2023 and 2022, the Group's trade receivables were approximately their fair value.

The Group usually provides customers with credit term in the range of 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.

14 TRADE RECEIVABLES (CONTINUED)

Ageing analysis of notes and trade receivables net of ECL allowance based on invoice date is as follows:

	2023 RMB'000	2022 RMB'000
Within 1 year	10,052,405	9,942,031
1 to 2 years	416,954	380,380
2 to 3 years	73,512	93,954
Over 3 years	59,371	120,852
	<u>10,602,242</u>	<u>10,537,217</u>

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

	2023 RMB'000	2022 RMB'000
Balance at the beginning of the year	2,397,795	2,415,495
ECL allowance	20,878	46,630
Reversal	(155,286)	(129,145)
Others	1,532	139,507
Receivables write-off as uncollectible	(31,558)	(74,692)
At 31 December	<u>2,233,361</u>	<u>2,397,795</u>

15 NOTES AND TRADE PAYABLES

	2023 RMB'000	2022 RMB'000
Trade payables		
- Sinopec Group and its subsidiaries	2,481,469	2,406,778
- Joint ventures	90,398	107,009
- Sinopec Group's joint ventures and associates	3,636	16,074
- Third parties	23,798,425	23,071,367
	<u>26,373,928</u>	<u>25,601,228</u>
Notes payables	8,821,760	7,990,225
	<u>35,195,688</u>	<u>33,591,453</u>

15 NOTES AND TRADE PAYABLES (CONTINUED)

As at 31 December 2023 and 2022, the carrying amounts of the Group's notes and trade payables were approximately their fair value.

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

	2023	2022
	RMB'000	RMB'000
Within 1 year	34,328,566	32,987,429
1 to 2 years	563,627	370,450
2 to 3 years	156,428	63,688
Over 3 years	147,067	169,886
	<u>35,195,688</u>	<u>33,591,453</u>

7.3 Financial statements prepared in accordance with PRC ASBE

The following financial information has been extracted from the Company's audited financial statements, prepared in accordance with PRC ASBE for the year ended 31 December 2023.

Consolidated Balance sheet

(Expressed in thousands of Renminbi Yuan)

Assets	<u>31 December 2023</u>	<u>31 December 2022</u>
Current assets:		
Cash at bank and on hand	2,816,116	1,838,229
Bills receivable	-	-
Accounts receivable	10,602,242	10,537,217
Accounts receivable financing	2,735,081	1,468,340
Advances to suppliers	511,443	406,578
Other receivables	2,760,141	3,196,602
Inventories	1,204,295	1,116,341
Contract assets	16,203,248	15,613,899
Non-current assets due within one year	-	-
Other current assets	2,492,849	2,362,863
Total current assets	39,325,415	36,540,069
Non-current assets:		
Long-term equity investments	553,496	50,215
Other equity instrument investments	135,763	134,492
Fixed assets	24,870,821	24,896,607
Construction in progress	695,614	467,385
Right-of-use assets	799,633	1,012,350
Intangible assets	442,778	481,490
Long-term prepaid expenses	7,938,767	7,255,439
Deferred tax assets	400,687	370,014
Total non-current assets	35,837,559	34,667,992
Total assets	75,162,974	71,208,061

Consolidated Balance sheets (continued)

(Expressed in thousands of renminbi yuan)

Liabilities and shareholders' equity	<u>31 December 2023</u>	<u>31 December 2022</u>
Current liabilities:		
Short-term loans	19,907,435	17,923,208
Bills payable	8,821,760	7,990,225
Accounts payable	26,373,928	25,601,228
Contract liabilities	5,361,274	5,115,819
Employee benefits payable	863,071	570,290
Taxes payable	1,000,904	998,894
Other payables	3,362,683	2,728,144
Non-current liabilities due within one year	436,121	1,517,190
Other current liabilities	-	-
Total current liabilities	66,127,176	62,444,998
Non-current liabilities:		
Long-term loans	318,722	480,557
Lease liabilities	317,120	497,045
Long-term payables	58,829	74,657
Provisions	212,709	200,998
Deferred income	18,189	11,576
Deferred income tax liabilities	87,027	68,496
Total non-current liabilities	1,012,596	1,333,329
Total liabilities	67,139,772	63,778,327
Shareholders' equity:		
Share capital	18,984,340	18,984,340
Capital reserve	11,717,773	11,717,773
Other comprehensive income	22,618	5,232
Specific reserve	313,849	326,983
Surplus reserve	200,383	200,383
Retained earnings	-23,215,761	-23,804,977
Equity attributable to the owners of the Company	8,023,202	7,429,734
Minority interests	-	-
Total shareholders' equity	8,023,202	7,429,734
Total liabilities and shareholders' equity	75,162,974	71,208,061

Consolidated Income statements*(Expressed in thousands of Renminbi Yuan)*

	<u>2023</u>	<u>2022</u>
1.Revenue	79,980,939	73,772,688
2.Less:Cost of sales	74,187,497	68,003,487
Business taxes and surcharges	329,885	291,091
Selling and distribution expenses	82,689	75,044
General and administrative expenses	2,394,486	2,303,286
Research and development expenses	2,083,796	1,838,968
Financial costs	894,073	627,596
Including: Interest expense	805,017	704,304
Interest income	23,649	15,408
Add: Other income	350,293	70,682
Investment income	55,033	26,959
Including: Investment income from investment in association and joint venture	20,842	7,504
Credit impairment losses (loss in “-”)	398,994	75,530
Impairment losses on assets (loss in “-”)	-707	-99,883
Gains from disposal of non-current assets (loss in “-”)	87,843	25,888
3.Operating profit (loss in “-”)	899,969	732,392
Add: Non-operating income	138,187	151,067
Less: Non-operating expenses	109,816	154,098
4. Profit before income tax (loss in “-”)	928,340	729,361
Less: Income tax expenses	339,124	253,463
5.Net profit for the year (loss in “-”)	589,216	475,898
Classified by business sustainability:		
-Profit from continuing operations	589,216	475,898
-Profit from discontinued operations	-	-
Classified by ownership :		
- The owners’ of the Company	589,216	475,898
- Minority interests	-	-
6.Earnings per share :		
(1) Basic earnings per share (in RMB)	0.031	0.025
(2) Diluted earnings per share (in RMB)	0.031	0.025
7.Other comprehensive income for the year	17,386	-5,813
Other comprehensive income (net of tax) attributable to shareholders of the company	17,386	-5,813
8.Total comprehensive income for the year	606,602	470,085
Total comprehensive income for the year/period attributable to:		
- The owners’ of the Company	606,602	470,085
- Minority shareholders	-	-

Consolidated Cash flow statement
(Expressed in thousands of renminbi yuan)

	<u>2023</u>	<u>2022</u>
1. Cash flows from operating activities:		
Cash received from sale of goods	78,293,372	72,986,961
Refund of taxes	323,284	310,072
Cash received from other operating activities	4,506,142	4,884,147
	<u>83,122,798</u>	<u>78,181,180</u>
Sub-total of cash inflows		
Cash paid for goods and services	52,585,073	51,600,991
Cash paid to and for employees	19,028,159	17,956,468
Cash paid for all types of taxes	2,189,389	512,866
Cash paid relating to other operating activities	3,743,264	3,912,986
	<u>77,545,885</u>	<u>73,983,311</u>
Sub-total of cash outflows		
Net cash inflow from operating activities	<u>5,576,913</u>	<u>4,197,869</u>
2. Cash flows from investing activities :		
Cash received from the investment income	6,275	4,845
Net cash received from disposal of fixed assets	75,961	61,990
Cash received relating to other investing activities	11,983	
	<u>94,219</u>	<u>66,835</u>
Sub-total of cash inflows		
Cash paid for acquisition of fixed assets and intangible assets	4,153,602	3,892,997
Cash paid for other investing activities		125,000
	<u>4,153,602</u>	<u>4,017,997</u>
Sub-total of cash outflows		
Net cash outflow from investing activities	<u>-4,059,383</u>	<u>-3,951,162</u>

Consolidated Cash flow statement (continued)
(Expressed in thousands of renminbi yuan)

	<u>2023</u>	<u>2022</u>
3. Cash flows from financing activities:		
Cash received from borrowings	27,351,504	44,571,010
Sub-total of cash inflows	<u>27,351,504</u>	<u>44,571,010</u>
Cash paid for repayments of borrowings	26,568,095	44,491,653
Cash paid for distribution of dividend, profit or payments of interests	712,646	604,287
Cash paid for other financing activities	628,989	526,319
Sub-total of cash outflows	<u>27,909,730</u>	<u>45,622,259</u>
Net cash outflow from financing activities	<u>-558,226</u>	<u>45,622,259</u>
4. Effect of foreign exchange rate changes on cash and cash equivalents	28,344	130,386
5. Net decrease in cash and cash equivalents	987,648	-674,156
Add: Cash and cash equivalents at the beginning of the year	<u>1,801,150</u>	<u>2,475,306</u>
6. Cash and cash equivalents at the end of the year	<u>2,788,798</u>	<u>1,801,150</u>

Notes to cash flow statements

(Expressed in thousands of renminbi yuan)

(1) Supplement to cash flow statement

(a) Reconciliation of net profit to cash flows from operating activities:

<u>Item</u>	<u>2023</u>	<u>2022</u>
Net profit	589,216	475,898
Add: Impairment loss on assets	707	99,883
Impairment of credit losses	-398,994	-75,530
Depreciation of fixed assets and right-of use assets	3,641,742	3,630,574
Amortisation of intangible assets	183,938	161,220
Amortisation of long-term prepaid expenses	2,292,581	2,292,581
Losses/(gains) from disposal of fixed assets	-87,843	-25,888
Losses/(gains) on retirement of fixed assets	-68,671	32,093
Financial expenses	846,439	568,686
Investment losses	-55,033	-26,959
Decrease/(Increase) in deferred tax assets	-30,673	-66,150
Increase/(Decrease) in deferred tax liabilities	18,199	54,563
Decrease in gross inventories	-3-87,954	-30,350
Decrease in operating receivables	-5,522,350	-5,522,350
Increase in operating payables	2,521,797	2,521,797
Safety costs	107,801	107,801
Unexercised share-based payment		
Net cash inflow from operating activities	<u>5,576,913</u>	<u>4,197,869</u>

(b) Changes in cash and cash equivalents:

<u>Item</u>	<u>2023</u>	<u>2022</u>
Cash at the end of the year	2,788,798	1,801,150
Less: Cash at the beginning of the year	<u>1,801,150</u>	<u>2,475,306</u>
Net decrease in cash and cash equivalents	<u>987,648</u>	<u>-674,156</u>

(2) Details of cash and cash equivalents

<u>Item</u>	<u>2023</u>	<u>2022</u>
Cash on hand	1,551	2,992
Bank deposits available on demand	2,786,895	1,797,634
Other monetary funds available on demand	352	524
Closing balance of cash	<u>2,788,798</u>	<u>1,801,150</u>
Add: Restricted cash	<u>27,318</u>	<u>37,079</u>
Closing balance of cash and cash equivalents	<u>2,816,116</u>	<u>1,838,229</u>

Statement of changes in shareholders' equity

(Expressed in thousands of Renminbi Yuan)

	<u>2023</u>							
	Share capital	Capital reserve	Other comprehensive income	Specific reserve	Surplus reserve	Retained earnings	Minority interests	Total shareholders' equity
1. Balance at 31 December 2022	18,984,340	11,717,773	5,232	326,983	200,383	-23,804,977		7,429,734
Adjustment for the acquisition of the acquired group	-	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-	-
2. Balance at 1 January 2020	18,984,340	11,717,773	5,232	326,983	200,383	-23,804,977		7,429,734
3 Changes in equity for the year (“-” for decreases)	-	-	17,386	-13,134	-	589,216	-	593,468
(1) Total comprehensive income	-	-	17,386	-	-	589,216	-	606,602
(2) Increase or decrease of capital	-	-	-	-	-	-	-	-
a. Original stock of surplus reserve	-	-	-	-	-	-	-	-
b. Share payments recognised in equity	-	-	-	-	-	-	-	-
c. Others	-	-	-	-	-	-	-	-
(3) Appropriation of profits	-	-	-	-	-	-	-	-
a. Appropriation for surplus reserve	-	-	-	-	-	-	-	-
b. Distributions to shareholders	-	-	-	-	-	-	-	-
(4) Transfer of equity	-	-	-	-	-	-14,868	-	-
(5) Specific reserve	-	-	-	-13,134	-	-	-	-13,134
(a) Accrued	-	-	-	1,230,578	-	-	-	1,230,578
(b) Utilised	-	-	-	1,243,712	-	-	-	1,243,712
(6) Others	-	-	-	-	-	-	-	-
4. Balance at 31 December 2023	18,984,340	11,717,773	22,618	313,849	200,383	-23,215,761	-	8,023,202

Statement of changes in shareholders' equity

(Expressed in thousands of Renminbi Yuan)

	<u>2022</u>							
	Share capital	Capital reserve	Other comprehensive income	Specific reserve	Surplus reserve	Retained earnings	Minority interests	Total shareholders' equity
1. Balance at 31 December 2021	18,984,340	11,717,773	-3,823	219,182	200,383	-24,256,338	-	6,861,517
Adjustment for the acquisition of the acquired group	-	-	-	-	-	-9,669	-	-9,669
Business combination under common control	-	-	-	-	-	-	-	-
2. Balance at 1 January 2019	18,984,340	11,717,773	-3,823	219,182	200,383	-24,266,007	-	6,851,848
3. Changes in equity for the year ("-" for decreases)	-	-	-3,823	107,801	-	461,030	-	577,886
(1) Total comprehensive income	-	-	-3,823	-	-	475,898	-	470,085
(2) Increase or decrease of capital	-	-	-	-	-	-	-	-
a. Original stock of surplus reserve	-	-	-	-	-	-	-	-
b. Share payments recognised in equity	-	-	-	-	-	-	-	-
c. Others	-	-	-	-	-	-	-	-
(3) Appropriation of profits	-	-	-	-	-	-	-	-
a. Appropriation for surplus reserve	-	-	-	-	-	-	-	-
b. Distributions to shareholders	-	-	-	-	-	-	-	-
(4) Transfer of equity	-	-	14,868	-	-	-14,868	-	-
(5) Specific reserve	-	-	-	107,801	-	-	-	107,801
(a) Accrued	-	-	-	1,321,549	-	-	-	1,321,549
(b) Utilised	-	-	-	1,213,748	-	-	-	1,213,748
(6) Others	-	-	-	-	-	-	-	-
4. Balance at 31 December 2022	18,984,340	11,717,773	-3,823	326,983	200,383	-23,804,977	-	7,429,734

7.4 Reconciliation statement of differences in the financial statements prepared under different financial reporting standards

The differences between and the financial statements prepared under IFRS and PRC ASBE are as follows:

(Expressed in thousands of Renminbi Yuan)

	Net profit attributable to equity shareholders of the Company		Net assets attributable to the shareholders of the Company	
	For the year ended 31 December		At 31 December	
	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts under PRC ASBE	589,216	475,898	8,023,202	7,429,734
Adjustments under IFRS:				
Specific reserve (a)	-13,133	107,801		
Amounts under IFRS	576,083	583,699	8,023,202	7,429,734

(a) Specific reserve

Under PRC ASBE, accrued production safety fund is recognised as expense in profit or loss and separately recorded as a specific reserve in shareholders' equity according to the national regulation. As using production safety fund, if it is profit or loss related, the cost of expenditure is directly charged against the specific reserves. While if it is capital expenditure related, the cost of fixed asset is offset against the specific reserves and the same amount of accumulated depreciation is recognised, then the fixed asset is no longer depreciated in its useful life. Under IFRS, these expenses are recognised in profit or loss as and when incurred. Relevant capital expenditure are recognised as property, plant and equipment and depreciated according to the relevant depreciation method.

8. OTHER ITEMS

(1) Annual Report

The Company's 2023 Annual Report will be published on the HKEx News website of the Hong Kong Stock Exchange and the Company's website as soon as practicable.

(2) Compliance with the Corporate Governance Code and the Model Code

For the year ended on 31 December 2023, the Company has complied with all the code provisions under the Corporate Governance Code set out in Appendix C1 to the Hong Kong Listing Rules.

The Company has adopted the Model Code as contained in Appendix C3 to the Hong Kong Listing Rules. Having specifically inquired all the Directors, Supervisors and senior management, the Company confirms that its Directors, Supervisors and senior management have fully complied with the Model Code during the reporting period.

During the reporting period, the Audit Committee of the Board held five meetings and reviewed the Company's 2022 Financial Statements, Interim Report for 2023 and continuing connected transactions and formed its independent opinion.

The Audit Committee of the tenth session of the Board held the fifteenth meeting on 22 March 2024 and reviewed and passed the resolution regarding the 2023 Financial Statements, proposed re-appointment of the auditors of the Company and performance report of the Audit Committee of the Company.

(3) Purchase, sale or redemption of the Company's listed securities

During the year ended at 31 December 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

(4) Annual results review

The annual results for the year ended 31 December 2023 have been reviewed by the Audit Committee of the Board of the Company, and the Audit Committee has no different opinions on the annual results.

(5) A detailed Annual Report of the Company containing all the information required by Paragraphs 6 to 36 (the first and last paragraphs included) of Appendix D2 to the Hong Kong Listing Rules will be published on the website of the HKSE in due course.

This announcement is published in both Chinese and English. Should there be any discrepancy between the English version and the Chinese version, the Chinese version shall prevail.

By Order of the Board
Shen Zehong
Company Secretary

26 March 2024, Beijing

As at the date of this announcement, the Board of Directors comprises Mr. Chen Xikun#, Mr. Fan Zhonghai+, Mr. Wei Ran+, Mr. Zhou Meiyun+, Mr. Chen Weidong, Mr. Dong Xiucheng* and Mr. Zheng Weijun*.*

Executive Director

+ Non-Executive Director

** Independent Non-Executive Director*