



# 中国石化 SINOPEC

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

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



Interim Report **2024**

# IMPORTANT NOTES

1. The Board and the Supervisory Committee of the Company and its directors, supervisors and senior management warrant that there are no false representations, misleading statements or material omissions in this Interim Report and individually and jointly accept full responsibility for the authenticity, accuracy and completeness of the information contained in this Interim Report.
2. The 2024 Interim Report has been approved at the fourth meeting of the eleven session of the Board. 7 of directors of the Company attended the meeting. Ms. Zhang Lili and Mr. Xu Keyu, Directors, were absent from the meeting due to official affairs, but had authorized Mr. Zhao Jinhai, a director, Mr. Zheng Weijun, an independent director, to attend the meeting and exercise their rights respectively.
3. The interim financial statements of the Company for 2024, which have been prepared in accordance with the PRC Accounting Standards for Business Enterprises ("PRC ASBE") and International Financial Report Standards ("IFRS"), are unaudited. But the interim financial statements of the Company for 2024 which have been prepared in accordance with IFRS have been reviewed by BDO Limited.
4. Mr. Wu Baizhi, Chairman, Mr. Zhang Jiankuo, General Manager, Mr. Cheng Zhongyi, Chief Financial Officer and Manager of the Accounting Department of the Company, hereby warranted the authenticity, accuracy and completeness of the financial report contained in the Interim Report.
5. According to the Articles of Association, the Board resolved that no interim cash dividend was paid for the year ended 31 December 2024, and no issue of bonus shares by way of capitalization of common reserves.
6. The Company's forward-looking statement about the development strategy in the future and operation plan does not constitute its substantive commitment to investors, and the Company would ask investors to notice the investment risks.
7. There was no occupancy of non-operating funds by the controlling shareholder of the Company and its connected parties.
8. The Company did not provide external guarantees made in violation of required decision-making procedures.
9. There is no situation where more than half of the directors of the Company cannot guarantee the authenticity, accuracy and completeness of the Company's 2024 Interim Report.
10. There are no significant risks that need to be prompted in the Company.

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## Section I Definitions

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

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

## Section II Company Profile and Principal Financial Indicators

### 1. Company Information

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

### 2. Contact Information

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

### 3. The Changes for the Company Profile

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

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

Domestic newspapers disclosing information	China Securities, Shanghai Securities News, Securities Times
Internet website designated by stock exchange to publish the Interim Report	<a href="http://www.sse.com.cn">www.sse.com.cn</a> <a href="http://www.hkexnews.hk">www.hkexnews.hk</a>
Place where the Interim Report available for inspection	Office of the board of directors of the Company

### 5. Stock Briefs

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

## Section II Company Profile and Principal Financial Indicators

### 6. Other Related Information

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

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

#### (1) Key financial data

	For the six months ended 30 June 2024	For the six months ended 30 June 2023	Increase/(Decrease)
	RMB' 000	RMB' 000	(%)
<b>Operating income</b>	36,821,444	37,133,528	-0.8
<b>Operating profit</b>	692,652	534,827	29.5
<b>Profit before income tax</b>	781,564	541,574	44.3
<b>Net profit attributable to equity shareholders of the Company</b>	451,807	325,904	38.6
<b>Net profit deducted extraordinary gain and loss attributable to equity shareholders of the Company</b>	251,181	285,044	-11.9
<b>Net cash inflow from operating activities ("-" for outflow)</b>	-190,066	421,612	-145.1

	As at 30 June 2024	As at 31 December 2023	Increase/(Decrease)
	RMB' 000	RMB' 000	(%)
<b>Total equity attributable to equity shareholders of the Company</b>	8,724,132	8,023,202	8.7
<b>Total assets</b>	75,900,751	75,162,974	1.0

## Section II Company Profile and Principal Financial Indicators

### (2) Key financial indicators

	For the six months ended 30 June 2024	For the six months ended 30 June 2023	Increase/(Decrease) (%)
Basic earnings per share (RMB/share)	0.024	0.017	41.2
Diluted earnings per share (RMB/share)	0.024	0.017	41.2
Basic earnings per share deducted extraordinary gain and loss (RMB/share)	0.013	0.015	-13.3
Weighted average return on net assets	5.48%	4.29%	increased by 1.19 percentage points
Weighted average return on net assets deducted extraordinary gain and loss	3.04%	3.75%	decreased by 0.71 percentage points

Explanations for key financial data and key financial indicators.

Applicable  Not Applicable

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

	Net profit attributable to equity shareholders of the Company		Net assets attributable to equity shareholders of the Company	
	For the six months ended 30 June 2024	For the six months ended 30 June 2023	As at 30 June 2024	As at 1 January 2024
	RMB' 000	RMB' 000	RMB' 000	RMB' 000
PRC ASBE	451,807	325,904	8,724,132	8,023,202
<b>Adjustment of items and amount in accordance with the IFRS:</b>				
Specific reserve (a)	301,143	323,216	–	–
IFRS	752,950	649,120	8,724,132	8,023,202

#### (a) Specific reserve

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

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

Extraordinary gain and loss items	Amount (RMB' 000)
Gains and losses on disposal of non-current assets, including write-offs of provision for impairment of assets	62,881
Government subsidies included in the current profits and losses, except those that are closely related to the normal business operations of the Company, comply with the national policies and regulations, are enjoyed in accordance with the determined standards, and have a continuous impact on the profits and losses of the Company	11,170
Reversal of provision for impairment of receivables individually tested for impairment	101,793
Gain or loss on debt restructuring	12,408
Other non-operating income and expenses excluding the aforesaid items	69,993
Effect of income tax	-57,619
Total	200,626

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

Applicable  Not Applicable

## Section II Company Profile and Principal Financial Indicators

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

	As at	As at	Increase/(Decrease)
	30 June 2024	31 December 2023	From last year
	RMB' 000	RMB' 000	(%)
<b>Total assets</b>	75,900,751	75,162,974	1.0
<b>Total liabilities</b>	67,176,619	67,139,772	0.1
<b>Total equity attributable to equity shareholders of the Company</b>	8,724,132	8,023,202	8.7
<b>Net assets per share attributable to equity shareholders of the Company (RMB)</b>	0.46	0.42	9.5

	For the	For the	Increase/(Decrease)
	six months ended	six months ended	from corresponding
	30 June 2024	30 June 2023	period of last year
	RMB' 000	RMB' 000	(%)
Profit attributable to equity shareholders of the Company	752,950	649,120	16.0
Basic and diluted earnings per share	RMB0.040	RMB0.034	17.6
Net cash generated from/(used in) operating activities	(190,066)	421,612	(145.1)
Return on net assets	8.58%	8.03%	increased by 0.55 percentage points
Net cash generated from/(used in) operating activities per share	RMB(0.010)	RMB0.022	(145.5)



# Section III Discussion and Analysis of Management

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

With more than 60 years of business operation and rich experience in project execution, the Company is a large-scale, integrated, and professional oil and gas engineering and technical service company in China and a leader in providing integrated and full industrial-chain oilfield services. As at 30 June 2024, the Company provided oil and gas engineering services with more than 70 basins and 550 blocks in more than 20 provinces in China, while its overseas business keeps growing with provision of oilfield technology services in more than 30 countries and regions.

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

The Company has a technological R&D supporting system covering the full industrial-chain from oil and gas exploration to production and is able to provide integrated services in high-acid oil & gas, tight oil & gas, shale oil, shale gas and heavy oil reservoirs. The Company was awarded National first prize for Progress in Science and Technology and the Golden Prize of National High-Quality Project for the Sichuan-Eastern China Natural Gas Transmission Pipeline project. The Company has shale gas petroleum engineering supporting technologies featuring five technological series of drilling, logging, fracturing and testing, equipment manufacturing, and engineering and construction and has completed the ultra-deep shale gas well Qiyeshen 1, with a reservoir vertical depth of 4,881 meters, and the ultra-long horizontal shale gas well Jiaoye 18-S12HF, with a horizontal section length of 4,286 meters. Most key and core technologies have realized localization, which making the Company a national leader in this respect.

Committed to the vision of “serving customers, supporting oil and gas, leading technology, creating value”, the Company will vigorously promote its development strategy of specialized, market-oriented, international, high-end and distinctive business. It will expand its business from onshore to offshore fields, from domestic to international markets, from conventional to unconventional fields, and from single engineering service to integrated reservoir services in order to realize its corporate vision—a world-class technology leading oilfield service company.

In the first half of 2024, the oilfield service industry remained a high level of prosperity. From a macro perspective, the world economy continued to recover slowly, China's economy stabilized and rebounded, market expectations improved significantly, and gross domestic product (GDP) grew by 5.0% year-on-year, which promoted the sustained growth of domestic market demand for refined oil and natural gas. From the perspective of the industry, international oil prices fluctuated at a high level, with the average spot price of Brent crude oil in the North Sea at \$83.8 per barrel, up 5.0% from the same period in 2023, and domestic crude oil and natural gas production increased steadily. From the Company's perspective, driven by the national energy security strategy and the “seven-year action plan” for increasing reserves and production, the Company achieved good growth in amount of newly signed contracts and operating results.

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

The Company has service capabilities covering the entire oilfield service industry chain. As at 30 June 2024, the Company has 614 onshore drilling rigs (among them, 337 units above 7,000 meters), 10 offshore drilling platforms, 60 sets of seismic acquisition equipment and 133 sets of imaging logging tools, 612 sets of logging instruments, 360 sets of Model 2500 and above fracturing trucks, 79 sets of 750 HP and above workover rigs and 1,555 professional teams in drilling, geophysical exploration, and other fields. The Company has ranked top in the comprehensive ranking of drilling contractors of Saudi Aramco, Kuwait Oil Company and Ecuador National Oil Company for many years, and is an important international geophysical contractor in Algeria.

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

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

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

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

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

## 3. Discussion and Analysis of Operation

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

### Interim results

In the first half of 2024, the Company firmly grasped the boom cycle of the oilfield service industry, continued to optimize production and operation, strengthened integrated operation with oil companies, improved engineering and technical service capabilities, and achieved stable and efficient production and operation. The Company optimized market layout, continued to expand the proportion of high-end business in overseas markets, and achieved a good year-on-year growth in the amount of newly signed contracts, deepened the optimization of human resources, assets and other resources, tapped the potential of cost reduction, promoted the transformation of innovation advantages into industrial advantages, and maintained good growth in business performance. During the first half of 2024, the consolidated revenue of the Company was RMB36,821,444,000, representing a decrease of 0.8% over RMB37,133,528,000 in the same period of the previous year. Net profit attributable to shareholders of the Company amounted to RMB451,807,000, representing an increase of 38.6% from RMB325,904,000 in the same period of the previous year. Basic earnings per share was RMB0.024, representing an increase of RMB0.007 over the same period of the previous year.

## Section III Discussion and Analysis of Management

### Operation review

In the first half of 2024, the Company carried out in-depth reform, deepening and upgrading actions, strived to promote the integrated planning and in-depth sharing of resources such as market, manpower and equipment. Supported by optimizing production operation and project management, the Company focused on changes in domestic and foreign market situations, consolidated and expanded high-quality and large-scale markets. The market structure became more reasonable, risk management was more controlled, and production and operation indicators were growing well. In the first half of the year, the amount of newly signed contracts reached the best level in the same period since the “13th Five-Year Plan”, and our accumulated value of newly signed contracts amounted to RMB61.68 billion, representing a year-on-year growth of 15.4%. Among which, the value of our newly signed contracts in the market of China Petrochemical Corporation reached RMB33.36 billion, representing a year-on-year increase of 6.2%; the value of our newly signed contracts in the domestic external markets reached RMB16.90 billion, representing a year-on-year growth of 61.4%; and the value of our newly signed contracts in the overseas markets reached RMB11.42 billion, representing a year-on-year decrease of 1.3%.

#### A. Geophysical service

In the first half of 2024, the Company's operation revenue from the principal business of geophysical service was RMB2,146,740,000, representing an increase of 6.3% from RMB2,019,633,000 in the same period of the previous year. The completed 2D seismic exploration accumulated for 1,343 kilometers, representing a year-on-year decrease of 39.4%; while the completed 3D seismic exploration accumulated for 7,075 square kilometers, representing a year-on-year increase of 43.8%. In the first half of the year, the Company took serving exploration and development as its core responsibility, used high-quality geophysical data to effectively support and ensure the stability of oil and gas production in the old areas of eastern region. Major breakthroughs were made in the Sichuan Basin, Shunbei, carbonate rock oil and gas reservoirs, shale gas and continental shale oil. The first-class rate of seismic data reached 90.5%, representing an increase of 3.1 percentage points over the contract requirements; actively participated in oil and gas exploration in key domestic areas such as the eastern part of Shengli and the Tarim Basin. We have newly signed the Linfanjia 3D seismic acquisition project of Sinopec Shengli Oilfield with a contract value of RMB110 million, and newly signed 3D seismic exploration data acquisition project for the Shunbei 21 Well Area of Shuntuoguole West Block of Tarim Basin in Sinopec Northwest Oilfield 2024 with a contract value of RMB230 million.

#### B. Drilling service

In the first half of 2024, the Company's operation revenue from the principal business of drilling service was RMB18,880,289,000, representing an increase of 0.1% from RMB18,867,990,000 in the same period of the previous year. Our completed drilling footage reached 5,480 kilometers, representing a year-on-year decrease of 2.3%, which completed 51.4% of the annual plan and exceeded the planned progress of operation. The Company continued to optimize the size of our team and enhance the reasonableness of our team layout, the drilling footage of a single team increased by 5% year-on-year. The Company comprehensively deepened the integrated operation of Party A and Party B with focus on managing operation and providing technical support for key wells and demonstration wells, and continuously improved the quality and efficiency of service, with good results achieved in the “Four Improvements” and “Five Transformations” initiatives. The Shunzhong 6-2X well was completed with a depth of 9,134 meters and the drilling cycle was 100.75 days, setting the shortest record for drilling cycle at a depth of 9,000 meters in Sinopec. The integrated application of “high-quality coring + long horizontal section drilling + ultra-high pressure volume fracturing technology” in the Ziyang 2 well produced 1.257 million cubic meters of high-yield shale gas flow per day, helping to achieve a major breakthrough in shale gas exploration in the Sichuan Basin.

#### C. Logging and mud logging service

In the first half of 2024, the Company's operation revenue from the principal business of logging and mud logging service was RMB1,602,140,000, representing an increase of 2.4% from RMB1,564,589,000 in the same period of the previous year. Our completed logging projects accumulated for 126,550,000 standard meters, representing a year-on-year decrease of 19.4%, whereas our completed mud logging projects accumulated for 4,200 kilometers, representing a year-on-year decrease of 8.7%. The Company continued to promote technology research and development, made progress in technologies such as electromagnetic through-casing resistivity and optical fiber logging, increased the application of technologies such as general logging integration, tractor and complex reservoir processing and interpretation, and maintained good indicators. Quality indicators such as one-time success rate of logging and excellent rate of mud logging data increased steadily, and the ability of service guarantee for oil and gas exploration and development continued to improve.

#### D. Downhole operation service

In the first half of 2024, the Company's operation revenue from the principal business of downhole operation service was RMB5,569,305,000, representing a year-on-year increase of 18.5% as compared with RMB4,699,568,000 in the same period of the previous year. We completed downhole operation for 2,545 wells times, with a year-on-year decrease of 28.8%, and the fracturing construction efficiency in key work areas increased by 11.2% year on year. The Company assisted Sinopec to achieve production breakthroughs in multiple exploration areas. The fracturing test of Xingye 9 Well produced 108 cubic meters of oil and 15,800 cubic meters of gas per day for high-yield shale oil and gas flow. The 175MPa ultra-high pressure fracturing equipment was used for the first time in Qiye Shen 1 Well, providing safety and technical assurance for ultra-deep shale gas exploration and development. We strengthened the integrated coordination efforts of geological engineering, and further promoted the cooperative development of difficult-to-use reserves. We continued to increase cooperation efforts in Shengli, Zhongyuan, Southwest and other regions, 54 cooperative blocks were added, 26.73 million tons of reserves were used and 400,000 tons of production capacity was newly constructed in the first half of the year.

## Section III Discussion and Analysis of Management

### E. Engineering and construction service

In the first half of 2024, the Company's operation revenue from the principal business of engineering and construction service was RMB7,258,740,000, representing a year-on-year decrease of 17.8% from RMB8,830,866,000 in the same period of the previous year. Our accumulated value of newly signed contracts amounted to RMB17.79 billion, representing a year-on-year increase of 19.4%. We completed projects with an accumulated contract value of RMB7.54 billion, representing a year-on-year decrease of 16.5%. In the first half of the year, 71 key projects constructed by the Company were operated safely and orderly. The 193-kilometer "Gaoyou Gas Transmission Pipeline and Northeast Anhui Pipeline Project" participated by the Company was successfully put into operation for the first time. Key projects such as Daniudi Ethane Recovery, Puguang Gas Field Wet Gas Pressurization, and Hongxing Jiannan Block Purification Station fully started their construction works to assist Sinopec in increasing reserves and production. We have newly signed natural gas pipeline projects with PipeChina with a total contract value of RMB6.52 billion, and newly signed the second tender section for the construction of a 250,000-tonnage crude oil import berth and ancillary engineering works at Dongying Port with a contract value of RMB1.43 billion.

### International business

In the first half of 2024, the Company's operation revenue from the principal business of international business was RMB8,890,871,000, representing a year-on-year growth of 14.0% from RMB7,795,859,000 in the same period of the previous year, accounting for 24.4% of the revenue from our principal business in the first half of the year. In the first half of the year, the overseas business of the Company achieved an effective breakthrough. In the Saudi market, the Company renewed the contracts for 6 unconventional gas well drilling rig projects and S84 3D acquisition geophysical exploration project of Saudi Aramco, and won the bid for Packages 6 and 7 of the Phase 3 Pipeline Project Clusters of the Master Gas System. In the Kuwait market, the Company won the bid for 11 drilling and workover rig projects of Kuwait National Petroleum Corporation. In the Ecuadorian market, the contract for the second phase drilling and completion project of SACHA Oilfield was successfully renewed. Other long-term ground business projects in Uganda, Thailand and other countries were progressing well.

### Technology research & development

In the first half of 2024, the Company concentrated its superior resources to solve the exploration and development problems, the quality and efficiency of scientific and technological innovation continued to improve. The fully automatic shale oil drilling rig entered the commissioning stage; casing drilling technology was successfully cumulative applied to 14 wells, shortening the drilling cycle by more than 20%; the self-developed rotary steering was cumulatively applied to 249 wells, with a footage of 310,000 meters and a maximum single-trip drilling time of 325 hours; the boundary detection technology for resistivity logging while drilling achieved a deep side detection distance from 5 meters to 30 meters, which was cumulatively applied to a total of 56 wells, and the drilling rate of high-quality reservoirs increased from less than 80% to 92%. The 40,000-ton chemical agent industrialization base in Shengli Shikou was completed and put into production, the production capacity of the Zhongyuan chemical agent industrialization base reached 70,000 tons, the internal mutual supply rate of high-end instruments and tools increased from 20% to 76%, and the transformation of scientific and technological achievements and product industrialization achieved an output value of RMB2.1 billion. The fusion and application of systems, such as integrated decision-making for well site acquisition, digital twin technology for well drilling and completion and geological engineering integration had effectively supported real-time optimization and intelligent decision-making for well drilling and completion. In the first half of the year, the Company applied for 478 patents, including 292 invention patents.

### Internal reform and management

In the first half of 2024, the Company continued to lay a solid foundation for high-quality development around integrated operations and the development of specialized businesses. The Company studied and formulated the Work Plan for Improving Asset Operation and Creation of Efficiency to carry out professional integration for coordination and adjustment of assets, leasing, disposal and bidding businesses, establishing asset operation branches, building a coordination and sharing platform for resources and breaking down the barriers to asset adjustment and activation between subsidiaries, as a result 1,372 sets of equipment were adjusted and activated, 1,166 sets were leased, and assets worth RMB630 million were disposed of, improving the asset operation and efficiency creation capabilities of assets. A new integrated equipment investment model of "manufacturing + industrial and financing integration + expansion services" was innovatively implemented, which had orderly enabled the construction progress of the Northwest and South Xinjiang Automation Demonstration Zone, strengthened the deployment of key core equipment, optimized the investment in pressure reduction equipment and effectively alleviated capital pressure, the entire chain was optimized with reduced costs, and the reduction of costs and expenses of RMB410 million was completed in the first half of the year.

### Capital expenditure

In the first half of 2024, the Company had a capital expenditure of RMB520 million, with a year-on-year increase of 48.5%. The Company adhered to the "proactive and prudent" investment principle, optimized investment structure, strengthened resource coordination, and continued to play the leading and supporting role of investment, mainly for purchasing 7 new drilling rigs, upgrading 3 drilling rigs, self-developing 3 sets of rotary steering instruments, purchasing 8 fully automatic workover rigs, 4 sets of string automation equipment, 60 high-power generators, 29 sets of grid electrical devices, 37 sets of power catwalks, 2 sets of high-temperature measurement while drilling instruments, 50000 wireless node acquisition instruments, and building a dual-fuel support ship.

## Section III Discussion and Analysis of Management

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

Applicable  Not Applicable

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

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

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

	For the six months ended 30 June 2024	For the six months ended 30 June 2023	Change
	RMB' 000	RMB' 000	(%)
Operating income	36,821,444	37,133,528	-0.8
Operating costs	33,864,636	34,406,386	-1.6
Selling and distribution expenses	28,842	31,421	-8.2
General and administrative expenses	960,299	1,038,184	-7.5
Net financial expense	346,091	373,817	-7.4
Research and development expenditure	1,115,981	815,114	36.9
Net cash inflow from operating activities ("-" for outflow)	-190,066	421,612	-145.1
Net cash inflow from investing activities ("-" for outflow)	-1,092,906	-1,633,442	Not applicable
Net cash inflow from financing activities	1,508,206	1,100,090	37.1

Reasons for the changes:

- (a) The change in operating revenue was mainly due to the decrease in cross-year workload of oil engineering construction business.
- (b) The change in operating costs was mainly due to the decrease in cost caused by the decrease in revenue and the market structure change in workload.
- (c) The change in selling and distribution expenses was mainly due to the reduction of labor costs as a result of the implementation of work efficiency linked assessment.
- (d) The change in administrative expenses was mainly due to the reduction in labor costs as a result of the optimization and streamlining of the management structure.
- (e) The change in financial expense was mainly due to the optimization of loan structure and the corresponding decrease in interest expenses for early repayment of some US dollar loans.
- (f) The change in research and development expenditure was mainly due to the acceleration of the implementation of research and development projects.
- (g) The change in net cash inflow from operating activities was mainly due to the increase in payments of suppliers and subcontractors.
- (h) The change in net cash inflow from investing activities was mainly due to a year-on-year decrease of equipment purchase expenses.
- (i) The change in net cash inflow from financing activities was mainly due to a year-on-year increase in volume of credit.

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

Applicable  Not Applicable

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

Applicable  Not Applicable

## Section III Discussion and Analysis of Management

### (3) Statement of assets and liabilities analysis

#### A. Assets and liabilities

Item	Amount at 30 June 2024	Percentage of amount at 30 June 2024 in total assets	Amount at 31 December 2023	Percentage of amount at 31 December 2023 in total assets	Changes from the end of the preceding year to the end of the reporting period
	RMB' 000	(%)	RMB' 000	(%)	
Cash at bank and on hand	3,005,730	4.0	2,816,116	3.7	6.7
Accounts receivable	9,438,839	12.4	10,602,242	14.1	-11.0
Receivable financing	1,385,577	1.8	2,735,081	3.6	-49.3
Prepayment	737,517	1.0	511,443	0.7	44.2
Inventories	2,330,945	3.1	1,204,295	1.6	93.6
Contractual Assets	20,239,946	26.7	16,203,248	21.6	24.9
Other current assets	2,779,561	3.7	2,492,849	3.3	11.5
Long-term equity investments	499,535	0.7	553,496	0.7	-9.7
Investment in other equity instruments	135,763	0.2	135,763	0.2	0.0
Fixed assets	23,632,781	31.1	24,870,821	33.1	-5.0
Construction in progress	493,540	0.7	695,614	0.9	-29.0
Right-of-use assets	835,826	1.1	799,633	1.1	4.5
Intangible assets	349,238	0.5	442,778	0.6	-21.1
Long-term deferred and prepaid expenses	6,705,176	8.8	7,938,767	10.6	-15.5
Short-term borrowings	22,100,000	29.1	19,907,435	26.5	11.0
Bill payable	9,049,739	11.9	8,821,760	11.7	2.6
Accounts payable	25,240,541	33.3	26,373,928	35.1	-4.3
Contractual liabilities	4,086,809	5.4	5,361,274	7.1	-23.8
Other payables	3,805,903	5.0	3,362,683	4.5	13.2
Non-current liabilities due within one year	580,811	0.8	436,121	0.6	33.2
Long-term borrowings	0	0.0	318,722	0.4	-100.0
Lease liabilities	426,791	0.6	317,120	0.4	34.6
Long-term payable	82,850	0.1	58,829	0.1	40.8
Deferred income	20,784	0.0	18,189	0.0	14.3
Other comprehensive income	-29,402	0.0	22,618	0.0	-230.0
Specific reserve	614,992	0.8	313,849	0.4	96.0
Taxes payable	715,523	0.9	1,000,904	1.3	-28.5
Estimated liabilities	99,541	0.1	212,709	0.3	-53.2



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Reasons for the changes:

- (a) Financing receivables decreased by RMB1,349,504,000 as compared with the beginning of the year, mainly due to the increase in the proportion of cash settlement by owners.
- (b) Prepayments increased by RMB226,074,000 as compared with the beginning of the year, mainly due to the increase in prepayments for procurement of equipment and materials.
- (c) Inventories increased by RMB1,126,650,000 as compared with the beginning of the year, mainly due to the increase in newly commenced and uncompleted labor projects.
- (d) Non-current liabilities due within one year increased by RMB144,690,000 as compared with the beginning of the year, mainly due to the reclassification of long-term borrowings due within one year.
- (e) Long-term borrowings decreased by RMB318,722,000 as compared with the beginning of the year, mainly due to the optimization of loan structure and early repayment of part of USD borrowings and reclassification of long-term borrowings due within one year.
- (f) Lease liabilities increased by RMB109,671,000 as compared with the beginning of the year, mainly due to the renewal of lease of overseas project premises.
- (g) Long-term payables increased by RMB24,021,000 as compared with the beginning of the year, mainly due to the increase in repayment of unused security funds.
- (h) Other comprehensive income decreased by RMB52,020,000 as compared with the beginning of the year, which was mainly due to the recognition of translation differences of foreign currency statements of joint ventures.
- (i) The special reserve increased by RMB301,143,000 as compared with the beginning of the year, which was mainly due to the use progress of safety production expenses lags behind the accrual progress.
- (j) Estimated liabilities decreased by RMB113,168,000 as compared with the beginning of the year, which was mainly due to the reversal of part of estimated liabilities upon the completion of the judicial restructuring process in Brazil.

### B. Situation about overseas assets:

- (a) Asset scale

On 30 June 2024, the Company's overseas assets was RMB25,639,786,000, accounting for 33.8% of total assets of the Company.

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

Applicable  Not applicable

Unit: RMB' 000

Overseas assets	Cause of formation	Mode of operation	Operating income of main business during the reporting period	Net profit during the reporting period
Drilling rig, workover rig, geophysical acquisition instrument, ground construction equipment, project receivables, monetary funds, etc.	Undertaking overseas oilfield engineering projects	Self-operation	8,890,871	994,727

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

On 30 June 2024, the Company's funds with restricted use such as margin deposit, etc. was RMB27,612,000 (On 31 December 2023: RMB27,318,000).

#### (4) Analysis of investments

##### A. Significant equity investment

Applicable  Not Applicable

##### B. Significant non-equity investment

Applicable  Not Applicable

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

Applicable  Not Applicable

## Section III Discussion and Analysis of Management

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

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

### (6) Information of major subsidiaries

Unit : RMB' 000

Name of company	Registered capital	Shareholding percentage %	Amount of total assets	Amount of total liabilities	Amount of total net assets	Amount of net profit	Main Business
Sinopec Shengli Oil Engineering Company Limited *	RMB700,000,000	100	12,309,779	11,628,096	681,683	136,412	Petroleum engineering technical service
Sinopec Zhongyuan Oil Engineering Company Limited *	RMB450,000,000	100	12,131,311	11,993,463	137,848	41,287	Petroleum engineering technical service
Sinopec Jiangnan Oil Engineering Company Limited *	RMB250,000,000	100	5,144,017	3,731,955	1,412,062	67,880	Petroleum engineering technical service
Sinopec Southwest Oil Engineering Company Limited *	RMB300,000,000	100	6,338,826	2,982,623	3,356,203	40,312	Petroleum engineering technical service
Sinopec North China Oil Engineering Company Limited *	RMB890,000,000	100	4,698,523	2,800,489	1,898,034	13,965	Petroleum engineering technical service
Sinopec East China Oil Engineering Company Limited *	RMB860,000,000	100	5,353,342	4,783,379	569,963	3,480	Petroleum engineering technical service
Sinopec Offshore Oil Engineering Company Limited *	RMB2,000,000,000	100	4,302,547	492,381	3,810,166	44,374	Offshore Oil Engineering Technology Service
Sinopec International Petroleum Service Corporation *	RMB700,000,000	100	3,043,842	1,723,566	1,320,276	279,067	Petroleum engineering technical service
Sinopec Oil Engineering and Construction Corporation *	RMB500,000,000	100	24,225,818	23,014,938	1,210,880	173,873	Construction
Sinopec Oil Engineering Geophysical Company Limited *	RMB300,000,000	100	5,104,087	4,799,430	304,657	-31,300	Geophysical exploration
Sinopec Jingwei Company Limited *	RMB1,000,000,000	100	4,813,742	3,151,276	1,662,466	154,389	Testing, logging and locating service

Name of company	Revenue	Operating profit
	RMB' 000	RMB' 000
Sinopec Shengli Oil Engineering Company Limited *	8,231,694	170,257
Sinopec Zhongyuan Oil Engineering Company Limited *	5,867,968	116,245
Sinopec Jiangnan Oil Engineering Company Limited *	2,978,823	74,788
Sinopec Southwest Oil Engineering Company Limited *	3,020,510	55,875
Sinopec North China Oil Engineering Company Limited *	2,289,321	23,709
Sinopec East China Oil Engineering Company Limited *	1,729,727	12,434
Sinopec Offshore Oil Engineering Company Limited *	1,075,461	44,165
Sinopec International Petroleum Service Corporation *	983,190	369,871
Sinopec Oil Engineering and Construction Corporation *	7,543,732	107,969
Sinopec Oil Engineering Geophysical Company Limited *	1,961,407	6,260
Sinopec Jingwei Company Limited *	2,461,743	182,926

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

Applicable  Not Applicable

## Section III Discussion and Analysis of Management

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

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

Industry	Operating income for the first half of 2024	Operating cost for the first half of 2024	Gross profit margin	Increase/ (decrease) in operating income of main business as compared with last year	Increase/ (decrease) in operating cost of main business as compared with the corresponding period of last year	Gross profit margin compared with the corresponding period of last year
	RMB' 000	RMB' 000	(%)	(%)	(%)	
Geophysical	2,146,740	1,999,338	6.9	6.3	(0.7)	increased by 6.6 percentage points
Drilling	18,880,289	17,232,150	8.7	0.1	(1.4)	increased by 1.3 percentage points
Logging/Mud logging	1,602,140	1,286,520	19.7	2.4	1.3	increased by 0.9 percentage points
Downhole operation	5,569,305	5,157,710	7.4	18.5	17.5	increased by 0.8 percentage points
Engineering and construction	7,258,740	6,766,751	6.8	(17.8)	(17.1)	decreased by 0.8 percentage points
Other	1,035,207	1,111,070	(7.3)	28.5	19.8	increased by 7.8 percentage points
Total	36,492,421	33,553,539	8.1	(0.8)	(2.0)	increased by 1.2 percentage points

#### B. Statement of operation by regions

Region	Operating income for the first half of 2024	Increase/(decrease) as compared with the corresponding period of last year
	RMB' 000	(%)
Mainland China	27,601,550	-4.8
Hong Kong, Macau, Taiwan and overseas	8,890,871	14.0

## 5. Market prospects and operation arrangements in the second half of 2024

### Market Forecast for the Second Half of 2024

Looking ahead to the second half of 2024, the oilfield services industry will continue its upward trend. On the macro level, the global economy will continue to recover slowly, and China's economy will continue to recover the upward trend, the steady and rising economy will support the growth of demand for crude oil and natural gas. On the industry level, under the influence of factors such as the continuous increase in global oil demand and the OPEC+ continuous production reduction policy, international oil prices are expected to continue fluctuating at the medium-to-high level. At the same time, with the in-depth advancement of the "Seven-Year Action Plan" for increasing domestic oil and gas reserves and production, upstream exploration and development activities of domestic oil companies will remain high, the domestic crude oil and natural gas production is expected to remain stable with an increasing trend. For the Company itself, based on better performance in the completed amount of the newly signed contracts in the first half of the year, it is expected that the newly signed contract amount for the full year of 2024 will far exceed the target set at the beginning of the year, and is expected to reach a high level of RMB90.0 billion, which will strongly support the future growth of results performance of the Company.

### Operation Plans for the Second Half of 2024

In the second half of 2024, the Company will vigorously promote market expansion and efficiency creation, optimize and improve efficiency, tap potential and increase efficiency to build low-cost competitiveness; further optimize the market structure, vigorously develop high-end and asset-light markets, and improve the overall efficiency creation level of the external market. The Company expects to achieve a newly signed contract value over RMB28.3 billion, among which over RMB17.6 billion will be from the CPC market, over RMB2.1 billion from domestic external market, and over RMB8.6 billion from overseas market. The Company expects to achieve a newly signed contract value more than RMB90 billion for the whole year.

#### A. Geophysical service

In the second half of 2024, the Company will focus on deeper and thinner target layers and more complex exploration objects for vigorously enhancing the ability to "see clearly, see deeply, and see accurately", supporting high-quality exploration with high-quality geophysical exploration, strengthening coordination and linkage with oil companies, accelerating workload release and organization and operation of key projects, continuing to increase the efforts of updating geophysical equipment, and striving to improve the automation and intelligence level of core equipment such as node instrument acquisition. We will strengthen basic forward-looking technology research, solving issues in key and core technology research and implement industrial application of equipment software to make significant progress in exploration technologies for high-density, foreland belts, deep and ultra-deep layers, and do our best to provide geophysical services. In the second half of the year, it is planned to complete geophysical prospecting of 3,409 kilometers for 2D seismic and 8,380 square kilometers for 3D seismic prospecting.

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### B. Drilling service

In the second half of 2024, the Company will further deepen the integrated synergistic mechanism between Party A and Party B, integrate oil and gas exploration and development decision-making from the source, and provide real-time services to ensure on-site construction operations; select first-class teams, first-class equipment, and first-class experts to fully assure the construction of demonstration wells and demonstration areas, and continuously expand the demonstration radiation effect; vigorously promote the advanced experience of the Bin 37 and Shang 541 well groups, promote platform-based layout for wells, intensive construction, professional collaboration and factory-based construction works, strengthen shared utilization of resources and improve production organization and operation efficiency; keep up with the deployment and technical needs of exploration and development in the “Three Norths and One Sichuan”, the old areas of eastern region and the sea areas to implement policies in a classified manner, and make precise efforts to comprehensively enhance, support and assure capabilities. In the second half of the year, it is planned to complete the drilling footage of 5.26 million meters.

### C. Logging and mud logging service

In the second half of 2024, the Company will adhere to the integration of exploration and development, geological engineering, scientific research and production, technology and economy, actively integrate into the national scientific and technological innovation system, form a demonstration system of measurement and control instrument equipment industry, and create an innovative highland of technology gathering, achievement gathering and talent gathering. The Company will strengthen cooperation with international oilfield service companies, deepen strategic partnerships with internationally renowned oilfield service companies such as Schlumberger and Baker Hughes through equipment leasing, technical cooperation and talent sharing, jointly expand the market scale of high-end business such as rotary guidance and high temperature electric imaging logging, and strengthen the extension of technical services to new energy, digital intelligence and other fields. In the second half of the year, we plan to complete logging footage of 143,450,000 standard meters and mud logging footage of 4.25 million meters.

### D. Downhole operation service

In the second half of 2024, the Company will continue to improve the technical level and service assurance capabilities of underground special operations, increase the intensity of cooperative development of difficult-to-use reserves, focus on improving the production and efficiency of Sichuan and Chongqing shale gas fracturing, reducing costs and increasing efficiency of Shengli shale oil, acid fracturing testing of ultra-deep wells in the Sichuan Basin and Shunbei ultra-deep oil and gas testing engineering and technical services, improve the production capacity of deep coalbed methane fracturing in the Ordos Basin, and continue to improve the technical service capabilities of ultra-high temperature and high pressure well completion testing, so as to assist the “deep earth project” to proceed smoothly. We will increase the replication, promotion and standardization of the cooperative benefit development model of Shengli difficult-to-use reserves and improve its standardization, vigorously promote the construction of demonstration areas for integrated cooperation models of difficult-to-use reserves, realize the economic benefit development of low-grade reservoirs in old oilfields of eastern region and deep-level shale gas in Sichuan and Chongqing, and continue to create new poles of economic growth for the Company. In the second half of the year, we plan to complete downhole operation service of 3,155 wells times.

### E. Engineering and construction service

In the second half of 2024, the Company will comprehensively strengthen the management and control of projects under construction, continue to focus on increasing oil and gas reserves and production, further promote the “Four Improvements” and “Five Transformations”, strengthen the application of standardized design finalization results, promote the research and development and promotion of integrated processing devices such as efficient dehydration of shale oil, and rapidly release oil and gas production capacity. The Company will continue to dig deep into the CPC market, while continuing to increase the development of domestic external markets such as PipeChina, and strive for the largest share in the limited market. In the second half of the year, we plan to sign new contracts with value of RMB8.0 billion and complete contracts with value of RMB10.8 billion.

### F. International business

In the second half of 2024, the Company will focus on economic benefits, continues to strengthen the development of high-quality and large-scale markets such as Saudi Arabia, Kuwait, Ecuador, Mexico and Uganda, continues to pay attention to the progress of key projects such as unconventional drilling and geophysical exploration projects of Saudi Aramco, ground construction in Uganda and pipelines in Saudi Arabia, so as to ensure the performance and efficient operation of these projects, while promoting geophysical exploration and ground business to achieve greater development. At the same time, the Company will promote the qualification review of the wellbore business in Saudi Arabia and Kuwait, follow up the project bidding closely, strive to win more major projects, and accelerate the high-end technical service projects such as rotary steering, coiled tubing, drilling fluid, cementing and fracturing to go abroad, continuing to improve the scale efficiency of overseas markets.

### G. Technology research & development

In the second half of 2024, the Company will anchor on technology leadership to accelerate the forging of core tools for supporting the growth in reserves and production. We will continue to improve the socialization and integration mechanism, build external joint research platforms, upstream collaborative research platforms and internal R&D and production service platforms. We will accelerate the development of major core technologies such as intelligent node instruments, 7,000-meter automatic drilling rigs for high-cold and high-altitude all-weather operations, special automatic drilling rigs for fast installation and fast movement of casing drilling wells, and “one-trip drilling” for long horizontal sections to support the needs of “deep earth engineering” and shale oil and gas exploration and development. We will vigorously promote advantageous and special technical products such as drilling and completion tools and instruments, oilfield chemical additives, and conduct large-scale trials of special technologies such as casing drilling and coiled tubing side drilling, striving to generate an annual revenue of RMB4.0 billion from product industrialization and new technology. We will make every effort to promote resolving research issues in core technologies for new energy, and create competitive advantages in the fields of, among others, CCUS full industrial chain, hydrogen pipelines, Beidou system applications, geothermal energy, and oil and gas associated minerals. We will accelerate the development of intelligent wellbore, intelligent geophysical exploration, and intelligent ground operations to move towards “digital oilfield services”.

## Section III Discussion and Analysis of Management

### H. Internal reform and management

In the second half of 2024, the Company will continue to deepen the reform, fully promote the optimization of resource allocation, continue to integrate internal resources and improve the overall efficiency of the Company. We will accelerate the construction of asset operation platform, highlight value creation and industrial layout, vigorously develop “manufacturing, financing, using and circular economy”, enhance the Company’s asset operation income-generating capacity, expand recycling scenarios, and build a circular economy industry. We will also strengthen the cost target management of the whole staff, implement the path of smooth policy withdrawal and project-based labor withdrawal, create the highlands of reducing costs through tapping potential in self-operation and generating revenues through contracting and exporting.

### I. Capital expenditure

In the second half of 2024, the planned capital expenditure is RMB2.99 billion. The Company will focus on economic benefits, continue to improve its exploration and exploitation service capabilities, expand resource integration and enhance overall planning, and focus on ensuring the renewal and transformation of urgent production needs, technical service capabilities, and equipment with potential safety and environmental protection hazards, mainly including the purchase of two sets of new casing drilling rigs and six drilling rigs in the Kuwaiti market, the purchase of 25,000 cable acquisition instruments, 422 sets of MGS pipeline construction equipment in the Saudi market, and the construction of a geological survey ship. We will further promote the transformation of development mode, the adjustment of market structure, and the cultivation of core competitiveness.

## 6. Other matters of disclosure

### (1) Potential risks

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

#### A. Market competition risk

At present, the competitive landscape of the oilfield service market has not undergone major changes, and there is still an oversupply situation. Coupled with that the influence of international situation has been drastically adjusted and the energy market volatility increased, the oilfield service industry is facing greater operating pressure. At the same time, oil and gas companies seek to achieve their promised emission reduction targets, and some countries or regions protect the local oilfield service market, therefore, market risk is still the one that the Company needs to face.

#### B. Health, safety and environmental protection risk

Oilfield services involve certain risks, which may cause unexpected or dangerous incidents such as personal injury or death, property damage, environmental damage and disruption to operations, etc. In light of the local government of China and other countries make tougher supervision requirements in environmental protection, if the Company cause environmental pollution caused by accidents in its operation, it will stand trial and pay compensation. At the same time, with the gradual expansion of the scale operation, hazard risks faced by the Company also increase accordingly. Further, new regulations promulgated by the state in recent years set out higher standards for production safety. In addition, natural disasters such as earthquake and typhoon as well as emergency public health events may cause losses to properties and personnel of the Company, and may affect the normal operations of the Company. The Company has implemented strict HSE management system and used its best endeavors to avoid the occurrence of accidents. However, the Company cannot completely avoid potential financial losses caused by such contingent incidents.

#### C. Overseas operation risk

The Company has business in many foreign countries, and will increase communication with territorial governments, enterprises and staff. Due to the influence of geopolitics, economy, religion, humanity, policy changes, legal differences and other conditions, including political instability, fiscal instability and tax policies, barriers to entry, contract breaches, tax and legal disputes, trade secrets disputes or disclosure, technical equipment and information capabilities cannot meet competitive needs, etc., the risks of the Company’s overseas business development and operations may increase.

#### D. Exchange rate risk

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



## Section III Discussion and Analysis of Management

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

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

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

	As to 30 June 2024	As to 31 December 2023	The change
	RMB' 000	RMB' 000	RMB' 000
<b>Total assets</b>	<b>75,900,751</b>	75,162,974	737,777
Current assets	42,966,066	39,402,551	3,563,515
Non-current assets	32,934,685	35,760,423	-2,825,738
<b>Total liabilities</b>	<b>67,176,619</b>	67,139,772	36,847
Current liabilities	66,542,662	66,186,004	356,658
Non-current liabilities	633,957	953,768	-319,811
<b>Total equity attributable to equity shareholders of the Company</b>	<b>8,724,132</b>	8,023,202	700,930

As at 30 June 2024, the Group's total assets were RMB75,900,751,000 and total liabilities were RMB67,176,619,000. The total equity attributable to shareholders of the Company was RMB8,724,132,000. Compared with the consolidated statement of financial position as at 31 December 2023 ("compared with that at the end of last year"), the changes and its main reasons were as follow:

Total assets were RMB75,900,751,000, increased by RMB737,777,000 compared with that at the end of last year, including that (i) current assets were RMB42,966,066,000, increased by RMB3,563,515,000 compared with that of the end of last year, mainly due to the increase in contract assets of RMB5,260,726,000 as a result of the increase in completed but unsettled projects in the first half of the year. (ii) non-current assets were RMB32,934,685,000, decreased by RMB2,825,738,000 compared with that at the end of last year, mainly due to the normal provision for depreciation and amortization of fixed assets and long-term deferred expenses of the Group in the first half of the year.

The total liabilities were RMB67,176,619,000, increased by RMB36,847,000 compared with that at the end of last year, including that (i) current liabilities were RMB66,542,662,000, increased by RMB356,658,000 compared with that of the end of last year, mainly due to the increase in short-term borrowings for payment to suppliers and subcontractors and the reclassification of long-term borrowings due within one year in the first half of the year; and (ii) non-current liabilities were RMB633,957,000, decreased by RMB319,811,000 compared with that at the end of last year, which is mainly due to the repayment of part of the US dollar borrowings and the reclassification of long-term borrowings due within one year decreased by RMB318,722,000.

Total equity attributable to shareholders of the Company was RMB8,724,132,000, increased by RMB700,930,000 compared with that at the end of last year. It was mainly due to the fact that profit attributable to shareholders of the Company for the first half of 2024 was RMB752,950,000.

As at 30 June 2024, the ratio of total liabilities to assets was 88.5%, comparing with 89.3% as at 31 December 2023.

## Section III Discussion and Analysis of Management

### B. Cash flow analysis

The main items of cash flow of the Company in the first half of 2024 and the first half of 2023 showed in the following table.

Main items of cash flow	For the six months ended 30 June	
	2024	2023
	RMB' 000	RMB' 000
Net cash inflow/(outflow) from operating activities	(190,066)	421,612
Net cash outflow from investing activities	(1,092,906)	(1,633,442)
Net cash inflow from financing activities	1,508,206	1,100,090
(Decrease)/increase in cash and cash equivalents	225,234	(111,740)
Cash and cash equivalents at the beginning of the year	2,788,798	1,801,150
Exchange gains/(loss) in Cash and cash equivalents	(35,914)	70,398
Cash and cash equivalents at the end of the interim year	2,978,118	1,759,808

In the first half of 2024, the Group's net cash outflow from operating activities was RMB190,066,000, representing an increase of cash outflow by RMB611,678,000 as compared with the corresponding period of last year. It was mainly due to the increase in payments of suppliers and subcontractors.

In the first half of 2024, the Group's net cash outflow from investing activities was RMB1,092,906,000, a decrease of cash outflow by RMB540,536,000 as compared with the corresponding period of last year. It was mainly due to the year-on-year decrease in the payment for equipment purchases by the Group in the first half of 2024.

In the first half of 2024, the Group's net cash inflow from financing activities was RMB1,508,206,000, an increase of cash inflow by RMB408,116,000 compared with the corresponding period of last year. It was mainly due to the increase in volume of loans in the first half year.

### C. Borrowings from bank and related companies

As at 30 June 2024, the Group's borrowings from bank and related companies were RMB22,335,184,000 (as at 31 December 2023: RMB20,226,157,000). These borrowings include the short-term borrowings of RMB22,100,000,000, and the long-term borrowings due within one year of RMB235,184,000. As at 30 June 2024, approximately 98.9% of the borrowings were denominated in Renminbi (as at 31 December 2023: 94.9%) and approximately 1.1% were denominated in US dollars (as at 31 December 2023: 5.1%).

### D. Gearing ratio

As at 30 June 2024, the gearing ratio of the Group was 69.8% (as at 31 December 2023: 69.4%). The gearing ratio = (liability with interest – cash & cash equivalents)/(liability with interest – cash & cash equivalents + shareholders' equity).

### E. Assets pledge

For the year ended 30 June 2024, there was no pledge on the Group's assets.

### F. Foreign Exchange Risk Management

It is set forth in note 8 of the interim financial statements prepared in accordance with the PRC ASBE.

## Section IV Corporate Governance

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

During the reporting period, the Company convened three general meetings of shareholders (including two class meetings), five meetings of the Board, and four meetings of the supervisory committee. A total of 14 resolutions of the shareholders meeting, 33 resolutions of the meetings of the Board and 14 resolutions of the meetings of the supervisory committee were formed. The preparation and convening of various meetings comply with laws and regulations, and the resolutions formed are legal and effective.

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

### 1. Summary of Shareholders' Meetings

During the reporting period, the Company held the annual general meeting for the year 2023, the first A shareholders class meeting for 2024 and the first H shareholders class meeting for 2024 of the Company on 12 June 2024 in Beijing. Details are as follows:

Name of meeting	Date of meeting	Website designated for searching the resolutions	Domestic disclosure date of resolutions	Resolutions
The annual general meeting for the year 2023	12 June 2024	www.sse.com.cn www.hkexnews.hk	13 June 2024	1. To consider and approve the Report of the Board of the Directors of the Company for the year 2023. 2. To consider and approve the Report of the Supervisory Committee of the Company for the year 2023. 3. To consider and approve the audited financial statements and the auditor's report of the Company for the year 2023. 4. To consider and approve the profit distribution plan of the Company for the year 2023. 5. To consider and approve the resolution to reappoint the Company's external auditor for the year 2024. 6. To consider and approve the annual cap of continuing related transactions between the Company and China Oil & Gas Pipeline Network Corporation for 2024. 7. To consider and approve the remuneration of the directors and supervisors of the Company for the year 2023. 8. To consider and approve the resolution on the provision of counter guarantee to China Petrochemical Corporation. 9. To consider and approve the resolution on the remuneration policy for the 11th session of the board of directors and the 11th session of the supervisory committee of the Company. 10. To consider and approve provision of guarantee for wholly owned subsidiaries and joint venture. 11. To consider and approve the authorisation to the Board to repurchase domestic shares and/or overseas listed foreign shares of the Company. 12. To consider and approve the resolution on the election of the directors (excluding independent non-executive directors) of the 11th session of the board of directors of the Company. 13. To consider and approve the resolution on the election of the independent non-executive directors of the 11th session of the board of directors of the Company. 14. To consider and approve the resolution on the election of the non-employee representative supervisors of the 11th session of the supervisory committee of the Company.
The first A shareholders class meeting for 2024	12 June 2024	www.sse.com.cn www.hkexnews.hk	13 June 2024	To consider and approve the authorisation to the Board to repurchase domestic shares and/or overseas-listed foreign shares of the Company.
The first H shareholders class meeting for 2024	12 June 2024	www.sse.com.cn www.hkexnews.hk	13 June 2024	To consider and approve the authorisation to the Board to repurchase domestic shares and/or overseas-listed foreign shares of the Company.

## Section IV Corporate Governance

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

Name	Position	Change	Reasons for change
Chen Xikun	Chairman of the Board Executive Director	Resigned	Expiration of term
Fan Zhonghai	Non-executive Director	Resigned	Expiration of term
Zhou Meiyun	Non-executive Director	Resigned	Expiration of term
Wei Ran	Non-executive Director	Resigned	Expiration of term
Chen Weidong	Independent Non-executive Director	Resigned	Expiration of term
Dong Xiucheng	Independent Non-executive Director	Resigned	Expiration of term
Du Jiangbo	Supervisor	Resigned	Expiration of term
Zhang Qin	Supervisor	Resigned	Expiration of term
Sun Yongzhuang	Employee representative supervisor	Resigned	Expiration of term
Du Guangyi	Employee representative supervisor	Resigned	Expiration of term
Wu Baizhi	Chairman of the Board	Election	Election at the board meeting
Wu Baizhi	Executive Director	Election	Election at the general meeting
Zhang Jiankuo	Executive Director	Election	Election at the general meeting
Zhao Jinhai	Non-executive Director	Election	Election at the general meeting
Du Kun	Non-executive Director	Election	Election at the general meeting
Zhang Lili	Non-executive Director	Election	Election at the general meeting
Xu Keyu	Non-executive Director	Election	Election at the general meeting
Wang Pengcheng	Independent Non-executive Director	Election	Election at the general meeting
Liu Jiangning	Independent Non-executive Director	Election	Election at the general meeting
Zhang Kun	Supervisor	Election	Election at the general meeting
Zhang Xiaofeng	Supervisor	Election	Election at the general meeting
Li Wei	Supervisor	Election	Election at the general meeting
Zhang Zonglin	Employee representative supervisor	Election	Election at the employee's representative meeting
Wang Zhonghong	Employee representative supervisor	Election	Election at the employee's representative meeting
Cheng Zhongyi	Chief Financial Officer, Secretary to the Board, General Counsel	Appointment	Appointment by the Board
Ke Yuehua	Secretary to the Board	Appointment	Appointment by the Board
Cheng Zhongyi	Secretary to the Board	Resigned	Adjustment of the division of the Company's management functions

The Company's chairman of the tenth session of the board and executive director Mr. Chen Xikun, non-executive director Mr. Fan Zhonghai, non-executive director Mr. Zhou Meiyun, non-executive director Mr. Wei Ran, independent non-executive director Mr. Chen Weidong and independent non-executive director Mr. Dong Xiucheng resigned their position respectively, due to the expiry of their terms of office with immediate effect from 12 June 2024.

The Company's supervisors of the tenth session of the supervisory committee Mr. Du Jiangbo and Ms. Zhang Qin, employee representative supervisors Mr. Sun Yongzhuang and Mr. Du Guangyi resigned their position respectively, due to the expiry of their terms of office with immediate effect from 12 June 2024.

The Company expresses its sincere gratitude to Mr. Chen Xikun, Mr. Fan Zhonghai, Mr. Zhou Meiyun, Mr. Wei Ran, Mr. Chen Weidong, Mr. Dong Xiucheng, Mr. Du Jiangbo, Ms. Zhang Qin, Mr. Sun Yongzhuang and Mr. Du Guangyi for their hard work and important contributions during their tenure.

After the election by the shareholders at the Company's annual general meeting for 2023 held on 12 June 2024, Mr. Wu Baizhi, Mr. Zhang Jiankuo, Mr. Zhao Jinhai, Mr. Du Kun, Ms. Zhang Lili, Mr. Xu Keyu, Mr. Zheng Weijun, Mr. Wang Pengcheng and Ms. Liu Jiangning were elected as directors of the eleventh session of the board, with a term of office commencing from 12 June 2024 to the date when the term of the eleventh session of the board expires (11 June 2027). Mr. Wang Jun, Mr. Zhang Kun, Mr. Zhang Xiaofeng, Mr. Li Wei were elected as supervisors of the eleventh session of the supervisory committee, with a term of office commencing from 12 June 2024 to the date when the term of the eleventh session of the board expires (11 June 2027). The employee's representative meeting of the Company was held on 12 June 2024, at which Mr. Zhang Zonglin, Mr. Zhang Bailing and Mr. Wang Zhonghong were elected as the employee representative supervisors of the eleventh session of the supervisory committee, with a term of office commencing from 12 June 2024 to the date when the term of the eleventh session of the board expires (11 June 2027).

## Section IV Corporate Governance

On 12 June 2024, the Company held the first meeting of the eleventh session of the board and Mr. Wu Baizhi was elected as the chairman of the eleventh session of the board. According to the nomination of the chairman, the board continued to appoint Mr. Zhang Jiankuo as the general manager of the Company; according to the nomination of the general manager, the board continued to appoint Mr. Zhang Congbang and Mr. Sun Bingxiang as deputy general managers of the Company and continued to appoint Mr. Cheng Zhongyi as the chief financial officer of the Company. According to the nomination of the chairman, the board continued to appoint Mr. Cheng Zhongyi as the secretary to the board of the Company. According to the nomination of the general manager, the board appointed Mr. Cheng Zhongyi as the general counsel. Mr. Zhang Jiankuo, Mr. Zhang Congbang, Mr. Cheng Zhongyi and Mr. Sun Bingxiang have a term of office commencing from 12 June 2024 to the date when the term of the eleventh session of the board expires (11 June 2027).

On 12 June 2024, the Company held the first meeting of the eleventh session of the supervisor committee and Mr. Wang Jun was elected as the chairman of the eleventh session of the supervisor committee.

On 20 August 2024, the Company held the fourth meeting of the eleventh session of the board, at which the proposal on adjustment of the secretary to the board of the Company was approved. Because of the adjustment of the division of the Company's management functions, according to the nomination of the chairman and the qualification review of the second meeting of the nomination committee of the eleventh session of the board, the board agreed to appoint Mr. Ke Yuehua as the secretary to the board for a term of office commencing from 20 August 2024 to the date when the term of the eleventh session of the board expires. Mr. Cheng Zhongyi ceased to serve concurrently as the secretary to the board and continued to serve as the chief financial officer and general counsel of the Company.

### 3. Interim cash dividends plan for 2024 and plan to convert capital reserves into share capital

In accordance with the Articles of Association, the Board resolved that no interim cash dividend was paid for the year ended 31 December 2024, and no issue of bonus shares by way of capitalization of common reserves.

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

Applicable  Not Applicable

### 5. The Group's employees

As at 30 June 2024, the number of registered employees of the Group was 61,000 and the total employee compensation costs amounted to approximately RMB3.99 billion. The Group remunerates its employees based on their positions, performance, experience and the prevailing market remuneration trend. The Group also provides professional and vocational training to its employees.

### 6. Compliance with the Corporate Governance Code

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

### 7. Compliance with the Model Code

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

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

As at 30 June 2024, the Company has three independent non-executive directors, two of whom are professional in the accounting field and have experience in financial management.

The audit committee of the Board of the Company has been founded. The members of the audit committee include Mr. Zheng Weijun, Ms. Zhang Lili, Mr. Wang Pengcheng and Ms. Liu Jiangning. The main responsibilities of the audit committee are to review and supervise the Company's financial reporting procedures and internal control system, and to provide advice to the Board. The audit committee of the Company has reviewed and confirmed the interim financial statements of the Company for the six-months ended 30 June 2024 and the 2024 Interim Report.



# Section V Environmental and Social Responsibility

## 1. Environmental Information

### (1) Description of the environmental protection of listed companies and their subsidiaries that belong to heavily polluting industries stipulated by the national environmental protection department

Applicable  Not Applicable

### (2) Description of the environmental protection situation of companies other than key pollutants

Applicable  Not applicable

#### A. Administrative penalty due to environmental protection problems

Applicable  Not Applicable

#### B. Other disclosure environmental information referring to heavily polluting industries

Applicable  Not applicable

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

At present, the pollutants generated by the Company mainly include production wastewater, domestic sewage, tail gas, general industrial solid waste, hazardous waste, and drilling water-based cuttings and oil-based cuttings managed by the owner unit. Domestic sewage includes sewage from fixed production sites and mobile construction sites. Domestic sewage from fixed production sites is centrally disposed by the municipal pipe network, while domestic sewage from mobile construction sites is recycled or disposed of by outsourced agents after on-site pre-treatment. Tail gas mainly includes exhaust gas from various diesel engines, generators and gas-powered units, and the emission indicators have met the standard requirements of the construction site locations. General industrial solid waste mainly includes slurry and drug packaging bags (barrels), discarded rubber parts, colored strips, oil-free screens and anti-seepage membranes, etc., which are collected and handed over to environmental protection management service providers for recycling and disposal. Hazardous waste mainly includes waste mineral oil, waste oil barrels, oil-containing sludge, and oil-stained wastes such as waste paint barrels, oil-containing screens, and oil-containing anti-seepage membranes. They are collected and stored on site in a standardized manner and handed over to qualified environmental protection management service providers for disposal. Water-based rock cuttings and oil-based rock cuttings are directly outsourced by the owner or outsourced by the construction unit to qualified environmental protection management service providers for compliance disposal in accordance with the contract agreement, and strict supervision is implemented throughout the process. Based on the principles of reduction, resource utilization and harmlessness, the Company has established a long-term mechanism for clean production, continuously promoted the installation of sewage treatment equipment at work sites, optimized production processes, and strictly controlled the generation of various types of wastewater and solid waste. As of 30 June 2024, a total of 13,000 tons of general solid waste (excluding drilling water-based slurry and cuttings), 2,000 tons of hazardous waste (excluding oil-based cuttings), 896,000 cubic meters of domestic sewage and 419,000 cubic meters of drilling operation wastewater were disposed of in compliance with regulations.

The Company strengthened the on-site energy efficiency management, continuously promoted the "energy efficiency doubling" projects such as network electric drilling rig transformation, transformer renewal, distributed photovoltaic power generation, promoted energy-saving technologies such as electric fracturing skid and electric cementing device, and vigorously reduced the total energy consumption. As of 30 June 2024, the comprehensive energy consumption of industrial output value of 10000 yuan is 0.166 tons of standard coal, decreased by 5.6% year on year. The Company's green enterprise action has entered into the second stage, continuously improved the index evaluation system, organized various professional grass-roots units to carry out green grass-roots creation review, created green grass-roots benchmarking evaluation indicators for four main specialties including drilling, downhole operations, geophysical exploration and construction sites, selected the typical green construction from point to area, and equipped the site with environmental protection. The site was equipped with 959 sets of environmental protection toilets and working and living environment of employees had been further improved.

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

#### C. Explanation of the follow-up progress or changes in the disclosure of information during the reporting period

Applicable  Not Applicable

## Section V Environmental and Social Responsibility

### D. Information about ecological protection, pollution prevention and environmental responsibilities

Applicable  Not applicable

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

Centering on the themes of "Comprehensively Promoting the Construction of a Beautiful China", "Green Transformation, Energy Conservation" and "Green and Low Carbon, Beautiful China", the Company actively carried out publicity and education on World Environment Day on June 5, National Energy Conservation Publicity Week and National Low Carbon Day, so as to enhance the awareness of green and low carbon among all employees and lead them to become pioneers in the construction of ecological civilization.

### E. Measures and effects on the Company to reduce the carbon emissions

Applicable  Not applicable

In the first half of 2024, the Company has focused on source control, vigorously promoted the alternative application of clean energy power such as electricity and natural gas in qualified work areas such as Sichuan, Xinjiang and Chongqing to implement energy structure adjustment continuously. In the first half of the year, 721 wells were completed using grid electricity drilling rigs, representing an increase of 123 wells year-on-year, and the drilling footage was 2.918 million meters, representing an increase of 75,000 meters year-on-year, accounting for 64% of the total domestic drilling footage of 4.542 million meters. 379,000 tons of diesel were replaced and 483,000 tons of standard coal were saved. With the goal of transforming and developing petroleum engineering under the background of dual carbon targets, the Company has strengthened overall coordination and continued to promote energy-saving and carbon-reducing measures such as energy-saving technical transformation, optimized management of energy resources, replacement of key energy-consuming equipment, and alternative use of new energy. In the first half of the year, carbon emissions were 1.021 million tons, a decrease of 163,000 tons year-on-year.

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

Applicable  Not applicable

In the first half of 2024, the Company actively responded to the national call for the implementation of the Rural Revitalization Strategy, took the initiative, made precise efforts, coordinated various aspects to continuously promote education assistance, consumption assistance and other work, and continued to contribute to the rural revitalization work.

- (1) Educational assistance. Sinopec Southwest Oil Engineering Company Limited, a wholly-owned subsidiary of the Company, donated RMB1 million to Sanhekou Town School in Mabian Yi Autonomous County, Sichuan Province, to support the upgrading of information-based teaching, the establishment of grants and the construction of campus culture.
- (2) Consumption assistance. The Company and its subsidiaries purchased rural poverty alleviation products about RMB12 million in the first half of 2024.

## Section VI Significant Events

### 1. Performance of undertakings

The special undertakings made by the Company and its shareholders holdings more than 5% of the shares of the Company and their performance of the undertakings as of 30 June 2024:

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

## Section VI Significant Events

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

Applicable  Not applicable

### 3. Illegal guarantee

Applicable  Not applicable

### 4. Audit of the interim report

Applicable  Not applicable

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

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

As proposed by the nineteenth meeting of the tenth session of the Board of the Company and approved by the shareholders at the annual general meeting for 2023, the Company re-appointed BDO China Shu Lun Pan Certified Public Accountants LLP and BDO Limited as the domestic auditor and overseas auditor of the Company for the year 2024 respectively, and reappointed BDO China Shu Lun Pan Certified Public Accountants LLP as the Company's internal control auditor for 2024.

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

Applicable  Not applicable

### 5. The changes and solutions of matters involved in non-standard opinion of financial report for 2023 given by the auditors

Applicable  Not applicable

### 6. Insolvency and restructuring

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

## Section VI Significant Events

### 7. Material litigation and arbitration

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

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

1. The Ecuador Banya Duri Company (厄瓜多爾斑尼亞杜麗公司), an indirectly wholly-owned subsidiary of the Company (the “Banya Duri Company”) and Corporacion Estatal Petrolera Ecuatoriana (the “PAM”), in connection with the execution of the international arbitration and litigation regarding a dispute over the payment of a portion of the increased oil production under the Contract for I-L-Y Oilfield Comprehensive Service Projects in Ecuador signed between the two parties, have entered into a settlement agreement for the payment of part of the award in the arbitration ruling in December 2023 in Quito, Ecuador. Pursuant to the foregoing agreement, the parties agreed that PAM shall pay part of the award in the Ruling in 11 monthly installments from December 2023, totaling approximately USD34.98 million and to set up coordinated work meetings mechanism to determine corresponding payment plans in relation to the remaining award in the Ruling. In January 2024, PAM confirmed that the remaining principal of USD28.30 million will be paid according to its capital budget. By the end of June 2024, Banya Duri Company has actually received the arbitration payment of USD50.81 million.

As the Ruling results had not been fully executed, it is currently impossible to determine the impact of the Arbitration on the current or future profits of the Company. The Company has made a certain proportion of bad debt provision for the above accounts receivable. If PAM and its relevant parties fulfill the settlement agreement and actually pay the award in the future, the Company shall record the resulting reversal amount of loss provision as a gain in profit and loss in the current period when the said amount is received.

For details, please refer to the “Announcement on an Arbitration in relation to an Indirectly Wholly-owned Subsidiary” (P.2019-033) disclosed in “China Securities Journal”, “Shanghai Securities News”, “Securities Times”, and on www.sse.com.cn on 27 August 2019, and on www.hkexnews.hk on 26 August 2019, the “Announcement on an Arbitration in relation to an Indirectly Wholly-owned Subsidiary” (P.2022-005) disclosed in “China Securities Journal”, “Shanghai Securities News”, “Securities Times”, and on www.sse.com.cn on 26 February 2022, and on www.hkexnews.hk on 25 February 2022, the “Progress Announcement on an Arbitration in relation to an Indirectly Wholly-owned Subsidiary” (P.2022-027) disclosed in “China Securities Journal”, “Shanghai Securities News”, “Securities Times”, and on www.sse.com.cn on 16 August 2022, and on www.hkexnews.hk on 15 August 2022, the “Progress Announcement on an Arbitration in relation to an Indirectly Wholly-owned Subsidiary” (P.2023-016) disclosed in “China Securities Journal”, “Shanghai Securities News”, “Securities Times”, and on www.sse.com.cn on 18 May 2023, and on www.hkexnews.hk on 17 May 2023, and the “Progress Announcement on an Arbitration in relation to an Indirectly Wholly-owned Subsidiary” (P.2023-032) disclosed in “China Securities Journal”, “Shanghai Securities News”, “Securities Times”, and on www.sse.com.cn on 8 December 2023, and on www.hkexnews.hk on 7 December 2023.

2. Sinopec (Brazil) Co., Ltd. (中國石化集團國際石油工程有限公司巴西有限公司), an indirectly wholly-owned overseas subsidiary of the Company (the “Brazil Subsidiary”), received a ruling from the Court of Rio on the approval of the Judicial Reorganization Plan on 15 July 2019 (Brazil time). Since that day, the Brazilian Subsidiary has been continuously implementing the Judicial Reorganization Plan and obtained a final ruling from the Court of Rio on the closure of the judicial restructuring procedure during the reporting period. The aforementioned ruling determined that the Brazilian Subsidiary had fulfilled its judicial reorganization obligations, the judicial reorganization process was terminated and the normal operations of the Brazil Subsidiary was resumed. As at 30 June 2024, the Brazil Subsidiary has paid an accumulated amount of approximately USD37.79 million (equivalent to approximately RMB259 million) for the Judicial Reorganization Plan, of which, a total of approximately USD28.98 million (equivalent to approximately RMB199 million) has been paid to 1,474 creditors cumulatively, and a total of approximately USD8.81 million (equivalent to approximately RMB60 million) has been paid for other fees involved in the Judicial Reorganization Plan. The Brazil Subsidiary is also expected to pay creditors another USD7.27 million in total based on estimation and the Company will reverse an estimated liability of USD13.36 million in the first half of 2024. The specific accounting treatment and financial data in the Company’s financial statements shall prevail. As at 30 June 2024, the estimated debt balance was RMB51,812,000 (equivalent to USD7.27 million).

For details, please refer to the “Announcement on the proposed judicial reorganization by an indirectly wholly-owned overseas subsidiary” (P.2018-056), the “Announcement on approval of judicial reorganization of an indirectly wholly-owned overseas subsidiary by overseas court” (P.2019-032), the “Announcement on the progress of judicial reorganization of an indirectly wholly-owned overseas subsidiary” (P.2021-024), the “Announcement on the progress of judicial reorganization of an indirectly wholly-owned overseas subsidiary” (P.2022-003) and the “Announcement on the progress of judicial reorganization of an indirectly wholly-owned overseas subsidiary” (P.2024-033) disclosed in “China Securities Journal”, “Shanghai Securities News”, “Securities Times”, and on www.sse.com.cn on 4 September 2018, 19 July 2019, 16 July 2021, 22 January 2022, 11 July 2024 and on www.hkexnews.hk on 3 September 2018, 18 July 2019, 15 July 2021, 21 January 2022, 10 July 2024 respectively.

### 8. The violation of the laws and regulations, punishment and rectification situation suffered by the Company or its directors, supervisors, senior management, controlling shareholders and de facto controller

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

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

Applicable  Not applicable



## Section VI Significant Events

### 10. Information on material connected transactions

The Company's material connected transactions for the six months ended 30 June 2024 were as follows:

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

The nature of the transaction classification	Connected parties	Amount of transaction RMB '000	Proportion of the same type of transaction (%)
Purchase of materials and equipment	China Petrochemical Corporation and its associates	4,386,073	28.0
Rendering engineering services	China Petrochemical Corporation and its associates	21,180,590	58.4
Rendering engineering services	PipeChina	1,653,683	4.6
Comprehensive service expenditure	China Petrochemical Corporation and its subsidiaries	10,043	99.6
Other comprehensive service expenditure	China Petrochemical Corporation and its subsidiaries	489,849	59.5
Technology R&D Income	China Petrochemical Corporation and its subsidiaries	54,790	95.9
Land and property rental expenses	China Petrochemical Corporation and its subsidiaries	60,695	14.2
Equipment leasing expenses	China Petrochemical Corporation and its subsidiaries	120,969	25.3
Loan interest expense	China Petrochemical Corporation and its associates	317,066	89.2
Borrowings obtained	China Petrochemical Corporation and its subsidiaries	13,557,825	98.0
Borrowings repaid	China Petrochemical Corporation and its subsidiaries	11,367,463	96.9
Safety and insurance fund expenses	China Petrochemical Corporation	42,975	100.0
Safety and insurance fund expenses refund	China Petrochemical Corporation	43,563	100.0

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

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

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

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

Unit: RMB '000

Connected parties	Connected relation	Funds provided to connected party			Funds provided to the Company by connected party		
		Opening balance	Occurrence amount	Closing balance	Opening balance	Occurrence amount	Closing balance
<b>China Petrochemical Corporation and its subsidiaries</b>	Controlling shareholders and its subsidiaries	11,133,304	1,036,847	12,170,151	6,240,941	-1,212,270	5,028,671
<b>Sinopec Finance Company Limited</b>	Subsidiary companies of the controlling shareholder	–	–	–	19,185,000	2,915,000	22,100,000
<b>Sinopec Century Bright Capital Investment Limited</b>	Subsidiary companies of the controlling shareholder	–	–	–	722,435	-722,435	0
<b>Total</b>		11,133,304	1,036,847	12,170,151	26,148,376	980,295	27,128,671
<b>Causes of related claims and debts</b>					Normal production and operation		
<b>Influence of connected claims and debts on the Company's performance and financial situation</b>					No material adverse effects		

## Section VI Significant Events

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

#### A. Deposit business

Unit: RMB '000

Connected parties	Connected relation	Daily maximum deposit limit	Deposit rate scope	Beginning balance	For the six months ended 30 June 2024		Ending balance
					Deposit amount	Withdrawal amount	
<b>Sinopec Finance Company Limited</b>	Subsidiary companies of the controlling shareholders	3,500,000	0.35%	1,043,814	131,749,119	132,772,681	20,252
<b>Sinopec Century Bright Capital Investment Limited</b>	Subsidiary companies of the controlling shareholders		0.01%-5.2%	796,415	12,272,308	11,323,921	1,744,802
<b>Total</b>				1,840,229	144,021,427	144,096,602	1,765,054

#### B. Loan business

Unit: RMB '000

Connected parties	Connected relation	Loan limit	Loan rate scope	Beginning balance	For the six months ended 30 June 2024		Ending balance
					Loan amount	Repayment amount	
<b>Sinopec Finance Company Limited</b>	Subsidiary companies of the controlling shareholders	23,000,000	2.90%	19,185,000	12,940,000	10,025,000	22,100,000
<b>Sinopec Century Bright Capital Investment Limited</b>	Subsidiary companies of the controlling shareholders	250,000,000 US dollar	TERM SOFR+1.21%	722,435	604,484	1,326,919	0
<b>Total</b>				19,907,435	13,544,484	11,351,919	22,100,000

#### C. Credit extension and other finance business

Connected parties	Connected relation	Business type	Total amount RMB '000	Actual amount RMB '000
<b>Sinopec Finance Company Limited</b>	Subsidiary companies of the controlling shareholders	Back letter and credit extension of bill	15,000,000	10,252,480

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

For details of connected transactions during the reporting period, please refer to note 10 of the interim financial report prepared in accordance with PRC ASBE.

## 11. Material contracts and performance

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

#### A. Trusteeship and sub-contracting

Applicable  Not applicable

#### B. Leasing Matters

Applicable  Not applicable

## Section VI Significant Events

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

√ Applicable □ Not applicable

Unit: RMB' 000

External Guarantee provided by the Company (excluding Guarantees for Subsidiaries)															
Guarantor	Relationship with the listed company	Guaranteed person	Amount of guarantee	Date of guarantee (Agreement signing date)	The starting day	End date	Type of guarantee	Main debt situation	Pledged thing	Whether the guarantee has been fulfilled	Whether the guarantee is overdue	Overdue amount	Counter-guarantee	Whether to guarantee the related party	Connected relationship
The Company	itself	Mexico DS Company	1,959,514	17 June 2022	17 June 2022	The end time of annual general meeting for the year 2024	Guarantee of joint and several liability	-	No	No	No	0	Yes	Yes	Joint venture
Total Amount of Guarantees during the Reporting Period (excluding Guarantees for Subsidiaries)															12,126
Total Balance of Guarantees at the end of the Reporting Period (A) (excluding Guarantees for Subsidiaries)															1,959,514
The Guarantee provided by the Company and its Subsidiaries to the Subsidiaries															
Total Amount of Guarantees paid to Subsidiaries during the Reporting Period															178,667
Total Balance of Guarantees to Subsidiaries at the end of the Reporting Period (B)															27,678,387
Total Company Guarantee (including Guarantee for Subsidiaries)															
Total Guarantees (A+B)															29,637,901
Total Amount of Guarantees as a Percentage of the Company's Net Asset (%)															339.7
Among them:															
Amount of Guarantees provided to Shareholders, De Facto Controllers and their related Parties (C)															0
Debt Guarantees Amount directly or indirectly for the guaranteed Object whose asset-liability Ratio exceeds 70% (D)															11,954,229
The Amount of the total Guarantee exceeds 50% of the Net Assets (E)															25,275,835
Sum of the three Guarantees above (C+D+E)															37,230,064
Statement of Unexpired Guarantees as potential subject to Joint Liability															
Guarantee Statement															
The guarantees provided by the Company are all provided for the performance of the domestic and foreign contracts by the wholly-owned subsidiaries and joint venture (DS Servicios Petroleros, S.A. de C.V.). The guarantee amount is within the amount approved by the annual general meeting for 2023 of the Company.															

On 28 March 2023, the Board of the Company has considered and approved the resolution on the provision of guarantee for wholly owned subsidiaries and joint venture of the Company and such resolution was also approved by the 2022 annual general meeting of the Company convened on 6 June 2023. The valid period of the guarantee commenced from the date of approval by the shareholders at the 2022 annual general meeting until the conclusion of the 2023 annual general meeting of the Company. In order to satisfy the needs of international market expansion and day to day operation, the Company expects that after the conclusion of the 2023 annual general meeting, the Company needs to continue to provide guarantee for wholly owned subsidiaries of the Company. Meanwhile, in order to satisfy the needs of Mexico EBANO Project, the Company needs to continue to provide performance guarantee for its joint venture, Mexico DS Company. Therefore, the Board considered and approved the resolution on the provision of guarantee for wholly owned subsidiaries and joint venture on 26 March 2024, mainly including the Company will provide performance guarantee to Mexico DS Company, and the maximum amount of joint and several guarantee liabilities undertaken by the Company during the guarantee period shall not exceed US\$275 million. The guarantee period commences from the date of approval by the shareholders at the 2023 annual general meeting until the conclusion of the 2024 annual general meeting of the Company. On 12 June 2024, the 2023 annual general meeting has approved all of matters above. For details, please refer to the "Announcement on provision of guarantee for wholly owned subsidiaries and joint venture" (P.2024-011) disclosed in "China Securities Journal", "Shanghai Securities News", "Securities Times", and on www.sse.com.cn on 27 March 2024, and on www.hkexnews.hk on 26 March 2024.

On 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. Meanwhile, the other shareholder of Mexico DS Company, DIAVAZ issued a unilateral guarantee letter for 50% of the guarantee amount for the Guarantor. For details, please refer to the "Discloseable transaction – provision of guarantee for 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. As of the disclosure date of this interim report, the aforesaid counter-guarantee matters continue to be effective.

### (3) Other material contracts

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

## 12. Other significant events

□ Applicable √ Not applicable

# Section VII Changes in Ordinary Shares and Information on Shareholders

## 1. Changes in share capital

### (1) Changes in share capital

#### A. Changes in share capital

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

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

Applicable  Not Applicable

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

Applicable  Not Applicable

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

Applicable  Not Applicable

### (2) Changes in Shares with Selling Restrictions

Applicable  Not Applicable

## 2. Information of Shareholders

### (1) Number of shareholders

Total number of ordinary shareholders as at the end of the reporting period	110,819
Total number of preference shareholders with voting rights restored as at the end of the reporting period	0

As at 30 June 2024, the total number of shareholders of the Company was 110,819, including 110,496 holders of domestic A shares and 323 registered holders of overseas H shares. The minimum public float of the Company satisfied the requirements of the Listing Rules of HKSE.

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

Shareholdings of the top ten shareholders						
Names of shareholders	Nature of shareholders	Changes of shareholdings during the reporting period <sup>1</sup> (shares)	Number of shares held at the end of the reporting period (shares)	Percentage to total share capital (%)	Number of shares with selling restrictions (shares)	Number of shares pledged or frozen
China Petrochemical Corporation <sup>2</sup>	State-owned legal person	0	10,727,896,364	56.51	0	0
Hong Kong Securities Clearing Company (Nominees) Limited ("HKSCC (Nominees) Limited") <sup>3</sup>	Overseas legal person	-160,000	5,402,188,694	28.46	0	0
CITIC Corporation Limited	State-owned legal person	0	325,469,800	1.71	0	0
Hong Kong Securities Clearing Company Limited <sup>4</sup>	Others	-18,666,910	93,416,428	0.49	0	0
Anhui Yangguang InfoComm Electronic Technology Co., Ltd.	Domestic non-state-owned legal person	1,751,000	53,476,000	0.28	0	0
Agricultural Bank of China – China Securities 500 Trading Open Index Securities Investment Fund	Others	25,819,000	48,601,700	0.26	0	0
Shanghai Tongneng Investment Holdings Co., Ltd.	Domestic non-state-owned legal person	0	44,522,000	0.23	0	0
Li Feng	Domestic natural person	4,721,000	29,844,000	0.16	0	0
He Long	Domestic natural person	6,000,000	26,000,000	0.14	0	0
China Life Insurance Company Limited-Dividends-Individual Dividends-005L-FH002 Shanghai	Others	556,400	14,178,400	0.07	0	0

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

Shareholdings of top ten shareholders of shares without selling restrictions		
Name of shareholders	Number of shares without selling restrictions held at the end of the reporting period (shares)	Types of shares
China Petrochemical Corporation	10,727,896,364	A Share
Hong Kong Securities Clearing Company (Nominees) Limited (“HKSCC (Nominees) Limited”)	5,402,188,694	H Share
CITIC Corporation Limited	325,469,800	A Share
Hong Kong Securities Clearing Company Limited	93,416,428	A Share
Anhui Yangguang InfoComm Electronic Technology Co., Ltd.	53,476,000	A Share
Agricultural Bank of China – China Securities 500 Trading Open Index Securities Investment Fund	48,601,700	A Share
Shanghai Tongneng Investment Holdings Co., Ltd.	44,522,000	A Share
Li Feng	29,844,000	A Share
He Long	26,000,000	A Share
China Life Insurance Company Limited-Dividends-Individual Dividends-005L-FH002 Shanghai	14,178,400	A Share
Statement on the connected relationship or activities in concert among the above-mentioned shareholders	The Company is not aware of any connected relationship or acting in concert among the above-mentioned shareholders.	
Description of the repurchase accounts of the top ten shareholders	Not applicable	
Explanation on the voting right entrusted, voting right and waiver of voting right by the aforesaid shareholders	Not applicable	

Note:

- As compared with the number of shares held as of 31 December 2023.
- Apart from directly holding 10,727,896,364 A shares of the Company, China Petrochemical Corporation also held 2,595,786,987 H shares through its wholly-owned subsidiary, Century Bright Company. Therefore, China Petrochemical Corporation directly and indirectly holds 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, acts as an agent to hold H shares of the Company on behalf of other companies or individual shareholders.
- Hong Kong Securities Clearing Company Limited is a wholly-owned subsidiary of the Hong Kong Exchanges and Clearing Limited, and acts as a nominal holder to hold A shares of the Company in SSE on behalf of the investors of HKSE.

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

Applicable  Not Applicable

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

Applicable  Not Applicable

Unit: shares

The top ten shareholders and the top ten shareholders of unrestricted tradable shares have changed compared with the previous period due to refinancing lending/repayment					
Name of shareholder (Full name)	Additions/withdrawals during the reporting period	Number of shares lent by refinancing at the end of the period and not yet returned		Number of outstanding shares held by shareholders' general accounts, credit accounts and refinancing loans at the end of the period	
		Total quantity	Percentage (%)	Total quantity	Percentage (%)
Agricultural Bank of China – China Securities 500 Trading Open Index Securities Investment Fund	Addition	1,645,800	0.01	50,247,500	0.27

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

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

Applicable  Not Applicable

### 3. The interest or short position held by the substantial shareholders in the Company's shares or underlying shares

To the directors' knowledge, as at 30 June 2024, the following persons (other than director, supervisor or senior management of the Company) had an interest or short positions in the shares and underlying shares of the Company which shall be disclosed under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO") were as follows:

Name of shareholder	Number of shares held (shares)	Per cent of shareholding in the Company's total issued share capital (%)	Per cent of shareholding in the Company's total issued domestic shares (%)	Per cent of shareholding in the Company's total issued H shares (%)	Short position (shares)
<b>China Petrochemical Corporation</b>	10,727,896,364 (A share)	56.51	79.06	Not Applicable	–
	2,595,786,987 (H share) <sup>1</sup>	13.67	Not Applicable	47.94	–
<b>China State-owned Enterprise Structural Adjustment Fund Co., Ltd.</b>	719,174,495 (H Share) <sup>2</sup>	3.79	Not Applicable	13.28	–

Note:

- China Petrochemical Corporation held 2,595,786,987 H shares of the Company through its wholly-owned subsidiary Century Bright Company. China Petrochemical Corporation is deemed to have H shares held by Century Bright Company.
- China State-owned Enterprise Structural Adjustment Fund Co., Ltd. held 401,807,632 H shares of the Company through Yifangda Fund Management Co., Ltd., accounting for 7.42% 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, as at 30 June 2024, as far as known to the directors, no other person (other than director, supervisor or senior management of the Company) had an interest or short position in the shares and underlying shares of the Company which would as recorded in the register kept by the Company under Section 336 of the SFO.



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

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

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

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

Name	Title	Number of shares held at the beginning of the reporting period (shares)	Number of shares held at the end of the reporting period (shares)	Changes during the reporting period	Reason for change
Wu Baizhi	Chairman, Secretary of Party Committee	0	0	0	No Change
Zhang Jiankuo	Director, General Manager	0	0	0	No Change
Zhao Jinhai	Director	0	0	0	No Change
Du Kun	Director	0	0	0	No Change
Zhang Lili	Director	0	0	0	No Change
Xu Keyu	Director	0	0	0	No Change
Zheng Weijun	Independent Non-Executive Director	0	0	0	No Change
Wang Pengcheng	Independent Non-Executive Director	0	0	0	No Change
Liu Jiangning	Independent Non-Executive Director	0	0	0	No Change
Wang Jun	Chairman of Supervisory Committee	0	0	0	No Change
Zhang Kun	Supervisor	0	0	0	No Change
Zhang Xiaofeng	Supervisor	0	0	0	No Change
Li Wei	Supervisor	0	0	0	No Change
Zhang Zonglin	Employee representative supervisor	0	0	0	No Change
Zhang Bailing	Employee representative supervisor	0	0	0	No Change
Wang Zhonghong	Employee representative supervisor	0	0	0	No Change
Zhang Congbang	Deputy General Manager	0	0	0	No Change
Cheng Zhongyi	Chief Financial Manager, Secretary to the Board	0	0	0	No Change
Sun Bingxiang	Deputy General Manager	50,300	50,300	0	No Change
Chen Xikun	Former Chairman, Secretary of Party Committee	0	0	0	No Change
Fan Zhonghai	Former Director	0	0	0	No Change
Wei Ran	Former Director	0	0	0	No Change
Zhou Meiyun	Former Director	0	0	0	No Change
Chen Weidong	Former Independent Non-Executive Director	0	0	0	No Change
Dong Xiucheng	Former Independent Non-Executive Director	0	0	0	No Change
Du Jiangbo	Former Supervisor	0	0	0	No Change
Zhang Qin	Former Supervisor	0	0	0	No Change
Sun Yongzhuang	Former Employee representative supervisor	0	0	0	No Change
Du Guangyi	Former Employee representative supervisor	0	0	0	No Change

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

As at 30 June 2024, the Company's deputy general manager Mr. Sun Bingxiang as a beneficial owner held 50,300 A shares of the Company, representing 0.00037% of the A shares in issue of the Company and 0.00026% of shares in issue of the Company. Save as disclosed above and Qi Xin Gong Ying Scheme disclosed below, none of the directors, supervisors or other senior management of the Company had any interest or short position in any share, underlying share or debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and HKSE pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors, supervisors and senior management of the Company are taken or deemed to have under such provisions of the SFO), or as recorded in the registry by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the HKSE pursuant to the Model Code as set out in Appendix C3 to the Listing Rules.

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

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

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

In Qi Xin Gong Ying Scheme, the current and resigned directors, supervisors and senior management of the Company have subscribed 5.75 million scheme units in total, accounting for approximately 9.5% of the total scheme units of Qi Xin Gong Ying Scheme. There are 17 directors, supervisors and senior management of the Company in total who have subscribed for Qi Xin Gong Ying Scheme. The subscriptions by the current and resigned directors, supervisors and senior management of the Company under Qi Xin Gong Ying Scheme are as follows:

Name	Position	Subscription amount under Qi Xin Gong Ying Scheme (RMB)	Subscription scheme units under Qi Xin Gong Ying Scheme (unit)	Subscription Price (RMB/A Share)	Subscription of A share (share)
Zhang Jiankuo	Director, General Manager	300,000	300,000	2.62	114,503
Wang Jun	Chairman of Supervisory Committee	300,000	300,000	2.62	114,503
Zhang Bailing	Employee representative supervisor	350,000	350,000	2.62	133,587
Wang Zhonghong	Employee representative supervisor	300,000	300,000	2.62	114,503
Zhang Congbang	Deputy General Manager	300,000	300,000	2.62	114,503
Chen Xikun	Former Chairman, Secretary of the Party Committee	400,000	400,000	2.62	152,671
Sun Yongzhuang	Former Employee representative supervisor	300,000	300,000	2.62	114,503
Du Guangyi	Former Employee representative supervisor	350,000	350,000	2.62	133,587
Zhang Yongjie	Former Deputy General Manager	350,000	350,000	2.62	133,587
Sun Qingde	Former Vice Chairman, General Manager	400,000	400,000	2.62	152,671
Li Wei	Former Chairman of Supervisory Committee	350,000	350,000	2.62	133,587
Huang Songwei	Former Supervisor	350,000	350,000	2.62	133,587
Zhang Hongshan	Former Supervisor	350,000	350,000	2.62	133,587
Zuo Yaojiu	Former Deputy General Manager	350,000	350,000	2.62	133,587
Zhang Jinhong	Former Deputy General Manager	350,000	350,000	2.62	133,587
Li Tian	Former Chief Financial Officer	350,000	350,000	2.62	133,587
Li Honghai	Former Secretary to the Board	300,000	300,000	2.62	114,503
Total	/	5,750,000	5,750,000	-	2,194,643

### (3) Equity incentives granted to directors, supervisors and senior managers during the reporting period

Applicable  Not Applicable

## 5. Information on changes of controlling shareholder and the de facto controller

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

## 6. Repurchase, sale or redemption of the Company's listed securities

During the reporting period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## Section VIII Financial Reports

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

#### CONSOLIDATED BALANCE SHEET

As at June 30, 2024

Sinopec Oilfield Service Corporation

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

Assets:	Note	Balance as at June 30, 2024	Balance as at December 31, 2023
<b>Current assets:</b>			
Cash and cash equivalents	5.1	3,005,730	2,816,116
Accounts receivable	5.2	9,438,839	10,602,242
Receivables at FVTOCI	5.3	1,385,577	2,735,081
Advances to suppliers	5.4	737,517	511,443
Other receivables	5.5	2,960,641	2,760,141
Inventories	5.6	2,330,945	1,204,295
Contract assets	5.7	20,239,946	16,203,248
Other current assets	5.8	2,779,561	2,492,849
<b>Total current assets</b>		<b>42,878,756</b>	<b>39,325,415</b>
<b>Non-current assets:</b>			
Long-term equity investments	5.9	499,535	553,496
Investment in other equity instruments	5.10	135,763	135,763
<b>Fixed assets</b>	5.11	<b>23,632,781</b>	<b>24,870,821</b>
Construction in progress	5.12	493,540	695,614
Right-of-use assets	5.13	835,826	799,633
Intangible assets	5.14	349,238	442,778
Long-term deferred expenses	5.15	6,705,176	7,938,767
Deferred income tax assets	5.16	370,136	400,687
<b>Total non-current assets</b>		<b>33,021,995</b>	<b>35,837,559</b>
<b>Total assets</b>		<b>75,900,751</b>	<b>75,162,974</b>

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

Chairman:

Wu Baizhi

General Manager:

Zhang Jiankuo

Accounting Principal:

Cheng Zhongyi

Head of the Accounting Department:

Cheng Zhongyi

## Section VIII Financial Reports

### CONSOLIDATED BALANCE SHEET (Continued)

As at June 30, 2024

Sinopec Oilfield Service Corporation

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

Liabilities and owners' equity	Note	As at June 30, 2024	As at December 31, 2023
<b>Current liabilities:</b>			
Short-term borrowings	5.17	22,100,000	19,907,435
Notes payable	5.18	9,049,739	8,821,760
Accounts payable	5.19	25,240,541	26,373,928
Contract liabilities	5.20	4,086,809	5,361,274
Employee compensation payable	5.21	880,486	863,071
Taxes and surcharges payable	5.22	715,523	1,000,904
Other payables	5.23	3,805,903	3,362,683
Non-current liabilities maturing within one year	5.24	580,811	436,121
<b>Total current liabilities</b>		<b>66,459,812</b>	<b>66,127,176</b>
<b>Non-current liabilities:</b>			
Long-term borrowings	5.25		318,722
Lease liabilities	5.26	426,791	317,120
Long-term payables	5.27	82,850	58,829
Estimated liabilities	5.28	99,541	212,709
Deferred income	5.29	20,784	18,189
Deferred income tax liabilities	5.16	86,841	87,027
<b>Total non-current liabilities</b>		<b>716,807</b>	<b>1,012,596</b>
<b>Total liabilities</b>		<b>67,176,619</b>	<b>67,139,772</b>
<b>Owners' equity:</b>			
Share capital	5.30	18,984,340	18,984,340
Capital reserves	5.31	11,717,773	11,717,773
Other comprehensive income	5.32	-29,402	22,618
Special reserves	5.33	614,992	313,849
Surplus reserves	5.34	200,383	200,383
Retained earnings	5.35	-22,763,954	-23,215,761
<b>Total equity attributable to owners of the parent company</b>		<b>8,724,132</b>	<b>8,023,202</b>
Minority interest			
<b>Total owners' equity</b>		<b>8,724,132</b>	<b>8,023,202</b>
<b>Total liabilities and owners' equity</b>		<b>75,900,751</b>	<b>75,162,974</b>

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

Chairman:  
Wu Baizhi

General Manager:  
Zhang Jiankuo

Accounting Principal:  
Cheng Zhongyi

Head of the Accounting Department:  
Cheng Zhongyi

# Section VIII Financial Reports

## PARENT COMPANY'S BALANCE SHEET

As at June 30, 2024

Sinopec Oilfield Service Corporation

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

Assets:	Note	Balance as at June 30, 2024	Balance as at December 31, 2023
<b>Current assets:</b>			
Cash at bank and on hand		1,012,126	1,044,457
Other receivables	17.1	23,595,020	20,942,180
Other current assets		13,328	11,089
<b>Total current assets</b>		<b>24,620,474</b>	<b>21,997,726</b>
<b>Non-current assets:</b>			
Long-term equity investments	17.2	35,793,551	35,793,475
Fixed assets		3,096	3,498
Construction in progress		31,974	31,974
Right-of-use assets		6,565	13,127
Intangible assets		54,310	61,766
Deferred income tax assets		98	156
<b>Total non-current assets</b>		<b>35,889,594</b>	<b>35,903,996</b>
<b>Total assets</b>		<b>60,510,068</b>	<b>57,901,722</b>
<b>Liabilities and owners' equity</b>			
<b>Current liabilities:</b>			
Short-term borrowings		20,400,000	18,207,435
Accounts payable		24,207	7,288
Employee compensation payable		1,835	2,602
Taxes and surcharges payable		27,678	30,269
Other payables		11,466,695	11,025,154
Non-current liabilities maturing within one year		6,956	13,752
<b>Total current liabilities</b>		<b>31,927,371</b>	<b>29,286,500</b>
<b>Non-current liabilities:</b>			
<b>Total non-current liabilities</b>			
<b>Total liabilities</b>		<b>31,927,371</b>	<b>29,286,500</b>
<b>Owners' equity:</b>			
Share capital		18,984,340	18,984,340
Capital reserves		11,331,421	11,331,421
Surplus reserves		200,383	200,383
Undistributed profits		-1,933,447	-1,900,922
<b>Total owners' equity</b>		<b>28,582,697</b>	<b>28,615,222</b>
<b>Total liabilities and owners' equity</b>		<b>60,510,068</b>	<b>57,901,722</b>

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

Chairman:  
Wu Baizhi

General Manager:  
Zhang Jiankuo

Accounting Principal:  
Cheng Zhongyi

Head of the Accounting Department:  
Cheng Zhongyi

## Section VIII Financial Reports

### CONSOLIDATED INCOME STATEMENT

For the Year Ended June 30, 2024

Sinopec Oilfield Service Corporation

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

Item	Note	Current period	Prior period
<b>I. Total operating revenue</b>		36,821,444	37,133,528
Including: operating revenue	5.36	36,821,444	37,133,528
<b>II. Total operating costs</b>		36,475,008	36,794,705
Including: operating costs	5.36	33,864,636	34,406,386
Taxes and surcharges	5.37	159,159	129,783
Selling and distribution expenses	5.38	28,842	31,421
General and administrative expenses	5.39	960,299	1,038,184
Research and development expenses	5.40	1,115,981	815,114
Financial expenses	5.41	346,091	373,817
Including: interest expenses	5.41	355,632	384,275
Interest income	5.41	17,341	10,897
Plus: other income	5.42	22,515	21,510
Investment income ("-" for losses)	5.43	14,891	17,146
Including: income from investment in associates and joint ventures	5.43	2,483	3,516
Losses from credit impairment ("-" for losses)	5.44	187,077	162,110
Losses from assets impairment ("-" for losses)	5.45	77,770	-13,597
Gains from disposal of assets ("-" for losses)	5.46	43,963	8,835
<b>III. Operating profits ("-" for losses)</b>		692,652	534,827
Plus: non-operating revenue	5.47	39,823	68,417
Less: non-operating expenses	5.48	-49,089	61,670
<b>IV. Total profits ("-" for total losses)</b>		781,564	541,574
Less: income tax expenses	5.49	329,757	215,670
<b>V. Net profit ("-" for net loss)</b>		451,807	325,904
(I) Classified by operating sustainability			
1. Net profit from continued operation ("-" for net loss)		451,807	325,904
2. Net profit from discontinued operation ("-" for net loss)			
(II) Classified by ownership			
1. Net profit attributable to shareholders of the parent company ("-" for net loss)		451,807	325,904
2. Minority interest income ("-" for net loss)			
<b>VI. Other comprehensive income, net of tax</b>		-52,020	
Other comprehensive income, net of tax, attributable to owners of the parent company		-52,020	
(I) Other comprehensive income that cannot be reclassified into profit or loss			
1. Changes in fair value of other equity instrument investment			
(II) Other comprehensive income that will be reclassified into profit or loss		-52,020	
1. Other comprehensive income from transferable gains or losses under the equity method		-52,020	
Other comprehensive income, net of tax, attributable to minority shareholders			
<b>VII. Total comprehensive income</b>		399,787	325,904
Total comprehensive income attributable to owners of the parent company		399,787	325,904
Total comprehensive income attributable to minority shareholders			
<b>VIII. Earnings per share:</b>			
(I) Basic earnings per share (RMB/Share)	18.2	0.024	0.017
(II) Diluted earnings per share (RMB/Share)			

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

Chairman:  
Wu Baizhi

General Manager:  
Zhang Jiankuo

Accounting Principal:  
Cheng Zhongyi

Head of the Accounting Department:  
Cheng Zhongyi



## Section VIII Financial Reports

### PARENT COMPANY'S INCOME STATEMENT

For the Year Ended June 30, 2024

Sinopec Oilfield Service Corporation

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

Item	Note 17	Current period	Prior period
<b>I. Operating revenue</b>			
<b>Less: operating costs</b>			
Taxes and surcharges		4	3
General and administrative expenses		104,591	85,198
Financial expenses		-72,110	-78,172
Including: interest expenses		-92,464	27,230
Interest income		-14,142	-5,000
<b>Plus: Other gains</b>		94	
<b>Plus: Investment income ("-" for losses)</b>		77	262
Including: income from investment in associates and joint ventures		77	262
Losses from credit impairment ("-" for losses)		-109	2
<b>II. Operating profits ("-" for losses)</b>		-32,423	-6,765
<b>Plus: non-operating revenue</b>			20
<b>Less: non-operating expenses</b>		44	11
<b>III. Total profits ("-" for total losses)</b>		-32,467	-6,756
<b>Less: income tax expenses</b>		58	-20
<b>IV. Net profit ("-" for net loss)</b>		-32,525	-6,736
(I) Net profit from continued operation ("-" for net loss)		-32,525	-6,736
(II) Net profit from discontinued operation ("-" for net loss)			
<b>V. Other comprehensive income, net of tax</b>			
<b>VI. Total comprehensive income</b>		-32,525	-6,736
<b>VII. Earnings per share:</b>			
(I) Basic earnings per share (RMB/Share)			
(II) Diluted earnings per share (RMB/Share)			

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

Chairman:

Wu Baizhi

General Manager:

Zhang Jiankuo

Accounting Principal:

Cheng Zhongyi

Head of the Accounting Department:

Cheng Zhongyi

## Section VIII Financial Reports

### CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2024

Sinopec Oilfield Service Corporation

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

Item	Note	Current period	Prior period
<b>I. Cash flows from operating activities</b>			
Cash received from sales of goods and rendering of services		30,695,013	28,888,115
Refund of taxes and surcharges		66,152	150,275
Cash received from other operating activities	5.50	1,810,237	1,898,878
Sub-total of cash inflows from operating activities		32,571,402	30,937,268
Cash paid for purchase of goods and receipt of services		22,426,556	20,838,274
Cash paid to and on behalf of employees		7,623,929	7,480,986
Various taxes and surcharges paid		1,170,781	949,630
Cash paid for other operating activities	5.50	1,540,202	1,246,766
Sub-total of cash outflows from operating activities		32,761,468	30,515,656
<b>Net cash flows from operating activities</b>	5.51	<b>-190,066</b>	<b>421,612</b>
<b>II. Cash flows from investing activities</b>			
Cash received from returns on investments		4,645	4,418
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		20,615	17,583
Net cash received from disposal subsidiaries and other business units			11,983
Sub-total of cash inflows from investing activities		25,260	33,984
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		1,118,166	1,667,426
Sub-total of cash outflows from investing activities		1,118,166	1,667,426
<b>Net cash flows from investing activities</b>		<b>-1,092,906</b>	<b>-1,633,442</b>
<b>III. Cash flows from financing activities</b>			
Cash received from borrowings		13,834,050	13,336,360
Sub-total of cash inflows from financing activities		13,834,050	13,336,360
Cash paid for debt repayments		11,728,695	11,653,293
Cash paid for distribution of dividends and profits or payment of interest		319,750	327,555
Cash paid for other financing activities	5.50	277,399	255,422
Sub-total of cash outflows from financing activities		12,325,844	12,236,270
<b>Net cash flows from financing activities</b>		<b>1,508,206</b>	<b>1,100,090</b>
<b>IV. Effect of fluctuation in exchange rate on cash and cash equivalents</b>			
		<b>-35,913</b>	<b>70,398</b>
<b>V. Net increase in cash and cash equivalents</b>			
	5.51	<b>189,321</b>	<b>-41,342</b>
Plus: beginning balance of cash and cash equivalents		2,788,797	1,801,150
<b>VI. Ending balance of cash and cash equivalents</b>	5.51	<b>2,978,118</b>	<b>1,759,808</b>

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

Chairman:  
Wu Baizhi

General Manager:  
Zhang Jiankuo

Accounting Principal:  
Cheng Zhongyi

Head of the Accounting Department:  
Cheng Zhongyi

## Section VIII Financial Reports

### PARENT COMPANY'S STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2024

Sinopec Oilfield Service Corporation

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

Item	Note	Current period	Prior period
<b>I. Cash flows from operating activities</b>			
Refund of taxes and surcharges			
Cash received from other operating activities		2,199,202	654,936
Sub-total of cash inflows from operating activities		2,199,202	654,936
Cash paid for purchase of goods and receipt of services		3,465	18,571
Paid to employees and in cash for employees		64,673	57,070
Taxes and fees paid		4	3
Cash paid for other operating activities		1,791,060	1,234,493
Sub-total of cash outflows from operating activities		1,859,202	1,310,137
<b>Net cash flows from operating activities</b>		<b>340,000</b>	<b>-655,201</b>
<b>II. Cash flows from investing activities</b>			
Receipt of other cash related to investment activities		8,701,015	29,479,604
Sub-total of cash inflows from investing activities		8,701,015	29,479,604
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		3,295	1,456
Cash paid for other investing activities		11,349,744	30,656,000
Sub-total of cash outflows from investing activities		11,353,039	30,657,456
<b>Net cash flows from investing activities</b>		<b>-2,652,024</b>	<b>-1,177,852</b>
<b>III. Cash flows from financing activities</b>			
Cash received from borrowings		12,757,825	11,836,360
Sub-total of cash inflows from financing activities		12,757,825	11,836,360
Cash paid for debt repayments		10,567,463	10,096,612
Cash paid for distribution of dividends and profits or payment of interest		-89,943	-90,882
Cash paid for other financing activities		3,860	7,718
Sub-total of cash outflows from financing activities		10,481,380	10,013,448
<b>Net cash flows from financing activities</b>		<b>2,276,445</b>	<b>1,822,912</b>
<b>IV. Effect of fluctuation in exchange rate on cash and cash equivalents</b>		<b>3,248</b>	<b>613</b>
<b>V. Net increase in cash and cash equivalents</b>		<b>-32,331</b>	<b>-9,528</b>
Plus: beginning balance of cash and cash equivalents		1,044,457	35,787
<b>VI. Ending balance of cash and cash equivalents</b>		<b>1,012,126</b>	<b>26,259</b>

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

Chairman:

Wu Baizhi

General Manager:

Zhang Jiankuo

Accounting Principal:

Cheng Zhongyi

Head of the Accounting Department:

Cheng Zhongyi

## Section VIII Financial Reports

### CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the Year Ended June 30, 2024

Sinopec Oilfield Service Corporation

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

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

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

Chairman:  
Wu Baizhi

General Manager:  
Zhang Jiankuo

Accounting Principal:  
Cheng Zhongyi

Head of the Accounting Department:  
Cheng Zhongyi

## Section VIII Financial Reports

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

For the Year Ended June 30, 2024

Sinopec Oilfield Service Corporation

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

Item	Prior period								Minority equity	Total owners' equity
	Equity attributable to owners of the parent company							Sub-total		
	Share capital	Capital reserves	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits				
<b>I. Balance at the end of the last year</b>	18,984,340	11,717,773	5,232	326,983	200,383	-23,807,392	7,427,319		7,427,319	
Plus: changes in accounting policies						2,415	2,415		2,415	
<b>II. Balance at the beginning of the current year</b>	18,984,340	11,717,773	5,232	326,983	200,383	-23,804,977	7,429,734		7,429,734	
<b>III. Increases/decreases in current year ("-" for decreases)</b>				323,216		325,904	649,120		649,120	
(I) Total comprehensive income						325,904	325,904		325,904	
(II) Capital contributed or reduced by owners										
(III) Profit distribution										
(IV) Internal carry-forward of owners' equity										
1. Transfer of other comprehensive income to retained earnings										
(V) Special reserves				323,216			323,216		323,216	
1. Amount withdrawn in the current period				560,313			560,313		560,313	
2. Amount used in the current period				237,097			237,097		237,097	
(VI) Others										
<b>IV. Balance at the end of the current period</b>	18,984,340	11,717,773	5,232	650,199	200,383	-23,479,073	8,078,854		8,078,854	

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

*Chairman:*

Wu Baizhi

*General Manager:*

Zhang Jiankuo

*Accounting Principal:*

Cheng Zhongyi

*Head of the Accounting Department:*

Cheng Zhongyi

## Section VIII Financial Reports

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

For the Year Ended June 30, 2024

Sinopec Oilfield Service Corporation

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

Item	Current period				
	Share capital	Capital reserves	Surplus reserves	Undistributed profits	Total owners' equity
<b>I. Balance at the end of the last year</b>	18,984,340	11,331,421	200,383	-1,900,922	28,615,222
Plus: changes in accounting policies					
<b>II. Balance at the beginning of the current year</b>	18,984,340	11,331,421	200,383	-1,900,922	28,615,222
<b>III. Increases/decreases in current year ("-" for decreases)</b>					
(I) Total comprehensive income				-32,525	-32,525
(II) Capital contributed or reduced by owners					
(III) Profit distribution					
(IV) Internal carry-forward of owners' equity					
(V) Special reserves					
(VI) Others					
<b>IV. Balance at the end of the current period</b>	<b>18,984,340</b>	<b>11,331,421</b>	<b>200,383</b>	<b>-1,933,447</b>	<b>28,582,697</b>

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

*Chairman:*

Wu Baizhi

*General Manager:*

Zhang Jiankuo

*Accounting Principal:*

Cheng Zhongyi

*Head of the Accounting Department:*

Cheng Zhongyi



## Section VIII Financial Reports

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

For the Year Ended June 30, 2024

Sinopec Oilfield Service Corporation

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

Item	Prior period				
	Share capital	Capital reserves	Surplus reserves	Undistributed profits	Total owners' equity
<b>I. Balance at the end of the last year</b>	18,984,340	11,331,421	200,383	-1,946,210	28,569,934
<b>Plus: changes in accounting policies</b>					
<b>II. Balance at the beginning of the current year</b>	18,984,340	11,331,421	200,383	-1,946,210	28,569,934
<b>III. Increases/decreases in current year ("-" for decreases)</b>					
(I) Total comprehensive income				-6,736	-6,736
(II) Capital contributed or reduced by owners					
1. Other					
(III) Profit distribution					
(IV) Internal carry-forward of owners' equity					
(V) Special reserves					
(VI) Others					
<b>IV. Balance at the end of the current period</b>	18,984,340	11,331,421	200,383	-1,952,946	28,569,934

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

Chairman:  
Wu Baizhi

General Manager:  
Zhang Jiankuo

Accounting Principal:  
Cheng Zhongyi

Head of the Accounting Department:  
Cheng Zhongyi

# Section VIII Financial Reports

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

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

### 1 COMPANY PROFILE

#### 1.1 Overview

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

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

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

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

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

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

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

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

# Section VIII Financial Reports

## 1 COMPANY PROFILE (Continued)

### 1.1 Overview (Continued)

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

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

The financial statements and the notes to the financial statements have been approved for issue by the 19th meeting of the 10th Board of Directors of the Company on August 20, 2024.

### 1.2 Scope of the consolidated financial statement

The consolidated financial statements of the Group cover the Company and its subsidiaries, refer to "Note 7 Changes in the scope of consolidation" and "Note 8 Equities in other entities" for details.

## 2 BASIS OF PREPARATION FOR THE FINANCIAL STATEMENTS

### 2.1 Basis of preparation

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

### 2.2 Going Concern

The financial statements are prepared based on going concern.

As at June 30, 2024,, the Group's accumulated loss amounted to RMB22,763,954,000, the current liabilities exceeded the current assets by about RMB23,581,056,000 (In 2023, the current liabilities exceeded the current assets by about RMB26,801,761,000). Directors of the Company have made the assessment, by which the sufficient cash flows for operating activities are likely to generate in the future 12 months; as the Group's borrowings mainly come from Sinopec Group and its subsidiaries, and the Group has maintained a long-term and good relationship with them, the Group is able to obtain adequate financial support from Sinopec Group and its subsidiaries. As of June 30, 2024, the Company has obtained a credit line of RMB23 billion and an equivalence of USD250 million as well as a credit line of RMB12 billion for acceptance bill issuance from subsidiaries of Sinopec Group. Management and those charged with governance believe that these credit lines are sufficient to guarantee the Company's going-concern ability. The Company will broaden the channel for financing and develop good relationships with all listed and state-owned financial institutions to obtain the more sufficient credit line. As directors of the Group believe that the above-mentioned measures are enough to meet the Group's fund requirement for debts repayment and commitment, the Group prepared the financial statements for this reporting period on a going concern basis.

## Section VIII Financial Reports

### 3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Tips for specific accounting policies and accounting estimates:

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

#### 3.1 Statement on compliance with the Accounting Standards for Business Enterprises

The financial statements meet the requirements of the Accounting Standards for Business Enterprises issued by the Ministry of Finance, and truly and completely reflect the consolidated and the parent company's financial position of the Company as at June 30, 2024, and the consolidated and the parent company's operating results and cash flows for the six months ended.

#### 3.2 Accounting period

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

#### 3.3 Operating cycle

The Company's operating cycle is 12 months.

#### 3.4 Functional currency

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

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

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

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

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

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

## Section VIII Financial Reports

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

#### 3.6 Preparation method of consolidated financial statements

##### 3.6.1 Scope of consolidation

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

##### 3.6.2 Consolidation procedures

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

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

##### *(1) Acquisition of subsidiaries or business*

During the reporting period, where the Company acquired subsidiaries or business from the business combination under common control, the operating results and cash flows of the newly acquired subsidiaries or business from the beginning of the period for business combination to the end of the reporting period are included in the consolidated financial statements; the beginning amount of the consolidated financial statements and relevant items in the comparative statements are adjusted accordingly, as if the reporting entity after the business combination exists as of the time when the ultimate controller has the control.

Where control can be exercised on the investee under common control for additional investment or other reasons, for equity investments held before the control over the investee is obtained, the related gains and losses, other comprehensive income as well as other changes in net assets recognized from the later of the date when the original equity is obtained or the date when the combining party and the combined party are under the common control, to the combination date will respectively write down the retained earnings or current profit or loss in the comparative statements.

During the reporting period, the Company has acquired the subsidiaries or business from the business combination not under common control, they are included in the consolidated financial statements based on the fair values of various identifiable assets, liabilities and contingent liabilities recognized on the acquisition date.

Where the Company can control the investee not under common control for additional investments, it shall re-measure equity of the acquiree held before the acquisition date at the fair value of such equity on the acquisition date and include the difference between the fair value and book value in the current investment income. Other comprehensive income from the investee that can be reclassified into profits or losses and other changes in the owner's equity under the equity method shall be transferred to the current investment income at the purchase date.

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

#### 3.6 Preparation method of consolidated financial statements (Continued)

##### 3.6.2 Consolidation procedures (Continued)

###### (2) Disposal of subsidiaries

###### ① General method of disposal

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

###### ② Disposal of subsidiaries by stages

If the control is lost due to disposal of the equity investments in subsidiaries through multiple transactions by stages, and the terms, conditions and economic impact of the transactions related to the disposal of equity investments in subsidiaries meet one or more of the following circumstances, it usually indicates that multiple transactions will be treated a package deal:

- i. These transactions are concluded at the same time or under the consideration of mutual effect;
- ii. A complete business result can be reached only when the transactions are conducted as a whole;
- iii. The occurrence of a transaction depends on that of at least one other transactions; and/or
- iv. A single transaction is uneconomical but it is economical when considered together with other transactions.

Where various transactions belong to a package deal, accounting treatment shall be made by the Company on the transactions as a transaction to dispose subsidiaries and lose the control; the difference between each disposal cost and net asset share in the subsidiaries corresponding to each disposal of investments before loss of the control should be recognized as other comprehensive income in the consolidated financial statements and should be transferred into the current profit or loss at the loss of the control.

When these transactions belong to a package of transactions, before the control loses, the partial disposal of equity investments in subsidiaries without losing control shall be subject to the accounting treatments; at the loss of the control, accounting treatment shall be made according to general treatment methods for disposal of subsidiaries.

###### (3) Purchase of minority interest of subsidiaries

The share premium in the capital reserves under the consolidated balance sheet will be adjusted at the difference between the long-term equity investment acquired by the Company for the purchase of minority interest and the share of net assets calculated constantly from the acquisition date (or combination date) according to the newly increased shareholding ratio. If the share premium thereof is insufficient to offset, retained earnings will be adjusted.

###### (4) Partial disposal of equity investments in subsidiaries without losing control

The share premium in the capital reserves under the consolidated balance sheet will be adjusted at the difference between the disposal price and the share of net assets of subsidiaries calculated from the acquisition date or the combination date corresponding to the disposal of long-term equity investments; if the share premium thereof is insufficient, the retained earnings will be adjusted.



## Section VIII Financial Reports

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

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

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

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

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

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

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

#### 3.8 Recognition criteria of cash and cash equivalents

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

#### 3.9 Foreign currency transactions and translation of foreign currency statements

##### 3.9.1 Foreign currency transactions

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

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

##### 3.9.2 Translation of foreign currency financial statements

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

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

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

#### 3.10 Financial instruments

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

##### 3.10.1 Classification of financial instruments

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

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

- Where the business model is to collect contractual cash flows; and
- Where the contractual cash flow that is only used for the payment for the principal and the interest based on the outstanding principal amount.

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

- The business model aims at gathering the contractual cash flow and selling such financial assets; and
- Where the contractual cash flow that is only used for the payment for the principal and the interest based on the outstanding principal amount.

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

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

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

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

- 1) This designation can eliminate or significantly reduce the accounting mismatch.
- 2) Management and performance evaluation of the financial liability portfolio or portfolio of financial assets and financial liabilities on a fair value basis in accordance with the enterprise risk management or investment strategy as set out in a formal written document, and reporting to key officers on this basis within the Company.
- 3) The financial liabilities contain embedded derivative needed to be separated.

The financial guarantee contract other than the financial liability designated to be measured at the fair value through the current profit or loss are measured at initial recognition but be subsequently measured at the higher of the loss reserves of estimated liabilities determined under the expected credit loss model and initially recognized amount less accumulated amortization.

## Section VIII Financial Reports

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

#### 3.10 Financial instruments (Continued)

##### 3.10.2 Recognition basis and measurement methods of financial instruments

###### **(1) Financial assets measured at amortized cost**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

###### **(6) Financial liabilities measured at amortized cost**

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

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

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

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

#### 3.10 Financial instruments (Continued)

##### 3.10.3 Derecognition and transfer of financial assets

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

- The contractual right of collecting cash flows of financial assets is terminated;
- The financial assets have been transferred, and nearly all of the risks and rewards related to the ownership of the financial assets have been transferred to the transferee;
- The financial assets have been transferred, and the Company does not retain the control over the financial assets through it has neither transferred nor retained nearly all risks and rewards related to the ownership of the financial assets.

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

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

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

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

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

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

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

##### 3.10.4 Derecognition of financial liabilities

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

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

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

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

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

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

## Section VIII Financial Reports

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

#### 3.10 Financial instruments (Continued)

##### 3.10.6 Test method and accounting treatment of depreciation of financial assets

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

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

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

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

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

- (1) It is unlikely that the borrower will pay in full the amount it owes to the Group and the assessment does not consider the recourse actions by the Group such as realization of collateral (if held); or
- (2) Where the financial assets were overdue for more than 90 days.

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

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

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

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

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

#### 3.10 Financial instruments (Continued)

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

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

###### A. Notes receivable

Notes receivable portfolio 1: bank acceptance bill

Notes receivable portfolio 2: commercial acceptance bill

###### B. Accounts receivable

Accounts receivable portfolio 1: receivable from related parties

Accounts receivable portfolio 2: receivable from other clients

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

Contract assets portfolio 1: engineering service

Contract assets portfolio 2: others

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

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

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

Other receivables portfolio 1: reserve funds

Other receivables portfolio 2: deposits or security deposits receivable

Other receivables portfolio 3: other receivables

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

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

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

## Section VIII Financial Reports

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

#### 3.11 Inventories

##### 3.11.1 Classification and cost of inventories

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

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

##### 3.11.2 Measurement method of dispatched inventories

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

##### 3.11.3 Recognition basis of net realizable value of different types of inventories

On the balance sheet date, inventories shall be measured at the cost or the net realizable value, whichever is lower. Where the inventory costs are higher than the net realizable values, the provision for inventory depreciation reserves shall be made. During routine activities, net realizable values of inventories refer to the amounts of the estimated selling prices of inventories minus the estimated costs to completion, estimated selling expenses and relevant taxes and surcharges. For inventories held to execute sales contract or service contract, their net realizable values are calculated on the basis of contract price.

In the normal production and operation process, the estimated selling price of the inventories minus the estimated selling expenses and relevant taxes and fees shall be used to determine the net realizable value of commodity inventories that are directly used for sale, such as finished products, goods in stock, and materials for sale; Material inventory that needs to be processed, in the normal production and operation process, net realizable value is the amount after the estimated selling price of the finished product produced minus the estimated cost to be incurred upon completion, estimated selling expenses and related taxes and fees; the net realizable value of inventories held for the execution of a sales contract or a labor service contract shall be calculated on the basis of the contract price. If the quantity of inventory held is larger than the quantity ordered by the sales contract, the net realizable value of the excess inventory is calculated on the basis of the general sales price.

After the provisions for the inventory depreciation are made, the factors causing any write-down of inventory value have disappeared, leading to the net realizable values of inventories higher than its book value, the amount of write-down shall be resumed and be reversed from the original provision for inventory devaluation with the reversal being included in the current profit or loss.

##### 3.11.4 Inventory system

The perpetual inventory system is adopted.

##### 3.11.5 Amortization method for low-cost consumables

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

#### 3.12 Contract assets

##### 3.12.1 Recognition method and criteria for contract assets

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

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

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

#### 3.13 Long-term equity investments

##### 3.13.1 Judgment criteria for joint control and significant influence

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

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



## Section VIII Financial Reports

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

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

##### 3.13.2 Determination of initial investment costs

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

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

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

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

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

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

##### 3.13.3 Subsequent measurements and recognition of profit or loss

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

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

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

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

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

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

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

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

## Section VIII Financial Reports

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

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

##### 3.13.3 Subsequent measurements and recognition of profit or loss (Continued)

###### (3) Disposal of long-term equity investments

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

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

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

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

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

#### 3.14 Fixed assets

##### 3.14.1 Recognition and initial measurement of fixed assets

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

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

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

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

##### 3.14.2 Depreciation method

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

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

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

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

## Section VIII Financial Reports

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

#### 3.14 Fixed assets (Continued)

##### 3.14.3 Disposal of fixed assets

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

#### 3.15 Construction in progress

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

#### 3.16 Borrowing costs

##### 3.16.1 Recognition criteria of capitalization of borrowing costs

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

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

##### 3.16.2 Capitalization period for borrowing costs

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

Capitalization shall start when the following conditions are satisfied simultaneously:

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

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

##### 3.16.3 Period of capitalization suspension

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

##### 3.16.4 Measurement of capitalization rate and capitalized amounts of borrowing costs

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

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

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

## Section VIII Financial Reports

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

#### 3.17 Intangible assets

##### 3.17.1 Measurement method of intangible assets

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

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

*(2) Subsequent measurement*

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

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

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

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

##### 3.17.3 Scope of R&D expenditure

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

##### 3.17.4 Specific criteria for classifying research and development stages

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

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

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

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

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

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

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

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

## Section VIII Financial Reports

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

#### 3.18 Impairment of long-term assets

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

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

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

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

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

#### 3.19 Long-term deferred expenses

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

#### 3.20 Contract liabilities

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

#### 3.21 Employee compensation

##### 3.21.1 Accounting treatment of short-term compensation

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

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

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

## Section VIII Financial Reports

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

#### 3.21 Employee compensation (Continued)

##### 3.21.2 Accounting treatment of post-employment benefits

Post-employment benefit plans include defined contribution plans and defined benefit plans. Defined contribution plan refers to a post-employment benefit plan in which the enterprise no longer undertakes further payment obligations after paying a fixed fee to an independent fund; Defined benefit plan refers to a post-employment benefit plan other than the defined contribution plan. During the reporting period, the Group's post-employment benefits were mainly basic pension insurance.

The employees of the Group participated in the basic social pension insurance organized and implemented by the local labor and social security department. The Group pays endowment insurance premiums to the local social basic endowment insurance agency monthly based on the payment base and proportion of the local social basic endowment insurance. After employees retire, local labor and social security departments are responsible for paying basic social pensions to retired employees.

Enterprise Annuity Plan: In addition to the basic endowment insurance, the Group has established an enterprise annuity plan ("annuity plan") in accordance with the relevant policies of the national enterprise annuity system, and employees can voluntarily participate in the annuity plan. Apart from this, the Group has no other significant employee social security commitments. During the accounting period in which the employee provides services, the amount to be paid calculated according to the defined contribution plan is recognized as a liability and included in the current profit and loss or related asset costs.

##### 3.21.3 Accounting treatment of dismissal benefits

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

##### 3.21.4 Accounting treatment of other long-term employee benefits

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

#### 3.22 Estimated liabilities

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

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

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

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

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

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

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

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

#### 3.23 Revenue

##### 3.23.1 Accounting policies for revenue recognition and measurement

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

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

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

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

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

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

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

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



## Section VIII Financial Reports

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

#### 3.23 Revenue (Continued)

##### 3.23.2 Specific methods

Specific methods of the Group for recognition of revenue:

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

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

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

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

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

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

#### 3.24 Contract costs

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

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

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

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

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

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

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

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

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

#### 3.25 Government grants

##### 3.25.1 Type

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

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

##### 3.25.2 Timing of recognition

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

##### 3.25.3 Accounting treatment

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

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

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

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

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

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

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

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

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

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

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

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

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

## Section VIII Financial Reports

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

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

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

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

#### 3.27 Leases

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

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

##### 3.27.1 The Company as the lessee

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

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

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

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

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

###### (2) Lease liabilities

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

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

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

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

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

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

#### 3.27 Leases (Continued)

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

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

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

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

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

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

###### (4) Lease changes

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

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

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

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

##### 3.27.2 The Company as the lessee

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

###### (1) Accounting treatment of operating lease

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

## Section VIII Financial Reports

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

#### 3.27 Leases (Continued)

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

###### (2) Accounting treatment of finance lease

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

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

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

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

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

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

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

##### 3.27.3 Sale-and-leaseback transactions

The Company assesses whether the transfer of assets in sale-and-leaseback transactions is a sale in accordance with the principles described in the Note “3.24 Revenue”.

###### (1) The Company as the lessee

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

###### (2) The Company as the lessor

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

#### 3.28 Work safety expenses

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

## Section VIII Financial Reports

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

#### 3.29 Debt restructuring

##### 3.29.1 The Company acts as a creditor

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

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

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

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

##### 3.29.2 The Company acts as the debtor

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

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

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

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

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

#### 3.30 Segment reporting

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

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

## Section VIII Financial Reports

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

#### 3.31 Significant accounting estimates and judgments

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

##### 3.31.1 Classification of financial assets

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

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

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

##### 3.31.2 Measurement of expected credit loss of receivables

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

##### 3.31.3 Provision for inventory depreciation

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

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

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

##### 3.31.5 Development expenses

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

##### 3.31.6 Pending litigations

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



## Section VIII Financial Reports

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

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

##### 3.31.7 Revenue recognition

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

##### 3.31.8 Deferred income tax assets

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

##### 3.31.9 Taxation

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

#### 3.32 Determination method and selection basis of materiality standards

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

## Section VIII Financial Reports

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

#### 3.33 Changes in significant accounting policies and accounting estimates

##### 3.33.1 Changes in significant accounting policies

(1) *Implementation of the Interpretation of Accounting Standards for Business Enterprises No. 17. On October 25, 2023, the Ministry of Finance issued the “Interpretation of Accounting Standards for Business Enterprises No. 17” (Accounting and Finance [2023] No. 21, hereinafter referred to as “Interpretation No. 17”).*

##### ① Classification of Current and Non-current Liabilities

Interpretation No. 17 clarifies:

- A liability shall be classified as a current liability if the enterprise does not have a substantive right to defer settlement of the liability for more than one year after the balance sheet date.
- For liabilities arising from corporate loan arrangements, the right to defer settlement of liabilities beyond one year after the balance sheet date may depend on whether the enterprise complies with the conditions specified in the loan arrangement (hereinafter referred to as “contractual conditions”). In determining the existence of a substantive right to defer debt settlement, an enterprise should only consider contractual conditions that should be followed on or before the balance sheet date, and should not consider contractual conditions that should be followed after the balance sheet date.
- The settlement of liabilities for the purpose of classifying liabilities by liquidity refers to the discharge of liabilities by the enterprise to counterparties through the transfer of cash, other economic resources (such as goods or services), or the enterprise’s own equity instruments. If the terms of a liability result in the enterprise settling the liability by delivering its own equity instruments at the option of the counterparty, and if the enterprise classifies that option as an equity instrument and separately recognizes it as an equity component of a composite financial instrument in accordance with the provisions of Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments, such terms do not affect the liquidity classification of the liability.

This interpretation is effective from January 1, 2024. When enterprises implement this interpretation for the first time, they should adjust the information for comparable periods in accordance with its provisions. This provision has not had a significant impact on the Company’s financial position and operating results.

##### ② Disclosure of Supplier Financing Arrangements

Interpretation No. 17 requires enterprises to disclose information related to supplier financing arrangements in their notes to the financial statements to help users of the financial statements assess the impact of these arrangements on the enterprise’s liabilities, cash flows, and liquidity risk exposures. The impact of supplier financing arrangements should also be considered when identifying and disclosing liquidity risk information. This disclosure requirement applies only to supplier financing arrangements, which refer to transactions with the following characteristics: one or more financing providers provide funds to pay the enterprise’s payables to its suppliers, and the enterprise agrees to repay the financing providers according to the terms and conditions of the arrangement on or after the day its suppliers receive the funds. Compared with the original due date of payment, supplier financing arrangements extend the enterprise’s payment period or accelerate the collection period of its suppliers.

This interpretation is effective from January 1, 2024, and enterprises are not required to disclose the information required by this provision in the interim report when implementing it for the first time. This provision has not had a significant impact on the Company’s financial position and operation results.

##### ③ Accounting Treatment of Sale-and-Leaseback Transactions

Interpretation No. 17 stipulates that when a lessee conducts subsequent measurement of the lease liabilities arising from sale-and-leaseback transactions, the method used to determine the lease payments or modified lease payments must not result in the recognition of gains or losses related to the right of use acquired through the leaseback. When enterprises implement this provision for the first time, they should make retrospective adjustments to sale-and-leaseback transactions conducted after the initial implementation date of Accounting Standards for Business Enterprises No. 21 – Leases.

This interpretation is effective from January 1, 2024, and enterprises are allowed to implement it earlier than the issuance year. The Company implements this provision from January 1, 2024. This provision has not had a significant impact on the Company’s financial position and operating results.

#### (2) Reclassification of Warranty Costs for Guaranteed Warranties

In March 2024, the Ministry of Finance issued the “Compilation of Application Guides for Accounting Standards for Business Enterprises 2024,” stipulating that warranty costs for guaranteed warranties should be included in operating costs. This provision has not had a significant impact on the Company’s financial position and operating results.

##### 3.33.2 Changes in significant accounting estimates

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

##### 3.33.3 Correction of significant accounting errors of prior periods

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

#### 3.34 Others

The Company had no other adjustments this year.

## 4 TAXATION

### 4.1 Major tax types and tax rates

Tax type	Tax basis	Legal tax rate (%)
Value-added tax	The output tax is calculated based on the sales of goods and taxable labor income calculated according to the tax law. After deducting the input tax that can be deducted in the current period, the difference is the value-added tax payable.	3, 6, 9, 10 or 13
Consumption tax	Levied based on taxable sales income	1, 5 or 7
Urban maintenance and construction tax	Levied based on the actual VAT and consumption tax paid	5
Enterprise income tax	Levied based on the taxable income	25

Disclosure of information about taxpayers applying different enterprise income tax rates

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

### 4.2 Tax preference

#### 4.2.1 Consumption tax refund of self-used refined oil

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

#### 4.2.2 Enterprise income tax

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

## Section VIII Financial Reports

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

#### 5.1 Cash and cash equivalents

Item	Balance as at June 30, 2024	Balance as at December 31, 2023
Cash on hand	2,125	1,551
Cash at banks	1,238,198	973,984
Cash in finance companies	1,765,054	1,840,229
Other monetary funds	353	352
<b>Total</b>	<b>3,005,730</b>	<b>2,816,116</b>
Including: Amount deposited abroad:	2,454,753	1,215,989

As at June 30, 2024, the Group's monetary funds restricted for use due to mortgage, pledge or freezing, or placed overseas with restrictions on fund repatriation are as follows:

Item	Balance as at June 30, 2024	Balance as at December 31, 2023
Guarantee deposit	21,621	20,622
Letter of credit deposit	97	97
Frozen and pledged deposits	2,517	3,182
Time deposit	3,000	3,000
Other	377	417
<b>Total</b>	<b>27,612</b>	<b>27,318</b>

As at June 30, 2024, the Group had not pledged deposit with any bank for the issuance of bank acceptance bill.

#### 5.2 Accounts receivable

##### 5.2.1 Disclosure of accounts receivable by aging

Aging	Balance as at June 30, 2024	Balance as at December 31, 2023
Within 1 year	8,863,588	10,052,406
Including: Not overdue	6,704,879	8,167,905
Overdue – Within 1 year	2,158,709	1,884,501
1 – 2 years	499,228	505,308
2 – 3 years	168,979	130,018
3 – 4 years	117,302	147,097
4 – 5 years	134,351	170,805
Over 5 years	1,738,876	1,829,969
<b>Sub-total</b>	<b>11,522,324</b>	<b>12,835,603</b>
Less: provision for bad debts	2,083,485	2,233,361
<b>Total</b>	<b>9,438,839</b>	<b>10,602,242</b>

## Section VIII Financial Reports

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

#### 5.2 Accounts receivable (Continued)

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

Category	Balance as at June 30, 2024					Balance as at December 31, 2023				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Expected credit loss ratio (%)		Amount	Proportion (%)	Amount	Expected credit loss ratio (%)	
Provision made on an individual basis	960,212	8.33	960,212	100.00		976,229	7.61	976,229	100.00	
Provision for bad debts made by portfolio	10,562,112	91.67	1,123,273	10.63	9,438,839	11,859,374	92.39	1,257,132	10.60	10,602,242
Including:										
Related-party portfolio	3,995,214	34.67	46,963	1.18	3,948,251	4,785,203	37.28	51,097	1.07	4,734,106
Non-related-party portfolio	6,566,898	57.00	1,076,310	16.39	5,490,588	7,074,171	55.11	1,206,035	17.05	5,868,136
<b>Total</b>	<b>11,522,324</b>	<b>100.00</b>	<b>2,083,485</b>		<b>9,438,839</b>	<b>12,835,603</b>	<b>100.00</b>	<b>2,233,361</b>		<b>10,602,242</b>

Provision made on an individual basis:

Item	Balance as at June 30, 2024				Reason for provision
	Book balance	Provision for bad debts	Proportion of provision (%)		
Entity A	876,938	876,938	100.00		The debtor is short of funds and the funds have not been recovered for a long time.
Entity B	47,472	47,472	100.00		The debtor is short of funds and the funds have not been recovered for a long time.
Entity C	26,031	26,031	100.00		The debtor is short of funds and the funds have not been recovered for a long time.
Total of other sporadic units	9,771	9,771	100.00		The debtor is short of funds and the funds have not been recovered for a long time.
<b>Total</b>	<b>960,212</b>	<b>960,212</b>			

Provision for bad debts made by portfolio:

Provision by portfolio:

Item	Balance as at June 30, 2024		
	Accounts receivable	Provision for bad debts	Proportion of provision (%)
Accounts receivable from related-party clients	3,995,214	46,963	1.18
Accounts receivables from non-related-party clients	6,566,898	1,076,310	16.39
<b>Total</b>	<b>10,562,112</b>	<b>1,123,273</b>	

## Section VIII Financial Reports

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

#### 5.2 Accounts receivable (Continued)

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

Provision by portfolio: Accounts receivable from related-party clients

Category	Balance as at June 30, 2024			Balance as at December 31, 2023		
	Book balance	Provision for bad debts		Book balance	Provision for bad debts	
	Amount	Amount	Expected credit loss ratio (%)	Amount	Amount	Expected credit loss ratio (%)
Within 1 year	3,645,872	12,097	0.33	4,483,889	15,291	0.34
Including:						
Not overdue	2,983,528	8,950	0.30	3,956,527	11,869	0.30
Overdue – Within 1 year	662,344	3,147	0.48	527,362	3,422	0.65
1 – 2 years	215,084	6,799	3.16	213,331	9,256	4.34
2 – 3 years	86,798	5,720	6.59	35,842	2,779	7.75
3 – 4 years	18,518	3,062	16.54	20,199	3,581	17.73
4 – 5 years	5,246	2,165	41.27	10,501	4,459	42.46
Over 5 years	23,696	17,120	72.25	21,441	15,731	73.37
<b>Total</b>	<b>3,995,214</b>	<b>46,963</b>	<b>1.18</b>	<b>4,785,203</b>	<b>51,097</b>	<b>1.07</b>

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

Category	Balance as at June 30, 2024			Balance as at December 31, 2023		
	Book balance	Provision for bad debts		Book balance	Provision for bad debts	
	Amount	Amount	Expected credit loss ratio (%)	Amount	Amount	Expected credit loss ratio (%)
Within 1 year	5,217,716	51,260	0.98	5,568,517	50,693	0.91
Including:						
Not overdue	3,721,351	11,164	0.30	4,211,378	12,634	0.30
Overdue – Within 1 year	1,496,365	40,096	2.68	1,357,139	38,059	2.80
1 – 2 years	284,144	63,028	22.18	291,977	65,868	22.56
2 – 3 years	82,181	38,787	47.20	94,176	44,739	47.51
3 – 4 years	98,784	60,754	61.50	126,898	78,574	61.92
4 – 5 years	129,105	107,512	83.27	160,304	133,862	83.51
Over 5 years	754,968	754,969	100.00	832,299	832,299	100.00
<b>Total</b>	<b>6,566,898</b>	<b>1,076,310</b>	<b>16.39</b>	<b>7,074,171</b>	<b>1,206,035</b>	<b>17.05</b>

## Section VIII Financial Reports

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

#### 5.2 Accounts receivable (Continued)

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

Category	Balance as at December 31, 2023	Changes in the current period				Balance as at June 30, 2024
		Provision	Recovery or reversal	Write-off or charge-off	Other decreases	
Provision for bad debts	2,233,361	8,198	151,455	647	5,972	2,083,485
<b>Total</b>	2,233,361	8,198	151,455	647	5,972	2,083,485

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

Company name	Recovery or reversal amount	Basis for determining the initial bad debt provision and its rationality	Reason for transfer or withdrawal	Recovery method
Company A	97,571	Provision for bad debts for non-related party combinations	Partial recovery	Cash recovery
Company B	22,979	Individually determined bad debt provisions	Partial recovery	Cash recovery
<b>Total</b>	120,550			

##### 5.2.4 Accounts receivable actually charged off in the current period

Accounts receivable of RMB647,000 has been charged off in the year.

##### 5.2.5 Top 5 of accounts receivable as at June 30, 2024, presented by debtor

Item	Accounts receivable	Contract asset closing balance	Accounts receivable and contract assets closing balances	Proportion of the total closing balance of accounts receivable and contract assets (%)	Accounts receivable bad debt provision and contract asset impairment provision closing balance
Entity 1	3,371,208	8,442,254	11,813,462	37.05	69,823
Entity 2	596,519	1,971,886	2,568,405	8.05	16,679
Entity 3	699,094	783,224	1,482,318	4.65	37,846
Entity 4	662,259	524,471	1,186,730	3.72	9,258
Entity 5	876,938		876,938	2.75	876,938
<b>Total</b>	6,206,018	11,721,835	17,927,853	56.22	1,010,544

#### 5.3 Receivables at FVTOCI

##### 5.3.1 Breakdowns of receivables at FVTOCI

Item	Balance as at June 30, 2024	Balance as at December 31, 2023
Notes receivable	1,385,577	2,693,269
Digitize accounts receivable vouchers		41,812
<b>Total</b>	1,385,577	2,735,081

Some subsidiaries of the Group discounted and transferred via endorsement a part of bank acceptance bills and commercial acceptance bills based on its routine funds management demand and derecognized the discounted and endorsed notes receivable based on the situation that almost all risks and remuneration have been transferred to relevant counterparties. As at June 30, 2024, the notes receivable endorsed or discounted but not matured amounted to RMB3,955,448,000 (As at December 31, 2023, RMB7,472,930,000). As relevant subsidiaries manage notes receivable with the purpose of collecting contractual cash flows and selling such financial assets, the Company classifies these subsidiaries' bank acceptance bills and commercial acceptance bills as the financial assets measured at fair value through other comprehensive income.

As at June 30, 2024, the Group believed that the bank acceptance bills and commercial acceptance bills it held had not significant credit risk as they were accepted by the banks or finance companies with higher credit levels, and it would not be subjected to the significant loss caused by the default of these banks and finance companies.

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



## Section VIII Financial Reports

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

#### 5.4 Advances to suppliers

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

Aging	Balance as at June 30, 2024		Balance as at December 31, 2023	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	707,283	95.90	509,374	98.85
1 – 2 years	29,056	3.94	739	0.14
2 – 3 years	334	0.05	485	0.09
Over 3 years	844	0.11	4,709	0.91
<b>Total</b>	<b>737,517</b>		<b>511,443</b>	

##### 5.4.2 Top 5 of advances to suppliers as at June 30, 2024, collected by supplier

The sum amount of top 5 of accounts receivable as at June 30, 2024, presented by debtor was RMB310,951,000, accounting for 42.16% of the total ending balance of advances to suppliers.

#### 5.5 Other receivables

Item	Balance as at June 30, 2024	Balance as at December 31, 2023
Dividends receivable	212	433
Other receivables	2,960,429	2,759,708
<b>Total</b>	<b>2,960,641</b>	<b>2,760,141</b>

##### 5.5.1 Dividends receivable

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

Project (or investee)	Balance as at June 30, 2024	Balance as at December 31, 2023
Zhenjiang Huajiang Oil and gas engineering Technology Service Co., LTD	212	
Qianjiang Hengyun Motor Vehicle Comprehensive Performance Inspection & Testing Co., Ltd.		433
<b>Sub-total</b>	<b>212</b>	<b>433</b>
Less: provision for bad debts		
<b>Total</b>	<b>212</b>	<b>433</b>

##### 5.5.2 Other receivables

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

Aging	Balance as at June 30, 2024	Balance as at December 31, 2023
Within 1 year	2,544,800	2,193,288
1 – 2 years	170,395	359,365
2 – 3 years	130,699	120,444
3 – 4 years	49,010	49,571
4 – 5 years	59,914	57,874
Over 5 years	543,345	570,308
<b>Sub-total</b>	<b>3,498,163</b>	<b>3,350,850</b>
Less: provision for bad debts	537,734	591,142
<b>Total</b>	<b>2,960,429</b>	<b>2,759,708</b>

## Section VIII Financial Reports

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

#### 5.5 Other receivables (Continued)

##### 5.5.2 Other receivables (Continued)

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

Category	Balance as at June 30, 2024			Balance as at December 31, 2023		
	Book balance	Provision for bad debts	Book value	Book balance	Provision for bad debts	Book value
	Amount	Amount	Amount	Amount	Amount	Amount
Imprest	12,812	233	12,579	4,728	126	4,602
Security deposit	1,011,541	71,774	939,767	1,153,100	107,117	1,045,983
Advance money for the Company	973,090	183,817	789,273	934,741	207,872	726,869
Suspense payment	978,383	245,377	733,006	899,349	237,994	661,355
Escrow payment	5,162	98	5,064	5,271	49	5,222
Deposit	34,407	3,281	31,126	42,785	2,776	40,009
Export rebates receivable	97,397	52	97,345	5,386	76	5,310
Others	385,371	33,102	352,269	305,490	35,132	270,358
<b>Total</b>	<b>3,498,163</b>	<b>537,734</b>	<b>2,960,429</b>	<b>3,350,850</b>	<b>591,142</b>	<b>2,759,708</b>

(3) Details of provision for bad debts

Provision for bad debts at stage I as at June 30, 2024

Category	Book balance	Expected credit loss ratio in future 12 months (%)	Provision for bad debts	Book value
Provision for bad debts made by portfolio	2,867,601	3.32	95,111	2,772,490
– Imprest	12,812	1.82	233	12,579
– Margin and deposit	986,535	3.33	32,851	953,684
– Other receivables	1,868,254	3.32	62,027	1,806,227
<b>Total</b>	<b>2,867,601</b>		<b>95,111</b>	<b>2,772,490</b>

As at June 30, 2024, the Company had no interest receivable, dividends receivable and other receivables at stage II.

Provision for bad debts at stage III as at June 30, 2024:

Category	Book balance	Expected credit loss ratio in future 12 months (%)	Provision for bad debts	Book value
Provision for bad debts made by portfolio	630,562	70.20	442,623	187,939
– Imprest				
– Margin and deposit	59,413	71.03	42,204	17,209
– Other receivables	571,149	70.11	400,419	170,730
<b>Total</b>	<b>630,562</b>		<b>442,623</b>	<b>187,939</b>

## Section VIII Financial Reports

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

#### 5.5 Other receivables (Continued)

##### 5.5.2 Other receivables (Continued)

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

Provision for bad debts	Stage I	Stage II	Stage III	Total
	Expected credit loss in future 12 months	Expected credit loss in the whole duration (without credit impairment)	Expected credit loss in the whole duration (with credit impairment)	
Balance as at December 31, 2023	103,419		487,723	591,142
Balance as at December 31, 2023 in the current period				
– Transferred to Stage II				
– Transferred to Stage III				
– Reversal to Stage II				
– Reversal to Stage I				
Provision in the current period	6,692		6,689	13,381
Reversal in the current period	13,322		43,879	57,201
Write-off in the current period				
Other changes	1,678		7,910	9,588
Balance as at June 30, 2024	95,111		442,623	537,734

No significant allowance for doubtful accounts was transferred back or recovered during the period.

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

Other receivables of RMB91,000 has been charged off in the year.

###### (6) Top 5 of other receivables as at June 30, 2024, presented by debtor

Company name	Nature	Balance as at June 30, 2024	Aging	Proportion in the total balance of other receivables as at June 30, 2024 (%)	Balance of provision for bad debts as at June 30, 2024
Entity 1	Security deposits Advance payment	308,770	Within 1 year and 3 – 4 years	8.83	6,436
Entity 2	Security deposits Advance payment	192,603	1 – 5 years and over 5 years	5.51	6,414
Entity 3	Suspense payment	166,339	2 – 5 years and over 5 years	4.76	166,339
Entity 4	Disbursements	142,431	Over 5 years	4.07	6,346
Entity 5	Security deposits Disbursements	117,713	4 – 5 years and over 5 years	3.36	125,858
<b>Total</b>		<b>927,856</b>		<b>26.53</b>	<b>311,393</b>

## Section VIII Financial Reports

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

#### 5.6 Inventories

##### 5.6.1 Classification of inventories

Item	Balance as at June 30, 2024			Balance as at December 31, 2023		
	Book balance	Provision for inventory depreciation/ Provision for impairment of contract performance cost	Book value	Book balance	Provision for inventory depreciation/ Provision for impairment of contract performance cost	Book value
Raw materials	839,750	14,824	824,926	949,128	14,824	934,304
Revolving materials	20,988		20,988	12,078		12,078
Goods in process	10,283	1,671	8,612	5,731	1,671	4,060
Stock commodities	90,655		90,655	92,117		92,117
Contract performance cost	1,385,764		1,385,764	161,736		161,736
<b>Total</b>	<b>2,347,440</b>	<b>16,495</b>	<b>2,330,945</b>	<b>1,220,790</b>	<b>16,495</b>	<b>1,204,295</b>

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

Item	Balance as at December 31, 2023	Increase in the current period		Decrease in the current period		Balance as at June 30, 2024
		Provision	Others	Reversal or write-off	Others	
Raw materials	14,824					14,824
Goods in process	1,671					1,671
<b>Total</b>	<b>16,495</b>					<b>16,495</b>

##### 5.6.3 Notes to the capitalized amounts of borrowing costs included in the ending balance of inventories

As at June 30, 2024 and December 31, 2023, the Group had no capitalized borrowing costs included in the year end balance of inventories. The inventories were not used for collateral or guarantee.

## Section VIII Financial Reports

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

#### 5.7 Contract assets

##### 5.7.1 Breakdowns of contract assets

Item	Balance as at June 30, 2024			Balance as at December 31, 2023		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Contract assets	20,366,627	126,681	20,239,946	16,402,808	199,560	16,203,248
<b>Total</b>	<b>20,366,627</b>	<b>126,681</b>	<b>20,239,946</b>	<b>16,402,808</b>	<b>199,560</b>	<b>16,203,248</b>

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

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

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

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

Category	Balance as at June 30, 2024					Balance as at December 31, 2023				
	Book balance		Provision for impairment		Book value	Book balance		Provision for impairment		Book value
	Amount	Proportion (%)	Amount	Proportion of provision (%)		Amount	Proportion (%)	Amount	Proportion of provision (%)	
Provision made on an individual basis	60,758	0.30	60,758	100.00		144,307	0.88	144,307	100.00	
Provision for impairment made by portfolios	20,305,869	99.70	65,923	0.32	20,239,946	16,258,501	99.12	55,253	0.34	16,203,248
Including:										
Petroleum Engineering	10,856,800	53.31	37,498	0.35	10,819,302	8,632,396	52.63	32,304	0.37	8,600,092
Construction and Engineering	9,449,069	46.39	28,425	0.30	9,420,644	7,626,105	46.49	22,949	0.30	7,603,156
<b>Total</b>	<b>20,366,627</b>	<b>100.00</b>	<b>126,681</b>		<b>20,239,946</b>	<b>16,402,808</b>	<b>100.00</b>	<b>199,560</b>		<b>16,203,248</b>

Significant contract assets for which impairment provisions are made individually:

Name	Balance as at June 30, 2024				Balance as at December 31, 2023	
	Book balance	Impairment provision	Provision ratio (%)	Basis for accrual	Book balance	Impairment provision
Company 1	60,758	60,758	100	Expected to be unable to settle	144,307	144,307
<b>Total</b>	<b>60,758</b>	<b>60,758</b>	<b>100</b>		<b>144,307</b>	<b>144,307</b>

#### 5.8 Other current assets

Item	Balance as at June 30, 2024	Balance as at December 31, 2023
Value-added tax retained	1,148,079	1,030,914
Input VAT to be certified	64,962	53,422
Value-added tax prepaid	1,505,344	1,403,186
Enterprise income tax prepaid	61,176	5,327
<b>Total</b>	<b>2,779,561</b>	<b>2,492,849</b>

## Section VIII Financial Reports

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

#### 5.9 Long-term equity investments

Investee	Balance as at December 31, 2023	Increase/decrease in the current period						Balance as at June 30, 2024	Ending balance of provision for impairment
		Additional investment	Negative investment	Profit or loss on investments recognized by the equity method	Adjustment to other comprehensive income	Cash dividends or profits declared to be distributed	Provision for impairment made		
1. Joint ventures									
Zhong Wei Energy Services Co., Ltd.	9,892			77				9,969	
EBAPAN,S.A.DEC.V	1,024							1,024	
Sinopec International Petroleum Engineering Mexico DS Joint Venture	507,045			-1,665	-52,020			453,360	
Sub-total	517,961			-1,588	-52,020			464,353	
2. Associates									
Hua Bei Ruida Oil Service Company Limited	10,588			867		-2,100		9,355	
Xinjiang North China Tianxiang Oil Service Company Limited	3,715			1,217		-1,000		3,932	
Qianjiang HengYun Comprehensive Vehicle Performance Inspecting Company Limited	1,780			232				2,012	
Zhenjiang Huajiang Oil and Gas Engineering Technology Service Co., Ltd	2,438			213		-213		2,438	
Henan Zhongyuan Oil & Gas Technology Service Co., Ltd	2,673			368		-69		2,972	
Henan Zhongyou Oil & Gas Technology Service Co., Ltd	8,281			1,154		-1,042		8,393	
Beijing Masonry Intelligent Control Technology Co., Ltd	6,060			20				6,080	
Sub-total	35,535			4,071		-4,424		35,182	
<b>Total</b>	<b>553,496</b>			<b>2,483</b>	<b>-52,020</b>	<b>-4,424</b>		<b>499,535</b>	

## Section VIII Financial Reports

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

#### 5.10 Investment in other equity instruments

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

Item	Balance as at June 30, 2024	Balance as at December 31, 2023
Dongying Kewei Intelligent Technology Co., Ltd.	58	58
Shengli Oilfield Niuzhuang Petroleum Development Co., Ltd.	9,284	9,284
Sinopec Carbon Industry Technology Co., Ltd.	126,421	126,421
<b>Total</b>	<b>135,763</b>	<b>135,763</b>

##### 5.10.2 Details of investment in non-trading equity instruments

Item	Dividend revenue recognized in the current period	Accumulated gains	Accumulated losses	Amount of other comprehensive income transferred to retained earnings	Reason for transferring the other comprehensive income to retained earnings
Dongying Kewei Intelligent Technology Co., Ltd.			358	No significant influence due to non-significant shareholdings	
Shengli Oilfield Niuzhuang Petroleum Development Co., Ltd.		7,284		No significant influence due to non-significant shareholdings	
Sinopec Carbon Industry Technology Co., Ltd.			1,421	No significant influence due to non-significant shareholdings	

#### 5.11 Fixed assets

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

Item	Balance as at June 30, 2024	Balance as at December 31, 2023
Fixed assets	23,545,471	24,793,685
Disposal of fixed assets	87,310	77,136
<b>Total</b>	<b>23,632,781</b>	<b>24,870,821</b>



## Section VIII Financial Reports

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

#### 5.11 Fixed assets (Continued)

##### 5.11.2 Breakdowns of fixed assets

Item	Buildings and constructions	Equipment and others	Total
<b>1. Original book value</b>			
(1) Balance as at December 31, 2023	1,647,918	66,456,682	68,104,600
(2) Increase in the current period		358,841	358,841
– Purchase		6,665	6,665
– Transferred from construction in progress		352,176	352,176
(3) Decrease in the current period	131	1,093,272	1,093,403
– Disposal or retirement	131	1,093,272	1,093,403
(4) Balance as at June 30, 2024	1,647,787	65,722,251	67,370,038
<b>2. Accumulated depreciation</b>			
(1) Balance as at December 31, 2023	736,795	41,501,689	42,238,484
(2) Increase in the current period	27,014	1,506,487	1,533,501
– Provision	27,014	1,506,487	1,533,501
(3) Decrease in the current period	127	941,105	941,232
– Disposal or retirement	127	941,105	941,232
(4) Balance as at June 30, 2024	763,682	42,067,071	42,830,753
<b>3. Provision for impairment</b>			
(1) Balance as at December 31, 2023	654	1,071,777	1,072,431
(2) Increase in the current period			
– Provision			
(3) Decrease in the current period		78,617	78,617
– Disposal or retirement		78,617	78,617
(4) Balance as at June 30, 2024	654	993,160	993,814
<b>4. Book value</b>			
(1) Book value as at June 30, 2024	883,451	22,662,020	23,545,471
(2) Book value as at December 31, 2023	910,469	23,883,216	24,793,685

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

There had been a total amount of 25 premises without qualified ownership certificates up to June 30, 2024, totaling amount in cost of RMB167,225,000, in accumulated depreciation of RMB91,764,000 and net book value of RMB75,461,000.

##### 5.11.4 Disposal of fixed assets

Item	Balance as at June 30, 2024	Balance as at December 31, 2023
Equipment	87,310	77,136
<b>Total</b>	<b>87,310</b>	<b>77,136</b>

## Section VIII Financial Reports

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

#### 5.12 Construction in progress

##### 5.12.1 Construction in progress and project materials

Item	Balance as at June 30, 2024	Balance as at December 31, 2023
Construction in progress	490,691	695,563
Engineer material	2,849	51
<b>Total</b>	<b>493,540</b>	<b>695,614</b>

##### 5.12.2 Details of construction in progress

Item	Balance as at June 30, 2024			Balance as at December 31, 2023		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Infrastructure improvement expenditure	3,890	3,502	388	3,890	3,502	388
Major Materials and equipment procurement projects	490,303		490,303	695,175		695,175
<b>Total</b>	<b>494,193</b>	<b>3,502</b>	<b>490,691</b>	<b>699,065</b>	<b>3,502</b>	<b>695,563</b>

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

Project name	Budget amount	Balance as at December 31, 2023	Increase in the current period	Amount transferred to fixed assets in the current period	Other decreases in the current period	Balance as at June 30, 2024	Proportion of accumulated project investments in budget amount (%)	Project progress	Accumulated capitalized amount of interest	Source of funds
Southwest Lake drilling sand SP98-2023 third batch of fixed asset investment plan	86,220	84,215				84,215	99.00	99.00		Self-financing in full
PANATURI project, Ecuador	105,000	72	49,777			49,849	47.80	47.80		Self-financing in full
2023 industrial production of chemical agent supporting procurement project	44,000		42,945			42,945	97.00	97.00		Self-financing in full
2024 high-temperature drilling fluid treatment agent production facility purchase project	38,500		38,231			38,231	98.00	98.00		Self-financing in full
2023 high-power workover rig renewal project	36,690	32,144	1,787			33,931	92.00	92.00		Self-financing in full
Facilities and supporting projects of Jiangsu Oil Construction International Engineering Project Center	49,000	29,439	2,125			31,564	89.95	89.95		Self-financing in full
2023 shale oil development automatic drilling rig purchase project	90,410	30,000				30,000	33.00	33.00		Self-financing in full
2023 Southwest work area with pressure operation purchase project	42,870	25,445			88	25,357	99.77	99.77		Self-financing in full
2023 high pressure abrasive water jet cutting equipment purchase	29,000	18,500				18,500	60.00	60.00		Self-financing in full
<b>Total</b>		<b>219,815</b>	<b>134,865</b>		<b>88</b>	<b>354,592</b>				

## Section VIII Financial Reports

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

#### 5.13 Right-of-use assets

Item	Land	Buildings	Equipment and others	Total
<b>1. Original book value</b>				
(1) Balance as at December 31, 2023	141,103	1,152,791	656,604	1,950,498
(2) Increase in the current period	64,681	325,181	19,535	409,397
– Newly-added leases	61,808	297,858	16,386	376,052
– Adjustment of lease liabilities	2,873	27,323	3,149	33,345
(3) Decrease in the current period	4,903	196,098	63,398	264,399
– Adjustment of lease liabilities	228	25,899	21,858	47,985
– Write-off or early termination	4,675	170,199	41,540	216,414
(4) Balance as at June 30, 2024	200,881	1,281,874	612,741	2,095,496
<b>2. Accumulated depreciation</b>				
(1) Balance as at December 31, 2023	109,844	671,159	369,862	1,150,865
(2) Increase in the current period	24,159	180,774	104,919	309,852
– Depreciation	24,159	180,774	104,919	309,852
(3) Decrease in the current period	4,675	155,923	40,449	201,047
– Write-off or early termination	4,675	155,923	40,449	201,047
(4) Balance as at June 30, 2024	129,328	696,010	434,332	1,259,670
<b>3. Provision for impairment</b>				
<b>4. Book value</b>				
(1) Book value as at June 30, 2024	71,553	585,864	178,409	835,826
(2) Book value as at December 31, 2023	31,259	481,632	286,742	799,633

Other description: As at June 30, 2024, the lease expenses recognized by the Group and relevant to the short-term lease and low-value assets lease amounted to RMB554,368,000.

## Section VIII Financial Reports

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

#### 5.14 Intangible assets

##### 5.14.1 Breakdowns of intangible assets

Item	Land use right	Software use right	Contract income right	Others	Total
<b>1. Original book value</b>					
(1) Balance as at December 31, 2023	150,387	300,742	869,289	77,418	1,397,836
(2) Increase in the current period		6,185		25	6,210
– Purchase				25	25
– Others		6,185			
(3) Decrease in the current period				2,696	2,696
– Dispose				2,696	2,696
(4) Balance as at June 30, 2024	150,387	306,927	869,289	74,747	1,401,350
<b>2. Accumulated amortization</b>					
(1) Balance as at December 31, 2023	38,190	187,687	672,263	56,918	955,058
(2) Increase in the current period	1,817	19,990	74,005	3,938	99,750
– Provision	1,817	16,519	74,005	3,938	96,279
– Others		3,471			3,471
(3) Decrease in the current period				2,696	2,696
– Dispose				2,696	2,696
(4) Balance as at June 30, 2024	40,007	207,677	746,268	58,160	1,052,112
<b>3. Provision for impairment</b>					
<b>4. Book value</b>					
(1) Book value as at June 30, 2024	110,380	99,250	123,021	16,587	349,238
(2) Book value as at December 31, 2023	112,197	113,055	197,026	20,500	442,778

① As at June 30, 2024, there were no intangible assets generating from the internal research and development.

② As at June 30, 2024, there were no intangible assets under pledge or guarantee.

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

As at June 30, 2024, there were 1 land-use-right with pending certificates of title and the original book value thereof amounted to RMB6,551,000. The provision for accumulated amortization made amounted to RMB2,539,000, and the net book value was RMB4,013,000.

## Section VIII Financial Reports

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

#### 5.15 Long-term deferred expenses

Item	Balance as at December 31, 2023	Increase in the current period	Amortization in the current period	Other decreases	Balance as at June 30, 2024
Special tools for petroleum engineering	5,891,516	120,659	1,067,309	16,352	4,928,514
Other tools for petroleum engineering	1,173,764	233,106	366,305		1,040,565
Camping house	835,494	23,522	153,832	3,665	701,519
Other long-term deferred expenses	37,993		3,415		34,578
<b>Total</b>	<b>7,938,767</b>	<b>377,287</b>	<b>1,590,861</b>	<b>20,017</b>	<b>6,705,176</b>

Other description: The Group's long-term deferred expenses mainly represent special drilling and logging tools of petroleum engineering, geophysical special tools, camping house etc.

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

##### 5.16.1 Deferred income tax assets recognized

Item	Balance as at June 30, 2024		Balance as at December 31, 2023	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for asset impairment and impact of depreciation	1,082,477	175,082	1,084,637	175,082
Provision for bad debts	704,416	116,411	826,068	146,341
Deferred income	8,179	1,227	8,179	1,227
Deductible loss	458,940	68,841	458,612	68,792
Lease liabilities	53,473	8,575	57,168	9,245
Subtotal	2,827,495	452,840	3,004,542	490,547
Net-off of deferred income tax assets and liabilities	520,010	82,704	569,878	89,860
<b>Total</b>	<b>2,307,485</b>	<b>370,136</b>	<b>2,434,664</b>	<b>400,687</b>

##### 5.16.2 Deferred income tax liabilities recognized

Item	Balance as at June 30, 2024		Balance as at December 31, 2023	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Depreciation of fixed assets	564,017	84,602	565,286	84,793
Changes in fair value through other comprehensive income	8,705	2,176	8,705	2,176
Right-of-use assets	520,405	82,767	570,262	89,918
Total	573,117	86,841	574,375	87,027
Net-off of deferred income tax assets and liabilities	520,010	82,704	569,878	89,860
<b>Total</b>	<b>573,117</b>	<b>86,841</b>	<b>574,375</b>	<b>87,027</b>

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

Item	Balance as at June 30, 2024	Balance as at December 31, 2023
Deductible temporary differences	1,928,781	2,196,367
Deductible losses	14,534,733	14,421,209
<b>Total</b>	<b>16,463,514</b>	<b>16,617,576</b>

## Section VIII Financial Reports

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

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

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

Year	Balance as at June 30, 2024	Balance as at December 31, 2023	Remark
Year 2024	76,399	132,055	
Year 2025	424,652	450,104	
Year 2026	8,777,789	9,010,277	
Year 2027	2,267,358	2,277,758	
Year 2028	296,996	296,996	
Year 2029 and later	2,691,539	2,254,019	
<b>Total</b>	<b>14,534,733</b>	<b>14,421,209</b>	

#### 5.17 Short-term borrowings

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

Item	Currency	Balance as at June 30, 2024	Balance as at December 31, 2023
Credit loans from related parties	RMB	22,100,000	19,185,000
	USD		722,435
<b>Total</b>		<b>22,100,000</b>	<b>19,907,435</b>

Description: As at June 30, 2024, the Group has no overdue short-term borrowings.

As at June 30, 2024, The interest rate on RMB borrowing ranges from 2.90% to 3.75% (As at December 31, 2023: 2.90% to 3.75%).

#### 5.18 Notes payable

Category	Balance as at June 30, 2024	Balance as at December 31, 2023
Bank acceptance bill	9,047,539	8,821,760
Commercial acceptance bill	2,200	
<b>Total</b>	<b>9,049,739</b>	<b>8,821,760</b>

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

#### 5.19 Accounts payable

##### 5.19.1 Presentation of accounts payable

Item	Balance as at June 30, 2024	Balance as at December 31, 2023
Payables for materials	5,869,537	6,133,102
Payables for construction	6,586,813	6,882,583
Payable for labour cost	8,035,654	8,396,477
Payables for equipment	3,932,096	4,108,661
Others	816,441	853,105
<b>Total</b>	<b>25,240,541</b>	<b>26,373,928</b>

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

Item	Balance as at June 30, 2024	Reason for no payment or carry-forward
Entity 1	37,482	Unsettled payment
Entity 2	37,022	Unsettled payment
Entity 3	19,927	Unsettled payment
Entity 4	19,149	Unsettled payment
Entity 5	14,284	Unsettled payment
<b>Total</b>	<b>127,864</b>	

## Section VIII Financial Reports

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

#### 5.20 Contract liabilities

Item	Balance as at June 30, 2024	Balance as at December 31, 2023
Petroleum Engineering	1,624,012	2,335,587
Construction Engineering	2,462,797	3,025,687
<b>Total</b>	<b>4,086,809</b>	<b>5,361,274</b>

In the current period, revenue recognized based on the contract liabilities at the beginning of the current period amounted to RMB4,202,589,000.

#### 5.21 Employee compensation payable

##### 5.21.1 Presentation of employee compensation payable

Item	Balance as at December 31, 2023	Increase in the current period	Decrease in the current period	Balance as at June 30, 2024
Short term employee benefits	861,169	6,473,771	6,456,687	878,253
Post-employment benefits	1,902	1,139,170	1,138,839	2,233
Termination benefits		10,299	10,299	
<b>Total</b>	<b>863,071</b>	<b>7,623,240</b>	<b>7,605,825</b>	<b>880,486</b>

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

Item	Balance as at December 31, 2023	Increase in the current period	Decrease in the current period	Balance as at June 30, 2024
(1) Wages or salaries, bonuses, allowances and subsidies	678,983	3,990,814	3,969,087	700,710
(2) Staff welfare		425,742	425,742	
(3) Social security contributions	989	607,904	607,808	1,085
Including: 1. Basic medical insurance	873	505,270	505,208	935
2. Work-related injury insurance	64	38,726	38,697	93
3. Birth insurance	36	16,130	16,125	41
4. Other insurance	16	47,778	47,778	16
(4) Housing funds	1,420	559,347	559,589	1,178
(5) Labor union and employee education funds	173,336	109,917	116,461	166,792
(6) Others	6,441	780,047	778,000	8,488
<b>Total</b>	<b>861,169</b>	<b>6,473,771</b>	<b>6,456,687</b>	<b>878,253</b>

##### 5.21.3 Presentation of defined contribution plans

Item	Balance as at December 31, 2023	Increase in the current period	Decrease in the current period	Balance as at June 30, 2024
Basic pension insurance	1,284	741,588	741,511	1,361
Unemployment insurance	40	31,104	31,053	91
Annuity	578	366,478	366,275	781
<b>Total</b>	<b>1,902</b>	<b>1,139,170</b>	<b>1,138,839</b>	<b>2,233</b>

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

During this report, the Group paid RMB10,299,000 compensation to the resigning employee for terminating labor relation.



## Section VIII Financial Reports

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

#### 5.22 Taxes and surcharges payable

Taxes and surcharges	Balance as at June 30, 2024	Balance as at December 31, 2023
VAT	313,227	414,317
Corporate income tax	203,042	206,715
Urban maintenance and construction tax	24,308	29,172
House property tax	886	1,331
Land use tax	9,291	11,341
Individual income tax	52,523	204,310
Education surtax	14,774	18,487
Other taxes	97,472	115,231
<b>Total</b>	<b>715,523</b>	<b>1,000,904</b>

#### 5.23 Other payables

Item	Balance as at June 30, 2024	Balance as at December 31, 2023
Interest payable	16,070	20,006
Other payables	3,789,833	3,342,677
<b>Total</b>	<b>3,805,903</b>	<b>3,362,683</b>

##### 5.23.1 Interest payable

Item	Balance as at June 30, 2024	Balance as at December 31, 2023
Interest payable of long-term loan which interest paid by installment and principal paid at maturity date	1,280	2,420
Interest payable of short-term loan	14,790	17,586
<b>Total</b>	<b>16,070</b>	<b>20,006</b>

##### 5.23.2 Other payables

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

Item	Balance as at June 30, 2024	Balance as at December 31, 2023
Guarantee	1,099,949	1,056,429
Deposit	152,830	157,375
Amount paid on behalf	794,727	725,937
Temporary receipts	476,596	474,728
Escrow payments	44,497	45,194
Withheld payments	432,031	57,811
Others	789,203	825,203
<b>Total</b>	<b>3,789,833</b>	<b>3,342,677</b>

As at June 30, 2024, other payables with aging over one year amounted to RMB720,309,000 (As at December 31, 2023: RMB525,944,000), mainly including the project quality guarantee deposit, deposit and security fund which are payable. As the project guarantee period has not been matured, or the settlement period has not been due, such payables have not been settled.

## Section VIII Financial Reports

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

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

Item	Balance as at June 30, 2024	Balance as at December 31, 2023
Long-term borrowings within one year	235,184	
Lease liabilities within one year	345,627	436,121
<b>Total</b>	<b>580,811</b>	<b>436,121</b>

#### 5.25 Long-term borrowings

##### Classification of long-term borrowings:

Item	Balance as at June 30, 2024	Interest rate period	Balance as at December 31, 2023	Interest rate period
Loans on credit	235,184	6.51%-7.19%	318,722	7.19%
Sub-total	235,184		318,722	
Less: Long-term loans within one year	235,184			
<b>Total</b>			<b>318,722</b>	

The Group has no long-term borrowings due but not repaid.

#### 5.26 Lease liabilities

Item	Balance as at June 30, 2024	Balance as at December 31, 2023
Land and housing	596,340	467,639
Equipment and others	176,078	285,602
Sub-total	772,418	753,241
Less: Lease liabilities within one year	345,627	436,121
<b>Total</b>	<b>426,791</b>	<b>317,120</b>

The interest expenses of lease liabilities accrued for year ended June 30, 2024 were RMB20,627,000, which were included in the "financial expenses – interest expenses".

#### 5.27 Long-term payables

Item	Balance as at June 30, 2024	Balance as at December 31, 2023
Long-term payables	82,850	58,829
<b>Total</b>	<b>82,850</b>	<b>58,829</b>

##### 5.27.1 Long-term payables

Item	Balance as at June 30, 2024	Balance as at December 31, 2023
Other long-term payables	82,850	58,829
<b>Total</b>	<b>82,850</b>	<b>58,829</b>

## Section VIII Financial Reports

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

#### 5.28 Estimated liabilities

Item	Balance as at June 30, 2024	Balance as at December 31, 2023	Forming reason
Outstanding litigation	51,812		
Expected loss of judicial restructuring		150,743	Estimated payment costs of judicial restructuring
Executory onerous contracts	2,893	3,948	Expected loss of construction contract
Estimated foreign tax expenses	44,836	58,018	Estimated tax expense
<b>Total</b>	<b>99,541</b>	<b>212,709</b>	

For details of expected loss of judicial restructuring, please see Note 13 (2).1 Significant contingencies existing on balance sheet date.

#### 5.29 Deferred income

Item	Balance as at December 31, 2023	Increase in current period	Decrease in current period	Balance as at June 30, 2024	Forming reason
Government grants	18,189	20,426	17,831	20,784	Government grants received
<b>Total</b>	<b>18,189</b>	<b>20,426</b>	<b>17,831</b>	<b>20,784</b>	

#### 5.30 Share capital

Current Period

Item	Balance as at December 31, 2023	Changes in current period ("+" for increase and "-" for decrease)					Balance as at June 30, 2024
		New shares issued	Share donation	Conversion of reserves into shares	Others	Sub-total	
Legal person share held by domestic capital	11,786,046						11,786,046
RMB social public shares (A-share)	1,783,333						1,783,333
Foreign shares listed overseas (H-share)	5,414,961						5,414,961
<b>Total</b>	<b>18,984,340</b>						<b>18,984,340</b>

Prior Period

Item	Balance as at December 31, 2022	Changes in current period ("+" for increase and "-" for decrease)					Balance as at December 31, 2023
		New shares issued	Share donation	Conversion of reserves into shares	Others	Sub-total	
Legal person share held by domestic capital	11,786,046						11,786,046
RMB social public shares (A-share)	1,783,333						1,783,333
Foreign shares listed overseas (H-share)	5,414,961						5,414,961
<b>Total</b>	<b>18,984,340</b>						<b>18,984,340</b>

## Section VIII Financial Reports

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

#### 5.31 Capital reserves

Current Period

Item	Balance as at December 31, 2023	Increase in current period	Decrease in current period	Balance as at June 30, 2024
Share premium	11,649,804			11,649,804
Other capital reserves	67,969			67,969
<b>Total</b>	<b>11,717,773</b>			<b>11,717,773</b>

Prior Period

Item	Balance as at December 31, 2022	Increase in current period	Decrease in current period	Balance as at December 31, 2023
Share premium	11,649,804			11,649,804
Other capital reserves	67,969			67,969
<b>Total</b>	<b>11,717,773</b>			<b>11,717,773</b>

#### 5.32 Other comprehensive income

Item	Balance as at December 31, 2023	Current period					Balance as at June 30, 2024
		Pre-tax amount incurred in current period	Less: the amount included in other comprehensive income in prior period and transferred to current profits or losses	Less: amount previously included in the other comprehensive income and currently transferred to the retained earnings	Less: income tax expenses	Amount after tax attributable to the parent company	
<b>1. Other comprehensive income that cannot be reclassified into profit or loss</b>	6,171						6,171
Including: changes in the fair value of other equity instruments investment	6,171						6,171
<b>2. Other comprehensive income that will be reclassified into profit or loss</b>	16,447	-52,020				-52,020	-35,573
Including: other comprehensive income from transferable gains or losses under the equity method	16,447	-52,020				-52,020	-35,573
<b>Total of other comprehensive income</b>	<b>22,618</b>	<b>-52,020</b>				<b>-52,020</b>	<b>-29,402</b>

Net other comprehensive income after tax for the period was RMB-52,020,000. Among them, the net after-tax amount of other comprehensive income attributable to shareholders of the parent company was RMB-52,020,000 for the period.

#### 5.33 Special reserves

Item	Balance as at December 31, 2023	Increase in current period	Decrease in current period	Balance as at June 30, 2024
Production safety fund	313,849	555,172	254,029	614,992
<b>Total</b>	<b>313,849</b>	<b>555,172</b>	<b>254,029</b>	<b>614,992</b>

In accordance with PRC regulations, the Group appropriated production safety fund of RMB555,172,000 to specific reserve for year ended June 30, 2024, which was recognised in the cost of related products and the Specific reserve. for year ended June 30, 2024, the Group utilised production safety fund amounting to RMB254,029,000 which was of expenditure nature.

## Section VIII Financial Reports

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

#### 5.34 Surplus reserves

Item	Balance as at December 31, 2023	Increase in current period	Decrease in current period	Balance as at June 30, 2024
Statutory surplus reserves	200,383			200,383
<b>Total</b>	<b>200,383</b>			<b>200,383</b>

#### 5.35 Retained earnings

Item	Current period	Prior period	Withdrawal or distribution proportion
Undistributed profit at the beginning of the year	-23,215,761	-23,804,977	
Plus: net profit attributable to owners of the parent company in the period	451,807	589,216	
Other comprehensive income carried forward to retained earnings			
Retained earnings as at the end of the period	-22,763,954	-23,215,761	

#### 5.36 Revenue and cost of sales

##### 5.36.1 Revenue and cost of sales

Item	Current period		Prior period	
	Revenue	Cost	Revenue	Cost
Major business	36,492,421	33,553,538	36,788,467	34,232,594
Other business	329,023	311,098	345,061	173,792
<b>Total</b>	<b>36,821,444</b>	<b>33,864,636</b>	<b>37,133,528</b>	<b>34,406,386</b>

##### 5.36.2 Revenue from contracts

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

The current revenue breakdown information is as follows:

Contract classification	Geophysics	Drilling engineering	Logging and mud logging	Special down-hole operations	Engineering construction	Others	Total
<b>Main business premise</b>							
Mainland China	1,377,764	12,343,433	1,551,036	4,883,912	6,657,450	787,955	27,601,550
Other countries or regions	768,976	6,536,856	51,104	685,393	601,290	247,252	8,890,871
<b>Total</b>	<b>2,146,740</b>	<b>18,880,289</b>	<b>1,602,140</b>	<b>5,569,305</b>	<b>7,258,740</b>	<b>1,035,207</b>	<b>36,492,421</b>
<b>Client type</b>							
Related parties	940,109	11,362,856	1,261,019	4,303,315	4,596,821	402,994	22,867,114
Third party	1,206,631	7,517,433	341,121	1,265,990	2,661,919	632,213	13,625,307
<b>Total</b>	<b>2,146,740</b>	<b>18,880,289</b>	<b>1,602,140</b>	<b>5,569,305</b>	<b>7,258,740</b>	<b>1,035,207</b>	<b>36,492,421</b>
<b>Recognition time of revenue</b>							
Goods (recognised at a certain time)				924	8,449	73,768	83,141
Service (recognised over time)	2,146,740	18,880,289	1,602,140	5,568,381	7,250,291	961,439	36,409,280
<b>Total</b>	<b>2,146,740</b>	<b>18,880,289</b>	<b>1,602,140</b>	<b>5,569,305</b>	<b>7,258,740</b>	<b>1,035,207</b>	<b>36,492,421</b>

## Section VIII Financial Reports

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

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

##### 5.36.3 Notes to performance obligations

The Group's accounting policies for revenue is set out in Note 3.24. The Group signs petroleum engineering technical service contracts or construction engineering contracting contracts with customers to provide geophysical, drilling engineering, logging, and mud logging, special down-hole operations and engineering construction, and usually completes labor services or delivers construction within the agreed period. The customer settles the completed workload in installments during the contract performance period and pays the progress payment within 30-180 days after settlement. The final settlement and payment are made after the completion of the project and the completion acceptance.

According to the contractual stipulations and legal provisions, the Group's engineering construction business provides quality assurance for the construction. This type of quality assurance is a guaranteed quality assurance to the customer that the construction meet the established standards and does not constitute an individual performance obligation. The Group accounts in accordance with the accounting policies described in Note 3.24.

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

##### 5.36.4 Transaction price allocated to the remaining performance obligations

The Group signs engineering service contracts with several customers to provide petroleum engineering technical services and construction engineering contracting services and will perform them in a certain period. These contracts usually constitute an individual performance obligation. As at June 30, 2024, some of the Group's petroleum engineering technical services and construction projects are still in the course of performance, and the total transaction price allocated to the unfulfilled obligations is approximately RMB46,553,000,000. The amount is related to performance of each contract and will be recognized as revenue based on the progress of the performance in the future performance period of each contract.

#### 5.37 Taxes and surcharges

Item	Current period	Prior period
Urban maintenance and construction tax	18,238	22,923
Educational surcharges	14,526	18,244
Overseas taxes and surcharges	75,415	34,784
Property taxes	5,050	5,064
Land use taxes	23,482	23,925
Vehicle and vessel usage tax	3,768	4,431
Stamp duty	17,843	19,386
Others	837	1,026
<b>Total</b>	<b>159,159</b>	<b>129,783</b>

#### 5.38 Selling and distribution expenses

Item	Current period	Prior period
Staff costs	22,771	24,017
Depreciation cost	209	316
Expenses for business trips	1,497	1,759
Publicity expenses	64	35
Rental expenses	277	224
Office expenses	702	1,547
Others	3,322	3,523
<b>Total</b>	<b>28,842</b>	<b>31,421</b>

## Section VIII Financial Reports

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

#### 5.39 General and administrative expenses

Item	Current period	Prior period
Repair and maintenance	813	2,392
Staff costs	661,268	713,684
The information system runs maintenance fees	31,569	22,526
Business entertainment	7,144	11,082
Travel expenses	20,593	24,905
Rental expenses	5,869	7,299
Depreciation and amortization	63,279	70,791
Consultation	7,827	6,951
Property insurance	1,147	1,197
Others	160,790	177,357
<b>Total</b>	<b>960,299</b>	<b>1,038,184</b>

#### 5.40 Research and development expenses

Item	Current period	Prior period
Staff costs	325,388	256,705
Materials costs	497,778	241,469
Technical collaboration fee	70,350	116,675
Experimental expenses	3,088	2,668
Depreciation	26,417	19,530
Others	192,960	178,067
<b>Total</b>	<b>1,115,981</b>	<b>815,114</b>

#### 5.41 Financial expenses

Item	Current period	Prior period
Interest expenses on borrowings	335,005	360,522
Interest expenses on lease liabilities	20,627	23,753
Interest income	-17,341	-10,897
Exchange losses/(gains)	-29,264	-39,756
Bank charges and others	37,064	40,195
<b>Total</b>	<b>346,091</b>	<b>373,817</b>

#### 5.42 Other income

Grant items	Current period	Prior period
National research grants	1,687	2,680
Subsidies of enterprise development	2,170	4,355
Subsidies of stable post	3,381	1,373
Government incentives	278	230
National research grants	6,660	-5,700
Additional input VAT credit	20	235
Return of individual income tax fee	3,635	14,075
Self-use refined oil consumption tax refund	4,684	4,262
<b>Total</b>	<b>22,515</b>	<b>21,510</b>



## Section VIII Financial Reports

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

#### 5.43 Investment income

Item	Current period	Prior period
Investment income from Long-term equity calculated by equity method	2,483	3,516
Investment income from the disposal of long-term equity investments		-1,020
Investment income from debt restructuring	12,408	14,650
<b>Total</b>	<b>14,891</b>	<b>17,146</b>

#### 5.44 Losses from credit impairment

Item	Current period	Prior period
Losses form impairment of accounts receivable	-143,257	-87,306
Losses form impairment of other receivables	-43,820	-74,804
<b>Total</b>	<b>-187,077</b>	<b>-162,110</b>

#### 5.45 Losses from assets impairment

Item	Current period	Prior period
Losses from impairment of contract assets	-73,906	8,636
Impairment loss on fixed assets		4,959
Others	-3,864	2
<b>Total</b>	<b>-77,770</b>	<b>13,597</b>

#### 5.46 Gains from disposal of assets

Item	Current period	Prior period
Gain on disposal of fixed assets ("-" for losses)	41,545	8,026
Others	2,418	809
<b>Total</b>	<b>43,963</b>	<b>8,835</b>

#### 5.47 Non-operating income

Item	Current period	Prior period	Amount included in the current non-recurring profit or loss
Income from waived payables	9,100	3,464	9,100
Compensation received	2,318	1,537	2,318
Penalty income	1,174	858	1,174
Insurance compensation	4,330	327	4,330
Gain from asset scrap	22,261	30,708	22,261
Government subsidy income		28,317	
Other	640	3,206	640
<b>Total</b>	<b>39,823</b>	<b>68,417</b>	<b>39,823</b>

## Section VIII Financial Reports

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

#### 5.48 Non-operating expenses

Item	Current period	Prior period	Amount included in the current non-recurring profit or loss
Donation	496		496
Compensation	1,006	17,058	1,006
Penalty	1,425	759	1,425
Non-current assets written off	3,343	7,901	3,343
Estimated judicial restructuring losses	-95,214		-95,214
Others	39,855	35,952	39,855
<b>Total</b>	<b>-49,089</b>	<b>61,670</b>	<b>-49,089</b>

#### 5.49 Income tax expenses

##### 5.49.1 Table of income tax expenses

Item	Current period	Prior period
Current tax in accordance with tax laws and related regulations	299,392	223,620
Deferred income tax	30,365	-7,950
<b>Total</b>	<b>329,757</b>	<b>215,670</b>

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

Item	Current period
Total profits	781,564
Income tax expenses calculated at statutory tax rate	195,391
Effect of different tax rates used by subsidiaries	24,540
Adjustments of current tax in previous years	-5,016
Profit and loss of joint ventures and associates accounted for using the equity method	-235
Effect of non-deductible costs, expenses, and losses	46,067
Effect of unrecognized deferred income tax assets in prior periods	-16,990
Effect of deductible temporary differences or losses from deferred income tax assets unrecognized in current period	124,982
Tax effect of additional deduction of research and development expenses	-38,982
Income tax expenses	329,757

## Section VIII Financial Reports

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

#### 5.50 Items of statement of cash flows

##### 5.50.1 Cash received from other operating activities

Item	Current period	Prior period
Amount paid on behalf	908,105	861,695
Government grants	25,109	53,891
Temporary receipt and payment	446,008	495,944
Guarantee	364,256	317,595
Compensation	10,108	2,722
Others	56,651	167,031
<b>Total</b>	<b>1,810,237</b>	<b>1,898,878</b>

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

Item	Current period	Prior period
Temporary receipt and payment	122,271	153,105
Guarantee	64,256	95,448
Research and development expenditure	920,907	538,879
Integrated service	55,188	33,845
Repair and maintenance expenses	216,460	212,250
Other operating expenses	148,736	179,275
Others	12,384	33,964
<b>Total</b>	<b>1,540,202</b>	<b>1,246,766</b>

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

Item	Current period	Prior period
Lease payments	20,625	23,753
Notes acceptance fee	397	1,294
Payment of guarantee and commitment fees	13,400	15,640
Payment of principal and interest on lease liabilities	242,977	214,735
<b>Total</b>	<b>277,399</b>	<b>255,422</b>

## Section VIII Financial Reports

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

#### 5.51 Supplementary information to the statement of cash flows

##### 5.51.1 Supplementary information to the statement of cash flows

Supplementary information	Current period	Prior period
<b>1. Net profits adjusted to cash flows from operating activities</b>		
Net profit	451,807	325,904
Plus: Impairment of credit losses	-187,077	-162,110
Impairment losses on assets	-77,770	13,597
Depreciation of fixed assets	1,533,501	1,525,331
Depreciation of right-of-use assets	309,852	296,474
Amortization of intangible assets	96,279	80,198
Amortization of long-term deferred expenses	1,590,861	1,273,864
Losses on disposal of fixed assets, intangible assets, and other long-term assets ("-" for gains)	-43,963	-8,835
Losses from scrapping of fixed assets ("-" for gains)	-18,918	-22,807
Financial expenses ("-" for gains)	307,258	327,246
Investment loss ("-" for gains)	-14,891	-17,146
Decreases in deferred income tax assets ("-" for increases)	30,551	-2,119
Increases in deferred income tax liabilities ("-" for decreases)	-186	-5,831
Decreases in inventories ("-" for increases)	-1,126,650	-727,828
Decreases in operating receivables ("-" for increases)	-1,230,723	-3,173,801
Increases in operating payables ("-" for decreases)	-2,111,140	364,758
Production safety fund	301,143	323,216
Others		11,501
Net cash flows from operating activities	-190,066	421,612
<b>2. Significant investing and financing activities not involving cash receipts and payments</b>		
<b>3. Net change in cash and cash equivalents</b>		
Ending balance of cash and cash equivalents	2,978,118	1,759,808
Less: beginning balance of cash and cash equivalents	2,788,797	1,801,150
Net increase in cash and cash equivalents	189,321	-41,342

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

Item	Balance as at June 30, 2024	Balance as at December 31, 2023
I. Cash	2,978,118	2,788,797
Including: cash on hand	2,125	1,551
Unrestricted bank deposits	2,975,640	2,786,894
Other unrestricted monetary funds	353	352
II. Cash equivalents		
III. Ending balance of cash and cash equivalents	2,978,118	2,788,797

## Section VIII Financial Reports

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

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

Item	Book value as at June 30, 2024	Reason for restriction
Cash at bank and on hand	27,612	Guarantee and funds that are blocked frozen
<b>Total</b>	<b>27,612</b>	

#### 5.53 Foreign currency monetary items

##### 5.53.1 Foreign currency monetary items

Item	Balance in foreign currency as at June 30, 2024	Exchange rate for conversion	RMB amount translated as at June 30, 2024
<b>Monetary funds</b>			<b>2,451,180</b>
Including: USD	268,397	7.1268	1,912,809
KWD	9,967	23.2265	231,489
SAR	26,103	1.9057	49,745
DZD	1,372,597	0.0529	72,603
Others			184,534
<b>Accounts receivable</b>			<b>4,776,059</b>
Including: USD	504,590	7.1268	3,596,115
KWD	17,905	23.2265	415,874
SAR	196,081	1.9057	373,666
DZD	405,231	0.0529	21,435
Others			368,969
<b>Other receivables</b>			<b>1,195,428</b>
Including: USD	76,842	7.1268	547,638
KWD	12,620	23.2265	293,119
SAR	89,962	1.9057	171,437
DZD	89,794	0.0529	4,750
Others			178,484
<b>Accounts payable</b>			<b>1,220,959</b>
Including: USD	67,271	7.1268	479,430
KWD	6,720	23.2265	156,076
SAR	240,929	1.9057	459,130
DZD	457,820	0.0529	24,216
Others			102,107
<b>Other payables</b>			<b>567,715</b>
Including: USD	46,855	7.1268	333,928
KWD	5,346	23.2265	124,160
SAR	10,483	1.9057	19,976
DZD	612,421	0.0529	32,394
Others			57,257
<b>Interest payable</b>			<b>1,282</b>
Including: USD	180	7.1268	1,282
<b>Long-term borrowings</b>			<b>235,184</b>
Including: USD	33,000	7.1268	235,184

## Section VIII Financial Reports

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

#### 5.54 Lease

##### 5.54.1 As the lessee

Item	Current period
Interest expenses on lease liabilities	20,627
Expense on short-term lease under simplified treatment and included in relevant asset costs or the current profit or loss	554,368
Total cash outflows relevant to lease	900,182

The Company's future potential cash outflows not included in the lease liabilities for measurement mainly come from leases where the lessee has committed but not started yet. The estimated annual cash outflows in the future of leases where the lease has committed but not started are as below:

Remaining lease term	Lease payment undiscounted
Within 1 year	474,628
1 – 2 years	8,109
2 – 3 years	8,109
Over 3 years	10,281
<b>Total</b>	<b>501,127</b>

##### 5.54.2 As the lessor

###### (1) Operating lease

	Current period
Revenue from operating lease	28,086

Undiscounted lease receipts that will be collected after June 30, 2024:

Remaining lease term	Current period
Within 1 year	126,305
1 – 2 years	8,668
2 – 3 years	5,675
3 – 4 years	5,546
4 – 5 years	5,142
Over 5 years	51
<b>Total</b>	<b>151,387</b>

## 6 R&D EXPENDITURES

### 6.1 R&D expenditures

Item	Current period	Prior period
Labor costs	325,388	256,705
Material costs	497,778	241,469
Technical collaboration fee	70,350	116,675
Expenses for scientific research experiments	3,088	2,668
Depreciation	26,417	19,530
Other	192,960	178,067
<b>Total</b>	<b>1,115,981</b>	<b>815,114</b>
Including: Expense R&D expenditure	1,115,981	815,114
Capitalize R&D expenditures		

### 6.2 Development expenditures

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

## 7 CHANGE OF CONSOLIDATION SCOPE

During the reporting period, the company did not change consolidation scope.

## 8 EQUITY IN OTHER ENTITIES

### 8.1 Equity in the subsidiaries

#### 8.1.1 Structure of enterprise group

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



## Section VIII Financial Reports

### 8 EQUITY IN OTHER ENTITIES (Continued)

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

##### 8.2.1 Major joint ventures or associates

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

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

	Sinopec International Petroleum Engineering Mexico DS Joint Venture.	
	Balance as at June 30, 2024/ Current period	Balance as at December 31, 2023/ Prior period
Current assets	827,317	904,431
Including: cash and cash equivalents	165,850	233,975
Non-current assets	2,055,948	2,250,768
<b>Total assets</b>	<b>2,883,265</b>	<b>3,155,199</b>
Current liabilities	1,060,206	1,144,987
Non-current liabilities	916,339	996,123
<b>Total liabilities</b>	<b>1,976,545</b>	<b>2,141,110</b>
<b>Net assets</b>	<b>906,720</b>	<b>1,014,089</b>
Equity attributable to shareholders of the Company	453,360	507,045
<b>Carrying amount of equity investment in joint ventures</b>	<b>453,360</b>	<b>507,045</b>
<b>Revenue</b>	<b>154,084</b>	
<b>Financial expenses</b>	<b>47,831</b>	
<b>Net profit</b>	<b>-3,329</b>	
<b>Total comprehensive income</b>	<b>-3,329</b>	

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

	Balance as at June 30, 2024/ Current period	Balance as at December 31, 2023/ Prior period
<b>Joint ventures:</b>		
Total book value of investments	10,993	10,916
Total amount calculated based on the following shareholding proportions		
– Net profit	77	1,345
– Total comprehensive income	77	1,345
<b>Associates:</b>		
Total book value of investments	35,182	35,535
Total amount calculated based on the following shareholding proportions		
– Net profit	4,071	6,850
– Total comprehensive income	4,071	6,850

## Section VIII Financial Reports

### 9 GOVERNMENT GRANTS

#### 9.1 The type, amount and presentation of government subsidies

##### 9.1.1 Government subsidies included in the profit or loss for the current period

###### Asset-related government grants

Balance sheet presentation items	The amount of government subsidy	The amount included in profit or loss for the current period or offset related costs and expenses		Items included in profit or loss for the current period or offset related costs and expenses
		Amount for the current period	The amount of the previous period	
Deferred earnings	154	20	235	Other gains
<b>Total</b>	154	20	235	

###### Revenue-related government grants

Items included in profit or loss for the current period or offset related costs and expenses	The amount of government subsidy	The amount included in profit or loss for the current period or offset related costs and expenses	
		Amount for the current period	The amount of the previous period
Other earnings	43,145	22,495	21,275
<b>Total</b>	43,145	22,495	21,275

Grant item	Category	Balance as at December 31, 2023	New grants in current period	Amount carried forward and included in profit or loss in current period	Balance as at June 30, 2024	Presented items carried forward and included in profit or loss in current period	Assets-related/Income-related
Return of individual income tax fee	Financial appropriation		4,684	4,684		Other gains	Income-related
Special funds for national scientific research	Financial appropriation	9,786	3,285	1,687	11,384	Other gains	Income-related
Grants for enterprise development – Asset-related	Financial appropriation	153		20	133	Other gains	Asset-related
Grants for enterprise development	Financial appropriation	8,153	3,185	2,170	9,168	Other gains	Income-related
Subsidy for job stabilization	Financial appropriation	97	3,383	3,381	99	Other gains	Income-related
Additional VAT deduction	Financial appropriation		3,635	3,635		Other gains	Income-related
Government incentive fund	Financial appropriation		278	278		Other gains	Income-related
Excise tax refund for self-use refined oil products	Financial appropriation		6,660	6,660		Other gains	Income-related
<b>Total</b>		18,189	25,110	22,515	20,784		

## Section VIII Financial Reports

### 10 RISKS RELATED TO FINANCIAL INSTRUMENTS

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

#### Risk management objectives and policies

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

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

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

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

#### 10.1 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group.

Credit is managed on the grouping basis. Credit risk is mainly arises from cash at bank, bills receivable, accounts receivable, other receivables, contract assets, long-term receivables etc.

The Group expects that there is no significant credit risk associated with cash at bank since it is deposited or will be accepted by the state-owned banks and other medium or large size listed banks.

In addition, the Group has policies to limit the credit risk exposure on bills receivable and accounts receivable, other receivables, contract assets and long-term receivables. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

The highest credit risk exposed to the Group is limited to the carrying amount of each financial instrument illustrated in the balance sheet. The Group would not provide any guarantee that might cause credit risk to the Group.

Among the bills receivable and accounts receivable of the Group, the bills receivable and accounts receivable of the top five customers accounted for 53.86% (in 2023:55.35%); among the other receivable of the Group, the other receivable of the top five customers accounted for 26.53% (2023: 30.46%).

#### 10.2 Liquidity risk

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

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

The Group raises working capital from its operations, bank and other borrowings. As at June 30, 2024, the amount of bank loans not yet used by the Group is RMB10,330,692,000. (as at December 31, 2023: RMB13,147,147,000).

## Section VIII Financial Reports

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

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

##### 10.2 Liquidity risk (Continued)

As at the end of the period, the financial assets, financial liabilities and off-balance sheet guarantee items held by the Company are analyzed based on the maturity of remaining undiscounted contractual cash flows as follows (unit: RMB '000):

Item	Balance as at June 30, 2024				Total
	Within 1 year	1 – 2 years	2 – 5 years	Over 5 years	
<b>Financial assets:</b>					
Cash and cash equivalents	3,005,730				3,005,730
Accounts receivable	9,438,839				9,438,839
Accounts receivable financing	1,385,577				1,385,577
Other receivables	2,960,641				2,960,641
Other current assets	2,779,561				2,779,561
<b>Total financial assets</b>	<b>19,570,348</b>				<b>19,570,348</b>
<b>Financial liabilities:</b>					
Short-term loans	22,720,914				22,720,914
Bills payable	9,049,739				9,049,739
Accounts payable	25,240,541				25,240,541
Other payables	3,805,903				3,805,903
Non-current liabilities due within 1 year	605,400				605,400
Long-term borrowings					
Lease liabilities		206,130	166,259	90,409	462,798
Long-term payables		82,850			82,850
<b>Total financial liabilities and contingent liabilities</b>	<b>61,422,497</b>	<b>288,980</b>	<b>166,259</b>	<b>90,409</b>	<b>61,968,145</b>

Item	Balance as at December 31, 2023				Total
	Within 1 year	1 – 2 years	2 – 5 years	Over 5 years	
<b>Financial assets:</b>					
Cash and cash equivalents	2,816,116				2,816,116
Accounts receivable	10,602,242				10,602,242
Accounts receivable financing	2,735,081				2,735,081
Other receivables	2,760,141				2,760,141
Other current assets	2,492,849				2,492,849
<b>Total financial assets</b>	<b>21,406,429</b>				<b>21,406,429</b>
<b>Financial liabilities:</b>					
Short-term loans	20,492,465				20,492,465
Bills payable	8,821,760				8,821,760
Accounts payable	26,373,928				26,373,928
Other payables	3,362,683				3,362,683
Non-current liabilities due within 1 year	489,392				489,392
Long-term borrowings		341,646			341,646
Lease liabilities		153,117	130,398	62,520	346,035
Long-term payables		58,829			58,829
<b>Total financial liabilities and contingent liabilities</b>	<b>59,540,228</b>	<b>553,592</b>	<b>130,398</b>	<b>62,520</b>	<b>60,286,738</b>

## Section VIII Financial Reports

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

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

##### 10.3 Market risk

Market risk, includes interest rate risk and foreign currency risk, refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate because of the changes in market price.

##### 10.3.1 Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate because of the floating rate. Interest rate risk arises from recognized interest-bearing financial instrument and unrecognized financial instrument (e.g. loan commitments).

The Group's interest rate risk arises from long-term bank loans and other interest-bearing liabilities. Financial liabilities issued at floating rate expose the Group to cash flows interest rate risk. Financial liabilities issued at fixed rate expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. At the same time, the Group monitors and maintains the combined financial instruments of fixed rate and floating rate.

The Group closely monitors the impact of changes in interest rates on the Group's interest rate risk. The Group currently does not adopt an interest rate hedging policy. However, management is responsible for monitoring interest rate risk and will consider hedging significant interest rate risk when it will be needed. Increase in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial position. The Group's management will make decisions with reference to the latest market conditions. The Group may enter into interest swap agreement to mitigate its exposure to the interest rate risk. For the period ended June 30, 2024 and year ended December 31, 2023, the Company did not enter into any interest rate swap arrangements. The fair value interest rate risk of the deposit with bank was not principal because the fixed term deposits are short-term deposits etc.

The interest-bearing financial instruments held by the Group are as follows:

As at June 30, 2024, if the borrowing interest rate calculated at the floating interest rate rises or falls by 50 basis points, while other factors remain unchanged, the Group's net profit and shareholders' equity will decrease or increase by approximately RMB882,000 (as at December 31, 2023: RMB3,904,000).

The financial instruments held by the Group at the date of balance sheet expose the Group to fair value interest rate risk. Under the hypothesis of a floating interest rate at the date of balance sheet, the effect to the net profit and shareholder's equity illustrated in the sensitivity analysis as above is arisen from the recalculation of these financial instrument issued at new interest rates. The non-derivative tools issued at floating interest rate held by the Group at the date of balance sheet expose the Group to cash flow interest rate risk. The effect to the net profit and shareholder's equity illustrated in the sensitivity analysis as above is arisen from the effect to the annual estimate amount of interest expenses or revenues at the floating interest rate. The analysis of the previous period is based on the same hypothesis and method.

Item	Balance as at June 30, 2024	Balance as at December 31, 2023
<b>Fixed interest rate financial instruments</b>		
<b>Financial assets:</b>	1,444,855	52,500
Cash and cash equivalents	1,444,855	52,500
<b>Financial liabilities:</b>	22,872,417	19,938,241
Short-term borrowings	22,100,000	19,185,000
Lease liabilities	772,417	753,241
<b>Floating interest rate financial instruments</b>		
<b>Financial assets:</b>	1,560,875	2,763,616
Monetary funds	1,560,875	2,763,616
<b>Financial liabilities:</b>	235,184	1,041,157
Short-term borrowings		722,435
Long-term borrowings	235,184	318,722

## Section VIII Financial Reports

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

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

##### 10.3 Market risk (Continued)

###### 10.3.2 Exchange rate risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. Foreign currency risk arises from the functional currency denominated financial instrument measured at individual entity.

The Group's major operational activities are carried out in Mainland China and most of the transactions are denominated in RMB. However, the Group's recognized foreign currency assets and liabilities and future foreign currency transactions (foreign currency assets and liabilities and foreign currency transactions are mainly denominated in US dollar, Saudi Riyal and Kuwaiti Dinar) still have foreign exchange risks.

As at June 30, 2024, the foreign currency financial assets and liabilities held by the Group were converted to RMB. The amounts are listed as follows:

Item	Foreign currency liabilities		Foreign currency assets	
	Amount as at June 30, 2024	Amount as at December 31, 2023	Amount as at June 30, 2024	Amount as at December 31, 2023
USD	1,049,824	2,034,471	6,056,562	5,027,517
SAR	479,106	499,153	594,848	700,553
KWD	280,236	230,640	940,482	812,779
Other foreign currencies	215,974	224,688	830,775	779,061
<b>Total</b>	<b>2,025,140</b>	<b>2,988,952</b>	<b>8,422,667</b>	<b>7,319,910</b>

The Group closely monitors the impact of changes in interest rates on the Group's interest rate risk. The Group's management is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies. The Group may consider entering into forward exchange agreements or currency swap agreements to mitigate the foreign currency risk.

Under the circumstance that other variables remain unchanged, the after-tax effects of possible reasonable changes in the exchange rate of foreign currencies against RMB this year on the Group's current profit or loss are as follows:

Increase (decrease) in after-tax profit	Current year		Prior year	
	5%	Amount	5%	Amount
USD exchange rate rises	5%	187,753	5%	112,239
USD exchange rate declines	-5%	-187,753	-5%	-112,239
SAR exchange rate rises	5%	4,340	5%	7,553
SAR exchange rate declines	-5%	-4,340	-5%	-7,553
KWD exchange rate rises	5%	24,759	5%	21,830
KWD exchange rate declines	-5%	-24,759	-5%	-21,830

## Section VIII Financial Reports

### 11 DISCLOSURE OF FAIR VALUE

The input value used for measuring fair value is divided into three levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access on the measurement date.

Level 2 inputs are directly or indirectly observable inputs of relevant assets or liabilities other than first-level inputs;

Level 3 inputs refer to unobservable inputs of relevant assets or liabilities.

The fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

#### 11.1 Fair value of assets and liabilities measured at fair value as at June 30, 2024

Item	Fair value as at June 30, 2024			Total
	Measurement of fair value at level 1	Measurement of fair value at level 2	Measurement of fair value at level 3	
<b>9.1.1 Continuous measurement at fair value</b>				
◆ Receivables at FVTOCI			1,385,577	1,385,577
◆ Other equity instrument investments			135,763	135,763
<b>Total assets with continuous measurement at fair value</b>			1,521,340	1,521,340

#### 11.2 Nature and quantitative information of valuation techniques and key parameters adopted for items measured at the fair value of Level 3 on a going and non-going concern

Item	Fair value as at June 30, 2024	Valuation techniques	Unobservable input values	Range (weighted average value)
Receivables at FVTOCI	1,385,577	Asset-based valuation or Discounted Cash Flow Model	N/A	N/A
Other equity instrument investments	135,763	Net value of assets	N/A	N/A

#### 11.3 Analysis on the measurement items measured at fair value of level 3 on a going concern, adjustment information between the book value as at the end of the last year and the book value as at the end of last period and sensitivity of unobservable parameters

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

Item	Balance as at December 31, 2023	Transferred to Level III	Transferred from Level III	Total gains or losses in the current period		Purchase, Issue, Sale and Settlement				Balance as at June 30, 2024	For the assets held at the end of the reporting period, the current unrealized gains or changes included in profit or loss
				Included in the profit or loss	Included in the other comprehensive income	Purchase	Issue	Sale	Settlement		
Other equity instrument investments	135,763									135,763	
<b>Total</b>	135,763									135,763	

#### 11.4 Fair value of financial assets and financial liabilities not measured at fair value

The Group's financial assets and financial liabilities measured at amortized cost mainly include: monetary funds, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable, other payables, long-term payables and long-term borrowings.

Except for the above-mentioned financial assets and financial liabilities, the book value and fair value of other financial assets and financial liabilities not measured at fair value have a very small difference.

## Section VIII Financial Reports

### 12 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS

#### 12.1 Parent company of the Company

Name of parent company	Registration place	Business nature	Registered capital (RMB100 million)	Shareholding ratio of the parent company in the Company (%)	Voting ratio of the parent company in the Company (%)
China Petrochemical Corporation ("Sinopec Group")	22 Chaoyangmen North Street, Chaoyang District Beijing	Petroleum and natural gas exploration, exploitation and sales; petroleum refining; production, sales, storage and transportation of petrochemical, chemical fiber and other chemical products; pipeline transportation of oil and natural gas; research, development, and application of technology and information.	3,265.47	56.51	70.18

The ultimate controller of the Company is China Petrochemical Corporation.

China Petrochemical Corporation directly holds 56.51% of the Company's equity and holds 13.67% of the Company's equity its wholly owned subsidiary Sinopec Century Bright Capital Investment Limited, with a total voting ratio of 70.18%.

#### 12.2 Information on subsidiaries of the Company

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

#### 12.3 Joint ventures and associates of the Company

See "Note 8 Equity in other entities" for the details of significant joint ventures or associates of the Company.

Other joint ventures and associates that conduct related-party transactions with the Company in the current period or have a balance arising from the related transactions with the Company occurred in the prior period are follows:

Name of joint venture or associate	Relationship with the Company
Sinopec Bayshore Petroleum Service Co., LTD	Joint venture
Sinopec International Petroleum Engineering Mexico DS Joint Venture	Joint venture
Qianjiang Hengyun Motor Vehicle Performance Testing Corporation	Associate
Huabei Ruida Oil Service Company Limited	Associate
Xinjiang North China Tianxiang Oil Service Company Limited	Associate
Zhenjiang Huajiang Oil & Gas Engineering Technology Service Co., Ltd	Associate
Henan Zhongyuan Oil & Gas Engineering Technology Service Co., Ltd	Associate
Henan Zhongyou Oil & Gas Engineering Technology Service Co., Ltd	Associate
Beijing Masonry Intelligent Control Technology Co., Ltd	Associate



## Section VIII Financial Reports

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

#### 12.4 Other related parties

Name of other related parties	Relationship between other related parties and the Company
China Petroleum & Chemical Corporation	Under the common control of Sinopec Group
Sinopec Shengli Petroleum Administrative Bureau Co., Ltd.	Under the common control of Sinopec Group
Sinopec Zhongyuan Petroleum Exploration Bureau Co., Ltd.	Under the common control of Sinopec Group
Sinopec Jiangnan Petroleum Administrative Bureau Co., Ltd.	Under the common control of Sinopec Group
Sinopec Henan Petroleum Exploration Bureau Co., Ltd.	Under the common control of Sinopec Group
Sinopec Jiangsu Petroleum Prospecting Bureau Co., Ltd.	Under the common control of Sinopec Group
Sinopec Star Co., Ltd.	Under the common control of Sinopec Group
Sinopec East China Petroleum Bureau	Under the common control of Sinopec Group
Sinopec North China Petroleum Bureau Co., Ltd.	Under the common control of Sinopec Group
Sinopec Southwest Petroleum Bureau Co., Ltd.	Under the common control of Sinopec Group
Sinopec Northeast Petroleum Bureau Co., Ltd.	Under the common control of Sinopec Group
Sinopec Pipeline Storage and Transportation Company	Under the common control of Sinopec Group
Sinopec Offshore Petroleum Bureau Co., Ltd.	Under the common control of Sinopec Group
Sinopec Finance Co., Ltd.	Under the common control of Sinopec Group
Sinopec Century Bright Capital Investment Limited	Under the common control of Sinopec Group
Sinopec Assets Operation and Management Co., Ltd.	Under the common control of Sinopec Group
Taiping & Sinopec Financial Leasing Co., Ltd.	Joint venture of Sinopec
Sinopec International Petroleum Exploration and Production Corporation	Associate of Sinopec
China Oil & Gas Pipeline Network Group	Associate of Sinopec
Directors, managers, chief accountant and secretary of the Board of Directors	Key management personnel

#### 12.5 Related-party transactions

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

###### 12.5.1.1 Purchase of goods

Related party	Content of related transaction	Pricing and decision-making process of related transactions	Current period	Prior period
Sinopec Group and its subsidiaries	Purchase of materials and equipment	According to normal commercial terms or related agreements	4,308,757	4,834,015
Joint ventures and associates of the Group	Purchase of materials and equipment	According to normal commercial terms or related agreements	77,568	70,877

###### 12.5.1.2 Sales of goods

Related party	Content of related transaction	Pricing and decision-making process of related transactions	Current period	Prior period
Sinopec Group and its subsidiaries	Sales of products	According to normal commercial terms or related agreements	31,830	37,569

###### 12.5.1.3 Rendering of services

Related party	Content of related transaction	Pricing and decision-making process of related transactions	Current period	Prior period
Sinopec Group and its subsidiaries	Petroleum engineering technology service	According to normal commercial terms or related agreements	21,144,882	22,492,325
Joint ventures and associates of the Group	Petroleum engineering technology service	According to normal commercial terms or related agreements	1,689,391	2,206,549
Joint ventures and associates of the Group	Petroleum engineering technology service	According to normal commercial terms or related agreements	5,608	100,978

## Section VIII Financial Reports

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

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

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

###### 12.5.1.4 Receipt of labor services

Related party	Content of related transaction	Pricing and decision-making process of related transactions	Current period	Prior period
Joint ventures and associates of the Group	Receipt of labor services	According to normal commercial terms or related agreements	73,924	
Joint ventures and associates of the Group	Receipt of labor services	According to normal commercial terms or related agreements	997,576	956,860

###### 12.5.1.5 Rendering of comprehensive services services

Related party	Content of related transaction	Pricing and decision-making process of related transactions	Current period	Prior period
Sinopec Group and its subsidiaries	Rendering of comprehensive services services	According to normal commercial terms or related agreements	39,066	11,672
Joint ventures and associates of the Group	Rendering of comprehensive services services	According to normal commercial terms or related agreements	4,150	–

###### 12.5.1.6 Receipt of comprehensive services services

Related party	Content of related transaction	Pricing and decision-making process of related transactions	Current period	Prior period
Sinopec Group and its subsidiaries	Receipt of community comprehensive services	According to normal commercial terms or related agreements	10,043	18,951
	Receipt of others comprehensive services	According to normal commercial terms or related agreements	489,813	224,060
Joint ventures and associates of the Group	Receipt of others comprehensive services	According to normal commercial terms or related agreements	36	7

###### 12.5.1.7 Rendering R&D services

Related party	Content of related transaction	Pricing and decision-making process of related transactions	Current period	Prior period
Sinopec Group and its subsidiaries	Rendering sci-tech R&D services	According to normal commercial terms or related agreements	54,790	67,796

## Section VIII Financial Reports

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

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

##### 12.5.2 Related-party lease

The Company as the lessor:

Name of lessee	Type of leased assets	Pricing and decision-making process of related transactions	Lease revenue recognized in the current period	Lease revenue recognized in the previous period
Sinopec Group and its subsidiaries	Equipment	According to normal commercial terms or related agreements	725	241
Sinopec Group and its subsidiaries	Housing	According to normal commercial terms or related agreements	702	170
Joint ventures and associates of the Group	Equipment	According to normal commercial terms or related agreements	354	

The Company as the lessee:

Name of the lessor	Type of leased assets	Pricing and decision-making process of related transactions	Current period	Prior period
			Rental fees paid in the current period	Rental fees paid in the prior period
Sinopec Group and its subsidiaries	Land and real estate	According to normal commercial terms or related agreements	60,695	17,328
	Including: short-term lease	According to normal commercial terms or related agreements	48,512	14,390
	Right-of-use assets	According to normal commercial terms or related agreements	12,184	2,938
Sinopec Group and its subsidiaries	Equipment	According to normal commercial terms or related agreements	115,809	36,895
	Including: short-term lease	According to normal commercial terms or related agreements	115,681	36,895
	Right-of-use assets	According to normal commercial terms or related agreements	128	
Joint ventures and associates of the Group	Land and real estate	According to normal commercial terms or related agreements	154	
	Including: short-term lease	According to normal commercial terms or related agreements	154	
Joint ventures and associates of the Group	Equipment	According to normal commercial terms or related agreements	5,159	1,582
	Including: short-term lease	According to normal commercial terms or related agreements	5,159	1,582

##### 12.5.3 Related-party guarantees

The Company acted as guarantor:

The guaranteed	Guarantee type	Guarantee amount	Guarantee commencement date	Guarantee expiry date	Guarantee performance completed or not
Sinopec Group	Anti-guarantee	RMB 300,000 thousand	September 2021	September 2024	No
Sinopec International Petroleum Service Corporation	Performance guarantee	USD 61,830 thousand	September 2015	December 2026	No
Central Plains Uganda Branch	Performance guarantee	USD 174,000 thousand	January 2023	February 2028	
Sinopec International Petroleum Service Corporation	Performance guarantee	USD 67,000 thousand	April 2019	April 2024	No
Sinopec International Petroleum Service Corporation	Performance guarantee	USD 611,000 thousand	June 2021	October 2029	No
Sinopec International Petroleum Service Corporation	Performance guarantee	USD 91,664 thousand	February 2022	October 2029	No
Sinopec International Petroleum Engineering Mexico DS Joint Venture	Performance guarantee	USD 274,950 thousand	June 2022	December 2048	No
Sinopec International Petroleum Service Corporation	Performance guarantee	USD 118,000 thousand	July 2022	September 2025	No
Sinopec International Petroleum Service Corporation	Performance guarantee	USD 15,000 thousand	December 2022	September 2024	No

## Section VIII Financial Reports

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

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

##### 12.5.4 Loans to and from related parties

Related party	Content of related-party transaction	Pricing and decision-making process of related-party transactions	Current period	Prior period
Sinopec Group and its subsidiaries	Revenue from deposit interest	Based on normal commercial terms	4,485	2,487
	Loan interest expense	Based on normal commercial terms	317,066	330,200
	Obtaining the borrowing	Based on normal commercial terms	13,557,825	13,336,360
	Payment of the loan	Based on normal commercial terms	11,367,463	11,596,612

##### 12.5.5 Assets transfer and debt restructuring of related parties

Related party	Content of related-party transaction	Pricing and decision-making process of related-party transactions	Current period	Prior period
Sinopec Group	Security fund expenditure	Based on normal commercial terms or relevant agreements	42,975	42,145
	Return on security fund	Based on normal commercial terms or relevant agreements	43,563	46,171

##### 12.5.6 Remuneration of key management personnel

There are 15 key management personnel who received remuneration from the Company in the current period, and 15 key management personnel in the previous period.

Item	Current period	Prior period
Remuneration	7,247	7,842
Retirement scheme contribution	301	308
<b>Total</b>	<b>7,548</b>	<b>8,151</b>

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

##### 12.6.1 Receivables

Item	Related party	Balance as at June 30, 2024	Balance as at December 31, 2023
		Book balance	Book balance
Bank deposits	Sinopec Finance Co., Ltd.	20,252	1,043,814
	Sinopec Century Bright Capital Investment Limited	1,744,802	796,415
Accounts receivable	Sinopec Group and its subsidiaries	3,371,208	3,927,454
	Joint ventures of the Group	17,301	20,354
Contract assets	Joint ventures and associates of Sinopec Group	630,757	837,396
	Sinopec Group and its subsidiaries	8,442,254	6,829,354
Prepayments	Joint ventures and associates of Sinopec Group	2,093,709	1,737,126
	Sinopec Group and its subsidiaries	129,933	93,764
Other receivables	Joint ventures and associates of Sinopec Group	178	–
	Sinopec Group and its subsidiaries	226,756	282,732
	Joint ventures and associates of the Group	143,114	139,194
	Joint ventures and associates of Sinopec Group	327,962	372,366

## Section VIII Financial Reports

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

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

##### 12.6.2 Payables

Item	Related party	Balance as at June 30, 2024	Balance as at December 31, 2023
<b>Accounts payable</b>	Sinopec Group and its subsidiaries	2,487,388	2,481,469
	Joint ventures and associates of the Group	108,023	90,398
	Joint ventures and associates of Sinopec Group	2,517	3,636
<b>Contract liabilities</b>	Sinopec Group and its subsidiaries	2,259,911	3,664,743
	Joint ventures and associates of Sinopec Group	607,869	679,837
<b>Other payables</b>	Sinopec Group and its subsidiaries	98,869	69,875
	Joint ventures and associates of the Group	264	172
	Joint ventures and associates of Sinopec Group	181,507	157,703
<b>Short-term borrowings</b>	Sinopec Finance Co., Ltd.	22,100,000	19,185,000
	Sinopec Century Bright Capital Investment Limited		722,435
<b>Interest payable</b>	Sinopec Group and its subsidiaries	14,790	17,586
<b>Lease liabilities</b>	Sinopec Group and its subsidiaries	167,701	7,256
	Joint ventures and associates of Sinopec Group	403	403
<b>Non-current liabilities</b>	Sinopec Group and its subsidiaries	12	12

#### 12.7 Centralized management of funds

##### 12.7.1 The main contents of the centralized management of funds that the company participates in and implements are as follows:

In order to regulate the capital operation of its subsidiaries, accelerate capital turnover, improve capital operation efficiency, improve internal control mechanism, and ensure the maximization of the group's overall benefits, China Petrochemical Corporation (hereinafter referred to as "Sinopec Group") implemented centralized and unified management of the funds of the Sinopec Group and its member units through Sinopec Finance Co., Ltd. ("Sinopec Finance") and Sinopec Century Bright Capital Investment Limited. ("Century Bright") according to relevant laws and regulations.

##### 12.7.2 Funds collected by the Company to the Group

Funds deposited by the Group is directly deposited into the Sinopec Finance and Century Bright without being collected into the account of the parent company of the Group:

As of June 30, 2024, the total amount deposited by the Group in Sinopec Finance and Century Bright was RMB1,765,054,000 (December 31, 2023: RMB1,840,229,000), which was listed as "Cash at bank and on hand", and there was no withdrawal restriction or impairment.

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

As of June 30, 2024, the balance of funds borrowed by the Group from Sinopec Finance and Century Bright was RMB22,100,000 (December 31, 2023: RMB19,907,435), and the balance of funds borrowed by the Group from the parent company Sinopec Group was RMB0.00 (December 31, 2023: 0.00).

## 13 COMMITMENTS AND CONTINGENCIES

### 13.1 Significant commitments

#### 13.1.1 Significant commitments existed on the balance sheet date

Capital commitments contracted for but not yet necessary to be recognized on the balance sheet	As at June 30, 2024	As at December 31, 2023
Construction of long-term assets commitments	107,541	138,720
Investment commitments	129,625	129,625

#### 13.1.2 Performance of prior commitments

The Group has fulfilled the capital and operating lease commitments as at June 30, 2024.

### 13.2 Contingencies

#### 13.2.1 Significant contingencies existed on the balance sheet date

The Group might involve in disputes, litigations and claims for compensation with customers, sub-contractors, and suppliers in the ordinary course of business. The Management has assessed the possibility of adverse results of these contingencies, litigations or other proceedings and believes that any resulting liabilities will not have material adverse effect on the financial position, operating results, or cash flow of the Group, and thus accrues no provision.

##### (1) Judicial reorganization of the Brazil subsidiary and its financial impact

On August 16, 2018, Sinopec (Brazil) Co., Ltd., an indirectly wholly-owned overseas subsidiary of the Company (the "Brazil Subsidiary") applied for judicial reorganization to the Third State Court of Commercial Enterprises in Rio de Janeiro, Brazil (the "Court of Rio") according to the relevant local laws in Brazil. On August 31, 2018, the Brazil subsidiary received ruling from Court of Rio, approved Brazil Subsidiary's entering judicial reorganization and the law firm Nascimento & Rezende Advogados was appointed as the judicial reorganization manager by Court of Rio.

According to the relevant laws of Brazil, the Brazil Subsidiary is required to prepare a reorganization plan upon the Court of Rio has approved that the Brazil Subsidiary enters the legal reorganization procedure. Such legal reorganization is conditional upon the approval of the reorganization plan from the creditors' meeting and the Court of Rio.

To obtain approval from creditors' meeting and the Court of Rio in Brazil, the Brazil Subsidiary's reorganization plan has included full settlement of the amount due to employees in respect of the Project, repaying a proportion of debt due to Three Suppliers, and paying legal fees, fees on judicial authorities and other services fees in relation to the implementation of legal reorganization procedure. Such payments amount is estimated to be approximately RMB475,276,000.

In line with Brazil's judicial reorganization practices and based on the approved judicial reorganization plan, the Brazilian subsidiary has continued to push forward with the judicial reorganization work, communicated and negotiated with relevant creditors, and applied to the judicial court for the closure of the judicial reorganization proceedings in accordance with relevant Brazilian laws. On June 25, 2024, the Brazilian subsidiary received the final ruling from the Rio Court in Brazil, which determined that it had fulfilled all obligations related to the judicial reorganization, marking the end of the judicial reorganization proceedings and the resumption of normal operations.

As of the date of the final ruling, most of the labor lawsuits and third-party lawsuits involving the third fertilizer plant project in Brazil have been resolved. By June 30, 2024, the Brazilian subsidiary has cumulatively disbursed approximately USD37.79 million (equivalent to approximately RMB259 million) under the judicial restructuring plan, including: approximately USD28.98 million (equivalent to approximately RMB199 million) to 1,474 creditors in total, and approximately USD8.81 million (equivalent to approximately RMB60 million) for other expenses related to the judicial reorganization. These other expenses include fees for professional restructuring agencies and creditor negotiations, operating expenses, etc. The Brazilian subsidiary has resumed normal operations.

Based on the judicial restructuring plan of the Brazilian subsidiary and preliminary estimates, the Company recorded an estimated judicial restructuring expense of USD69.25 million (equivalent to about RMB475 million in the year) in 2018, and according to the progress of the judicial restructuring plan, reestimated the liabilities to USD10.83 million (equivalent to about RMB69 million yuan in the year) at the end of 2021. As of June 30, 2024, the Brazilian subsidiary has actually spent USD37.79 million in the judicial reorganization, and according to the estimates, the Brazilian subsidiary is expected to pay a total of USD7.27 million to creditors with outstanding disputes, therefore, the projected liabilities of USD13.36 million are revised in the first half of 2024, as of June 30, 2024. The estimated balance of liabilities is RMB51,812,000 (USD7.27 million).

##### (2) Contingent liabilities arising from overseas tax penalties and their financial impacts

Sinopec International Petroleum Engineering Algeria Co., Ltd. ("Algeria Subsidiary"), a subsidiary of Sinopec International Petroleum Service Corporation (hereinafter referred to as "Sinopec International"), has been operating in Algeria since its establishment. The Algerian tax department is conducting a tax audit on the taxes and chargers generated by the business income of the Algerian subsidiary in 2018-2020, and the Algerian subsidiary and the project departments of Sinogong have hired local agents to conduct tax defense after receiving the preliminary investigation results. Based on the results of previous annual audits and the assessment of the tax risks of the project, the management of the Company has made provision for estimated liabilities for the relevant taxes and fees that may be incurred. As of December 31, 2023, the balance of estimated liabilities was RMB49,366,000. In 2024, the Company will pay 20% of this amount in advance. As of June 30, 2024, the estimated balance of liabilities is RMB36,185,000.

## Section VIII Financial Reports

### 13 COMMITMENTS AND CONTINGENCIES (Continued)

#### 13.2 Contingencies (Continued)

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

###### (3) Contingent liabilities arising from guarantees provided for debt of other entities and their financial effects

As at June 30, 2024, Sinopec Oilfield Service Limited, the subsidiary of the Company, has provided guarantee amount of USD1,413,444,000.

The Group provides guarantees for the performance obligations under the Production Sharing Contract for the EBANO project in Mexico signed by DS Servicios Petroleros, S.A.de C.V. ("DS Mexico") and the beneficiary, the Mexican National Oil and Gas Commission, to ensure that the Group will perform the contract on its behalf when DS Mexico loses its ability to perform. As of June 30, 2024, the maximum amount of joint and several guaranteed liabilities assumed by the Group during this guarantee period shall not exceed an amount equivalent to USD274,950,000.

### 14 POST BALANCE SHEET EVENTS

As at August 20, 2024, there are no post balance sheet events to be disclosed by the Group.

### 15 CAPITAL MANAGEMENT

The objective of the Group's capital management policy is to safeguard the Group's ability to continue as a going concern, thereby providing returns to shareholders and benefits to other stakeholders, while maintaining an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the method of financing, adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares and other equity instruments or sell assets to reduce debt.

The Group monitors its capital using the debt-to-capital ratio, which is calculated as net debt divided by total capital. The net debt is total borrowings (including short-term borrowings, long-term borrowings maturing within one-year, long-term borrowings, and long-term payables) less the cash balance shown in the statement of cash flows. Total capital is the sum of shareholders' equity and net debt as presented in the consolidated balance sheet. Total shareholders' equity includes the shareholders' equity attributable to the parent company and the minority interests.

As at the balance sheet date, the Group's debt-to-capital ratio is as follows:

Item	Balance as at June 30, 2024	As at December 31, 2023
Short-term borrowings	22,100,000	19,907,435
Lease liabilities maturing within one year	345,627	436,121
Long-term borrowings maturing within one year	235,184	
Long-term borrowings		318,722
Lease liabilities	426,791	317,120
Less: cash balances as shown in the statement of cash flows	2,978,118	2,788,798
<b>Net debt</b>	<b>20,129,484</b>	<b>18,190,600</b>
Shareholders' equity	8,724,132	8,023,202
<b>Total capital</b>	<b>28,853,616</b>	<b>26,213,802</b>
<b>Debt-to-capital ratio</b>	<b>69.76%</b>	<b>69.39%</b>

### 16 OTHER SIGNIFICANT EVENTS

#### 16.1 Correction of prior accounting errors

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

#### 16.2 Annuity plan

For details about the main components of the annuity plans, please refer to the Note 3.21.2 Accounting treatment of dismissal benefits”.

#### 16.3 Discontinued operation

There is no discontinued operation during the reporting period.

#### 16.4 Segment information

##### 16.4.1 Determination criteria and accounting policies for reportable segments

The Group has identified five reportable segments based on its internal structure, management requirements and internal reporting policy. The reportable segments are: geophysics, drilling engineering, logging and mud logging, special down-hole operations, and engineering construction. The segment information is prepared based on the financial information of the Company’s daily management requirements. The Group’s management reviews reportable segments’ financial information periodically for the purposes of allocating resources and assessing the performance.

The Group’s reportable segments include:

- (1) Geophysics, which provides geophysical exploration, development and technical services;
- (2) Drilling engineering, which provides customers with drilling construction, technical services and drilling instrumentation;
- (3) Logging and mud logging, which provides logging and mud logging technology services;
- (4) Special down-hole operations, which provides oil engineering technical and construction, including oil (gas) testing, well repair, lateral drilling, fracturing, acidising and oil assignments;
- (5) Engineering construction, which provides a package of services, including feasibility studies, design, procurement, construction for projects of onshore and offshore oil and gas fields, long-distance pipeline projects.

The segment information is disclosed in accordance with the accounting policies and measurement standards reported to management by each segment. These accounting policies and measurement standards are consistent with the accounting policies and measurement standards of preparation of the financial statements.

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

The resources related to long-term equity investment and investment (loss)/income on joint venture, income tax expenses as well as shared assets of all segments are centrally managed and accounted for by the Company, and thus are not allocated among segments.



## Section VIII Financial Reports

### 16 OTHER SIGNIFICANT EVENTS (Continued)

#### 16.4 Segment information (Continued)

##### 16.4.2 Financial information of reportable segments

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

  

Prior period or As at December 31, 2023	Geophysics	Drilling engineering	Logging and mud logging	Special down-hole operations	Engineering construction	Others	Offset	Total
Operating revenue	2,036,901	19,717,535	2,797,173	4,834,314	8,851,938	3,424,542	-4,528,875	37,133,528
Including: income from external transactions	2,019,633	18,867,990	1,564,589	4,699,568	8,830,866	1,150,882		37,133,528
Income from inter-segment transactions	17,268	849,545	1,232,584	134,746	21,072	2,273,660	-4,528,875	
Including: income from primary business	2,036,901	19,697,846	2,797,173	4,854,001	8,851,938	2,871,123	-4,320,515	36,788,467
Operating costs	2,036,823	18,330,060	2,508,747	4,539,065	8,200,781	3,319,785	-4,528,875	34,406,386
Including: costs of primary business	2,036,823	18,330,060	2,508,747	4,539,065	8,200,781	2,948,833	-4,331,715	34,232,594
Operating expenses	82,052	879,814	72,400	125,364	402,185	677,991		2,239,806
Operating profit (loss)	-73,234	502,431	219,681	190,373	256,764	-561,188		534,827
Total assets	5,410,364	28,075,096	4,758,711	7,855,331	22,451,361	39,335,215	-35,055,107	72,830,971
Total liabilities	4,546,595	21,623,937	3,329,017	4,827,604	21,554,531	43,925,540	-35,055,107	64,752,117
Supplementary information:								
1. Capital expenditure	10,183	20,845	130,536	46,867	21,781	120,563		350,775
2. Depreciation and amortization expenses	223,527	1,977,833	186,064	382,118	160,316	246,009		3,175,867
3. Losses from impairment of assets	-5,249	-24,107	-12,227	-4,660	-101,606	-664		-148,513

## Section VIII Financial Reports

### 16 OTHER SIGNIFICANT EVENTS (Continued)

#### 16.4 Segment information (Continued)

##### 16.4.3 Other segment information

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

Item	Current period	Prior period
Geophysics	2,146,740	2,019,633
Drilling engineering	18,880,289	18,867,990
Logging and mud logging	1,602,140	1,564,589
Special down-hole operations	5,569,305	4,699,568
Engineering construction	7,258,740	8,830,866
Others	1,364,230	1,150,882
<b>Total</b>	<b>36,821,444</b>	<b>37,133,528</b>

###### 16.4.3.2 Area information

Current period or As at June 30, 2024	China	Other countries	Offset	Total
Operating revenue	27,903,683	8,917,761		36,821,444
Non-current assets	26,266,827	6,755,168		33,021,995
Prior period or As at December 31, 2023	China	Other countries	Offset	Total
Operating revenue	29,308,886	7,824,642		37,133,528
Non-current assets	28,152,481	7,685,078		35,837,559

###### 16.4.3.3 Dependence to principal customers:

The Group obtained over 50% of the total geophysics, drilling engineering, logging, and mud logging, special down-hole operations and engineering construction revenue from a single customer.

### 16.5 The main impact of the implementation of the Rules for the Preparation of Information Disclosure of Companies Offering Securities to the Public No. 15 – General Provisions on Financial Reporting (Revised in 2023)

When preparing these financial statements, the Company complied with the “Information Disclosure and Preparation Rules for Companies that Offer Securities to the Public No. 15 – General Provisions on Financial Reports (Revised in 2023)” issued by the China Securities Regulatory Commission on December 22, 2023.” requirements to disclose relevant financial information. Except for disclosures of financial instruments, inventories, accounts receivable, contract assets, research and development expenditures, government subsidies, etc., the implementation of this regulation has not had a significant impact on the disclosure format of major financial data for comparable accounting periods for other items.

## Section VIII Financial Reports

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

#### 17.1 Other receivables

Item	Balance as at June 30, 2024	Balance as at December 31, 2023
Other receivables	23,595,020	20,942,180
<b>Total</b>	<b>23,595,020</b>	<b>20,942,180</b>

#### 17.1.1 Other receivables

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

Aging	Balance as at June 30, 2024	Balance as at December 31, 2023
Within 1 year	22,987,792	19,564,599
1 – 2 years	607,226	1,377,469
2 – 3 years	7	7
3 years and above	109	109
Sub-total	23,595,134	20,942,184
Less: provision for bad debts	114	4
<b>Total</b>	<b>23,595,020</b>	<b>20,942,180</b>

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

Category	Balance as at June 30, 2024					Balance as at December 31, 2023				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Expected credit loss rate in the next 12 months (%)		Amount	Proportion (%)	Amount	Expected credit loss rate in the next 12 months (%)	
Provision for bad debts accrued on a combination basis	23,595,134	100.00	114	41.91	23,595,020	20,942,184	100.00	4	1.09	20,942,180
Including:										
Related-party portfolio	23,594,862	100.00			23,594,862	20,941,818	100.00			20,941,818
Non-related-party portfolio	272		114	41.91	158	366		4	1.09	362
<b>Total</b>	<b>23,595,134</b>	<b>100.00</b>	<b>114</b>		<b>23,595,020</b>	<b>20,942,184</b>	<b>100.00</b>	<b>4</b>		<b>20,942,180</b>

Provision for bad debts accrued on a combination basis:

Portfolio provision items:

Category	Balance as at June 30, 2024		
	Book balance	Provision for bad debts	Proportion (%)
Other receivables from related parties	23,594,862		
Non-related-party portfolio	272	114	41.91
<b>Total</b>	<b>23,595,134</b>	<b>114</b>	<b>41.91</b>

##### (3) Classification by nature

Category	Balance as at June 30, 2024	Balance as at December 31, 2023
Other receivables from wholly-owned subsidiaries	23,594,862	20,941,817
Others	272	2,653,316
<b>Total</b>	<b>23,595,134</b>	<b>23,595,133</b>

## Section VIII Financial Reports

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

#### 17.1 Other receivables (Continued)

##### 17.1.1 Other receivables (Continued)

(4) Top 5 of other receivables as at June 30, 2024, presented by debtor

Company	Nature	Balance as at June 30, 2024	Aging	Proportion in the total ending balance of other receivables (%)	Ending balance of provision for bad debts
Sinopec Petroleum Engineering and Construction Corporation	Amount from wholly-owned subsidiaries	8,500,000	Within 1 year	36.02	
Sinopec Zhongyuan Petroleum Engineering Corporation	Amount from wholly-owned subsidiaries	2,645,000	Within 1 year	11.21	
Sinopec Geophysical Corporation	Amount from wholly-owned subsidiaries	5,303,425	Within 1 year	22.48	
Sinopec Shengli Petroleum Engineering Corporation	Amount from wholly-owned subsidiaries	3,355,000	Within 1 year	14.22	
Sinopec East China Petroleum Engineering Corporation	Amount from wholly-owned subsidiaries	2,219,000	Within 1 year	9.40	
<b>Total</b>		22,022,425		93.33	

#### 17.2 Long-term equity investments

Item	Balance as at December June 30, 2024			Balance as at December 31, 2023		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investments in subsidiaries	35,783,581		35,783,581	35,783,582		35,783,582
Investments in associates and joint ventures	9,970		9,970	9,893		9,893
<b>Total</b>	35,793,551		35,793,551	35,793,475		35,793,475

##### 17.2.1 Investments in subsidiaries

Investee	Balance as at December 31, 2023	Increase in the current period	Decrease in the current period	Balance as at June 30, 2024	Provision for impairment made in the current period	Balance of provision for impairment as at December 31, 2023
Sinopec Jingwei Co., Ltd.	892,995			892,995		
Sinopec Shengli Petroleum Engineering Corporation	5,205,033			5,205,033		
Sinopec Jiangnan Petroleum Engineering Corporation	1,493,284			1,493,284		
Sinopec Geophysical Corporation	1,757,237			1,757,237		
Sinopec Zhongyuan Petroleum Engineering Corporation	4,741,156			4,741,156		
Sinopec South West Petroleum Engineering Corporation	3,153,948			3,153,948		
Sinopec North China Petroleum Engineering Corporation	2,445,771			2,445,771		
Sinopec East China Petroleum Engineering Corporation	2,912,441			2,912,441		
Sinopec Petroleum Engineering and Construction Corporation	8,810,288			8,810,288		
Sinopec International Petroleum Service Corporation	871,691			871,691		
Sinopec Offshore Petroleum Engineering Corporation	3,499,738			3,499,738		
<b>Total</b>	35,783,582			35,783,582		

## Section VIII Financial Reports

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

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

##### 17.2.2 Investment in associates and joint ventures

Investee	Balance at the end of last year	Increase/decrease in the current period									Ending balance	Ending balance of provision for impairment
		Intra group transfer	Additional investment	Reduce investment	Investment profit and loss recognized under equity method	Other comprehensive income adjustment	Other equity changes	Declared cash dividends or profits	Provision for impairment	Other		
1. Joint venture												
Zhongwei United International Energy Services Co., Ltd	9,893			77							9,970	9,893
Subtotal	9,893			77							9,970	9,893
2. Associated enterprises												
<b>Total</b>	9,893			77							9,970	9,893

##### 17.2.3 Investment income

Item	Current period	Prior period
Investment income from long-term equity investments under equity method	77	262
<b>Total</b>	<b>77</b>	<b>262</b>

## 18 SUPPLEMENTARY INFORMATION

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

Item	Amount	Remark
Profit or loss from disposal of non-current assets	62,881	
Government grants included in the current profit or loss (except for government grants closely related to the enterprise business, obtained by quota or quantity at unified state standards)	11,170	
Profit or loss from debt restructuring	12,408	
Reversal of impairment provisions for receivables and contract assets that are separately tested for impairment	101,793	
Other items of profit or loss subject to the definition of non-recurring profit or loss	69,993	
<b>Sub-total</b>	<b>258,245</b>	
Affected amount of income tax	57,619	
<b>Total</b>	<b>200,626</b>	

#### 18.2 ROE and earnings per share

Profit during the reporting period	Weighted average ROE (%)	Earnings per share (RMB)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	5.48	0.024	
Net profit attributable to ordinary shareholders of the Company after deducting the non-recurring profit or loss	3.04	0.013	

## Section VIII Financial Reports

### 18 SUPPLEMENTARY INFORMATION (Continued)

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

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

	Net profit		Net assets	
	Current period	Prior period	Balance as at June 30, 2024	Balance as at December 31, 2023
Based on CASBE	451,807	325,904	8,724,132	8,023,202
Adjusted items and amounts in accordance with IFRS:				
Special reserves	301,143	323,216		
Based on IFRS	752,950	649,120	8,724,132	8,023,202

##### 18.3.2 Related notes

In accordance to CASBE, provision of safety fund according to the PRC regulation is recognised to the profit or loss in the current period and at the same time included in the “special reserve” account. When safety costs and maintenance funds provided are used according to the specified scope, payment of expenses is directly offset against the special reserve; payment in formation of fixed assets is first imputed through “construction in progress” account, then recognised as fixed assets when the project is completed to its intended use state; meanwhile, offset the special reserve according to the cost in formation of the fixed assets and recognize the same amount of accumulated depreciation. The fixed assets will no longer depreciate in the subsequent accounting periods. According to IFRSs, expenditure in cost nature is recognised in the profit or loss and expenditure in capital nature is recognised as fixed assets when incurred and depreciate in the corresponding depreciation method.

Sinopec Oilfield Service Corporation

(Official seal)

August 20, 2024

## Section VIII Financial Reports

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



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## REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

### INTRODUCTION

We have reviewed the interim financial information set out on pages 130 to 159, which comprises the condensed consolidated statement of financial position of Sinopec Oilfield Service Corporation (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2024 and the related condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and notes to the interim financial information, including material accounting policy information (the "interim financial information"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

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

### CONCLUSION

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

**BDO Limited**

*Certified Public Accountants*

**Chan Tsz Hung**

Practising Certificate no. P06693

Hong Kong, 20 August 2024

## Section VIII Financial Reports

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Notes	For the six months ended 30 June	
		2024	2023
		RMB' 000 (Unaudited)	RMB' 000 (Unaudited)
<b>Revenue</b>	4	36,821,444	37,133,528
<b>Cost of sales and taxes and surcharges</b>		(33,722,652)	(34,212,953)
<b>Gross profit</b>		3,098,792	2,920,575
Selling expenses		(28,842)	(31,421)
General and administrative expenses		(960,299)	(1,038,184)
Research expenses		(1,115,981)	(815,114)
Finance expenses – net	5	(346,091)	(373,817)
Reversal of provision for expected credit loss (“ECL”) – net	6	264,847	153,474
Share of (loss)/profit from joint ventures		(1,588)	262
Share of profit from associates		4,071	3,254
Other income	7	214,871	112,392
Other expenses	8	(47,073)	(66,631)
<b>Profit before income tax</b>	9	1,082,707	864,790
Income tax expense	10	(329,757)	(215,670)
<b>Profit for the period</b>		752,950	649,120
<b>Other comprehensive income for the period, net of tax</b>			
<b>Item that will or may be reclassified subsequently to profit or loss:</b>			
Exchange difference on translation of financial statements of overseas joint venture		(52,020)	–
<b>Total comprehensive income for the period</b>		700,930	649,120
<b>Earnings per share for profit attributable to owners of the Company (presented in RMB per share)</b>		RMB	RMB
Basic and diluted	11	0.040	0.034



## Section VIII Financial Reports

### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2024

	Notes	As at	As at
		30 June 2024	31 December 2023
		RMB' 000	RMB' 000
		(Unaudited)	(Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	24,985,217	26,401,129
Other non-current assets	14	6,705,176	7,938,767
Intangible assets		238,858	330,581
Interest in joint ventures		464,354	517,961
Interest in associates		35,181	35,535
Financial assets at FVTOCI	15	135,763	135,763
Deferred tax assets		370,136	400,687
<b>Total non-current assets</b>		<b>32,934,685</b>	<b>35,760,423</b>
<b>Current assets</b>			
Inventories	19	945,181	1,042,559
Financial assets at FVTOCI	15	1,385,577	2,735,081
Trade receivables	16	9,438,839	10,602,242
Prepayments and other receivables	17	6,565,029	5,841,569
Contract assets and cost to fulfil contracts	18	21,625,710	16,364,984
Restricted cash		27,612	27,318
Cash and cash equivalents		2,978,118	2,788,798
<b>Total current assets</b>		<b>42,966,066</b>	<b>39,402,551</b>
<b>Total assets</b>		<b>75,900,751</b>	<b>75,162,974</b>
<b>Equity</b>			
Share capital	20	18,984,340	18,984,340
Reserves		(10,260,208)	(10,961,138)
<b>Total equity</b>		<b>8,724,132</b>	<b>8,023,202</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long-term borrowings	23	426,791	635,842
Deferred income		20,784	18,189
Deferred tax liabilities		86,841	87,028
Provisions		99,541	212,709
<b>Total non-current liabilities</b>		<b>633,957</b>	<b>953,768</b>
<b>Current liabilities</b>			
Notes and trade payables	21	34,290,280	35,195,688
Other payables	22	5,281,720	5,078,771
Contract liabilities	18	4,086,809	5,361,274
Short-term borrowings	23	22,680,811	20,343,556
Current income tax payable		203,042	206,715
<b>Total current liabilities</b>		<b>66,542,662</b>	<b>66,186,004</b>
<b>Total liabilities</b>		<b>67,176,619</b>	<b>67,139,772</b>
<b>Total equity and liabilities</b>		<b>75,900,751</b>	<b>75,162,974</b>
<b>Net current liabilities</b>		<b>(23,576,596)</b>	<b>(26,783,453)</b>
<b>Total assets less current liabilities</b>		<b>9,358,089</b>	<b>8,976,970</b>

On behalf of the board of directors

Wu Baizhi  
Chairman

Zhang Jiankuo  
Executive Director and General Manager

## Section VIII Financial Reports

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2024

For the six months ended 30 June 2024 (Unaudited)

	Attributable to owners of the Company								Total equity RMB' 000
	Share capital	Share premium	Other capital reserve	Surplus reserve	Specific reserve	Translation reserve	Other comprehensive income reserve (non-recycling)	Accumulated losses	
	RMB' 000 (Note 20)	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	
<b>At 31 December 2023 (Audited)</b>	18,984,340	11,622,283	95,490	200,383	313,571	16,447	6,170	(23,215,482)	8,023,202
Profit for the period	-	-	-	-	-	-	-	752,950	752,950
Other comprehensive income for the period:									
Exchange differences on translation of financial statements of overseas joint venture	-	-	-	-	-	(52,020)	-	-	(52,020)
Total comprehensive income for the period	-	-	-	-	-	(52,020)	-	752,950	700,930
<b>Transactions with owners:</b>									
Appropriation of specific reserve	-	-	-	-	441,029	-	-	(441,029)	-
Utilisation of specific reserve	-	-	-	-	(139,607)	-	-	139,607	-
<b>Total transactions with owners</b>	-	-	-	-	301,422	-	-	(301,422)	-
<b>At 30 June 2024</b>	18,984,340	11,622,283	95,490	200,383	614,993	(35,573)	6,170	(22,763,954)	8,724,132

For the six months ended 30 June 2023 (Unaudited)

	Attributable to owners of the Company								Total equity RMB' 000
	Share capital	Share premium	Other capital reserve	Surplus reserve	Specific reserve	Other comprehensive income reserve (non-recycling)	Accumulated losses		
	RMB' 000 (Note 20)	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000		
<b>At 31 December 2022 (Audited)</b>	18,984,340	11,622,283	95,490	200,383	326,705	5,232	(23,807,114)	7,427,319	
Effect of adoption of amendments to IAS 12	-	-	-	-	-	-	2,415	2,415	
<b>At 1 January 2023 (Restated)</b>	18,984,340	11,622,283	95,490	200,383	326,705	5,232	(23,804,699)	7,429,734	
Profit for the period	-	-	-	-	-	-	649,120	649,120	
Other comprehensive income for the period	-	-	-	-	-	-	-	-	
Total comprehensive income for the period	-	-	-	-	-	-	649,120	649,120	
<b>Transactions with owners:</b>									
Appropriation of specific reserve	-	-	-	-	446,169	-	(446,169)	-	
Utilisation of specific reserve	-	-	-	-	(122,675)	-	122,675	-	
Transfer of other comprehensive income reserve	-	-	-	-	-	-	-	-	
<b>Total transactions with owners</b>	-	-	-	-	323,494	-	(323,494)	-	
<b>At 30 June 2023</b>	18,984,340	11,622,283	95,490	200,383	650,199	5,232	(23,479,073)	8,078,854	

## Section VIII Financial Reports

### CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	For the six months ended 30 June	
	2024 RMB' 000 (Unaudited)	2023 RMB' 000 (Unaudited)
<b>Cash flows from operating activities</b>		
Cash flows generated from operations	95,659	676,506
Interest received	17,341	10,897
Income tax paid	(303,066)	(265,791)
<b>Net cash (used in)/generated from operating activities</b>	<b>(190,066)</b>	<b>421,612</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(734,958)	(876,200)
Purchases of intangible assets	(5,920)	–
Purchases of other non-current assets	(377,287)	(791,226)
Proceeds from disposal of property, plant and equipment	20,834	17,583
Proceeds from disposal of joint venture	–	11,983
Dividends received from associates	4,425	4,418
<b>Net cash used in investing activities</b>	<b>(1,092,906)</b>	<b>(1,633,442)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	13,834,050	13,336,360
Repayments of borrowings	(11,728,695)	(11,653,293)
Placement of restricted cash	(294)	(36,197)
Payment of lease liabilities	(241,223)	(219,225)
Interests paid	(355,632)	(327,555)
<b>Net cash generated from financing activities</b>	<b>1,508,206</b>	<b>1,100,090</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>225,234</b>	<b>(111,740)</b>
Effect of foreign exchange rate changes on cash and cash equivalents	(35,914)	70,398
<b>Cash and cash equivalents at the beginning of the period</b>	<b>2,788,798</b>	<b>1,801,150</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>2,978,118</b>	<b>1,759,808</b>

## NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2024

### 1. GENERAL INFORMATION

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

The immediate and ultimate holding company of the Company is China Petrochemical Corporation (hereinafter referred to as the “Sinopec Group”) which is a state wholly-owned enterprise established in the PRC.

The principal activities of the Group are the provision of onshore and offshore oil, natural gas and other mineral prospecting, exploration, drilling and exploitation and provision of general contracting, design and construction services for the oil and gas and other types of construction projects.

This interim financial information is presented in RMB, unless otherwise stated. This interim financial information has been approved and authorised for issue by the Board of Directors on 20 August 2024.

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

#### 2.1 Basis of preparation

This interim financial information for the six months ended 30 June 2024 has been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

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

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

#### 2.2 Going concern assumption

The interim financial information is prepared using the going concern basis notwithstanding that as at 30 June 2024, the Group had net current liabilities of approximately RMB23,576,595,000 and capital commitments of approximately RMB107,541,000. The directors of the Company have performed an assessment covering a period of 12 months from the six months ended 30 June 2024, taking account of the following events and measures:

- (i) As at 30 June 2024, the Group has renewed the credit facility from Sinopec group’s subsidiaries that includes a line of credit of RMB23.0 billion and USD0.3 billion (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) As disclosed in Note 23, the Group’s borrowings amounted to approximately RMB22.1 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 in-flows in the next twelve months. As a result, the directors of the Company considered that the going concern basis of accounting is appropriate for the preparation of these consolidated financial statements.

## Section VIII Financial Reports

### 3. SUMMARY OF ACCOUNTING POLICY

The Group has applied the same accounting policies and methods of computation in its interim financial information as in its annual financial statements for the year ended 31 December 2023, except that in the current interim period, the Group has applied, for the first time, the following amendments to standards which are mandatory effective for the annual period beginning on or after 1 January 2024:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

#### 3.1 Amendments to IFRS16, Lease Liability in a Sale and Leaseback

On 22 September 2022, the IASB issued amendments to IFRS 16 – Lease Liability in a Sale and Leaseback. Prior to the amendments, IFRS 16 did not contain specific measurement requirements for lease liabilities that may contain variable lease payments arising in a sale and leaseback transaction. In applying the subsequent measurement requirements of lease liabilities to a sale and leaseback transaction, the Amendments require a seller-lessee to determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee.

The Group does not enter into sales and leaseback transaction since the adoption of IFRS 16 and therefore these amendments had no effect on the interim financial information.

#### 3.2 Amendments to IAS 1, Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants

The IASB issued amendments to IAS 1 in January 2020 Classification of Liabilities as Current or Non-current and subsequently, in October 2022 Non-current Liabilities with Covenants.

The amendments clarify the following:

- An entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period.
- If an entity's right to defer settlement of a liability is subject to covenants, such covenants affect whether that right exists at the end of the reporting period only if the entity is required to comply with the covenant on or before the end of the reporting period.
- The classification of a liability as current or non-current is unaffected by the likelihood that the entity will exercise its right to defer settlement.
- In case of a liability that can be settled, at the option of the counterparty, by the transfer of the entity's own equity instruments, such settlement terms do not affect the classification of the liability as current or non-current only if the option is classified as an equity instrument.

The Group's liabilities are not subject to covenant and therefore these amendments had no effect on the interim financial information.

#### 3.3 Amendments to IAS 7 and IFRS 7, Supplier Finance Arrangements

On 25 May 2023, the IASB issued Supplier Finance Arrangements, which amended IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures.

The amendments require entities to provide certain specific disclosures (qualitative and quantitative) related to supplier finance arrangements. The amendments also provide guidance on characteristics of supplier finance arrangements.

The amendments provide a transition relief whereby an entity is not required to provide the disclosures, otherwise required by the amendments, for any interim period presented within the annual reporting period in which the entity first applies those amendments.

The Group does not enter into any supplier finance arrangements. The Group carried out an assessment of its contracts and operations and concluded that these amendments have had no effect on the interim financial information, regardless of the transition relief provided.

## Section VIII Financial Reports

### 4. REVENUE AND SEGMENT INFORMATION

The Group's revenue is as follows:

	For the six months ended 30 June	
	2024	2023
	RMB' 000 (Unaudited)	RMB' 000 (Unaudited)
Geophysics	2,146,740	2,019,633
Drilling engineering	18,880,289	18,867,990
Logging and mud logging	1,602,140	1,564,589
Special downhole operations	5,569,305	4,699,568
Engineering construction	7,258,740	8,830,866
Others	1,364,230	1,150,882
	<b>36,821,444</b>	<b>37,133,528</b>

#### Segment information

The Group identifies its operating segments based on the internal organisation structure, senior executive management requirements and internal reporting system. The Group has identified five operating segments including geophysics, drilling engineering, logging and mud logging, special downhole operations and engineering construction. These operating segments are identified based on the regular internal financial information reported to the senior executive management. Senior executive management of the Company regularly reviews the segment information for their decision about the resources allocation and performance assessment.

Five reportable operating segments are as follows:

- Geophysics, which provides terrestrial and marine geophysical exploration, development and technical services;
- Drilling engineering, which provides customers with land and ocean drilling design, construction, technical services and drilling instrumentation;
- Logging and mud logging, which provides land and ocean project contracting and technical services for collection, monitoring, transmission, processing and interpretation and evaluation of wellbore oil and gas, geology and engineering information;
- Special downhole operations, which provides oil engineering technical and construction, including oil (gas) testing, well repair, lateral drilling, fracturing, acidising and oil assignments; and
- Engineering construction, which provides a package of services, including feasibility studies, design, procurement, construction for projects of onshore and offshore oil and gas fields, long-distance pipeline projects, oil and gas transporting process projects, storage and transportation projects, petrochemical supporting projects, building construction, water resources and hydropower, ports and waterways, electricity transmission and distribution projects, manufacturing of pressure vessels, LNG projects, coal chemical engineering, geothermal utilisation, energy saving and municipal roads and bridges.

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

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

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

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

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

## Section VIII Financial Reports

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

#### Segment information (Continued)

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

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

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

	Geophysics	Drilling engineering	Logging and mud logging	Special downhole operations	Engineering construction	Unallocated	Eliminated	Total
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
<b>For the six months ended 30 June 2024 (Unaudited)</b>								
<b>Segment revenue and results</b>								
Revenue from external customers	2,146,740	18,880,289	1,602,140	5,569,305	7,258,740	1,364,230	–	36,821,444
Inter-segment revenue	35,241	918,101	1,210,156	234,973	15,572	2,336,180	(4,750,223)	–
<b>Reportable segment revenue</b>	<b>2,181,981</b>	<b>19,798,390</b>	<b>2,812,296</b>	<b>5,804,278</b>	<b>7,274,312</b>	<b>3,700,410</b>	<b>(4,750,223)</b>	<b>36,821,444</b>
<b>Reportable segment (loss)/profit</b>	<b>42,837</b>	<b>909,498</b>	<b>260,528</b>	<b>314,074</b>	<b>216,495</b>	<b>(828,523)</b>	<b>–</b>	<b>914,909</b>
Other income	7,099	74,082	2,429	5,851	110,706	14,705	–	214,872
Other expenses	(2,285)	(24,934)	(1,508)	(3,973)	(3,889)	(10,485)	–	(47,074)
<b>(Loss)/Profit before income tax</b>	<b>47,651</b>	<b>958,646</b>	<b>261,449</b>	<b>315,952</b>	<b>323,312</b>	<b>(824,303)</b>	<b>–</b>	<b>1,082,707</b>
Income tax expense								(329,757)
<b>Profit for the period</b>								<b>752,950</b>
<b>Supplementary information</b>								
<b>Depreciation and amortisation</b>								
– Property, plant and equipment	175,483	994,144	107,943	265,227	151,482	150,892	–	1,845,171
– Other non-current assets	77,000	1,163,175	84,071	202,381	4,348	59,886	–	1,590,861
– Intangible assets	90	402	338	4,064	6,098	86,651	–	97,643
<b>Capital expenditure</b>								
– Property, plant and equipment	17,265	207,061	59,169	43,773	23,521	182,029	–	532,818
– Other non-current assets	–	251,541	–	117,279	6,614	1,853	–	377,287
– Intangible assets	25	–	2,829	–	–	3,356	–	6,210
Reversal of ECL on trade receivables, net	(1,285)	(11,449)	(3,612)	(16,461)	(9,001)	(101,449)	–	(143,257)
Provision/(Reversal of) for ECL on other receivables, net	639	(711)	(98)	3	(46,365)	(1,152)	–	(47,684)
(Reversal of)/Provision for ECL on contract assets, net	(2,151)	3,002	2,053	2,158	5,520	(84,488)	–	(73,906)
<b>Reversal of impairment</b>								
– Prepayment	–	–	–	–	(3,864)	–	–	(3,864)
As at 30 June 2024 (Unaudited)								
<b>Assets</b>								
Segment assets	5,948,060	12,272,091	4,813,742	8,077,507	24,237,434	21,762,467	(1,210,550)	75,900,751
<b>Liabilities</b>								
Segment liabilities	4,998,854	9,084,646	3,151,276	4,183,939	23,014,938	23,953,516	(1,210,550)	67,176,619

## Section VIII Financial Reports

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

#### Segment information (Continued)

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

For the six months ended 30 June 2023, segment revenue results, and as at 31 December 2023, segment assets and liabilities were as follows:

	Geophysics	Drilling engineering	Logging and mud logging	Special downhole operations	Engineering construction	Unallocated	Eliminated	Total
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
<b>For the six months ended 30 June 2023 (Unaudited)</b>								
<b>Segment revenue and results</b>								
Revenue from external customers	2,019,633	18,867,990	1,564,589	4,699,568	8,830,866	1,150,882	–	37,133,528
Inter-segment revenue	17,268	849,545	1,232,584	134,746	21,072	2,065,299	(4,320,514)	–
<b>Reportable segment revenue</b>	<b>2,036,901</b>	<b>19,717,535</b>	<b>2,797,173</b>	<b>4,834,314</b>	<b>8,851,938</b>	<b>3,216,181</b>	<b>(4,320,514)</b>	<b>37,133,528</b>
<b>Reportable segment (loss)/profit</b>	<b>(77,502)</b>	<b>670,174</b>	<b>231,675</b>	<b>227,187</b>	<b>307,944</b>	<b>(540,449)</b>	<b>–</b>	<b>819,029</b>
Other income	8,898	47,024	3,956	1,551	40,896	10,067	–	112,392
Other expenses	(6,868)	(38,940)	(1,923)	(2,300)	(4,340)	(12,260)	–	(66,631)
<b>(Loss)/Profit before income tax</b>	<b>(75,472)</b>	<b>678,258</b>	<b>233,708</b>	<b>226,438</b>	<b>344,500</b>	<b>(542,642)</b>	<b>–</b>	<b>864,790</b>
Income tax expense								(215,670)
<b>Profit for the period</b>								<b>649,120</b>
<b>Supplementary information</b>								
<b>Depreciation and amortisation</b>								
– Property, plant and equipment	175,209	984,745	100,298	265,148	148,879	149,273	–	1,823,552
– Other non-current assets	48,223	992,854	85,424	112,771	5,052	29,540	–	1,273,864
– Intangible assets	95	234	342	4,199	6,385	67,196	–	78,451
<b>Capital expenditure</b>								
– Property, plant and equipment	11,968	26,617	127,885	39,245	20,219	116,558	–	342,492
– Other non-current assets	482	230,168	–	55,685	4,552	37,854	–	328,741
– Intangible assets	–	–	–	–	12,511	–	–	12,511
Reversal of ECL on trade receivables, net	(3,611)	(32,480)	(13,847)	(4,715)	(31,897)	(755)	–	(87,305)
Provision/(Reversal of) for ECL on other receivables, net	199	472	66	(1,329)	(74,166)	(47)	–	(74,805)
(Reversal of)/Provision for ECL on contract assets, net	(1,837)	2,942	1,554	1,384	4,455	138	–	8,636
<b>Impairment</b>								
– Property, plant and equipment	–	4,959	–	–	–	–	–	4,959
– Others	–	–	–	–	2	–	–	2
<b>As at 31 December 2023 (Audited)</b>								
<b>Assets</b>								
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
<b>Liabilities</b>								
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



## Section VIII Financial Reports

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

#### Segment information (Continued)

##### (b) Geographical information

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

	Revenue from external customers	
	For the six months ended 30 June	
	2024	2023
	RMB' 000	RMB' 000
	(Unaudited)	(Unaudited)
The PRC	27,903,683	29,308,887
Middle East (Note)	5,573,363	4,793,333
Other countries	3,344,398	3,031,308
	36,821,444	37,133,528

  

	Specified non-current assets	
	As at 30 June 2024	As at 31 December 2023
	RMB' 000	RMB' 000
	(Unaudited)	(Audited)
The PRC	25,761,629	28,152,480
Saudi Arabia	2,916,384	4,608,373
Other countries	3,750,773	2,463,120
	32,428,786	35,223,973

Note:

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

##### (c) Major customer

For the six months ended 30 June 2024 and 2023, revenue from customers which individually contributed over 10% of the Group's revenue is as follows:

	For the six months ended 30 June	
	2024	2023
	RMB' 000	RMB' 000
	(Unaudited)	(Unaudited)
Customer A	21,271,995	22,609,772

Revenue from this customer was derived from the operating segments of geophysics, drilling engineering, logging and mud logging, special downhole operations and engineering construction which accounted for 58% (2023: 61%) of the Group's revenue.

## Section VIII Financial Reports

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

#### Segment information (Continued)

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

For the six months ended 30 June 2024 and 2023, the Group derives revenue from the transfer of goods and service at a point in time and over time in the following operating segments of geophysics, drilling engineering, logging and mud logging, special downhole operations and engineering construction service:

	Geophysics	Drilling engineering	Logging and mud logging	Special downhole operations	Engineering construction	Unallocated	Total
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
<b>For the six months ended 30 June 2024 (Unaudited)</b>							
<b>Timing of revenue recognition:</b>							
– At a point in time	–	–	–	924	8,449	176,253	185,626
– Over time	2,146,740	18,880,289	1,602,140	5,568,381	7,250,291	1,187,977	36,635,818
<b>Total</b>	<b>2,146,740</b>	<b>18,880,289</b>	<b>1,602,140</b>	<b>5,569,305</b>	<b>7,258,740</b>	<b>1,364,230</b>	<b>36,821,444</b>
<b>For the six months ended 30 June 2023 (Unaudited)</b>							
<b>Timing of revenue recognition:</b>							
– At a point in time	–	3,097	–	1,605	3,265	224,850	232,817
– Over time	2,019,633	18,864,893	1,564,589	4,697,963	8,827,601	926,032	36,900,711
<b>Total</b>	<b>2,019,633</b>	<b>18,867,990</b>	<b>1,564,589</b>	<b>4,699,568</b>	<b>8,830,866</b>	<b>1,150,882</b>	<b>37,133,528</b>

### 5. FINANCE EXPENSES – NET

	For the six months ended 30 June	
	2024 RMB' 000 (Unaudited)	2023 RMB' 000 (Unaudited)
<b>Finance income</b>		
Interest income		
– Sinopec Group's subsidiaries	4,485	2,487
– Third parties and other financial institutions	12,856	8,410
	17,341	10,897
<b>Finance expenses</b>		
Interest expenses on loans wholly repayable within 5 years		
– Sinopec Group and its subsidiaries	(317,066)	(330,200)
– Third parties and other financial institutions	(17,940)	(30,322)
Interest expenses on lease liabilities		
– Sinopec Group and its subsidiaries	(5,699)	(9,268)
– Associates and joint ventures of Sinopec Group	(1,628)	(4,299)
– Third parties	(13,300)	(10,186)
Exchange gains, net	29,264	39,756
Bank and other charges	(37,063)	(40,195)
	(363,432)	(384,714)
	(346,091)	(373,817)

## Section VIII Financial Reports

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

	For the six months ended 30 June	
	2024	2023
	RMB' 000	RMB' 000
	(Unaudited)	(Unaudited)
Reversal of provision for ECL on trade and other receivables, net	190,941	162,110
Reversal of/(Provision for) ECL on contract assets, net	73,906	(8,636)
	264,847	153,474

### 7. OTHER INCOME

	For the six months ended 30 June	
	2024	2023
	RMB' 000	RMB' 000
	(Unaudited)	(Unaudited)
Gain on disposal of property, plant and equipment, net	43,963	8,835
Gain on disposal of other non-current assets, net	22,261	30,708
Gain on debt restructuring	12,408	14,650
Government grants (Note)	22,515	49,827
Penalty income	1,174	858
Compensation received	2,318	1,537
Compensation on judicial restructuring	96,163	–
Others	14,069	5,977
	214,871	112,392

Note:

For the six months ended 30 June 2024 and 2023, government grants primarily represent financial appropriation income and non-income tax refunds received from respective government agencies without conditions or other contingencies attached to the receipts of the grants.

### 8. OTHER EXPENSES

	For the six months ended 30 June	
	2024	2023
	RMB' 000	RMB' 000
	(Unaudited)	(Unaudited)
Penalty	1,425	759
Compensation	1,175	17,058
Impairment loss on property, plant and equipment	–	4,961
Others	44,473	43,853
	47,073	66,631

## Section VIII Financial Reports

### 9. PROFIT BEFORE INCOME TAX

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

	For the six months ended 30 June	
	2024	2023
	RMB' 000 (Unaudited)	RMB' 000 (Unaudited)
Staff costs, including directors and supervisors emoluments (note 13)	7,762,341	7,715,501
Retirement benefit plan contribution (including in the above mentioned staff costs)		
– Municipal retirement scheme costs	741,588	720,118
– Supplementary retirement scheme costs	366,479	356,431
Changes in inventories of finished goods and work in progress	3,090	(10)
Raw materials and consumables used	14,474,614	15,879,309
Depreciation and amortisation		
– Property, plant and equipment	1,845,171	1,823,552
– Other non-current assets	1,590,861	1,273,864
– Intangible assets	97,643	78,451
Short-term leases and leases with lease term of 12 months or less	554,368	246,982
(Reversal of)/Provision for ECL – net		
– Trade and other receivables	(190,941)	(162,110)
– Contract assets	(73,906)	8,636
Rental income from property, plant and equipment after relevant expenses	(28,086)	(24,355)
Gain on disposal of property, plant and equipment, net	(43,963)	(8,835)
Gain on disposal of other non-current assets, net	(22,261)	(30,708)
Reversal of impairment on prepayment	(3,864)	–
Impairment loss on property, plant and equipment	–	4,961
Exchange gains, net	(29,264)	(39,756)

### 10. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2024	2023
	RMB' 000 (Unaudited)	RMB' 000 (Unaudited)
<b>Current tax</b>		
PRC enterprise income tax	161,654	86,070
Overseas enterprise income tax	137,739	137,550
	299,393	223,620
<b>Deferred tax</b>		
Origination and reversal of temporary differences	30,364	(7,950)
<b>Income tax expense</b>	<b>329,757</b>	<b>215,670</b>

According to the Corporate Income Tax Law of the PRC, the applicable income tax for the six months ended 30 June 2024 and 2023 is 25%.

According to the statutory PRC corporate income tax and relevant rules, apart from certain subsidiaries of the Company subjected to the relevant development zone policy or participation in technology development and the PRC's western development project that can enjoy a 15% preferential tax rate during the six months ended 30 June 2024 and 2023, 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.

## Section VIII Financial Reports

### 11. EARNINGS PER SHARE

#### (a) Basic

For the six months ended 30 June 2024 and 2023, the basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue.

	For the six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)
Profit for the period attributable to owners of the Company (RMB' 000)	752,950	649,120
Weighted average number of ordinary shares in issue (Shares)	18,984,340,033	18,984,340,033
Basic earnings per share (RMB)	0.040	0.034

#### (b) Diluted

For the six months ended 30 June 2024 and 2023, the diluted earnings per share was the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during both periods.

### 12. DIVIDENDS

The Board of Directors of the Company did not recommend the payment of any interim dividends for the six months ended 30 June 2024 (2023: Nil).

### 13. EMPLOYEE BENEFITS

	For the six months ended 30 June	
	2024 RMB' 000 (Unaudited)	2023 RMB' 000 (Unaudited)
Salaries, wages and other benefits	6,654,274	6,638,952
Retirement benefit plan contribution (note)		
– Municipal retirement scheme costs	741,588	720,118
– Supplementary retirement scheme costs	366,479	356,431
	7,762,341	7,715,501

Note:

Retirement benefits

As stipulated by the regulations of the PRC, the Group participates in basic defined contribution retirement schemes organised by respective municipal government under which it is governed. As at 30 June 2024, the Group and the employees pay 16% and 8% (31 December 2023: 16% and 8%) of salary respectively to basic defined contribution plan.

In addition, the Group provides a supplementary defined contribution retirement plan for its staff at rates not exceeding 8% (31 December 2023: 8%) of the salaries. Employees who have served the Group for one year or more are entitled to participating in this plan. The funds of this plan are held separately from the Group in an independent fund administered by a committee consisting of representatives from the employees and the Group.

Those employees who involved supplementary retirement scheme are entitled to receive the pension in accordance with a certain percentage of the pre-retirement salary after retirement. The Group has no other material obligation for the payment of retirement benefits associated with these plans beyond Municipal retirement scheme and Supplementary retirement scheme.

## Section VIII Financial Reports

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

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

For the six months ended 30 June 2024 (Unaudited)

	Buildings	Oil engineering equipment and others	Land	Prepaid land leases	Construction in progress	Total
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
<b>Cost</b>						
At 1 January 2024	2,800,709	67,113,289	141,104	150,387	699,115	70,904,604
Additions	297,857	23,051	61,808	–	150,102	532,818
Remeasurement of leases	1,425	(18,708)	2,645	–	–	(14,638)
Expiration of or early termination of lease	(170,199)	(41,540)	(4,675)	–	–	(216,414)
Disposals/Write-off	(131)	(1,093,272)	–	–	–	(1,093,403)
Transferred from construction in progress	–	352,176	–	–	(352,176)	–
<b>At 30 June 2024</b>	<b>2,929,661</b>	<b>66,334,996</b>	<b>200,882</b>	<b>150,387</b>	<b>497,041</b>	<b>70,112,967</b>
<b>Accumulated depreciation and impairment</b>						
At 1 January 2024	1,408,610	42,943,329	109,844	38,190	3,502	44,503,475
Depreciation	207,788	1,611,407	24,159	1,817	–	1,845,171
Expiration of or early termination of lease	(155,923)	(40,449)	(4,675)	–	–	(201,047)
Disposals/Write-off	(127)	(1,019,722)	–	–	–	(1,019,849)
<b>At 30 June 2024</b>	<b>1,460,348</b>	<b>43,494,565</b>	<b>129,328</b>	<b>40,007</b>	<b>3,502</b>	<b>45,127,750</b>
<b>Carrying amounts</b>						
<b>At 30 June 2024 (Unaudited)</b>	<b>1,469,313</b>	<b>22,840,431</b>	<b>71,554</b>	<b>110,380</b>	<b>493,539</b>	<b>24,985,217</b>
<b>At 31 December 2023 (Audited)</b>	<b>1,392,099</b>	<b>24,169,960</b>	<b>31,260</b>	<b>112,197</b>	<b>695,613</b>	<b>26,401,129</b>

Note:

As at 30 June 2024, right-of-use assets with carrying amounts of RMB946,206,000 are included in property, plant and equipment (31 December 2023: RMB911,829,000).

	Carrying amounts		Depreciation
	As at 30 June 2024	As at 1 January 2024	During the six months ended 30 June 2024
	RMB' 000	RMB' 000	RMB' 000
Buildings	585,861	481,630	180,774
Oil engineering equipment and others	178,411	286,742	104,920
Land	71,554	31,260	24,159
Prepaid land leases	110,380	112,197	1,817
	946,206	911,829	311,670

## Section VIII Financial Reports

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

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

For the six months ended 30 June 2023 (Unaudited)

	Buildings	Oil engineering equipment and others	Land	Prepaid land leases	Construction in progress	Total
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
<b>Cost</b>						
Balance at 1 January 2023	2,709,818	66,641,561	152,116	137,876	470,886	70,112,257
Additions	179,575	34,672	8,332	12,510	107,403	342,492
Remeasurement of leases	5,156	500	2,627	–	–	8,283
Expiration of or early termination of contract	(68,190)	(391,655)	(17,486)	–	–	(477,331)
Disposals/Write-off	(9)	(781,881)	–	–	–	(781,890)
Transferred from construction in progress	–	107,974	–	–	(107,974)	–
<b>At 30 June 2023</b>	<b>2,826,350</b>	<b>65,611,171</b>	<b>145,589</b>	<b>150,386</b>	<b>470,315</b>	<b>69,203,811</b>
<b>Accumulated depreciation and impairment</b>						
Balance at 1 January 2023	1,126,625	42,428,938	86,484	34,626	3,502	43,680,175
Depreciation	203,150	1,593,897	24,757	1,748	–	1,823,552
Expiration of or early termination of contract	(47,544)	(365,292)	–	–	–	(412,836)
Disposals/Write-off	(5)	(717,618)	(17,487)	–	–	(735,110)
<b>At 30 June 2023</b>	<b>1,282,226</b>	<b>42,939,925</b>	<b>93,754</b>	<b>36,374</b>	<b>3,502</b>	<b>44,355,781</b>
<b>Carrying amounts</b>						
<b>At 30 June 2023 (Unaudited)</b>	<b>1,544,124</b>	<b>22,671,246</b>	<b>51,835</b>	<b>114,012</b>	<b>466,813</b>	<b>24,848,030</b>
<b>At 31 December 2022 (Audited)</b>	<b>1,583,193</b>	<b>24,212,623</b>	<b>65,632</b>	<b>103,250</b>	<b>467,384</b>	<b>26,432,082</b>

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

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

For the six months ended 30 June 2024 (unaudited)

	Special tools of petroleum engineering	Other tools of petroleum engineering	Camping house	Other long-term deferred expenses	Total
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
<b>Cost</b>					
At 1 January 2024	18,449,825	3,310,886	2,826,505	51,214	24,638,430
Additions	120,659	233,106	23,522	–	377,287
<b>At 30 June 2024</b>	<b>18,570,484</b>	<b>3,543,992</b>	<b>2,850,027</b>	<b>51,214</b>	<b>25,015,717</b>
<b>Accumulated depreciation</b>					
At 1 January 2024	12,558,084	2,105,678	1,991,235	44,666	16,699,663
Depreciation	1,067,309	366,305	153,832	3,415	1,590,861
Other decrease	16,352	–	3,665	–	20,017
<b>At 30 June 2024</b>	<b>13,641,745</b>	<b>2,471,983</b>	<b>2,148,732</b>	<b>48,081</b>	<b>18,310,541</b>
<b>Carrying amounts</b>					
<b>At 30 June 2024 (Unaudited)</b>	<b>4,928,739</b>	<b>1,072,009</b>	<b>701,295</b>	<b>3,133</b>	<b>6,705,176</b>
<b>At 31 December 2023 (Audited)</b>	<b>5,891,741</b>	<b>1,205,208</b>	<b>835,270</b>	<b>6,548</b>	<b>7,938,767</b>

For the six months ended 30 June 2023 (unaudited)

	Special tools of petroleum engineering	Other tools of petroleum engineering	Camping house	Other long-term deferred expenses	Total
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
<b>Cost</b>					
At 1 January 2023	16,289,261	2,455,532	2,493,899	51,214	21,289,906
Additions	133,385	156,989	38,367	–	328,741
<b>At 30 June 2023</b>	<b>16,422,646</b>	<b>2,612,521</b>	<b>2,532,266</b>	<b>51,214</b>	<b>21,618,647</b>
<b>Accumulated depreciation</b>					
At 1 January 2023	10,605,349	1,669,883	1,716,021	43,214	14,034,467
Depreciation	961,951	176,161	131,727	4,025	1,273,864
Other decrease	279	4	292	–	575
<b>At 30 June 2023</b>	<b>11,567,579</b>	<b>1,846,048</b>	<b>1,848,040</b>	<b>47,239</b>	<b>15,308,906</b>
<b>Carrying amounts</b>					
<b>At 30 June 2023 (Unaudited)</b>	<b>4,855,067</b>	<b>766,473</b>	<b>684,226</b>	<b>3,975</b>	<b>6,309,741</b>



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### 15. FINANCIAL ASSETS AT FVTOCI

	As at 30 June 2024	As at 31 December 2023
	RMB' 000 (Unaudited)	RMB' 000 (Audited)
<b>Non-current assets:</b>		
Unlisted equity investments – the PRC	135,763	135,763
<b>Current assets:</b>		
Notes receivables	1,385,577	2,735,081

Notes:

- (a) Unlisted equity investments represent the Groups' equity interests in the unlisted entities in the PRC. They are mainly engaged in drilling and technical services operations.

The Group designated its investment in unlisted equity investment as financial assets at FVTOCI (non-recycling), as the investment is held for strategic purpose.

- (b) As at 30 June 2024 and 31 December 2023, notes receivables were classified as financial assets at FVTOCI, as the Group's business model is achieved both by collecting contractual cash flows and by selling of these assets.

All notes receivables of the Group are banks' acceptance notes and commercial acceptance bills usually collected within six months from the date of issue.

As at 30 June 2024 and 31 December 2023, none of the Group's notes receivables were pledged as collateral or overdue.

- (c) All financial assets at FVTOCI are denominated in RMB.

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### 16. TRADE RECEIVABLES

	As at 30 June 2024	As at 31 December 2023
	RMB' 000 (Unaudited)	RMB' 000 (Audited)
<b>Trade receivables</b>		
– Sinopec Group and its subsidiaries	3,366,104	3,927,454
– Joint ventures of the Group	17,301	20,354
– Joint ventures and associates of Sinopec Group	35,636	73,269
– Third parties	8,103,283	8,814,526
	11,522,324	12,835,603
Less: ECL allowance	(2,083,485)	(2,233,361)
<b>Trade receivables – net</b>	<b>9,438,839</b>	<b>10,602,242</b>

As at 30 June 2024 and 31 December 2023, the Group's trade receivables were approximately their fair values.

The Group usually provides customers with a credit term between 90 to 180 days. For the settlement of trade receivables from provision of services, the Group usually reaches an agreement on the term of each payment with the customer by taking into account factors such as, among other things, the credit history of the customer, its liquidity position and the Group's working capital needs, which varies on a case-by-case basis that requires the judgment and experience of the management. The Group does not hold any collateral as security.

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

	As at 30 June 2024	As at 31 December 2023
	RMB' 000 (Unaudited)	RMB' 000 (Audited)
<b>Within 1 year</b>	<b>8,863,588</b>	<b>10,052,405</b>
1 to 2 years	411,186	416,954
2 to 3 years	119,671	73,512
Over 3 years	44,394	59,371
	9,438,839	10,602,242

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

	For the six months ended 30 June 2024	For the year ended 31 December 2023
	RMB' 000 (Unaudited)	RMB' 000 (Audited)
At the beginning of the period/year	2,233,361	2,397,795
ECL allowance	8,198	20,878
Reversal	(151,455)	(155,286)
Others	(5,972)	1,532
Receivables write-off as uncollectible	(647)	(31,558)
<b>At the end of the period/year</b>	<b>2,083,485</b>	<b>2,233,361</b>

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### 17. PREPAYMENT AND OTHER RECEIVABLES

	As at 30 June 2024	As at 31 December 2023
	RMB' 000	RMB' 000
	(Unaudited)	(Audited)
<b>Prepayments (note (a))</b>	737,517	515,307
Less: Impairment	–	(3,864)
	737,517	511,443
<b>Other receivables (note (b))</b>		
Petty cash funds	12,812	4,728
Guarantee deposits	1,011,541	1,153,100
Disbursement of funds	973,090	934,741
Temporary payment	978,383	899,349
Escrow payments	5,162	5,271
Deposits	34,407	42,785
Export tax refund receivables	97,397	5,386
Excess value-added tax paid	1,148,079	1,030,914
Value added tax to be certified	64,962	53,422
Prepaid value-added tax	1,505,346	1,403,186
Prepaid income tax	61,176	5,327
Dividend receivable	213	433
Others	472,679	382,627
	6,365,247	5,921,269
Less: ECL allowance	(537,735)	(591,143)
	5,827, 512	5,330,126
<b>Prepayments and other receivables – net</b>	<b>6,565,029</b>	<b>5,841,569</b>

Notes:

- (a) As at 30 June 2024, prepayments included related party balances: Sinopec Group and its subsidiaries amounting to RMB129,933,000 (31 December 2023: RMB93,764,000).
- (b) As at 30 June 2024, other receivables included related party balances: Sinopec Group and its subsidiaries amounting to RMB225,914,000 (31 December 2023: RMB282,732,000), the joint ventures of the Group amounting to RMB143,114,000 (31 December 2023: RMB139,194,000) and the associates and joint ventures of Sinopec Group amounting to RMB19,185,000 (31 December 2023: RMB19,285,000).
- (c) The amounts due from related parties are unsecured, interest free and repayable on demand.
- (d) The carrying amounts of the Group's prepayments and other receivables as at 30 June 2024 and 31 December 2023 approximate their fair value.

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

	For the six months ended 30 June 2024	For the year ended 31 December 2023
	RMB' 000	RMB' 000
	(Unaudited)	(Audited)
At the beginning of the period/year	595,007	861,554
ECL allowance	13,381	76,517
Reversal	(61,065)	(341,103)
Others	(9,588)	(1,961)
<b>At the end of the period/year</b>	<b>537,735</b>	<b>595,007</b>

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

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

	As at 30 June 2024	As at 31 December 2023
	RMB' 000 (Unaudited)	RMB' 000 (Audited)
Contract assets arising from construction and service contracts	20,366,627	16,402,808
Cost to fulfil contracts	1,385,764	161,736
Less: ECL allowance	(126,681)	(199,560)
	21,625,710	16,364,984

#### Typical payment terms which impact the amount of contract assets recognised are as follows:

The Group's construction and service contracts include payment schedules which require progress payments over the construction period once certain specified milestones are reached. Approximate 5% of progress billings of engineering construction service would be retained as quality guarantee. This amount is included in contract assets until the end of guarantee period.

The amount of contract assets that is expected to be recovered after more than one year is RMB2,252,403,000 (31 December 2023: RMB1,712,760,000).

#### (b) Contract liabilities

	As at 30 June 2024	As at 31 December 2023
	RMB' 000 (Unaudited)	RMB' 000 (Audited)
Contract liabilities arising from construction and service contracts	4,086,809	5,361,274

The balance of contract liabilities as at 1 January 2024 is RMB5,361,274,000, in which RMB4,202,589,000 was recognised as revenue during the period.

#### Unsatisfied performance obligation:

The Group has signed engineering service contracts with several customers to provide petroleum engineering and technical service and construction engineering contracts, which will be completed within the agreed period and regarded as a single performance obligation as a whole. As at 30 June 2024, part of the Group's petroleum engineering and technical service and construction engineering contracts were still in the process, and the total transaction price apportioned to the unsatisfied and partially unsatisfied performance obligation was RMB46.55 billion (31 December 2023: RMB24.28 billion), the amount of which was related to the progress of the performance of each contract, and will be recognised as revenue in accordance with the percentage of work performed in the future, which is expected to be completed in the coming 60 months.

### 19. INVENTORIES

	As at 30 June 2024	As at 31 December 2023
	RMB' 000 (Unaudited)	RMB' 000 (Audited)
Raw materials	839,750	949,128
Work in progress	90,655	92,117
Finished goods	10,283	5,732
Turnover materials	20,988	12,077
	961,676	1,059,054
Less: Inventories write-down	(16,495)	(16,495)
	945,181	1,042,559

For the six months ended 30 June 2024 and 2023, cost of inventories recognised as expenses and included in "cost of sales" amounting to RMB14,233,203,000 and RMB15,879,309,000 respectively. For the six months ended 30 June 2024, no addition provision for inventories was made to write down inventories to their net realisable value and no reversal of inventories write-down (For the six months ended 30 June 2023: RMB nil) was made.

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### 20. SHARE CAPITAL

	As at 30 June 2024		As at 31 December 2023	
	Number of shares (Share)	Share capital RMB' 000 (Unaudited)	Number of shares (Share)	Share capital RMB' 000 (Audited)
<b>Registered, issued and paid:</b>				
– Domestic non-public legal person shares of RMB1.00 each	11,786,045,218	11,786,046	11,786,045,218	11,786,046
– Social public A shares of RMB1.00 each	1,783,333,333	1,783,333	1,783,333,333	1,783,333
– H shares of RMB1.00 each	5,414,961,482	5,414,961	5,414,961,482	5,414,961
	<b>18,984,340,033</b>	<b>18,984,340</b>	<b>18,984,340,033</b>	<b>18,984,340</b>

### 21. NOTES AND TRADE PAYABLES

	As at 30 June 2024	As at 31 December 2023
	RMB' 000 (Unaudited)	RMB' 000 (Audited)
<b>Trade payables</b>		
– Sinopec Group and its subsidiaries	2,487,388	2,481,469
– Joint ventures of the Group	108,023	90,398
– Joint ventures and associates of Sinopec Group	1,456	3,636
– Third parties	22,643,674	23,798,425
	<b>25,240,541</b>	<b>26,373,928</b>
<b>Notes payables</b>	<b>9,049,739</b>	<b>8,821,760</b>
	<b>34,290,280</b>	<b>35,195,688</b>

As at 30 June 2024 and 31 December 2023, the carrying amount of Group's notes and trade payables were approximately their fair values.

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

	As at 30 June 2024	As at 31 December 2023
	RMB' 000 (Unaudited)	RMB' 000 (Audited)
Within 1 year	33,463,685	34,328,566
1 to 2 years	513,460	563,627
2 to 3 years	165,133	156,428
Over 3 years	148,002	147,067
	<b>34,290,280</b>	<b>35,195,688</b>

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### 22. OTHER PAYABLES

	As at 30 June 2024	As at 31 December 2023
	RMB' 000 (Unaudited)	RMB' 000 (Audited)
Salaries payables	880,486	863,071
Other tax payables	512,481	794,189
Interest payables (note (a))	16,070	20,006
Other payables (note (b))		
Guarantee deposits	1,099,949	1,056,429
Deposits	152,830	157,375
Disbursement of funds	794,727	725,937
Temporary receipts	476,596	474,728
Escrow payments	44,497	45,194
Withheld payments	432,031	57,811
Project expenses payable	322,947	302,134
Others	549,106	581,897
	<b>5,281,720</b>	<b>5,078,771</b>

Notes:

- (a) As at 30 June 2024, interest payables include related party balances with Sinopec Group and its subsidiaries amounting to RMB14,790,000 (31 December 2023: RMB17,586,000).
- (b) As at 30 June 2024, other payables include related party balances with Sinopec Group and its subsidiaries amounting to RMB98,869,000 (31 December 2023: RMB69,875,000), joint ventures of the Group amounting to RMB264,000 (31 December 2023: RMB172,000) and the joint venture of Sinopec Group amounting to RMB36,000 (31 December 2023: RMB2,654,000).
- (c) The above amounts due to related parties are unsecured, interest free and repayable on demand.

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### 23. BORROWINGS

	As at 30 June 2024	As at 31 December 2023
	RMB' 000	RMB' 000
	(Unaudited)	(Audited)
<b>Current liabilities</b>		
Loans from Sinopec Finance Company Limited (note (a))	22,100,000	19,185,000
Loans from Sinopec Century Bright Capital Investment Limited (note (a))	–	722,435
Bank borrowings (note (a))	235,184	–
Lease liabilities (note (b))	345,627	436,121
	<b>22,680,811</b>	<b>20,343,556</b>
<b>Non-current liabilities</b>		
Bank borrowings (note (a))	–	318,722
Lease liabilities (note (b))	426,791	317,120
	<b>426,791</b>	<b>635,842</b>
	<b>23,107,602</b>	<b>20,979,398</b>

Notes:

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

	As at 30 June 2024	As at 31 December 2023
	RMB' 000	RMB' 000
	(Unaudited)	(Audited)
Within 1 year	22,335,184	19,907,435
1 to 2 years	–	318,722
	<b>22,335,184</b>	<b>20,226,157</b>

As at 30 June 2024, annual interest rate of credit loans from related parties and bank ranged from 2.90% to 3.75% (31 December 2023: 2.90% to 3.75%).

(b) Lease liabilities

	As at 30 June 2024	As at 31 December 2023
	RMB' 000	RMB' 000
	(Unaudited)	(Audited)
Total future lease payments		
– Within 1 year	360,661	455,092
– 1 to 2 years	206,130	153,117
– 2 to 5 years	166,259	130,398
– Over 5 years	90,409	62,520
	<b>823,459</b>	<b>801,127</b>
Future finance charges on lease liabilities	(51,041)	(47,886)
<b>Present value of lease liabilities</b>	<b>772,418</b>	<b>753,241</b>

## Section VIII Financial Reports

### 23. BORROWINGS (Continued)

(b) Lease liabilities (Continued)

	As at 30 June 2024	As at 31 December 2023
	RMB' 000 (Unaudited)	RMB' 000 (Audited)
Present value of future lease payments		
– Within 1 year	345,627	436,121
– 1 to 2 years	191,433	143,015
– 2 to 5 years	149,746	117,805
– Over 5 years	85,612	56,300
	772,418	753,241
Less: Portion due within one year included under current liabilities	(345,627)	(436,121)
<b>Portion due after one year included under non-current liabilities</b>	<b>426,791</b>	<b>317,120</b>

As at 30 June 2024, the Group leases various residential properties, office and equipment. The leases run for an initial period of 1 to 30 years (31 December 2023: 1 to 30 years), with an option to renew the leases and renegotiate the terms at the expiry date or at dates mutually agreed between the Group and respective landlords/lessors.

For the six months ended 30 June 2024, total cash outflow for the lease payment is RMB900,182,000 (30 June 2023: RMB629,995,000).

### 24. COMMITMENTS

#### (a) Capital commitments

Capital commitments for the purchase of property, plant and equipment outstanding as at 30 June 2024 and 31 December 2023 are as follows:

	As at 30 June 2024	As at 31 December 2023
	RMB' 000 (Unaudited)	RMB' 000 (Audited)
Contracted but not provided for	107,541	138,720

#### (b) Lease commitments

The lease commitments for short-term leases as at 30 June 2024 and 31 December 2023 are as follows:

	As at 30 June 2024	As at 31 December 2023
	RMB' 000 (Unaudited)	RMB' 000 (Audited)
Within 1 year	47,638	46,397

As at 30 June 2024 and 31 December 2023, the Group leases various residential properties, office and equipment with a lease period of 6 to 12 months, which are qualified to be accounted for under short-term lease exemption under IFRS 16.

#### (c) Investment commitments

As at 30 June 2024, the Group has outstanding commitments of RMB129,625,000 (31 December 2023: RMB129,625,000) in respect of its investment in joint ventures.

#### (d) Fulfilment of commitments

The Group has fulfilled the capital and operating lease commitments as at 30 June 2024.



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### 25. CONTINGENCIES AND GUARANTEES

In preparing this interim financial information, except for described below, there were no further developments of those contingencies as at 30 June 2024, which were disclosed in the 2023 annual report.

#### (a) Contingent liabilities and financial impacts due to pending litigation

On 8 October 2014, the Ecuador Banya Duri Company 厄瓜多爾斑尼亞杜麗公司 (“EBDC”), an indirectly wholly-owned subsidiary of the Company (the “Banya Duri Company”) entered into the Contract for I-L-Y Oilfield Comprehensive Service Projects in Ecuador (the “I-L-Y Oilfield Projects Contract”) with Corporacion Estatal Petrolera Ecuatoriana (the “PAM”). During the implementation of the I-L-Y oilfield comprehensive service project, the two parties had disputes over the oilfield production and payment amount from 2016 to 2017 and negotiations were unsuccessful. In October 2018, the EBDC has initiated an international legal arbitration plan. In April 2019, in accordance with the relevant provisions of the I-L-Y oilfield project contract, EBDC submitted a “Notice of Application for Legal Arbitration” to PAM for contract disputes to initiate legal arbitration procedures. In May 2020, the Company submitted an arbitration application for the compensation and the accrued interest, approximately amounting to USD79.22 million. In February 2022, Banya Duri Company received the international arbitration award issued by the arbitral tribunal on the dispute over the payment of oil production increase in the I-L-Y oilfield comprehensive service project. The overall result of the award is favourable for Banya Duri Company. However, since the place of arbitration is Chile, the parties to the arbitration have the right to apply for annulment of the arbitral award according to the relevant laws of Chile, and there is still uncertainty as whether the other party will perform the arbitral award. In August 2022, EBDC received a formal notification from the Santiago Court of Chile that PAM had hired a local Chilean law firm to submit an application for revocation of the arbitration award to the court in late July 2022. EBDC has to file the statement of defense within 10 working days of receipt of the notice. After receiving the notice, EBDC has hired a local law firm in Chile to provide litigation support in accordance with Chilean law, and submitted a statement of defense in August 2022. EBDC received an email from a supporting lawyer from Chile in October 2022, and the Chilean court has included the hearing of the case on the schedule. In November 2022, Chilean law firm received a notice from the local court to request confirmation of the hearing on 29 November 2022.

On 12 May 2023, Ecuadorian time, Santiago court in Chile issued the judgement of first instance to dismiss the application of PAM and its relevant parties to revoke the arbitration ruling supports PAM’s payment of approximately USD64 million as compensation to EBDC (“the Ruling”). In December 2023, EBDC and PAM entered into a settlement arrangement in Quito. Ecuador in relation to the payment of part of the award in the Ruling. Pursuant to the foregoing agreement, the parties agreed that PAM shall pay part of the award in the Ruling in 11 monthly instalments from December 2023, totalling approximately US\$34.98 million and to set up coordinated work meetings to determine corresponding payment plans in relation to the remaining award in the Ruling.

As at 30 June 2024, as the Ruling results had not been fully executed, it is currently impossible to determine the impact of the Arbitration on the current or future profits of the Company. The Company has made a certain proportion of bad debt provision for the above accounts receivable. If PAM and its relevant parties fulfil the settlement agreement and actually pay the award in the future, the Company shall record the resulting reversal amount of loss provision as a gain in profit and loss in the current period when the said amount is received. The Company will make active response and safeguard the legitimate rights and interests of the Company.

#### (b) Contingent liabilities arising from overseas tax penalties and their financial impact

Sinopec Group International Petroleum Engineering Algeria Co., Ltd. (“Algeria Subsidiary”), a subsidiary of Sinopec International Oil Engineering Company Limited (“Sinopec International”), has been operating in Algeria since its establishment. The Algerian tax department is conducting a tax audit on the taxes and fees generated by the business income of the Algerian subsidiary from 2018 to 2020. After receiving the preliminary investigation results, the Algerian subsidiary of Sinopec International and each project department hired a local intermediary agency to conduct tax defense. Based on the audit results of previous years and the assessment of project tax risks, the company’s management accrues estimated liabilities for the relevant taxes that may be involved. As at 30 June 2024, the estimated liability balance is RMB36,185,000 (31 December 2023: RMB49,366,000).

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

As at 30 June 2024 there is no material contingency from guarantee provided for other entities except for disclosed in note 25(d) below (31 December 2023: none).

#### (d) Performance guarantee

As at 30 June 2024, the Group agreed to provide performance guarantee for DS Servicios Petroleros, S.A.de C.V. (“Mexico DS Company”) for the performance obligations under the production sharing contract for the EBANO project entered into between Mexican National Hydrocarbons Commission, being the beneficiary, and the Mexico DS Company. During the guarantee period, when Mexico DS Company loses contract performance capabilities, the Group shall undertake to perform the contracts on its behalf to an amount not exceed USD274,950,000.

## Section VIII Financial Reports

### 26. SIGNIFICANT RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. The Group is subject to the control of the PRC government which also controls a significant portion of the productive assets and entities in the PRC (collectively known as the “state-owned enterprises”).

In accordance with IAS 24 “Related party disclosures”, other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC government are regarded as related parties of the Group (“other state-owned enterprises”). For the purpose of related party disclosures, the Group has in place procedures to identify the immediate ownership structure of its customers and suppliers to determine whether they are state-owned enterprises. Many state-owned enterprises have multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatisation programs. Nevertheless, management believes that meaningful information relating to related party transaction has been adequately disclosed.

In addition to the related party transactions and balances shown elsewhere in this interim financial information, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, including other state-owned enterprises, for the six months ended 30 June 2024 and 2023.

The transactions with related parties are carried out on normal commercial terms or relevant agreements with counterparties in the ordinary course of business.

The majority of these significant related party transactions with Sinopec Group and its fellow subsidiaries also constitute continuing connected transactions as defined under Chapter 14A of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

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

	For the six months ended 30 June	
	2024 RMB' 000 (Unaudited)	2023 RMB' 000 (Unaudited)
<b>Purchases of materials</b>		
– Sinopec Group and its subsidiaries	4,308,757	4,834,015
<b>Sale of products</b>		
– Sinopec Group and its subsidiaries	31,830	37,569
<b>Rendering of engineering services</b>		
– Sinopec Group and its subsidiaries	21,144,882	22,492,325
<b>Receiving of community services</b>		
– Sinopec Group and its subsidiaries	10,043	18,951
<b>Receiving of integrated services</b>		
– Sinopec Group and its subsidiaries	489,813	224,060
<b>Rendering of integrated services</b>		
– Sinopec Group and its subsidiaries	39,066	11,672
<b>Rendering of technology research and development services</b>		
– Sinopec Group and its subsidiaries	54,790	67,796
<b>Rental income – Buildings</b>		
– Sinopec Group and its subsidiaries	702	170
<b>Rental income – Equipment</b>		
– Sinopec Group and its subsidiaries	725	241

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

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

	For the six months ended 30 June	
	2024 RMB' 000 (Unaudited)	2023 RMB' 000 (Unaudited)
<b>Lease payment – Lands and buildings</b>		
– Sinopec Group and its subsidiaries	60,695	17,328
<b>Lease payment – Equipment</b>		
– Sinopec Group and its subsidiaries	115,809	36,895
<b>Deposits interest income</b>		
– Sinopec Group's subsidiaries	4,485	2,487
<b>Loans interest expenses</b>		
– Sinopec Group and its subsidiaries	317,066	330,200
<b>Interest expenses on lease liabilities</b>		
– Sinopec Group and its subsidiaries	5,699	9,268
<b>Borrowings obtained</b>		
– Sinopec Group and its subsidiaries	13,557,825	13,336,360
<b>Borrowings repaid</b>		
– Sinopec Group and its subsidiaries	11,367,463	11,596,612
<b>Safety and insurance fund expenses</b>		
– Sinopec Group	42,975	42,145
<b>Safety and insurance fund refund</b>		
– Sinopec Group	43,563	46,171

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

	For the six months ended 30 June	
	2024 RMB' 000 (Unaudited)	2023 RMB' 000 (Unaudited)
<b>Rendering of engineering services</b>		
– Associates and joint ventures of the Group	5,608	100,978
<b>Receiving of engineering services</b>		
– Associates and joint ventures of the Group	997,576	956,860

## Section VIII Financial Reports

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

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

	For the six months ended 30 June	
	2024 RMB' 000 (Unaudited)	2023 RMB' 000 (Unaudited)
<b>Purchases of materials</b>		
– Associates and joint ventures of Sinopec Group	77,568	70,877
<b>Rendering of engineering services</b>		
– Associates and joint ventures of Sinopec Group	1,689,391	2,206,549
<b>Receiving of integrated services</b>		
– Associates and joint ventures of Sinopec Group	36	7
<b>Lease payment – Equipment</b>		
– Associates and joint ventures of Sinopec Group	5,159	1,582
<b>Interest expenses on lease liabilities</b>		
– Associates and joint ventures of Sinopec Group	1,628	4,299

#### (d) Remuneration of key management personnel

Key management includes directors, supervisors, president, vice presidents, chief financial officer and secretary to the Board of Directors. The compensation paid or payable to key management for employee services is shown below:

	For the six months ended 30 June	
	2024 RMB' 000 (Unaudited)	2023 RMB' 000 (Unaudited)
Fee	300	300
Salaries, allowances and bonus	6,947	7,543
Contributions to pension plans	301	308
	7,548	8,151

#### (e) Provision for counter guarantee

As at 30 June 2024, the Group has provided the counter guarantee to Sinopec Group, amounting to RMB300,000,000 (31 December 2023: RMB300,000,000). The counter guarantee will be ended in September 2024.

## Section VIII Financial Reports

### 27. FAIR VALUE

Other than noted as below, the carrying amount of the Group's financial assets and liabilities stated in the condensed consolidated statement of financial position are not materially different from their fair values.

Fair value is the price that would be received to sell assets or paid to transfer liabilities in an orderly transaction between market participants at the measurement date. The Group discloses fair value measurements of financial instruments by level of the following fair value measurement hierarchy:

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

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

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

	Level 3	
	As at 30 June 2024 RMB' 000 (Unaudited)	As at 31 December 2023 RMB' 000 (Audited)
<b>Financial assets at FVTOCI (non-recycling)</b>		
– Unlisted equity investments	135,763	135,763
<b>Financial assets at FVTOCI</b>		
– Notes receivables	1,385,577	2,735,081
	1,521,340	2,870,844

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

	For the six months ended 30 June 2024	For the year ended 31 December 2023
	RMB' 000 (Unaudited)	RMB' 000 (Audited)
At the beginning of the period/year	2,870,844	1,602,832
(Settlement)/Addition, net	(1,349,504)	1,266,741
Movement in fair value recognised in other comprehensive income	–	1,271
At the end of the period/year	1,521,340	2,870,844

The fair value of the unlisted equity investments and notes receivables is measured using valuation techniques with reference to the net asset value and discounted cash flows, respectively. The Directors believe that the change in fair value (which is included in other comprehensive income) derived from the valuation technique is reasonable and is the most appropriate value at the end of the reporting period. There have been no transfers into or out of Level 3 during the six months period ended 30 June 2024 (2023: Nil).

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

The carrying amount of the Group's financial instruments measured at amortised cost are not materially different from fair value as at 30 June 2024 and 31 December 2023.

## Section IX Documents Available for Inspection

The following documents will be available for inspection at the office address of the Company from 21 August 2024 (Wednesday) upon requests from related supervisory institutes and shareholders in accordance with the Articles of Association and the relevant regulations:

1. The original copy of the interim report for the six months ended 30 June 2024 signed by the Chairman of the Company;
  2. The interim financial report of the Company for the six months ended 30 June 2024 signed by the Chairman, General Manager, Chief Financial Officer and the person in charge of the accounts;
  3. The Articles of Association;
  4. The original manuscripts of all the documents and announcements disclosed by the Company in the newspapers designated by the CSRC during the report period.
- \* This interim report has been drafted in both English and Chinese. In the event that different interpretation occurs, with the exception of the interim financial report prepared in accordance with IFRS, the Chinese version shall prevail.