SPT Energy Group Inc.
華油能源集團有限公司*

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

* For identification purpose only

2024 ANNUAL REPORT



Contents

Corporate Information

THE BOARD

Executive Directors

Mr. Ethan Wu *(Chairman and Chief Executive Officer)* (Note 1)
Mr. Li Qiang
Mr. Ding Kechen (Note 2)

Non-Executive Directors

Mr. Wang Guoqiang (Note 1)
Mr. Wu Jiwei
Ms. Chen Chunhua

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Ms. Zhang Yujuan *(Chairman)*
Mr. Ethan Wu (Note 1)
Mr. Wu Kwok Keung Andrew

NOMINATION COMMITTEE

Mr. Ethan Wu *(Chairman)* (Note 1)
Ms. Zhang Yujuan
Mr. Wu Kwok Keung Andrew

AUTHORISED REPRESENTATIVES

Mr. Ethan Wu (Note 1)
Ms. Lai Siu Kuen

COMPANY SECRETARY

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

COMPANY WEBSITE

www.sptenergygroup.com

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1918, 19/F
Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

5/F, Hongmao Commercial Building
Jia No. 8 Hongjunying East Road
Chaoyang District
Beijing
PRC
(postal code: 100012)

Notes:

1. On 26 March 2024, Mr. Wang Guoqiang was re-designated as a non-executive Director of the Company from an executive Director of the Company, and resigned as the chairman of the Board, the chairman of the Nomination Committee, and a member of the Remuneration Committee, and ceased to act as the Authorised Representative; and Mr. Ethan Wu was appointed as the chairman of the Board, the chairman of the Nomination Committee, a member of the Remuneration Committee and the Authorised Representative, and he will continue to act as an executive Director and the Chief Executive Officer of the Company.

2. On 3 April 2024, Mr. Ding Kechen was appointed as an executive Director of the Company.

Corporate Information

REGISTERED OFFICE

P.O. Box 31119
Grand Pavilion, Hibiscus Way
802 West Bay Road
Grand Cayman KY1-1205
Cayman Islands

PRINCIPAL SHARE REGISTRAR

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

AUDITOR

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

LEGAL COUNSEL

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

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
China CITIC Bank International Limited
Bank of Kunlun Company Limited
Bank of China Limited

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

1251

DATE OF LISTING

23 December 2011

Financial Summary

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

CONDENSED CONSOLIDATED INCOME STATEMENT

	For the year ended 31 December				
RMB'000	**2024**	2023	2022	2021	2020
Revenue	**1,694,119**	1,947,244	1,757,162	1,588,799	1,289,267
Other gains/(losses), net	**1,669**	12,297	(7,640)	4,895	25,550
Operating costs	**(1,913,785)**	(1,905,528)	(1,696,654)	(1,540,296)	(1,379,218)
Operating profit/(loss)	**(217,997)**	54,013	52,868	53,398	(64,401)
Finance costs, net	**(31,205)**	(31,146)	(37,441)	(41,993)	(36,595)
Share of net (loss)/profit of an associate and a joint venture accounted for using the equity method	**2,625**	(1,317)	819	470	148
Profit/(loss) before income tax	**(246,577)**	21,550	16,246	11,875	(100,848)
Profit/(loss) for the year	**(263,585)**	8,778	7,457	4,187	(98,404)
Attributable to:					
Owners of the Company	**(256,231)**	16,745	13,241	8,795	(91,189)
Non-controlling interests	**(7,354)**	(7,967)	(5,784)	(4,608)	(7,215)
Dividends proposed after balance sheet date	**–**	–	–	–	–

Financial Summary

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
RMB'000	**2024**	2023	2022	2021	2020
Assets					
Non-current assets	**579,259**	651,854	650,446	647,188	679,011
Current assets	**1,929,406**	2,259,353	2,232,112	2,139,501	2,025,330
Total assets	**2,508,665**	2,911,207	2,882,558	2,786,689	2,704,341
Total equity	**1,002,456**	1,285,240	1,225,104	1,205,640	1,231,371
Liabilities					
Non-current liabilities	**87,632**	116,750	84,445	286,897	301,728
Current liabilities	**1,418,577**	1,509,217	1,572,009	1,294,152	1,171,242
Total liabilities	**1,506,209**	1,625,967	1,657,454	1,581,049	1,472,970
Total equity and liabilities	**2,508,665**	2,911,207	2,882,558	2,786,689	2,704,341

Chairman's Statement

Ethan Wu
Chairman of the Board

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of the Company, I present the annual report of the Group for the year ended 31 December 2024 (the "Reporting Year") to the shareholders of the Company.

During the Reporting Year, the Group's revenue amounted to RMB1,694.1 million and the loss attributable to the owners of the Company amounted to RMB256.2 million.

Chairman's Statement

REVIEW ON THE MARKETING AND OPERATION AND MANAGEMENT

Currently, the global economy continues its persistent transition from accommodative to restrictive monetary policies, indicating the periodic trend of "low growth and large fluctuation" and the myriads of uncertainties surround the global economy's growth prospect. In terms of energy, on the one hand, the supply and demand structure of the international oil market withstands pressure. The growth of global demand for oil slowed in 2024, especially lower-than-expected demands from the emerging and developing economies. Even though the "OPEC+" has extended oil cut plans to stabilize the market in multiple times, outputs of some of non-"OPEC+" oil-producing countries saw continuous growth so that the oil supply remains sufficient and the supply and demand of global oil market became more complicated. On the other hand, the domestic oil market is experiencing structural adjustment. China's economy and society have entered a new high-quality development period; the energy industry has accelerated the green and low-carbon transformation while the domestic oil's consumption demand has transitioned from a phase of rapid growth to a stage of moderate development to achieve the "dual carbon" goals. Amid domestic and international challenges, the domestic energy enterprises are facing a dilemma of "structural domestic constraints" and "external vulnerabilities". Oil resources, as the largest resources in the world, continue to provide sustainable development of energy safety and supply with guarantee, play an important and indispensable role in fundamental raw materials, realization of low-carbon goal and advancement of energy transformation. China has efficiently integrated the development and security and green transformation, continuously increased self-reliance capability of energy while actively promoting the green and low-carbon development. The trend toward transformation and upgrading of traditional oil and gas industries and fostering of strategic and emerging industries has become increasingly evident, the transformation model of oil and energy enterprises is taking shape and new opportunities for development of oilfield service industry are emerging from the integration and growth of oil and gas, and new energy.

In 2024, the Chinese economy showed strong resilience amidst complex and evolving circumstances, with solid progress towards high-quality development. China's GDP grew by 5.0% year-on-year, playing an instrumental role in maintaining the stability and growth of the world economy. In 2024, China's energy supply and security capability was further enhanced, and the foundation for energy security continued to be consolidated. Efforts to increase oil and gas reserves and production were further advanced, and the level of independent supply steadily improved, providing a solid resource foundation for national energy security. Meanwhile, China made remarkable achievements in the energy transition and was transitioning from an active participant in global energy transformation to an important contributor. China's policies on "carbon peaking and carbon neutrality" ("dual carbon") goals continued to advance and the green transformation of energy structure achieved remarkable results. Carbon capture, utilisation, and storage ("CCUS") technology as a key technology for the low-carbon utilization of fossil energy entered the demonstration stage in China and made positive progress. The application of CCUS technology not only provides important support for the low-carbon utilisation of fossil energy, but also lays a solid foundation for achieving the "dual carbon" goals. Through a series of policy guidance, technological innovation and practical exploration, China contributed its wisdom and solutions to the global energy transformation, driving the developing of a cleaner, low-carbon, safe and efficient global energy system.

Chairman's Statement

Oil and gas industries are undertaking a series of profound reforms and challenges. New opportunities have arisen from China's green transformation. However, the sharp fluctuations in oil price and a complex and evolving geopolitical situation have resulted in considerable pressure for the oilfield service industry over the previous year. In the face of that external environment, the Group adjusted the work deployment in a timely manner in 2024, proactively dealt with challenges and tackled difficulties to ensure the stable operation of the Company. In terms of the domestic market, the fierce market competition has intensified, and the full-year workload remained flat compared with the same period of the previous year with continuous cost reduction and efficiency enhancement programs undertaken by the customers, although specific business structure may vary based on the developments of market positions. In terms of overseas market, the Group has safeguarded the traditional markets while actively developing emerging markets, and has sought new cooperation opportunities in Kazakhstan, Indonesia, the Middle East and other regions, and established cooperation intentions with local oil companies, laying a foundation for future market expansion and business implementation. In terms of product and technological innovation, the Group continues to follow a technological development and market-oriented strategy, maintaining its strengths while increasing the investment in R&D and manufacturing of new technologies and new equipment to enhance market competitiveness. In terms of internal control, the Company has maintained stable employee retention without large-scale layoffs, upheld the philosophy of "hard work and accumulation and unwavering commitment and perseverance", and practiced "fiscal frugality while taking on tough problems". Regional companies and project departments keep developing existing markets and seeking breakthroughs. With a complete oil service industry chain, clear strategic planning, and a cohesive corporate culture, the Group has successfully coped with various challenges of the past year, and has strong confidence and solid capability to withstand future potential risks. Facing opportunities and challenges, the Group has taken the following concrete measures:

I. The Group carried out comprehensive strategic upgrade with effective results, and steadily promoted the strategy of "technology-driven development"

Accurately seizing the critical opportunities arising from the transformation and innovation of the oil and gas industry, and comprehensively implementing strategic upgrade, the Group reshaped its three core strategic pillars in-depth, and gained sound business development momentum of booming development. In terms of oil field technical services, its main business, the Group actively sought changes in the face of various difficulties. On the one hand, we firmly maintained its business in the traditional market and consolidated our basic business, thus maintaining the stable operation of our business. On the other hand, the Group successfully achieved the expansion and extension of its business by actively exploring new business models and technology applications, which gave birth to new hope for future development. In terms of new energy business, in line with China's policy orientation of developing clean energy and reducing carbon dioxide emissions, the Group vigorously expanded CCUS-related business areas. In terms of oilfield exploration and development, through cooperation with a third-party evaluation agency, a reserve evaluation of the Jabung Tengah oilfield exploration and development project in Indonesia has been initially formed based on the existing information, which lays the foundation and points out the direction for the further exploration and development of this block. Innovation is the primary driving force for development. Guided by the strategy of "technology-driven development", the Group has always given priority to technological innovation and invested in technology R&D underpinned by independent intellectual property rights. At present, we have formed a cluster of patents in the field of technology, providing strong technical support for the Group to achieve high-quality sustainable development.

Chairman's Statement

II. The Group made thorough efforts to tap new sources of revenue, reduce expenditure, and improve quality and efficiency, continuously enhancing management efficiency

In order to further improve management efficiency, the Group made thorough efforts to tap new sources of revenue, reduce expenditure, and improve quality and efficiency, elaborately formulated specific implementation plans, breaking down the work goals of efficiency enhancement and delivering them to every department and position through the ranks to ensure that the responsibilities were assigned to each individual. In terms of the work of quality and efficiency improvement, the Group improved the work effectiveness comprehensively by optimising production process and technological R&D and refining various management measures, thereby achieving profit growth, cost saving and significant improvement in management level. In terms of the organisational management and transformation, the Group moved to promote the development of flattened and refined corporate management with the application of new technologies, and deeply explored internal potentials to achieve the dual goals of efficiency enhancement and stable operation. In the project management process, by strengthening management and control of project operating process and with comprehensive budget management and refined cost management, we enhanced cash flow management and ensured the smooth realisation of various expected targets.

The Group endeavoured to continuously enhance its risk resistance capabilities and steadily maintain sustainable development capabilities. We effectively improved economic benefits and construction efficiency through unremitting efforts of both revenue increase and cost-saving measures, actively adapt to complicated and fluid external environment, and provided a solid safeguard for the long-term survival and development of the Company.

III. Expanding market footprint comprehensively based on a customer-oriented strategy

In light of the complicated development trend of the oilfield service sector, the oilfield service sector faced multiple challenges, such as fierce competition, optimisation of capital expenditure structure by customers, and sustained low service prices. The Group has always adhered to the core orientation of customer needs, continued to carry out a business strategy of "led by technology, early deployment". In the Chinese market, we continued to consolidate and deepen the cooperative relationship with local customers, took root in the region and cultivated intensively by leveraging its superb technology and quality services to maintain and increase market share. At the same time, the Group actively responded to market changes, integrated internal advantageous resources, and vigorously promoted the synergistic development of its traditional oilfield services and new energy businesses from the strategic perspective of diversified industrial development. In overseas markets, the Group keenly captured industry cycle changes and opportunities, flexibly adjusted its market positioning, and vigorously expanded into emerging and high-growth potential markets, laying a solid foundation for long-term sustainable development.

Chairman's Statement

IV. The Group bravely undertaken its social responsibilities by further promoting the ESG and sustainable development

The Group has always regarded social responsibility as an important part of corporate development, and further promoted the environmental, social and governance ("ESG") and sustainable development efforts comprehensively. By setting up a scientifically reasonable and effective ESG risk management and internal control system, the Group set a specific and challenging energy-saving and emission reduction target, deeply integrated ESG and sustainable development concepts into all aspects of business strategic planning and daily operations. It not only effectively improved internal control governance capability and risk prevention and control awareness of the Group, but also actively played a leading role in the industry and inspired both upstream and downstream enterprises to jointly implement the ESG concept to promote the green and sustainable development of the entire industrial chain. In terms of human resources management, by closely centering on the strategic objectives of the Company, the Group elaborately developed a pool of talents. The Group has built an efficient core team by optimising the talent structure to absorb outstanding talents in various fields. It constantly improved its performance management system and adopted a fair, just and open assessment mechanism to stimulate employees' motivation and creativity. It continuously optimised its global human resources business system and upgraded the international talent cultivation and introduction system to build a talent team with international competitiveness. Meanwhile, the Group has been committed to establishing a sunny, transparent and clean entrepreneurial atmosphere, building an employee development platform with a focus on the career growth of our employees, and providing a broader development space for employees to help employees achieve the organic integration of personal values and corporate goals.

During the Reporting Year, the Group held on well at the current situation, looked into the future, and forged ahead in an innovative way, achieving temporary development results. The clear positioning and coordinated development of the three strategic segments have directed and laid a solid foundation for the Group's sustainable and healthy development for 2025 and in the medium to long term onwards.

Chairman's Statement

PROSPECTS

Looking ahead to 2025, the global economy and energy market will continue to face a complex and volatile landscape. The World Bank expects that global economic growth in 2025 will show little improvement and will continue to be dominated by downside risks. The global economic growth rate will remain at approximately 2.7%, indicating a sluggish recovery. The outlook faces numerous uncertainties, and certain regions and sectors are facing potential risks of slowing growth. Geopolitical tensions, regional conflicts, high inflation, high interest rates, and extreme weather events will continue to heighten the complexity and uncertainty in the world economy. In the energy sector, the supply and demand dynamics of the oil market will continue to evolve. Weak global economic recovery will dampen oil demand growth, particularly with a potential further slowdown in oil consumption growth in developed economies. Meanwhile, under the dual pressures of lacklustre global economic growth and the energy transition, oil-consumption growth remains subdued, and "OPEC+" is expected to continue cutting production, principally because supply keeps increasing while demand growth stagnates, leading to an increasingly unbalanced international oil supply-demand landscape. In terms of low-carbon transition, the 29th session of the Conference of the Parties (COP29) to the United Nations Framework Convention on Climate Change further reinforced the irreversible global trend toward green and low-carbon transition. As elections in multiple countries and COP29 carbon emissions debates reach their conclusions, 2025 will be a pivotal year for advancing the energy transition, with major international oil companies striving to balance energy supply with energy transition.

According to the Economic and Financial Outlook for 2025 released by the BOC Research Institute, the downside risks of the global economy will increase in 2025 and the economic growth will slow down significantly. 2025 will mark a new stage for China's oil demand, demonstrating gradually stable with downward momentum. This trend is both a challenge and transformation opportunity for oilfield service companies. With the weak growth of domestic refined oil consumption, the investment in upstream exploration and development may be structurally adjusted, and the demand for incremental operation in traditional and conventional oilfields may slow down, while the demand for the development of unconventional oil and gas resources (such as shale gas and tight gas) and the "cost reduction and efficiency increase" technical services for matured oilfields will further expand. At the same time, driven by the "dual carbon" goal, oil service companies need to accelerate the transformation to low-carbon integrated energy. China will continue to advance the green transition of its energy structure, with the share of natural gas in the energy mix expected to increase further. China's CCUS technology development is at a critical stage. With strong policy support, project implementations have been increasing, and technological research and development has continued to achieve breakthroughs. Given the joint efforts from all stakeholders, CCUS is expected to play an increasingly important role in China's carbon reduction efforts, energy transition, and green industrial development.

The uncertainties in the global economy and energy market require companies to place greater emphasis on technological advancement and market environment optimization. The Group will continue to actively respond to national policies, focus on long-term development, and plan its CCUS business from the strategic perspective of diversified industrial construction. Leveraging its existing technologies, the Group will gradually build full-industry-chain capabilities for CCUS projects. Currently, the Group is following up and participating in multiple CCUS projects in China. Among them, a million-ton CCUS exploration site selection and exploration well construction services project completed its drilling works and passed inspection at the end of 2024. Meanwhile, benefiting from favorable policies under the "Belt and Road" initiative, the Group expanded into emerging

Chairman's Statement

markets. In February 2025, the Group officially commenced drilling for a drilling rig services project at an oil and gas field in South Sumatra, Indonesia. This marks a major milestone for the Group in the Indonesian market to enter the external oilfield service market, laying a solid foundation for future market expansion and injecting new momentum into the Group's strategic market deployment in the Southeast Asia region. Additionally, the Group secured two significant orders in the Middle East market in early 2025, including a well workover technical services and oil testing services project at an oilfield in Iraq. These orders fully demonstrate the Group's professional strength in well workover and oil testing services and are of great significance in further consolidating and expanding its market share in the Middle East region.

2025 is a critical period for the strategic transformation of the Group. The Group's key work arrangements will continue to follow its established strategic layout: in the oilfield segment, it will continue to advance exploration and development; in the oilfield services segment, it will stabilize core operations, prioritize the development of the Group's overseas market, and strengthen market penetration; in the new energy segment, it will ensure the successful implementation of projects and expand related markets. We will continue to actively expand the market, improve service quality, and strengthen our internal capabilities to effectively solve technical problems for customers effectively, so as to earn market recognition and customer respect with the comprehensive technical strength of the Group. As the saying goes, "the tallest mountains rise from treacherous terrain; the mightiest seas surge through turbulent tides". At present, we are facing both unprecedented difficulties and challenges, as well as important development opportunities. Crises often give rise to new possibilities. Only by maintaining keen insight, actively exploring new technologies and new models, and constantly improving our core competitiveness, can we find new vitality in the fierce market competition and resolutely move toward building a first-class century-old energy enterprise.

Looking ahead to the next five years, the Group will hold on to our main business of oilfield services, always adhere to the development concept of technology-driven strategy, and strengthen capacity building, determinedly aiming to achieve a top-notch position in the industry, so as to lay a solid foundation of our efforts to build a century-old enterprise. In the field of new energy business, we will expand our territory at a steady pace in a stable and prudent manner, strive to compete more high-quality projects, and progress steadily and take a long-term approach so as to inject new impetus for the sustainable development of the Group. Meanwhile, the Group will focus in depth on the Indonesian oilfield block, concentrate its advantageous resources and strive to accelerate the achievement of scalable production capacity to thoroughly reverse and improve the overall development environment of the Group. Moreover, team building also is the key focus on the Group. We will strive to create a positive enterprise environment characterised with integrity and transparency and cohere the wisdom and strength of all employees to ensure that the Group moves forward steadily on a healthy, stable and sustainable track.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to take this opportunity to express our heartfelt gratitude to all of our respected shareholders, customers, business partners and investors for their trust and support, also to all of our employees for their contribution. Only by steady development and perseverance will we be able to go further in the past year; only by innovation and production will we be able to start a new beginning in the new year. We will always adhere to the concepts of "shoulder the mission of the times, focus on the energy industry", and take "assume the responsibility of building a century-old enterprise" as our mission to put out all stops and make unremitting efforts. We have always been committed to making key advances in technological breakthroughs, expanding our reach in market entry, and increasing our influence in the industry so as to achieve remarkable results, with a view to bringing higher value returns to our shareholders.

Ethan Wu
Chairman of the Board

Management Discussion and Analysis

BUSINESS REVIEW

In 2024, affected by multiple factors such as sluggish recovery of the global economy, slow oil demand growth, energy transition and intensifying geopolitical tension, international oil prices showed a pattern of initial rise followed by decline, and the overall average price slightly declined over 2023. In terms of industry investment, as stated in "Domestic and Foreign Oil and Gas Industry Development Report 2024" by CNPC Economics & Technology Research Institute, the global investment in oil and gas exploration and development amounted to USD553.8 billion in 2024 with a year-over-year decrease of 2.5%, which was the first decline in four years. On the one hand, safeguarding the national energy security remains a top priority in the PRC market. Under the promotion of the "Seven-Year Action Plan", national oil companies have resolutely intensified oil and gas exploration and development, focusing on key domains such as deep formations, deep-water and ultra-deep strata. The potential for oil and gas development has continued to expand, technological support capabilities have been further strengthened, and significant results have been achieved in increasing reserves and production. On the other hand, with the further implementation of the dual carbon policy, the energy industry is undergoing a pivotal transformation. The technological innovation and intensifying competition within the oil and gas industry have posed increasing pressure and challenges for the development of oilfield service enterprises. During the Reporting Year, the Group actively adjusted business layout, expanded market channels and optimized internal management to actively respond to challenges, so as to ensure the Group's stable operations.

During the Reporting Year, the Group witnessed a significant year-on-year reduction in workload due to the impact of extreme weather in Kazakhstan. Meanwhile, as a result of the continuous cost reduction and efficiency improvement programs for certain customers of the Group, undercapitalization and increasing competition resulting from market misdeeds, there was a lower revenue and profitability of the Group for the year. The oil project of the Group in Indonesia is under pre-exploration and cannot generate revenue from the expenditures for the year. Additionally, the Group made a provision for impairment of certain assets accordingly. During the Reporting Year, due to the combined impacts of the aforesaid factors, the Group recorded revenue of RMB1,694.1 million, representing a decrease of RMB253.1 million, or 13.0% as compared to the previous year, and recorded losses of RMB263.6 million for the Reporting Year, as compared with a profit of RMB8.8 million for the previous year. The Group made continuous efforts to deepen resources integration, to optimize business layout, to build a solid foundation for business development and to focus on the balance development of the Group's three strategic business segments in 2024. For the oil field technical services, our main business, under the complex and evolving market conditions, the Group has expanded emerging markets actively while maintaining the market share in the traditional market and has achieved steady business expansion by capitalizing on technology innovation and upgrading our services. The Group has made full use of the market opportunity and increased investment in new energy with growing global demand for clean energy. The new energy business has made phased progress, laying a solid foundation for further expansion. Regarding oil and gas exploration, the exploration and development project of the oilfield in Indonesia has made smooth progress. A third party institution has completed the preliminary evaluation of its reserves, which has provided guidance for subsequent exploration. Meanwhile, the Group upheld prudent financial policies, adhered to the asset-light operating model, and strengthened the strategy of strengthening the full-process cash flow management throughout 2024, fully demonstrating the Group's risk resistance capabilities, operational flexibility and sustainable development capabilities under the complex economic environment.

Management Discussion and Analysis

REVENUE ANALYSIS

During the Reporting Year, the Group recorded revenue of RMB1,694.1 million, representing a decrease of RMB253.1 million or 13.0% as compared to previous year. The analysis on the revenue of the Group by business segment is as follows:

	For the year ended 31 December		
	2024	2023	Change
	RMB'000	*RMB'000*	*(%)*
Revenue			
Reservoir	**816,843**	784,169	4.2%
Drilling	**462,521**	513,406	(9.9%)
Well completion	**280,837**	477,844	(41.2%)
Other	**133,918**	171,825	(22.1%)
Total	**1,694,119**	1,947,244	(13.0%)

During the Reporting Year, revenue from reservoir segment accounted for 48.2% of the total revenue, representing an increase of RMB32.7 million or 4.2% as compared to previous year. Revenue from drilling segment accounted for 27.3% of the total revenue, representing a decrease of RMB50.9 million or 9.9% as compared to previous year. Revenue from well completion segment accounted for 16.6% of the total revenue, representing a decrease of RMB197.0 million or 41.2% as compared to previous year. Revenue from other segments accounted for 7.9% of the total revenue, representing a decrease of RMB37.9 million or 22.1% as compared to previous year.

RESERVOIR SERVICE SEGMENT

	For the year ended 31 December		
	2024	2023	Change
	RMB'000	*RMB'000*	*(%)*
Revenue from reservoir services			
Overseas	**272,986**	301,238	(9.4%)
PRC	**543,857**	482,931	12.6%
Total	**816,843**	784,169	4.2%

Management Discussion and Analysis

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

During the Reporting Year, the Group's reservoir segment has made steady progress and recorded revenue of RMB816.8 million, representing an increase of RMB32.7 million or 4.2% as compared to previous year. In particular, reservoir segment in China recorded revenue of RMB543.9 million, representing an increase of RMB60.9 million or 12.6% as compared to previous year, and accounted for 66.6% of the total revenue from reservoir segment, which was mainly due to the increase in the workload of station operation and maintenance and repair service in oilfields in China. Overseas reservoir segment recorded revenue of RMB273.0 million, representing a decrease of RMB28.2 million or 9.4% as compared to previous year, and accounted for 33.4% of the total revenue from reservoir segment. The decrease in revenue from overseas reservoirs was mainly due to the significant decrease in businesses affected by extreme weather in Kazakhstan.

DRILLING SERVICE SEGMENT

	For the year ended 31 December		
	2024	2023	Change
	RMB'000	RMB'000	*(%)*
Revenue from drilling services			
Overseas	**271,221**	263,972	2.7%
PRC	**191,300**	249,434	(23.3%)
Total	**462,521**	513,406	(9.9%)

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

During the Reporting Year, the Group's drilling service segment recorded revenue of RMB462.5 million, representing a decrease of RMB50.9 million or 9.9% as compared to previous year. In particular, drilling segment in China recorded revenue of RMB191.3 million, representing a decrease of RMB58.1 million or 23.3% as compared to previous year, and accounted for 41.4% of the total revenue from drilling segment. The decrease in revenue from the drilling segment in China was primarily attributable to a year-on-year decline in the onshore drilling business in the PRC as customers scaled back investments. Overseas drilling segment recorded revenue of RMB271.2 million, representing an increase of RMB7.2 million or 2.7% as compared to previous year, and accounted for 58.6% of the total revenue from drilling segment.

Management Discussion and Analysis

WELL COMPLETION SERVICE SEGMENT

	For the year ended 31 December		
	2024	2023	Change
	RMB'000	*RMB'000*	*(%)*
Revenue from well completion services			
Overseas	**105,557**	241,134	(56.2%)
PRC	**175,280**	236,710	(26.0%)
Total	**280,837**	477,844	(41.2%)

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

During the Reporting Year, well completion service segment recorded revenue of RMB280.8 million, representing a decrease of RMB197.0 million or 41.2% as compared to previous year. In particular, well completion segment in China recorded revenue of RMB175.3 million, representing a decrease of RMB61.4 million or 26.0% as compared to previous year, and accounted for 62.4% of the total revenue from well completion segment. The decrease was mainly due to the decrease in the volume of well completion tools trading operation. Overseas well completion segment recorded revenue of RMB105.6 million, representing a decrease of RMB135.5 million or 56.2% as compared to previous year, and accounted for 37.6% of the total revenue from well completion segment. The decrease was mainly due to the decrease in the volume of well completion tools operation from Indonesia and Turkmenistan, as well as the decrease in the volume of fracturing stimulation operation in Kazakhstan region affected by extreme weather.

OTHER SEGMENT

	For the year ended 31 December		
	2024	2023	Change
	RMB'000	*RMB'000*	*(%)*
Revenue from other services			
Overseas	**–**	61,873	(100.0%)
PRC	**133,918**	109,952	21.8%
Total	**133,918**	171,825	(22.1%)

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

Management Discussion and Analysis

During the Reporting Year, the Group's other segment recorded revenue of RMB133.9 million, representing a decrease of RMB37.9 million or 22.1% as compared to previous year. Revenue from the PRC market was RMB133.9 million, representing an increase of RMB24.0 million or 21.8% as compared to the same period previous year, mainly attributable to the increase in natural gas sales business in Xinjiang. The decrease in revenue from other segment in overseas was mainly due to the sales business of edible alcohol project in the Ghana, Africa had been transferred to a joint venture since 22 November 2023 upon the conversion of the subsidiary to a joint venture on that date.

MARKET ENVIRONMENT

During the Reporting Year, the global economy went through tough times but still improved in the face of multiple risks and challenges, leading to sluggish recovery with a global growth of 3.2%. The U.S. economy recovered well but was still confronted with high inflation and debt pressure. Due to the significant impact of geopolitical conflicts, the European economy maintained a low rate of growth. China continued to be the important engine for the global economy as its contribution to global economy growth remained high. In terms of energy market, the global energy sector experienced unprecedented changes and challenges in 2024. Geopolitical conflicts significantly affected energy supply and demand, so that energy security concerns have been set to a new high level. Meanwhile, the renewable energy sector showed strong momentum as the green economy and low-carbon transition continued to advance. Energy systems decarbonization and the transition to net-zero emissions remained the focus of the global energy industry in 2024. The keynote of the 29th session of the Conference of the Parties (COP29) to the United Nations Framework Convention on Climate Change (UNFCCC) is to call on countries to reduce greenhouse gas emissions, cope with global climate change and to jointly promote the sustainable development of mankind. In contrast, the traditional energy market was faced with fluctuations, with international oil prices fluctuating in a range, and the fluctuations of natural gas prices was due to the economic situation and geopolitical impacts. The Organization of the Petroleum Exporting Countries ("**OPEC+**") has maintained oil prices by deepening and extending its production cuts program, leading to supply and demand being basically in equilibrium. International oilfield service companies have increased investment in R&D of featured technologies to meet the needs of reducing carbon emissions in the exploration and development process. Overall, in an environment with slower growth of macro-economy and increasing market uncertainties, the oil companies placed greater focus on quality and efficiency of exploration and development. Oilfield service companies should not only focus on cost control and efficiency improvement, but also accelerate the upgrade of technology based on customers' demand, actively deploying emerging businesses and markets to cope with market competition and technological challenges.

OVERSEAS MARKETS

The Group's overseas operations are mainly located in Kazakhstan and Turkmenistan in Central Asia, Indonesia and Singapore in Southeast Asia, Canada in North America, and the Middle East. In 2024, amidst global economic recovery and shifts of the energy landscape, the oilfield service industry has shown new development trajectories. The traditional oil and gas market still dominates global energy supply, however, the lackluster demand for oil and gas and escalation of global climate change challenges have rendered the demand for the development of green and renewable energy sources increasingly urgent. Governments worldwide have amplified efforts to promote the green transformation of energy sources. Technological innovation and diversified development have become important strategies to enhance competitiveness.

Management Discussion and Analysis

In the context of profound adjustments in the global energy landscape and the continued advancement of the "Belt and Road" initiative, the Group has navigated through challenges in the Reporting Year. On the one hand, the Group has maintained the business size of established stronghold regions, such as Kazakhstan, and explored a new method of further expansion and growth. On the other hand, as for overseas markets with development potential, including the Middle East, Southeast Asia, Turkmenistan and other regions, the Group has increased investment in resources for market and technology, and strived to push its regional business size to a new level. In 2024, energy cooperation between China and Kazakhstan reached new heights. CNPC and the Ministry of Energy of Kazakhstan signed the Framework Agreement on Deepening Strategic Cooperation on Energy Projects, covering areas such as oil and gas exploration and development, integration of new energy, and cross-border pipeline interconnectivity, further expanding the scale of China-Central Asia energy cooperation. Additionally, "Three Oil Giants", namely China National Petroleum Corporation (中國石油天然氣集團有限公司), China Petrochemical Corporation (中國石油化工集團有限公司) and China National Offshore Oil Corporation (中國海洋石油集團有限公司), has seen smooth business expansion in countries along the "Belt and Road", driving the implementation of multiple major energy projects. These collaborations provide broad space for the Group's overseas business expansion. Despite suffering a rare flood damage and the workload of that year being greatly affected, the Kazakhstan region actively adjusted its market strategy in line with the market situation. On the one hand, it fully promoted the implementation rate of projects whose contracts have been signed and which can offer superior costs and technologic competitiveness to ensure the sustainable development of projects. On the other hand, it keenly seized the spillover opportunities arising from the domestic resources (technology, equipment, business model), strengthened the ability to build and integrate internal and external resources, and vigorously promoted the comprehensive and integrated project for increasing oilfield production to inject new energy into the steady development of the region in the future. In terms of market potential, the Middle East region successfully won the bid for an oilfield logging service contract in Iraq, which further extended the Group's business field in Iraq. Meanwhile, we won the bid for the third-party drilling service contract of independent drilling rig in Indonesia, which significantly enhanced the Group's integrated service capability in Indonesia. The Turkmenistan region of the Group has focused on the huge market potential of oilfield production increase, prepared technology and resources in advance, and purchased a new coiled tubing equipment in early 2025 to prepare for the large-scale production increase service in the region in the future. In terms of R&D and manufacturing, the Singapore Global R&D center successfully obtained the fourth edition of the API certification, achieving the latest and highest design verification level, which marked a new breakthrough for the Group in terms of technological innovation, production process and product quality in the field of downhole completion tools. In 2024, the Group ushered in the 20th year of strategic partnership with Halliburton Company. During the period of strategic cooperation, the close collaboration of both sides has greatly improved the drilling and completion speed and success rate for customers. From the operation of deep and ultra-deep well, to the operation of directional well and horizontal well under complex stratum conditions, the partnership has delivered remarkable achievements in the industry. On the occasion of the 20th anniversary of the cooperation between the Group and Halliburton Company, both parties will deepen trust, overcome difficulties, and seek more market breakthrough opportunities by strengthening technical exchanges and business cooperation.

Management Discussion and Analysis

DOMESTIC MARKET

During the Reporting Year, China's oil and gas and new energy sectors closely focused on the key themes of "stabilizing oil and increasing gas, green development, technological empowerment, and management upgrades". Exploration and development, quality improvement and efficiency enhancement, and risk prevention and control have achieved remarkable results in high-quality development. In 2024, China added approximately 1.5 billion tons of proven oil geological reserves and nearly 1.6 trillion cubic meters of proven natural gas geological reserves. China's oil and gas production equivalent surpassed 412 million tons for the first time, marking the eighth consecutive year of an increase exceeding 10 million tons of oil equivalent. At the work promotion meeting held in July, the National Energy Administration (the "**NEA**") explicitly required focusing on key basins such as Ordos and Tarim, increasing investment in exploration and development, and strengthening technological research in fields such as 10,000-meter-deep onshore and 1,000-meter-deep offshore. In terms of green transition, the oil and gas industry has accelerated the industrialization of CCUS to help achieve the "dual carbon" goals. According to the NEA, the annual sequestration capacity of CCUS in the oil and gas industry exceeded 15 million tons in 2024, providing strong support for the achieving of the "dual carbon" goals. Although the industry as a whole achieved significant development results, oilfield service enterprises are facing double pressure. On the one hand, oil companies have driven cost reduction and efficiency improvement through technological innovation and management optimization, resulting in intensified industry competition and continued pressure on technical service prices. On the other hand, a shift in industry landscape driven by new energy transition has a more profound impact on China's oil and gas market and requires oilfield service enterprises to attach more importance to the industry landscape and trends and developments in technological development. The Group actively faced challenges, and constantly carried out technological innovation and overcame difficulties to ensure the stable market share of advantageous business. At the same time, we proactively explored new customers and markets. In the Xinjiang market, the Group won a bid for a master contract for slurry of a new customer. The drilling technology rotary steering tool and integrated Measurement While Drilling ("**MWD**") is expected to achieve a largescale production value through the "Four New Technology Evaluation" of the Tarim Oilfield. The well repair business made breakthroughs in the short radius lateral drilling operation of Northwest Bureau market. The well completion business continued to take the lead in the regional market, with record-breaking performance in operating depth, temperature and difficulty, and successfully applied a new output technology for multi-stage fracturing of horizontal wells in high temperatures and high pressure. Companies in Xinjiang region actively fostered personnel and updated equipment, and participated in the testing of "scientific exploration wells" and operation of well completion tools, fully demonstrating our outstanding strength in oil reservoir and well completion business. During the Reporting Year, Xinjiang SPT Engineering Service Co., Ltd (新疆華油能源工程服務有限公司) and Petrotech (Xinjiang) Engineering Co., Ltd (新疆華油油氣工程有限公司) were recognized as 2024 "Specialized, Refined, Distinctive, and Innovative" Enterprises. This is another significant certification following their designations as "International High-Tech Enterprise" and "Innovative Small and Medium-sized Enterprise", which further strengthen the soft power of the Company and contribute to comprehensively driving the market expansion and long-term development of the Company.

Management Discussion and Analysis

During the Reporting Year, the Group's business in the Sichuan and Chongqing markets remained stable with an upward trend. Oil reservoir business successfully signed a contract with PetroChina Southwest Oil & Gasfield Company for the 2024-2025 natural gas well wireline testing operation service. Meanwhile, we also successfully won the bid for business contracts such as well completion packers, downhole safety valves and chemical injection valves in PetroChina Southwest Oil & Gasfield Company in 2024, ensuring the stable development of our subsequent well completion projects in the Sichuan and Chongqing markets. In terms of new energy projects, the Group is currently actively following up on and participating in a number of CCUS projects. In particular, the million-ton CCUS exploration site selection and well drilling construction services project of a coal-to-liquid company passed the acceptance inspection by customer on 31 December 2024; the 2D seismic geophysical acquisition, collection, processing and interpretation of the CCUS project conducted by a chemical group has been completed, and well locations are being selected. Plans are in place to start temporary drilling operations in the first half of 2025. Other CCUS projects under follow-up are advancing steadily.

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

The Group continues to adhere to the "technology-driven" development strategy. In addition to technological innovation and R&D, the Group also put value on the integration, upgrade and breakthrough in terms of existing technologies to promote the development of the Group's market and various businesses with the help of technological upgrading, thereby adapting to industry changes and development.

In terms of reservoir services, the reservoir dynamic monitoring technology of ultra-deep, ultra-high temperature, and ultra-high pressure wells ("**Three-Ultra Wells**") has become the Group's advantageous technology. During the Reporting Year, the Group successfully completed a well test for a 10,000-meter well and obtained qualified temperature and pressure data, marking that downhole dynamic monitoring in 10,000-metre deep wells, together with the corresponding surface support processes, has now achieved operational capability.

In terms of drilling services, the Group's Turkmenistan project team, based on regional geology and wellbore conditions, optimally designed a 286mm screw + customized high-efficiency Polycrystalline Diamond Compact ("**PDC**") bit combination for the second-stage drilling in a gas field in Turkmenistan. This design increased the mechanical drilling speed by 2.81 times compared to neighboring wells with similar structures, setting a new drilling record for the region. The speed enhancement was significant and received recognition from the proprietor.

In terms of well completion services, in 2024, leveraging the Group's technical advantages in Three-Ultra Wells completion operations, the Group successfully completed the well completion operation of an ultra-deep, high-temperature, high-pressure exploration well. This well set domestic records for formation pressure and wellhead flow pressure. To address the issue of limited internal diameter of well completion tubing in Three-Ultra Wells using mechanical zonal and staged well completion technology, the Group has developed a full-bore dissolvable sliding sleeve, which has passed client's technical evaluations and reviews and is set for on-site deployment in 2025. This technology will drive progress and development in well completion technology, further enhancing the Group's expertise in this area. High-end well completion tools independently developed by the Group won the bid for a high-temperature, high-pressure oil and gas field project, marking a further breakthrough in the Group's well-completion manufacturing business for high-temperature, high-pressure and complex-formation markets. Additionally, to meet market demand and enhance industry competitiveness, the Group has established a well completion tool R&D and manufacturing plant in Tianjin, which will further reduce tool manufacturing costs and enhance the Group's integrated capabilities in R&D, manufacturing, and technical services for well completion.

Management Discussion and Analysis

In terms of well workover services, the Group achieved another milestone in complex treatment for well workover. In August 2024, in a certain region, the Group's technical team successfully overcame a series of challenges in complex treatment involving small wellbore, such as downhole debris jams, perforating pipe string jams, and gunhead connector follow-up rotation, under formation pressures exceeding 170 MPa and temperatures over 170°C, and efficiently completed the complex small-diameter well treatment and wellbore cleanout for a key exploration well, laying a solid foundation for the subsequent well testing and well completion operations. This successful operation not only highlighted the Group's strength in complex workover treatment but also earned high praise and recognition from the client for its outstanding technical expertise. The ultra-deep small-wellbore complex treatment technology has become an advantageous and unique technology of the Group, and will provide more advanced, efficient, and reliable technology for handling complex well conditions in the oil exploration and development field, helping the industry steadily advance towards exploration and development goals in deeper and more complex formations.

In terms of new areas, the Group has undertaken the general contracting project for a certain block's CCUS project, responsible for plan design, well construction operations, production testing, and carbon dioxide reinjection services. The well construction has been completed, and the project will further advance the Group's technological diversification.

The Group expands its footprint in traditional oilfield services vigorously. Leveraging keen insights into cutting-edge technologies, it actively promotes the integration and upgrading of technologies, continually expands and optimizes various technological supply chains, and builds a more comprehensive technological system. Adhering to the "technology-driven" philosophy, the Group drives its growth with advanced technologies and continuously extends its service boundaries, providing clients with high-quality services across multiple levels and sectors.

Management Discussion and Analysis

HUMAN RESOURCES

The Group will continue to focus our human resources efforts around our strategic landscape in 2024. The details are as follows:

I. Promoted further integration of human strategy with operational plan, and tracked and adjusted business sectors on a quantized basis to align with business development, thereby optimizing people structure;

II. Adhered to employee diversity and comprehensively managed professional employees in different fields. Facilitated the building of talents team by innovative skill competition and improved appointment and promotion mechanism to optimize allocation of human resources;

III. Explored innovative incentive strategies and accelerated a younger team. Provided momentum by scientific election and training and facilitated employees' cross-position improvement by executing work shift, so as to support business development;

IV. Developed a competitive compensation system based on employee's position and duty, performance and market remuneration level;

V. Focused on targeted cultivation and on-the-job training for core management of major regions and projects, and kept to pay attention to core management's comprehensive capability enhancement. There were 716 training sessions in total this year, including online and offline trainings, with 13,982 people and 100,917 training hours cumulatively.

As at 31 December 2024, the Group had a total of 3,805 employees, representing a decrease of 394 employees from 4,199 employees as at 31 December 2023. The actual human resource cost of the Group in 2024 was managed to be maintained under the budget range set at the beginning of the year.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2024, revenue of the Group was RMB1,694.1 million, representing a year-on-year decrease of RMB253.1 million, or 13.0%, as compared with that of RMB1,947.2 million for the previous year. The decrease was mainly due to the decrease in overseas workload caused by the impact of extreme weather, investment curtailment by clients in certain markets and a decrease in revenue as a result of the transfer from a subsidiary to a joint venture for the previous year.

Other gains, net

For the year ended 31 December 2024, other gains, net of the Group were RMB1.7 million, as compared with other gains, net of RMB12.3 million for the previous year. The change was mainly due to the fluctuations in foreign exchange rates and the gain realized upon the transfer of a subsidiary to a joint venture for the previous year.

Material costs

For the year ended 31 December 2024, material costs of the Group were RMB502.0 million, representing a year-on-year decrease of RMB47.2 million, or 8.6%, as compared with that of RMB549.2 million for the previous year. The decrease was mainly due to the decrease in revenue.

Employee benefit expenses

For the year ended 31 December 2024, employee salary expenses of the Group were RMB641.5 million, representing a year-on-year increase of RMB14.3 million, or 2.3%, as compared with that of RMB627.2 million for the previous year.

Short-term and low-value lease expenses

For the year ended 31 December 2024, short-term and low-value lease expenses of the Group were RMB133.7 million, representing a year-on-year increase of RMB9.7 million, or 7.8%, from RMB124.0 million for the previous year.

Transportation costs

For the year ended 31 December 2024, transportation costs of the Group were RMB29.4 million, representing a year-on-year decrease of RMB4.4 million, or 13.0%, as compared with that of RMB33.8 million for the previous year. The decrease was mainly due to the decrease in revenue.

Management Discussion and Analysis

Depreciation and amortisation

For the year ended 31 December 2024, depreciation and amortisation of the Group was RMB55.2 million, representing a year-on-year decrease of RMB16.0 million, or 22.5%, as compared with that of RMB71.2 million for the previous year. The decrease was mainly due to certain fixed assets becoming fully depreciated.

Technical service expenses

For the year ended 31 December 2024, technical service expenses of the Group were RMB253.2 million, representing a year-on-year decrease of RMB12.0 million, or 4.5%, as compared with that of RMB265.2 million for the previous year. The decrease was mainly due to the decrease in revenue.

Impairment losses of assets

For the year ended 31 December 2024, impairment losses of assets of the Group were RMB81.7 million, while the impairment losses of assets of the Group were RMB51.6 million for the previous year, representing a year-on-year increase of RMB30.1 million, or 58.3%. The increase was mainly due to the increase in the impairment loss of trade receivables, impairment loss of property, plant and equipment and write-down of inventories.

Others

For the year ended 31 December 2024, other operating costs of the Group were RMB217.1 million, representing a year-on-year increase of RMB33.8 million, or 18.4%, as compared with that of RMB183.3 million for the previous year.

Operating (loss)/profit

Based on the above reasons, operating loss of the Group during the Reporting Year was RMB218.0 million, compared with operating profit of RMB54.0 million for the previous year.

Finance costs, net

For the year ended 31 December 2024, finance costs, net of the Group were RMB31.2 million, representing a year-on-year increase of RMB0.1 million, or 0.3%, as compared with that of RMB31.1 million for the previous year.

Investment income from associates and joint ventures under the equity method

For the year ended 31 December 2024, investment income from associates and joint ventures under the equity method of the Group was RMB2.6 million.

Income tax expense

For the year ended 31 December 2024, income tax expense was RMB17.0 million, compared with the income tax expense of RMB12.8 million for the previous year.

Management Discussion and Analysis

(Loss)/profit for the year

As a result of the explanations above, loss of the Group for the Reporting Year was RMB263.6 million, compared with profit of RMB8.8 million for the previous year.

(Loss)/profit attributable to equity holders of the Company

For the year ended 31 December 2024, loss attributable to equity holders of the Company was RMB256.2 million, compared with profit attributable to equity holders of the Company of RMB16.7 million for the previous year.

Property, plant and equipment

As at 31 December 2024, the property, plant and equipment was RMB359.9 million, representing a decrease of RMB47.1 million, or 11.6%, from RMB407.0 million as at 31 December 2023. The decrease was mainly due to the depreciation and impairment of property, plant and equipment.

Right-of-use assets

As at 31 December 2024, the carrying value of right-of-use assets amounted to RMB46.2 million, representing a decrease of RMB9.6 million, or 17.2%, from RMB55.8 million as at 31 December 2023. The decrease was mainly due to the amortisation of the right-of-use assets.

Intangible assets

As at 31 December 2024, intangible assets were RMB13.3 million, representing a decrease of RMB1.3 million, or 8.9%, as compared with that of RMB14.6 million as at 31 December 2023. The decrease was mainly due to the amortisation of intangible assets.

Deferred income tax assets

As at 31 December 2024, deferred income tax assets were RMB106.3 million, representing a decrease of RMB9.1 million, or 7.9%, from RMB115.4 million as at 31 December 2023.

Prepayments and other receivables

As at 31 December 2024, non-current portion of prepayments and other receivables was RMB22.7 million, compared with that of RMB33.5 million as at 31 December 2023. As at 31 December 2024, current portion of prepayments and other receivables was RMB288.3 million, as compared with that of RMB238.8 million as at 31 December 2023.

Inventories

As at 31 December 2024, inventories were RMB529.1 million, representing a decrease of RMB127.5 million, or 19.4%, from RMB656.6 million as at 31 December 2023. The decrease was mainly due to the consumption of inventories.

Management Discussion and Analysis

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

As at 31 December 2024, contract assets, trade and note receivables were RMB686.6 million, representing a decrease of RMB351.8 million, or 33.9%, from RMB1,038.4 million as at 31 December 2023. The decrease was mainly due to more timely collection of trade receivables and increase in provision for impairment loss during the Reporting Year. As at 31 December 2024, contract liabilities, trade and note payables amounted to RMB615.6 million, representing a decrease of RMB206.0 million, or 25.1%, from RMB821.6 million as at 31 December 2023. The decrease was mainly due to the more timely payment to suppliers.

Liquidity and capital resources

As at 31 December 2024, cash and bank deposits of the Group, comprising cash and cash equivalents and restricted bank deposits, were RMB425.4 million, representing an increase of RMB99.8 million, or 30.7%, from RMB325.6 million as at 31 December 2023.

As at 31 December 2024, short-term borrowings and current portion of long-term borrowings of the Group were RMB571.3 million while long-term borrowings were RMB55.1 million. As at 31 December 2023, short-term borrowings and current portion of long-term borrowings of the Group were RMB416.2 million while long-term borrowings were RMB77.2 million. As at 31 December 2024, bank borrowings of the Group were mainly denominated in RMB and such borrowings were generally subject to a fixed interest rate.

As at 31 December 2024, current lease liabilities of the Group amounted to RMB5.7 million and non-current lease liabilities amounted to RMB7.9 million. As at 31 December 2023, current lease liabilities of the Group amounted to RMB10.9 million and non-current lease liabilities amounted to RMB13.3 million.

As at 31 December 2024, gearing ratio of the Group was 63.8%, representing an increase of 23.5% as compared with 40.3% as at 31 December 2023. Gearing ratio was calculated as interest-bearing liabilities and lease liabilities divided by total equity.

Capital structure

The capital of the Company comprises only ordinary shares. As at 31 December 2024, the total number of ordinary shares of the Company in issue was 1,953,775,999 shares (31 December 2023: 1,953,775,999 shares). As at 31 December 2024, equity attributable to the equity holders of the Company was RMB1,022.3 million, representing a decrease of RMB277.8 million, or 21.4%, as compared with RMB1,300.1 million as at 31 December 2023.

Significant investment held

As at 31 December 2024, the Group did not hold any significant investment.

Acquisitions and disposals of subsidiaries and associates

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

Management Discussion and Analysis

Assets pledged to secure bank borrowings

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

	As at 31 December 2024 *RMB'000*	As at 31 December 2023 *RMB'000*
Right-of-use assets	**1,966**	2,852
Trade and note receivables	**167,500**	56,400

Assets pledged to secure the loans from a third party institution

Loans from a third party financial institution of the Group are expiring from 2025 to 2027 and are secured by certain machinery with a carrying amount of RMB144,304,000 (2023: RMB182,988,000), and guaranteed by one subsidiary of the Group.

Foreign exchange risk

Fluctuations in exchange rates of Tenge ("**KZT**") and USD have exposed the Group to foreign currency exchange risk. Currently, the Group mainly operates in the PRC, Kazakhstan, Singapore, Canada and Indonesia. Certain sales to and purchases from overseas are mostly denominated in USD. Kazakhstan is the largest overseas market of the Group in terms of revenue contribution. In accordance with certain laws and regulations, local service contracts in Kazakhstan are required to be denominated in KZT. On average, in 2024, the exchange rate of KZT against RMB decreased by 10.8% generally, and the exchange rate of USD against RMB increased by 1.5% generally as compared with last year, but such movement did not have a significant impact on the overall business of the Group.

Contingent liabilities

As at 31 December 2024, the Group had no material contingent liabilities.

Off-balance sheet arrangement

As at 31 December 2024, the Group had no off-balance sheet arrangements.

Contractual obligations

As at 31 December 2024, the Group had capital expenditure commitments of RMB54.7 million.

Management Discussion and Analysis

OUR PLANS

Entering 2025, the complicated situation in the global crude oil market will continue. Global crude oil inventories remain low, OPEC+ oil-producing countries continue to implement production cut strategies, while expectations of an interest rate cut by the Federal Reserve persist. The conflict between Russia and Ukraine has not yet subsided, and the tension between Palestine and Israel is still severe. Multiple factors have been intertwined, collectively influencing the international oil price trend. In this market environment, oil and gas companies are likely to maintain current capital expenditures while observing subsequent market developments before making further decisions. Looking forward to 2025, based on the Group's strategy and established business objectives, the Group will seize the market opportunities and further advance efforts in the following aspects through comprehensive strategic layout and refined management:

1. In terms of strategic layout, the Group will continue to implement the upgrading strategy of "one main and two auxiliaries". It will remain committed to the main oilfield service business, leveraging and further strengthening its dominant position in the oilfield service industry chain. The Group will emphasis on optimizing cost structure through project selection and changes in business model to strengthen its core capability building. At the same time, the Group will keenly capture market opportunities, deepen its presence and expand in the domestic and overseas markets, and accelerate the process of internationalization. While consolidating its existing market share, the Group will actively explore emerging markets and accurately lay out strategic markets. Against the backdrop of global energy transition, the Group will promote the synergetic development of new energy business and traditional oil and gas business and build a diversified energy business portfolio.

2. The Group will steadfastly uphold the long-term strategy policy of "technology leads enterprise development and innovation drives better future" , further increase investment in projects and technologies, and continue to deepen participation in projects and technologies, positioning technological innovation as the core engine for sustainable development. In its technological innovation practices, the Group not only attaches great importance to breakthroughs and innovations in individual technologies, but also focuses on the process of energy transition, striving to improve the capability to provide oil and gas companies with centralized, integrated and comprehensive energy technology service solutions covering the entire business process.

3. Driven by innovation, the Group continuously innovates corporate management concepts, aiming to achieve a qualitative leap in profitability, risk management and control ability, cost management and control ability and other aspects, thereby consolidating the overall ability construction. The Group comprehensively promotes cost control in all business lines and operational segments, and introduces advanced cost accounting and management methods to reduce unnecessary expenses at the source, while improving operation quality and efficiency to achieve cost reduction and efficiency increase.

Management Discussion and Analysis

4. The Group fully recognizes that talents are the core driving force for corporate development, and will constantly retain talents to empower high-quality corporate development. In alignment with the Group's diversified business layout and organizational performance objectives, it is committed to building an elite team of talents with high overall quality, strong expertise and the capability to run international projects. The Group will continue to build a positive and fair platform for sustainable development, care for employees' well-being, and inspire them to increase their work enthusiasm, showcase their talents, and realize their potential.

5. The Group has always upheld the concept of sustainable development, and will continue to establish a long-term effective environmental, social and governance ("ESG") management system, deeply incorporating ESG, climate change responses and sustainable development concepts into the whole process of decision-making and operations. The Group will continuously improve its ESG governance framework, clearly define the division of responsibilities among departments in ESG work, and strengthen synergy and cooperation to consolidate its management foundation. It will actively advance research on climate change-related information disclosures, conduct in-depth assessment of the potential impacts of climate change on the Group's business, and formulate specific response strategies. Through these efforts, a good internal and external environment will be created for the Group's development and the Group's ability of stable growth and sustainable development will be enhanced. In addition, the Group will also actively encourage upstream and downstream partners to jointly fulfill social responsibilities of green and low-carbon development, and guide them to jointly promote the green transformation of the entire industrial chain.

Directors' and Senior Management's Biographies

EXECUTIVE DIRECTORS

Ethan Wu (吳東方), (with former name Wu Dongfang), aged 53, is an executive Director of the Company and the chairman of the Board. He has been appointed as the chief executive officer since 11 May 2018, responsible for the overall operation and management of the Group. He has been appointed as the chairman of the Board, the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company since 26 March 2024. Mr. Wu has 33 years of experience in the petroleum industry. Mr. Wu has been a Director of the Company since June 2008. Mr. Wu served as an assistant engineer of North China Oil Field Testing Company (華北油田測試公司), a subsidiary of China National Petroleum Corporation ("CNPC"), from March 1991 to November 1993. Mr. Wu obtained a bachelor's degree in electronic instrument and measuring technology from Xi'an Shiyou University in July 1991 and an executive master's degree in business administration from Tsinghua University in February 2006.

Li Qiang (李強), aged 49, is an executive Director and chief financial officer of the Company. He is primarily responsible for internal monitoring affairs of the Group including planning and operations, capital operation and information disclosure. Mr. Li has 27 years of experience in corporate management. Mr. Li has been an executive Director of the Company since 21 March 2017. Prior to joining the Group, he served as the senior project manager of Beijing Bowei Management Consultancy Co., Ltd. (北京博維管理顧問有限公司), specializing in corporate strategies, procedure restructuring, human resources management and other consultation tasks. From August 1998 to June 2004, he worked at Beijing Huaer Company Limited (北京化二股份有限公司) as sales and marketing manager and assistant to plant general manager, etc. Mr. Li obtained a bachelor's degree in corporate management from Beijing Wuzi University (北京物資學院) in 1998 and a master's degree in business administration from Peking University in 2005.

Ding Kechen (丁克臣), aged 40, was appointed as an executive Director of the Company on 3 April 2024. He has been the director and general manager of PT CIPTA NIAGA GEMILANG ("CNG"), a subsidiary of the Company, since January 2023 and is mainly responsible for the management and operation of CNG's oil field blocks. Mr. Ding joined the Group from July 2008 and served as an assistant engineer, operation supervisor and project manager and deputy general manager of the Southeast Asia region. Mr. Ding has nearly 16 years of experience in the petroleum industry, specialising in petroleum exploration and development, drilling, completion and oil recovery. Mr. Ding obtained a bachelor's degree in electronic science and technology from Xi'an University of Science and Technology in 2008.

Directors' and Senior Management's Biographies

NON-EXECUTIVE DIRECTORS

Wang Guoqiang (王國強), aged 62, was re-designated from an executive Director of the Company to a non-executive Director of the Company on 26 March 2024. He had been the chief executive officer of the Company during the period from 1 December 2011 to 31 August 2016 and 1 September 2017 to 10 May 2018; an executive Director of the Company and the chairman of the Board during the period from 12 June 2008 to 26 March 2024; and the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company during the period from 30 March 2012 to 26 March 2024. Mr. Wang has 40 years of experience in the petroleum industry. Mr. Wang has been a Director of the Company since June 2008. He served as an engineer of North China Oil Field Testing Company (華北油田測試公司), a subsidiary of CNPC, from July 1984 to August 1993. Mr. Wang obtained a diploma in field machinery from North China Petroleum Vocational College (華北石油職工大學) (currently known as Beijing Institute of Economics and Management (北京經濟管理職業學院)) in July 1984 and a master's degree in business administration from The National University of Singapore in April 2007.

Wu Jiwei (武吉偉), aged 53, has been an executive Director of the Company since 26 March 2019, and was re-designated as a non-executive Director since 8 December 2020. From October 2021 to September 2023, he was a deputy president and chief finance officer of Baoshihua Home Investment Management Company Limited (寶石花家園投資管理有限公司). Subsequently, since October 2023, he has been promoted to become the president and chief financial officer of Baoshihua Home Life Service Group Co., Ltd.(寶石花家園生活服務集團有限公司). He served as the senior vice president of the Company to assist the chief executive officer of the Company to expand the strategic blueprint and explore new markets and new businesses from 25 September 2018 to 8 December 2020. Prior to joining the Group, Mr. Wu was the chairman of Dongxu Optoelectronic Technology Co., Ltd. (東旭光電科技股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock codes: 000413 and 200413) from April 2018 to August 2018. He was the chairman of the supervisory committee of China National Building Material Company Limited (中國建材股份有限公司) (a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), stock code: 03323), from May 2016 to December 2017. He was the chief accountant of China National Building Material Group Co., Ltd. (中國建材集團有限公司) (formerly known as China National Building Material Group Corporation) from March 2011 to May 2017, and the standing committee member of the party committee of such company from August 2016 to May 2017. He was the director of financial management centre of China Chengtong Holdings Group Limited (中國誠通控股集團有限公司) from October 2008 to March 2011. Mr. Wu has served as the vice chairman of Enterprise Financial Management Association of China since 8 August 2020. Mr. Wu served the positions of general manager assistant and financial manager of China Petroleum International Engineering Ltd. (中油國際工程有限責任公司), chief accountant of China National Logging Corporation (中油測井技術服務有限責任公司) and deputy chief accountant of Engineering Technology Branch Company of China National Petroleum Corporation (中國石油天然氣集團公司), etc. Mr. Wu obtained a bachelor's degree in foreign enterprise accounting from Xi'an Shiyou University and received a master's degree in management from Central University of Finance and Economics. He is a senior accountant.

Directors' and Senior Management's Biographies

Chen Chunhua (陳春花), aged 61, was appointed as an independent non-executive Director of the Company on 1 December 2011 and was re-designated as a non-executive Director of the Company on 27 March 2013. She is also a member of the Audit Committee of the Company. Ms. Chen has more than 30 years of experience in academic education and practice in corporate operations and business management. From October 2023, she has been serving as the dean of Shanghai Chuangzhi Organization Management Digital Technology Research Institute (上海創智組織管理數字技術研究院). From September 2016 to 3 August 2022, she has been a professor of the National School of Development at Peking University. She has been an independent non-executive Director of Bank of China Limited (中國銀行股份有限公司) from 20 July 2020 to 29 August 2022. She served South China University of Technology from July 1986 to January 2019 and held the positions of professor and tutor of doctoral students in the Business Administration School. She once served as the joint chairperson and chief executive officer of New Hope Liuhe Co., Ltd. (新希望六和股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000876) from May 2013 to May 2016, responsible for overall operation and development. From 27 December 2013 to 25 August 2020, she served as a non-executive Director of Vtron Group Co., Ltd. (威創集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002308). Ms. Chen obtained a bachelor's degree of engineering in radio technology from South China Institute of Technology in June 1986 and a master's degree in the Business Administration School of National University of Singapore in October 2000.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Wu Kwok Keung Andrew (胡國強), aged 71, was appointed as an independent non-executive Director of the Company on 1 December 2011. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of the Company. Mr. Wu is also a board member and the Chairman of the Finance Committee of HKU School of Professional and Continuing Education. He was an independent non-executive Director of China Mengniu Dairy Company Limited, a company listed on the Stock Exchange (stock code: 2319), from April 2013 to October 2016. Mr. Wu had served Ernst & Young (the "firm") for over 32 years before retirement in January 2010. He served as the regional managing partner of the firm, Hong Kong and Macau region from July 2008 to December 2009, and served as the managing partner of Assurance and Advisory Business Services ("AABS") for Greater China at the firm from 2005 to 2008, and managing partner of AABS for Far East in 2006 to 2007. Mr. Wu obtained a bachelor's degree in science from The University of Hong Kong in 1974. Currently, he is a member of the Hong Kong Institute of Certified Public Accountants.

Zhang Yujuan (張渝涓), aged 51, was appointed as an independent non-executive Director of the Company on 27 March 2013. She is also the chairman of the Remuneration Committee and a member of the Nomination Committee of the Company. She has served as the vice chairperson of Beijing Zhiyuan Weiku Culture Development Co., Ltd. (北京智元微庫文化發展有限公司) since January 2018. From January 2016 to December 2017, she was the general manager of Nanjing Pincheng Four Seasons Cultural and Creative Company (南京品成四季文化創意公司). From September 2011 to December 2015, she served as the general manager of Chengdu Tianxinyang Gold Industry Co., Ltd. (成都市天鑫洋金業有限責任公司) and the director of Hong Kong Tianxinyang Co., Ltd. (香港天鑫洋股份有限公司). From 1999 to 2010, she served as the deputy general manager of Beijing Information Co., Ltd. (北京圖文信息有限公司) and the general manager of the Economic Management Publishing Division. From 1997 to 1999, she worked in the Chinese Cereals and Oils Association. Ms. Zhang obtained a bachelor's degree in economics from the School of Economics of Wuhan University in 1997 and a master's degree in business administration from the Chinese University of Hong Kong in 2009. She obtained a master's degree in business administration from the National University of Singapore in 2015.

Directors' and Senior Management's Biographies

Ma Xiaohu (馬小虎), aged 62, has been an independent non-executive Director of the Company since 10 June 2022 and a member of the Audit Committee of the Company. Mr. Ma has over 35 years of experience in the legal industry, specialising in commercial disputes and arbitration, PRC equity transactions, venture capital, private equity investment, PRC domestic and overseas investment, real estate development and financing. He has been a senior partner of Beijing Huizhong Law Firm since July 2019. Prior to that, he worked at Morrison & Foerster from July 1994 to June 2019 where his last position was a partner. Mr. Ma also worked as a professional lawyer at China Legal Affairs Center and China Legal Service (H.K.) Ltd., which are affiliated to the Ministry of Justice of the PRC, from September 1987 to June 1994. Mr. Ma obtained a bachelor's degree and a master's degree in laws from Peking University in 1984 and 1987, respectively.

SENIOR MANAGEMENT

Liu Dongqin (劉東勤), aged 55, has been the vice president of the Group since 15 January 2020, mainly in charge of the Group's technological management system and domestic business. Mr. Liu joined the Group in May 2004 and held the positions of project manager, manager of drilling technology department, drilling technology director, drilling cluster director, deputy general manager and general manager of Xinjiang Regional Company. Mr. Liu has approximately 30 years of experience in the petroleum industry. He served as the director of the Drilling Technology Institute (鑽井工藝室) and the director of the Drilling Institute (鑽井所) under Drilling Technology Institute, PetroChina North China Oilfield (中石油華北油田鑽井工藝研究院). Mr. Liu graduated from China University of Petroleum (East China) in 1993 with a bachelor's degree in drilling engineering. He obtained the qualification of senior engineer in 2004 and received 5 first-class awards at the bureau level, 2 second-class awards at the provincial and ministerial level, as well as owned several utility patents and invention patents.

Chen Jian (陳劍), aged 49, has been the vice president of the Group since September 2022, in charge of investment and financing work and in charge of the development of new energy business of the Group. Ms. Chen joined the Group in 2009 and held the positions of finance manager, deputy financial controller, investment and finance director and investor relations director, during which she was in charge of the financial regulation, financial system building, financial information disclosure and financing work during the process of the initial public offering of the Group. She has over 20 years of experience in finance management and financing related work. Prior to joining the Group, she worked at Cummins Engine (Beijing) Co., Ltd. (康明斯發動機(北京)有限公司) and Cummins (China) Investment Co., Ltd. (康明斯發動機(中國)投資公司), mainly in charge of finance management and financing related work. Ms. Chen obtained a bachelor's degree in accounting from Tianjin University of Finance and Economics (天津財經大學) and a master's degree in finance from Renmin University of China (中國人民大學). She has obtained the qualification of international accountant.

Ma Qianli (馬千里), aged 44, has been the vice president of the Group since June 2018, mainly in charge of the Group's organization and performance management system, global human resources management system, management information system and the president office. Ms. Ma joined the Group in 2004 and participated in building the global human resources system throughout the entire process and held the positions of human resources manager of the headquarters, human resources manager of the Russian-speaking region, human resources manager of the English-speaking region, global human resources senior manager, etc. Ms. Ma has taken charge of the Group's international strategic cooperation, branding system and strategic investment since 2011 and served as strategic market manager, corporate development manager, etc. Ms. Ma obtained a master's degree in international business administration from National School of Development at Peking University, a master's degree in business administration from Vlerick International Business School in Belgium and a bachelor's degree in engineering from Beijing Information Science and Technology University.

Directors' and Senior Management's Biographies

Gao Wenhai (高文海), aged 57, has been the vice president of the Group since May 2018, primarily being responsible for the business of the Group in the Middle East. Mr. Gao has more than 20 years of experience in the petroleum industry and accumulated extensive working experience in China and overseas regions including South America, Middle East, Southeast Asia and Central Asia. Mr. Gao joined the Group in September 2006 and successively held the positions of director of well completion business line, regional manager of Southeast Asia, general manager of manufacturing centre, etc. Mr. Gao obtained a bachelor's degree in materials science and engineering and a master's degree in business administration from Beihang University (北京航空航天大學).

Li Xiaopeng (李曉鵬), aged 51, has been the vice president of the Group since January 2022, mainly in charge of business in PPS China, and focus on key overseas markets and the implementation of overseas projects. Mr. Li joined the Group in 1999 and held the positions of customer management of president office, deputy manager of marketing department of western branch of the Company and director of Urumqi Office, general manager of South Caspian Region, deputy general manager of the companies of the Group in Central Asia, director of the Group's marketing and expansion division. He has extensive experience in market expansion and management with over 15 years of management experience in overseas companies.

Zhao Feng (趙峰), aged 59, is the vice president and general manager of North America Region of the Group. He is responsible for business development and management of the Group in North America. Mr. Zhao has more than 30 years of experience in the petroleum industry. Mr. Zhao joined the Group in January 1999. He served as a reservoir engineer in Shell Canada Ltd. from May to August 1998. He served as a reservoir research engineer in the Langfang Branch of Research Institute of Petroleum Exploration and Development of CNPC (中石油集團石油勘探開發研究院廊坊分院) from August 1986 to October 1995. Mr. Zhao obtained a bachelor's degree in petroleum engineering from Southwest Petroleum Institute (西南石油學院) in China in July 1986 and obtained a master's degree in chemical and petroleum engineering from The University of Calgary, Canada in November 2002. He also obtained a master's degree in business administration from the Fuqua School of Business of Duke University in the United States in December 2009.

Save as disclosed in this annual report, there had been no other changes to the Directors' and chief executive's information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the publication of 2024 interim report of the Company and up to the date of this annual report.

Report of the Directors

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the Group's operations are substantially conducted through its subsidiaries in the PRC, Kazakhstan, Turkmenistan, Singapore, Canada and Indonesia. The Group is principally engaged in the provision of integrated oilfield services and the manufacturing and sale of oilfield services related products. Analysis of the principal activities of the Group during the year ended 31 December 2024 is set out in Note 5 to the consolidated financial statements.

BUSINESS REVIEW

A review of the business of the Group during the Reporting Year, a discussion on the Group's future business development, an analysis of the Group's performance during the Reporting Year using financial key performance indicators and a description of the Group's relationship with employees are provided in the Management Discussion and Analysis on pages 13 to 29 of this annual report. No important events affecting the Group have occurred since the end of the financial year ended 31 December 2024. In addition, discussions on the Group's environmental policies, descriptions of possible risks and uncertainties that the Group may be facing, relationships with its key clients and suppliers and compliance with relevant laws and regulations which have a significant impact on the Group are as follows:

ENVIRONMENTAL POLICY AND PERFORMANCE

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

1. Environmental protection objective

The Group's vision is to become a model for efficient and harmonious development between people and the environment. Our Group adheres to the green development concept, with the environmental protection policy of "Respect for Nature and Care for Environment" and taking environmental protection as the inherent responsibility for our Company, to strictly control the emission of all kinds of pollutions, promoting energy conservation and emission reduction and optimizing the use of resource, so as to reduce waste emissions and the negative environmental impact of our operations.

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

Report of the Directors

2. Fulfilling the responsibilities of environmental protection

The Group strictly abides by the Law on Energy Conservation of the People's Republic of China, the Environmental Protection Law of the People's Republic of China, the Air Pollution Prevention and Control Law of the People's Republic of China, the Water Pollution Prevention and Control Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution Caused by Solid Waste and other national laws and local regulations of the PRC, as well as relevant national environmental laws and regulations of the place in which the Group operates while eliminating energy waste. We strive for implementation of energy conservation and emission reduction during the process of project implementation and daily operation through cultural publicity, administrative management, technological transformation and other methods.

Through entering into the Letter of Responsibilities for QHSSE in 2024, the Group has explicitly defined the environmental assessment indicators, strengthened the control of the key environmental factors in its production and operating activities, and stipulated that the manager shall conduct onsite inspections on regular basis, whereby environmental protection responsibilities were effectively fulfilled.

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

We encourage employees to choose green transportation, such as commuting by gas or electric bus; request our employees to make full use of consumption and implement double-sided printing and copying, turn off electrical equipment when off duty to reduce energy consumption. We pursue a green office by displaying posters of energy and water conservation in our office and project sites, conducting various energy conservation and environmental protection publicity activities periodically and setting up energy saving publicity board and other measures. We continue to carry out digital transformation for daily office and business operation, promoting paperless office.

3. Environmental management system

The Group actively promotes the construction of the environmental management system, with an aim to build and improve the energy-saving and environmental protection management system. Sinopetroleum Technology Inc., Pioneer Sinopetroleum Equipment Inc., Petrotech (Xinjiang) Engineering Co., Ltd, Shaanxi Huayou Energy Technology Services Co., Ltd. (all being domestic subsidiaries), CNEC LLP, M-Tech service LLP, ENECAL PTE LTD, PT. ENECAL INDONESIA (all being overseas subsidiaries) have passed the ISO14001: environmental management system certification.

Report of the Directors

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

In order to prevent random disposal of waste, we have adopted a series of strict engineering management measures. In terms of dust pollution prevention, we conduct semi-enclosed management of construction sites to reduce the risk of dust emission. In terms of water pollution, we treat the generated sewage and discharge it into designated areas or urban pipelines after reaching the discharge standards. In respect of hazardous waste management, we have set up the hazardous materials management system, management ledgers and emergency plans. We collect such generated hazardous materials in a unified manner, and entrust its treatment to qualified disposal plants that process hazardous waste professionally. In respect of non-hazardous waste management, we collect and process such waste generated from production and operation in a unified manner.

4. Application of environmental technology

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

5. Green operational requirements of clients and respective regions

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

MARKET RISKS AND UNCERTAINTIES

The global economy is facing a multitude of risks and challenges, with a slow recovery process, and the traditional energy market is undergoing transformations and challenges. International oil prices are hopping in a range, while natural gas prices have also seen new fluctuations due to economic conditions and geopolitical factors. The oil supply and demand remain in a tight balance with significant uncertainties. Extreme weather and geopolitical events may trigger substantial volatility in the international oil market, further highlighting the dependence of the Group's business in different markets on the continued spending and investment of oil producers. Meanwhile, frequent geopolitical conflicts in 2024 have intensified great-power rivalry and world

Report of the Directors

division, therefore, the process of globalization has suffered another blow. The global supply chain is facing reconstruction, which will have a long-term impact on the global economy and may in turn affect the oilfield services industry. Additionally, the world is accelerating its move towards a green and low-carbon energy transition, while industry focuses changing to the decarbonization of energy systems and the shift to net-zero. Under this trend, the proportion of upstream oil and gas exploration and development investment in the traditional energy sector is gradually declining, which will have a negative impact on the oilfield services industry and may affect the Group's domestic and overseas businesses. To address the above risks and challenges, the Group is actively developing new businesses and markets, with a focus on cost control and efficiency improvement. Meanwhile, it is centering on customer needs to accelerate technological upgrading and transformation to cope with market competition and technological challenges.

RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

In the domestic market, due to the characteristic of oil and gas market in the PRC, the Group mainly provides services to CNPC and its affiliates. In overseas market, the Group targets the Sino-foreign oilfield joint ventures as major customers, as supplemented by the business from international oil companies and local national oil companies. The Group has been taking various measures to diversify its customers and to solve the problem of customer concentration. The Group is able to negotiate on price and other terms with these customers on a fair basis. For the years ended 31 December 2023 and 2024, revenue generated from CNPC and its affiliates accounted for 69.9% and 75.7% of total revenue, respectively.

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

COMPLIANCE WITH LAWS AND REGULATIONS

Having operations and subsidiaries in different countries and areas, the Group is subject to various requirements of laws and regulations in various jurisdictions where it operates and where the subsidiaries are incorporated, including the PRC, Kazakhstan, Turkmenistan, Iraq, Canada, Singapore, Indonesia and other countries and areas. By examining the nature and extent of legal effects, the Group are mainly subject to two main types of laws and regulations: laws of the relevant jurisdiction and industry-specific regulations. The former generally contains incorporation and operation related laws and regulations such as incorporation laws, tax laws, labour protection laws and various commercial regulations. The latter mainly includes oil and gas industry-specific regulations such as environmental protection regulations, safety and health regulations and other industry rules. During the long history of operation in different countries and areas, the Group has developed a systematic approach to identifying, understanding and complying with legal requirements, including establishment of a dedicated compliance management unit, recruitment of qualified legal professionals, establishment of a database on laws and regulations, legal compliance training and timely review and approval of legal matters. During the year ended 31 December 2024, the Group is not aware of any non-compliance of laws and regulations in the jurisdictions where the Group operates that could have a material adverse effect on the Group's business, financial condition and operating results.

Report of the Directors

RESULTS

The results of the Group for the year ended 31 December 2024 are set out in the consolidated income statement on page 106 of this annual report.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2024 (for the year ended 31 December 2023: nil).

FINANCIAL SUMMARY

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2024, purchases from the Group's five largest suppliers accounted for 25.7% (2023: 22.5%) of the Group's total purchases and purchases from the largest supplier accounted for 10.4% (2023: 11.7%).

For the year ended 31 December 2024, the Group's sales to its five largest customers accounted for 58.6% (2023: 54.4%) of the Group's total sales and sales to the largest customer accounted for 39.3% (2023: 27.6%).

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2024 are set out in Note 6 to the consolidated financial statements.

SHARE CAPITAL

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

Report of the Directors

EQUITY-LINKED AGREEMENT

Details of the Share Option Scheme of the Company are set out from pages 48 to 53 in the Report of the Directors of this annual report. Other than the Share Option Scheme, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the Reporting Year or subsisted at the end of the year 2024.

RESERVES

Details of movements in the reserves of the Company during the Reporting Year are set out from pages 108 to 109 in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2024, reserves available for distribution of the Company, calculated in accordance with the provisions of the Companies Law of the Cayman Islands, amounted to approximately RMB1,244.3 million (as at 31 December 2023: RMB1,228.9 million).

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2024 are set out in Note 16 to the consolidated financial statements.

DIRECTORS

The Directors during the year ended 31 December 2024 and up to the date of this annual report were:

Executive Directors:

Mr. Ethan Wu *(Chairman and Chief Executive Officer)* (Note 1)
Mr. Li Qiang
Mr. Ding Kechen (Note 2)

Non-executive Directors:

Mr. Wang Guoqiang (Note 1)
Mr. Wu Jiwei
Ms. Chen Chunhua

Report of the Directors

Independent non-executive Directors:

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

Notes:

1. On 26 March 2024, Mr. Wang Guoqiang was re-designated as a non-executive Director of the Company from an executive Director of the Company, and resigned as the chairman of the Board, the chairman of the Nomination Committee, and a member of the Remuneration Committee; and Mr. Ethan Wu was appointed as the chairman of the Board, the chairman of the Nomination Committee, a member of the Remuneration Committee, and he will continue to act as an executive Director and the Chief Executive Officer of the Company.

2. On 3 April 2024, Mr. Ding Kechen was appointed as an executive Director of the Company.

In accordance with Article 108 of the Articles of Association of the Company (the "Articles of Association"), Mr. Li Qiang, Mr. Wu Jiwei and Mr. Ma Xiaohu will retire, and being eligible, have offered themselves for re-election as Directors at the forthcoming annual general meeting of the Company.

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

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 30 to 34 of this annual report.

PERMITTED INDEMNITY PROVISION

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

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") from each of the independent non-executive Directors and the Company considers such Directors to be independent for the year ended 31 December 2024.

Report of the Directors

DIRECTORS' SERVICE CONTRACTS

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

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

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

The related party transactions of the Group for the year ended 31 December 2024 are detailed in Note 30 to the consolidated financial statements, and the transactions thereunder are also the connected transactions/continuing connected transactions under Chapter 14A of the Listing Rules. The Company has confirmed that it had complied with the disclosure requirements in Chapter 14A of the Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into by the Company or existed during the year ended 31 December 2024.

EMOLUMENT POLICY

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

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

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

Particulars of the remuneration of the Group for the year ended 31 December 2024 are set out in Note 21 to the consolidated financial statements.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

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

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

As at 31 December 2024, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to Section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 of the Listing Rules were as follows:

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

Report of the Directors

Notes:

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

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

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

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

5. “L” denotes long position.

Save as disclosed above, as at 31 December 2024, none of the Directors and chief executives of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time during the year ended 31 December 2024 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporates.

Report of the Directors

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

As at 31 December 2024, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholders	Nature of interest	Total number of shares/underlying shares held	Approximate percentage of interest in the Company
Widescope Holding Limited (Notes 1 and 5)	Beneficial owner	235,372,000 (L)	12.05%
Ethan Wu (Notes 1 and 5)	Interest of controlled corporation	256,972,000 (L)	13.15%
Truepath Limited	Beneficial owner	394,512,000 (L)	20.19%
Wang Guoqiang (Notes 2 and 5)	Interest of controlled corporation	394,512,000 (L)	20.19%
Greenwoods Asset Management Hong Kong Limited (Note 3)	Investment manager	119,000,000 (L)	6.09%
Invest Partner Group Limited (Note 3)	Interest of controlled corporation	119,000,000 (L)	6.09%

Report of the Directors

Notes:

1. Widescope Holding Limited and Best Harvest Far East Limited are wholly owned by Mr. Ethan Wu, and therefore Mr. Ethan Wu is deemed to be interested in 235,372,000 and 21,600,000 shares of the Company held by these two companies respectively.

2. Truepath Limited is wholly owned by Mr. Wang Guoqiang, and therefore Mr. Wang Guoqiang is deemed to be interested in 394,512,000 shares of the Company held by Truepath Limited.

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

4. "L" denotes long position.

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

Save as disclosed above, as at 31 December 2024, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save as disclosed in this report, during the year ended 31 December 2024, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

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

Report of the Directors

NON-COMPETITION UNDERTAKING

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

The Controlling Shareholders have confirmed in writing to the Company of their compliance with the deed of non-competition for disclosure in this annual report during the year ended 31 December 2024.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Save as disclosed in this report, as at 31 December 2024, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the businesses of the Group.

CONNECTED TRANSACTION

During the year ended 31 December 2024, the Group had not entered into any connected transactions or continuing connected transactions which are required to be disclosed in this report pursuant to the Listing Rules.

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

Report of the Directors

SHARE OPTION SCHEME

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

As at 31 December 2024, 193,967,666 share options under the 2011 Share Option Scheme remain outstanding and exercisable. No options can be granted under the 2011 Share Option Scheme upon its expiration, but all options granted previously will remain exercisable in accordance with the 2011 Share Option Scheme.

As at 31 December 2024, the total number of options available for grant under the Amended Share Option Scheme was 195,377,599.

Pursuant to Rule 17.07(2) of the Listing Rules, the number of options available for grant under the scheme mandate of all share option schemes of the Company as at 1 January 2024 and 31 December 2024 were 77,599 and 195,377,599, respectively; and the number of options available for grant under the service provider sublimit of all share option schemes of the Company as at 1 January 2024 and 31 December 2024 were not applicable (the service provider sublimit was adopted on 26 June 2024) and 19,537,759, respectively.

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

1. Purpose

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

2. Participants

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

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

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

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

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

3. Scheme Mandate Limit and Service Provider Sublimit

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

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

4. Maximum entitlement of each participant

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

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

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

6. Vesting period

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

Report of the Directors

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

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

8. Basis of determining the subscription price

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

9. Life of the Amended Share Option Scheme

The Amended Share Option Scheme shall be valid and effective for a period of ten years commencing on 26 June 2024, subject to the early termination provisions contained in the Amended Share Option Scheme. The remaining life of the Amended Share Option Scheme is approximately 9 years and 11 months.

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

Report of the Directors

Movements of the share options under the Company's 2011 Share Option Scheme and Amended Share Option Scheme during the year ended 31 December 2024 are as follows:

	Number of share options								
Grantees	Outstanding as at 1 January 2024	Granted	Exercised	Cancelled	Lapsed	Outstanding as at 31 December 2024	Date of grant	Date of expiry	Exercise price per share
Directors									
Ethan Wu	1,500,000 (Note 1)	–	–	–	–	1,500,000	31/8/2016	30/8/2026	0.490
	500,000 (Note 4)	–	–	–	–	500,000	31/3/2023	30/3/2033	0.250
Li Qiang	10,000,000 (Note 1)	–	–	–	–	10,000,000	31/8/2016	30/8/2026	0.490
	500,000 (Note 4)	–	–	–	–	500,000	31/3/2023	30/3/2033	0.250
Ding Kechen	300,000 (Note 1)	–	–	–	–	300,000	31/8/2016	30/8/2026	0.490
	12,000,000 (Note 2)	–	–	–	–	12,000,000	26/9/2018	25/9/2028	0.740
	9,000,000 (Note 4)	–	–	–	–	9,000,000	31/3/2023	30/3/2033	0.250
Wang Guoqiang	1,500,000 (Note 1)	–	–	–	–	1,500,000	31/8/2016	30/8/2026	0.490
	500,000 (Note 4)	–	–	–	–	500,000	31/3/2023	30/3/2033	0.250
Wu Jiwei	9,000,000 (Note 2)	–	–	–	–	9,000,000	26/9/2018	25/9/2028	0.740
	6,000,000 (Note 3)	–	–	–	–	6,000,000	6/12/2018	5/12/2028	0.532
	500,000 (Note 4)	–	–	–	–	500,000	31/3/2023	30/3/2033	0.250
Chen Chunhua	1,500,000 (Note 1)	–	–	–	–	1,500,000	31/8/2016	30/8/2026	0.490
	500,000 (Note 4)	–	–	–	–	500,000	31/3/2023	30/3/2033	0.250
Wu Kwok Keung Andrew	1,500,000 (Note 1)	–	–	–	–	1,500,000	31/8/2016	30/8/2026	0.490
	500,000 (Note 4)	–	–	–	–	500,000	31/3/2023	30/3/2033	0.250
Zhang Yujuan	1,500,000 (Note 1)	–	–	–	–	1,500,000	31/8/2016	30/8/2026	0.490
	500,000 (Note 4)	–	–	–	–	500,000	31/3/2023	30/3/2033	0.250
Ma Xiaohu	500,000 (Note 4)	–	–	–	–	500,000	31/3/2023	30/3/2033	0.250

Report of the Directors

Grantees	Number of share options Outstanding as at 1 January 2024	Granted	Exercised	Cancelled	Lapsed	Outstanding as at 31 December 2024	Date of grant	Date of expiry	Exercise price per share
Employees	80,867,666 (Note 1)	–	–	–	–	80,867,666	31/8/2016	30/8/2026	0.490
	37,300,000 (Note 2)	–	–	–	–	37,300,000	26/9/2018	25/9/2028	0.740
	31,000,000 (Note 3)	–	–	–	–	31,000,000	6/12/2018	5/12/2028	0.532
	172,300,000 (Note 4)	–	–	–	–	172,300,000	31/3/2023	30/3/2033	0.250
Total	**379,267,666**	**–**	**–**	**–**	**–**	**379,267,666**			

Notes:

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

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

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

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

5. Please also refer to the Note 13(a) to the interim condensed consolidated financial information for the fair value of options at the date of grant and the accounting standard and policy adopted.

Save as disclosed above, no share option was granted, exercised, cancelled nor lapsed during the twelve months ended 31 December 2024 under the 2011 Share Option Scheme and the newly amended Share Option Scheme.

CHARITABLE DONATIONS

During the year ended 31 December 2024, the Group has not made any charity or other donations.

AUDIT COMMITTEE

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

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code contained in the Listing Rules. Specific enquiry has been made to all the Directors and the Directors have confirmed that they had complied with such code of conduct during the year ended 31 December 2024.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 55 to 72 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the knowledge of the Directors, at least 25% of the Company's total issued share capital, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, are held by the public at all times up to the date of this annual report.

Report of the Directors

PROFESSIONAL TAX ADVICE RECOMMENDED

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

CHANGE OF AUDITOR

Reference is made to the announcement of the Company dated 31 March 2025 in relation to the appointment of CCTH CPA Limited ("CCTH") as the auditor of the Company to fill the casual vacancy following the resignation of PricewaterhouseCoopers on 31 March 2025. An ordinary resolution will be proposed at the 2025 annual general meeting of the Company (the "2025 Annual General Meeting") to ratify, confirm and approve the appointment of CCTH as the auditor of the Company during the period from 31 March 2025 to the date of the 2025 Annual General Meeting.

CCTH shall retire and being eligible, would offer themselves for re-appointment as the auditor of the Company for 2025 at the 2025 Annual General Meeting. An ordinary resolution will be proposed at the 2025 Annual General Meeting to approve the re-appointment of CCTH as the auditor of the Company for the ensuring year and to fix their remuneration.

EVENTS AFTER THE REPORTING YEAR

On 24 February 2025, Sinopetroleum Technology Inc.* (北京華油油氣技術開發有限公司), an indirect subsidiary of the Company, entered into a purchase contract with the vendor, Sany Petroleum Intelligent Equipment Co., Ltd.* (三一石油智能裝備有限公司), for the acquisition of the oilfield operation equipment with a total purchase price of RMB19,900,000 (equivalent to approximately HK$21,581,550). The acquisition is part of the capital investment in the oilfield service projects in Turkmenistan, which will enhance the Group's production efficiency and is anticipated to have a positive impact on the performance of the Group's reservoir segment. For details, please refer to the announcement of the Company in relation to Discloseable Transaction Acquisition of Oilfield Operation Equipment dated 24 February 2025.

Save as disclosed above and in the announcements of the Company dated 18 March 2025, 24 March 2025, 31 March 2025 and 30 April 2025, respectively, in relation to, among others, the suspension of trading of the Shares of the Company and the delay in publication of the annual results and annual report of the Group for the Reporting Year, no other event has taken place subsequent to 31 December 2024 and up to the date of this annual report that may have a material impact on the Group's operating and financial performance that needs to be reported to the Shareholders.

On behalf of the Board

Mr. Ethan Wu
Chairman

The PRC, 27 June 2025

Corporate Governance Report

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

CORPORATE GOVERNANCE PRACTICES

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

During the year ended 31 December 2024, save as otherwise disclosed in this corporate governance report, the Group has complied with all code provisions of the CG Code. The Company will continue to review and enhance its corporate governance practices to ensure the compliance with the CG Code.

CORPORATE CULTURE AND STRATEGY

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

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

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

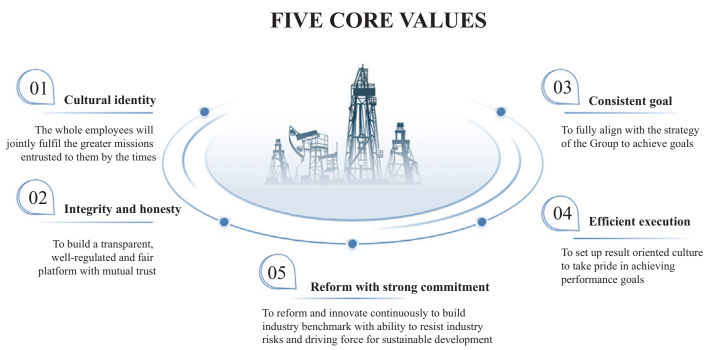
(2) integrity and honesty: to build a transparent, well-regulated and fair platform with mutual trust;

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

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

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

Corporate Governance Report



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

THE BOARD

Responsibilities

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

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

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

Corporate Governance Report

Board Composition

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

Save as Mr. Wang Guoqiang and Mr. Ethan Wu who are parties acting in concert as mentioned on page 43 in the Report of the Directors in this annual report, there is no material financial, business, family or other relevant relationship between the members of the Board.

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

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

Mr. Ding Kechen was appointed as an executive Director on 3 April 2024. He has obtained the legal advice referred to in Rule 3.09D of the Listing Rules on Hong Kong law as regards the requirements under the Listing Rules that are applicable to him as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Stock Exchange on 3 April 2024 and he has confirmed that he understood his obligations as a director of a listed issuer.

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

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

Corporate Governance Report

Continuous Professional Development

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

Directors	Position	Reading regulatory update	Attending courses relevant to the business of the Group or Directors' duties
Mr. Ethan Wu	Executive Director	√	√
Mr. Li Qiang	Executive Director	√	√
Mr. Ding Kechen	Executive Director (appointed on 3 April 2024)	√	√
Mr. Wang Guoqiang	Non-executive Director (re-designated from Executive Director to Non-executive Director since 26 March 2024)	√	√
Mr. Wu Jiwei	Non-executive Director	√	√
Ms. Chen Chunhua	Non-executive Director	√	√
Ms. Zhang Yujuan	Independent Non-executive Director	√	√
Mr. Wu Kwok Keung Andrew	Independent Non-executive Director	√	√
Mr. Ma Xiaohu	Independent Non-executive Director	√	√

Chairman and Chief Executive Officer

Under the code provision C.2.1 of the CG Code, the roles of chairman of the Board and chief executive officer should be segregated and should not be performed by the same individual. During the period from 1 January 2024 to 26 March 2024, the chairman of the Board and the chief executive officer were held by Mr. Wang Guoqiang and Mr. Ethan Wu. Following the Board meeting held on 26 March 2024, Mr. Ethan Wu has been appointed as both the positions of chairman of the Board and chief executive officer of the Company. The Board believes that as one of the founders of the Company, Mr. Ethan Wu has extensive experience in the industry and business operations. Vesting the roles of both chairman of the Board and chief executive officer in Mr. Ethan Wu has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board and the Nomination Committee will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Company if and when it is appropriate, taking into account the circumstances of the Group as a whole. The Company will review and monitor its corporate governance practices on a regular basis to ensure compliance with the CG Code and maintain high standards of corporate governance practices of the Company.

Corporate Governance Report

Appointment and Re-election of Directors

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

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

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

At the 2024 annual general meeting on 26 June 2024 (the "2024 AGM"), Mr. Wang Guoqiang, Ms. Chen Chunhua and Ms. Zhang Yujuan retired by rotation pursuant to Article 108 of the Articles and Association and Mr. Ding Kechen was subject to re-election pursuant to Article 112 of the Articles and Association. All of them were re-elected as Directors. Please refer to the Report of the Directors for details of the members of the Board who will retire from office and offer for re-election at the 2025 annual general meeting pursuant to the Articles of Association.

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

Board Meetings

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

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

Corporate Governance Report

During the Reporting Year, five Board meetings and one general meeting (the 2024 AGM) were held and the attendance of the individual Directors at these meetings is set out in the table below:

	Attended/Eligible to attend	
Directors	**Board Meetings**	**Annual General Meeting**
Mr. Ethan Wu	5/5	1/1
Mr. Li Qiang	5/5	1/1
Mr. Ding Kechen	3/5	1/1
Mr. Wang Guoqiang	4/5	1/1
Mr. Wu Jiwei	5/5	1/1
Ms. Chen Chunhua	5/5	1/1
Ms. Zhang Yujuan	5/5	1/1
Mr. Wu Kwok Keung Andrew	5/5	1/1
Mr. Ma Xiaohu	5/5	1/1

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

Model Code for Securities Transactions

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

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

Delegation by the Board

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

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

Corporate Governance Report

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

Corporate Governance Function

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

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

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

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

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

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

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

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

Anti-Corruption Policy

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

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

Corporate Governance Report

Whistleblowing Policy

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

For the year ended 31 December 2024, no incidents of fraud or misconduct that had a significant impact on the financial statements or the entire operations of the Group were identified. The Audit Committee reviews the whistleblowing policy annually to ensure its effectiveness.

The Board's Independence Assessment Mechanism

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

For the year ended 31 December 2024, the Company has received an annual confirmation of independence from each of the independent non-executive Directors and the Company considers such independent non-executive Directors to be independent pursuant to Rule 3.13 of the Listing Rules.

During the year ended 31 December 2024, the Board reviewed the implementation and effectiveness of the Board's Independence Assessment Mechanism and the results were satisfying.

BOARD COMMITTEES

Nomination Committee

As at the date of this annual report, the Nomination Committee comprised three members, namely Mr. Ethan Wu (Chairman), Ms. Zhang Yujuan and Mr. Wu Kwok Keung Andrew, and the majority of them are independent non-executive Directors. On 26 March 2024, Mr. Wang Guoqiang resigned as the chairman of the Nomination Committed and Mr. Ethan Wu was appointed as the chairman of the Nomination Committee.

The principal duties of the Nomination Committee include the following:

- To review the structure, size and composition of the Board and make recommendations regarding any proposed changes;

- To identify suitable candidates for appointment as Directors;

Corporate Governance Report

- To make recommendations to the Board on appointment or re-appointment of and succession planning for Directors; and

- To assess the independence of independent non-executive Directors.

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

During the Reporting Year, two meetings of the Nomination Committee were held on 26 March 2024 and 10 December 2024 respectively and the attendance record of the Nomination Committee members is set out in the table below:

Directors	**Attended/ Eligible to attend**
Mr. Ethan Wu	1/1
Mr. Wang Guoqiang *(Note 1)*	1/1
Ms. Zhang Yujuan	2/2
Mr. Wu Kwok Keung Andrew	2/2

Note:

1. On 26 March 2024, Mr. Wang Guoqiang has resigned as the chairman of the Nomination Committee.

During the Reporting Year, the Nomination Committee assessed the independence of independent non-executive Directors and considered the re-election of the retired Directors.

Nomination Policy

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

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

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

(c) assess the independence of independent non-executive Directors; and

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

Corporate Governance Report

Board Diversity Policy

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

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

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

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

Board and Employee Diversity

Board-level

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

As at the date of this annual report, the Board currently comprises of 7 male members and 2 female members. The Nomination Committee is of the view that the Board has sufficient diversity of gender, therefore the Board did not set any measurable goals. The Group also reviewed the members, structure and composition of the Board and believes that the Board’s structure is reasonable; all members of the Board have made contributions to their respective areas; all of the executive Directors are professionals in the oil and gas industry, who have incisive understanding to the oil and gas industry and have extensive experience in the specialized knowledge and corporate management; and the non-executive Directors and independent non-executive Directors are experts in the areas of corporate operation, investment, law and financial management.

Corporate Governance Report

Employee-level

For the year ended 31 December 2024, the Group has 6 senior management members, of which 4 are male, accounting for approximately 66.7% of the senior management; and 2 are female, accounting for approximately 33.3% of the senior management.

For the year ended 31 December 2024, the Group has a total of 3,805 employees, of which 2,998 are male, accounting for 78.8% of the total number of employees; and 807 are female, accounting for 21.2% of the total number of employees.

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

Remuneration Committee

As at the date of this annual report, the Remuneration Committee comprised three members, namely Ms. Zhang Yujuan (Chairman), Mr. Ethan Wu and Mr. Wu Kwok Keung Andrew, and the majority of them are independent non-executive Directors. On 26 March 2024, Mr. Wang Guoqiang resigned as a member of the Remuneration Committee and Mr. Ethan Wu was appointed as a member of the Remuneration Committee.

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

During the Reporting Year, two meetings of the Remuneration Committee were held on 26 March 2024, and 10 December 2024 respectively and the attendance record of the Remuneration Committee members is set out in the table below:

Directors	Attended/ Eligible to attend
Ms. Zhang Yujuan	2/2
Mr. Wang Guoqiang *(Note 1)*	1/1
Mr. Ethan Wu	1/1
Mr. Wu Kwok Keung Andrew	2/2

Note:

1. On 26 March 2024, Mr. Wang Guoqiang has resigned as the member of the Remuneration Committee.

Corporate Governance Report

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

Details of the remuneration by band of the 6 members of the senior management of the Group, whose biographies are set out on pages 33 to 34 of this annual report, for the Reporting Year are set out below:

Remuneration band (RMB)	Number of individual
0 – 500,000	0
500,001 – 1,000,000	5
1,000,001 – 1,500,000	0
1,500,001 – 2,000,000	1

Audit Committee

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

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

During the Reporting Year, three meetings of the Audit Committee were held on 26 March 2024, 28 August 2024 and 10 December 2024 respectively and the attendance record of the Audit Committee members is set out in the table below:

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

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

On 26 March 2024, 28 August 2024 and 10 December 2024, the Audit Committee met with the external auditor and discussed matters relating to audit and internal control.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2024 which give a true and fair view of the affairs of the Group and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. During the year ended 31 December 2024, the Company provides all members of the Board with regular updates on the Company's performance, position and prospects.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group has a risk control and supervision department in place which is responsible for overseeing and assessing internal control and risk management functions and reports to the Audit Committee. During the Reporting Year, the risk control and supervision department formulated risk management work plans and internal audit plans and carried out risk assessment of the overall operations of the Group after taking into account various factors, including changes in market environment and business structure, mainly focus on the enhancement of the internal system construction and process optimization.

Corporate Governance Report

The Group enhances overall risk control and reviews the effectiveness of the internal control system by (1) assessing the environment of internal control; (2) assessing whether the internal control system is adequate and effective; (3) reviewing the operation of key control procedures through sampling tests. In the course of building up the Group's internal control system, the internal audit function combines advance anticipation and checks, in-process tracking and examinations and follow-up audit investigations, while shifting away from the previous reactive approach to a preventive approach for the management of major risks. Through strengthening the oversight and assessment of the effectiveness of the internal control system, the risk control and supervision department facilitates effective implementation of systems and procedures in the course of operation and management and continues to optimise the internal control system through risk-orientation to enhance the operating efficiency of the Group.

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

RESPONSIBILITIES OF THE BOARD

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

EFFECTIVENESS OF RISK MANAGEMENT AND INTERNAL CONTROL

Working together with the management, the risk control and supervision department has completed the risk management matrix at the group level and comprehensively assessed the enterprise risks in five areas including strategies, finance, market, operation and legal compliance to identify high risk areas. They have also jointly formulated the coping strategies in relation to the high risk factors.

The summary of the risk management matrix and coping strategies have been reported to the Board via the Audit Committee and have been approved by the Board and the Audit Committee. The coping strategies and action plans of the management have been integrated into the ordinary course of business of the enterprise and are subject to supervision by the risk control and supervision department. It is understood that the implementation of the strategies is to manage but not to eliminate the risks of non-fulfilment of business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board, via the Audit Committee, carried out an annual review on the effectiveness of the risk management and internal control system of the Group for the year ended 31 December 2024, which covered the areas including strategy, finance, market, operations and legal compliance. The Audit Committee has carried out the annual review to assess whether the resources, qualifications and experience of the employees of the risk control and supervision department of the Group and the external audit personnel are adequate, and whether the employees are capable of their roles and responsibilities. During the Reporting Year, the Board considered the risk management and internal control system of the Group adequate and effective, and the Group has complied with the relevant code provisions set out in the CG Code in connection with risk management and internal control.

Corporate Governance Report

INSIDE INFORMATION DISCLOSURE AND CONTROL MEASURES

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

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

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

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

AUDITOR’S REMUNERATION

For the year ended 31 December 2024, the fee paid/payable to the external auditor of the Company in respect of audit services is approximately RMB3,050,000.

COMPANY SECRETARY

The Company has appointed Lai Siu Kuen (“Ms. Lai”) as its company secretary. Ms. Lai is a director of the corporate services department of Tricor Services Limited and is in close collaboration and connection with Mr. Li Qiang, an executive Director and the chief financial officer of the Company. For the year ended 31 December 2024, Ms. Lai has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

Corporate Governance Report

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

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

SHAREHOLDERS' RIGHTS

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

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting. At the 2024 AGM, all resolutions were passed by poll by the Shareholders.

Convening of Extraordinary General Meeting and Putting Forward Proposals

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

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

Enquiries to the Board

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

Corporate Governance Report

DIVIDEND POLICY

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

CHANGE IN CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2024, the Company approved the amendment and adoption of the new Memorandum and Articles of Association by way of a special resolution at the annual general meeting of the Company convened on 26 June 2024, as detailed in the circular dated 26 April 2024. The Third Amended and restated Memorandum and Articles of Association of the Company is available on the Company's website and the Stock Exchange's website.

The PRC, 27 June 2025

Environmental, Social and Governance Report

I. ABOUT THIS REPORT

SPT Energy Group Inc. (Stock Code: 01251) hereby presents the Environmental, Social and Governance Report 2024 (the "Report") of the Company and its subsidiaries (collectively, the "Group" or "SPT Energy" hereafter) to demonstrate the concepts and practices of the Company in environmental, social and governance ("ESG") areas to all the stakeholders.

1. Reporting Scope (Organizing Scope, Reporting Period)

The reporting scope of this report covers all business operations of SPT Energy in the PRC and around the globe. The reporting period is from 1 January 2024 to 31 December 2024.

2. Reporting Principles

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

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

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

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

II. ESG MANAGEMENT

1. Management Policy

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

2. Management Structure

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

Environmental, Social and Governance Report

3. Communication with Stakeholders

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

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

III. QHSE MANAGEMENT

3.1 Product Quality Management and Governance

3.1.1 Quality Management System

As an oil-field service company, the Group upholds and places strong emphasis on product and technology service quality and strictly follows the "Product Quality Law of the People's Republic of China", "Standardisation Law of the People's Republic of China" and other relevant laws and regulations of the country where the operation is located to ensure that the product and technology service quality provided is within control. In 2024, Sinopetroleum, Petrotech (Xinjiang), SPT Engineering, Shaanxi Huayou, our domestic subsidiaries, and our oversea subsidiaries in Aktobe, Kazakhstan, factory in Singapore, and in Indonesia were certified by the quality management system certification ISO9001:2015 and API certification and passed the annual review. During the process, the Group provides efficient and safe services to satisfy customers' requirements on quality, health, safety and environment.

Environmental, Social and Governance Report

3.1.2 Technological Innovation

Under the guidance of its strategy, the Group believes in that innovation is the primary driving force for development and has always upheld the orientation of technological innovation and relied on independent intellectual property. The technical patent cluster has offered a strong technical support for the Group's high-quality and sustainable development. In 2024, the Group obtained an utility model, patent of "scaffolds for hanging safety belts which can be put up high and used at low level at height operation (高處作業懸掛安全帶的高掛低用支架)".

Complete the operation by resolving the problem of trial repair in ultra-deep, slim hole well drilling

In July 2024, there were technical problems in the trial repair project of Tianwan Well No. 1, such as steel wire stuck and limited operation methods of fishing tool used in the slim hole. The Xinjiang Region branch of the Group formulated detailed countermeasures, with respect to well control management, tool selection, tubular design, parameters, etc., and eventually completed the wellbore task, winning the recognition of the owner. This laid another keystone for SPT's fishing business in high temperature, ultra-high pressure gas wells.

The Xinjiang Region branch of the Group has won the honor of "Specialized and New Enterprise" in 2024

In August 2024, Xinjiang SPT and Petrotech (Xinjiang) were awarded the Specialized and New SMEs certification in Xinjiang Autonomous Region for their outstanding performance in "core technology services, technology research and development, intellectual property rights, and quality management systems in oil and gas field". The certification is conducive to increasing the Group's profit margins and enhancing the Group's ability to respond to market risks.

Environmental, Social and Governance Report

New PDC drill bit set a record for drilling speed

In August 2024, the new PDC drill bit provided by the Turkmenistan Project Department to the employer set a record for drilling speed in the right bank of Amu Darya. Through the early optimization of drill bit selection and new design, the Turkmenistan Project Department boldly tried the combination of a 286mm screw and a customized PDC bit for the first time, which was 2.81 times faster than the average mechanical drilling speed of 4.06m/h of the PDC used for the second opening in the adjacent well with inside structure similar to this well.

The Xinjiang branch of the Group won the honor of High-tech Enterprise in 2024

In October 2024, having reviewed by the National High-tech Enterprise Recognition and Management Leading Group Office, Xinjiang SPT, Petrotech (Xinjiang), and Xinjiang Xinneng Huayou* (新疆新能華油) were awarded the certification of High-tech Enterprise, respectively. Such authoritative certification has recognized the scientific and technological innovation strength of Xinjiang branch, which not only makes the Group stand out and win business opportunities in many competitive projects, but also enjoys certain tax incentives. The Group, therefore, can create cost-effective strength and promote the overall process of market expansion in an all-round way.

3.1.3 Customer Satisfaction

The Group has always committed to customer centricity and creating more value for customers. It has formulated the Customer Satisfaction Survey System, continuously optimizing the customer feedback mechanism to fully understand customers' needs as part of its efforts to enhance the quality of products and technical services. To this end, customers' satisfaction is enhanced.

As of 31 December 2024, the Group did not violate any laws and regulations in the jurisdictions where the Group operates in relation to quality, health, safety and environment with respect to the products and services provided, nor received any complaints or charges.

In 2024, the Indonesia Project Department of the Group was awarded the "Best Service and Cooperation" and the "Best Reservoir Steel Wire Service Partner" by a customer.

3.1.4 Customer Privacy

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

Environmental, Social and Governance Report

3.2 Environmental Protection Management

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

The Group strictly complies with the environmental protection laws and regulations in the jurisdictions where the Group operates, including the Environmental Protection Law of the People's Republic of China, the Energy Conservation Law of the People's Republic of China, the PRC Law on Prevention and Control of Environmental Pollution by Solid Waste, the PRC Law on the Prevention and Control of Atmospheric Pollution, and makes efforts to integrate the green development concept into the whole process of its business, aiming to generally facilitate its green and low-carbon operation.

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

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

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

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

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

Environmental, Social and Governance Report

3.2.1 Emissions Management

As a leading oilfield services company driven by technology, one of our environmental objectives is to reduce our customers' greenhouse gas emissions (GHGs) during resource development through the application of our technologies, as well as reducing our own GHGs through technology transformation and rigorous operational management. It is our responsibility to provide customers with technological solutions to develop clean energy. We continue to innovate actively and promote technology iterations to enable the industry to realize green transformation.

To achieve our emission reduction target, the Group has formulated the "Energy Efficiency Boost" program, which we have disseminated to all employees plus with trainings, and implemented in all our business regions. The Group's "Energy Efficiency Boost" program consists of the promotion of clean energy, the application of energy-saving technologies, the continuous innovation and iteration of existing industry technologies, the improvement of resources development efficiency, and firmwide special campaigns to reduce emissions in employees' daily life.

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

As to solid wastes, the Group has formulated the Solid Wastes Management Measures, pursuant to which the general solid wastes, and industrial solid wastes are collected, sorted and safely stored by category, which are eventually provided to qualified waste recycling service providers for collection, treatment and reuse.

Hazardous wastes arising in the course of production and operation are centrally managed by the customers, therefore effectively safeguarding the environment of operation.

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

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

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

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

Environmental, Social and Governance Report

Index	Year ended 31 December 2024	Year ended 31 December 2023	Change
Nitrogen oxide (kg)	**6,676.3**	7,341.0	(664.7)
Sulphur oxide (kg)	**40.7**	44.6	(3.9)
Particulates (kg)	**644.5**	708.7	(64.2)

Index	Year ended 31 December 2024	Year ended 31 December 2023	Change
Carbon dioxide (kg)	**3,086,599.5**	3,231,345.4	(144,745.9)
Carbon dioxide equivalent in methane (kg)	**1.33**	1.3	0.03
Carbon dioxide equivalent in nitrous oxide (kg)	**86.2**	85.7	0.5
Gross greenhouse gas emissions (kg)	**3,086,687.0**	3,231,432.4	(144,745.4)
Greenhouse gas emissions per million yuan of revenue (kg/RMB million)	**1,822.1**	1,659.5	162.6

Index	Year ended 31 December 2024	Year ended 31 December 2023	Change
Domestic wastes (tonne)	**960.1**	1,077.3	(117.2)
Domestic wastes discharge per million yuan of revenue (tonne/RMB million)	**0.57**	0.55	0.02
Domestic wastewater (tonne)	**28,426.6**	32,089.4	(3,662.8)
Domestic wastewater discharge per million yuan of revenue (tonne/RMB million)	**16.7**	16.5	0.2

Environmental, Social and Governance Report

3.2.2 Resources Conservation

The resource consumption involved in the course of production and office operation of the Group mainly includes water, electricity, natural gas, fuel oil, paper and others. The Group has attached importance to energy saving and consumption reduction during its daisy operation, for this purpose it has constantly made efforts to proceed the "Energy Efficiency Boost" program, strived to enhance the supply of clean energy, and steadily increased the utilization level of resources and energy.

As such, the Group has re-modelled the equipment to replace oil with electricity (for drilling power) and utilized state-of-the-art technology and process, which effectively minimizes the operation cycle to achieve the target of energy consumption reduction. The Group promotes green purchasing, green workplace, green energy consumption and green travelling. As to production operations, the Group promotes recycling of water resources. At the same time, it encourages and educates its employees on water saving. Running gas, water emergency, dripping and leakage of equipment are prohibited. As of 31 December 2024, there was no wastage of water resources.

3.2.3 Environment and Natural Resources

The Group strictly complies with the environmental protection laws and regulations in the jurisdictions where the Group operates, including the Water and Soil Conservation Law of the People's Republic of China, the Environmental Impact Assessment Law of the People's Republic of China, and it has continuously consummated environmental management policy and system, further improved the cleanness level of construction sites, optimized and enhanced the clean production model. The Group has made efforts to alleviate the impact arising from the course of operation on the local environment, contributing to the beautification and greening of the environment, moreover, it has obtained the ISO14001:2015 Environmental Management System Certification.

The Group has formulated the Special Emergency Plan for Environmental Emergencies, clarifying the working requirements, responsibility, procedures and contents of clean production. The Group has incorporated the environmental management into its annual QHSSE Responsibility Statement, carries out two HSE supervising inspections annually, devoting itself to developing clean production project while minimizing the environmental impact arising from the Group's production and operation activities. As of 31 December 2024, there was no environmental related penalty imposed to the Group.

Environmental, Social and Governance Report

Index		Year ended 31 December 2024	Year ended 31 December 2023	Change
Electricity (kwh)		**4,857,281.4**	5,091,088.0	(233,806.6)
Electricity consumption per million yuan of revenue (kwh/RMB million)		**2,867.3**	2,614.5	252.8
Gas (m^3)		**375,188.6**	373,095.9	2,092.7
Gas consumption per million yuan of revenue (m^3/RMB million)		**221.5**	191.6	29.9
Oil (m^3)	Diesel	**2,232.3**	2,436.4	(204.1)
	Gasoline	**296.9**	341.9	(45.0)
	Engine oil	**367.0**	169.5	197.5
Oil consumption per million yuan of revenue (m^3/RMB million)		**1.7**	1.5	0.2
Paper (piece)		**918,226.0**	952,292.0	(34,066.0)
Paper consumption per million yuan of revenue (piece/RMB million)		**542.0**	489.0	53.0

Index	Year ended 31 December 2024	Year ended 31 December 2023	Change
Water consumption for production (m^3)	**195,252.5**	233,672.0	(38,419.5)
Water consumption for production per million yuan of revenue (m^3/RMB million)	**115.2**	120.0	(4.8)
Water consumption for domestic and office use (m^3)	**35,189.7**	36,564.0	(1,374.3)
Water consumption for domestic and office use per million yuan of revenue (m^3/RMB million)	**20.8**	18.8	2.0

Index	Year ended 31 December 2024	Year ended 31 December 2023	Change
Cartons (kg)	**14,243.2**	7,646.5	6,596.7

Environmental, Social and Governance Report

3.3 Occupational Health and Safety Management

3.3.1 Initiating "HSE Management Improvement Year" to help consolidate the foundations for safety management and improve HSE management

We established an activity leading group in which the safety director acted as the leader and the first accountable person for safety production in each unit as the deputy leader, clarified work objectives of HSE, organized and carried out essay selection related to safety and HSE knowledge contest activities. The Group focused on enhancing two capabilities, improving three mechanisms and devoting efforts to operate the HSE system to ensure the achievement of HSE work objectives.

Two capabilities: HSE business and HSE management capabilities

Three mechanisms: quantitative evaluation mechanism, flag hanging quarterly and listing annually mechanism, and interview mechanism to outline annual work targets

3.3.2 Initiating 2024 "Production Safety Month" to improve safety management

In accordance with requirements of 2024 Production Safety Month with theme of "Everyone Stresses Safety, Everyone Knows Emergency Response – Keep Emergency Access Clear", we carefully arranged and organized various tasks on Production Safety Month.

I. Creating an atmosphere of "Everyone Stresses Safety"

We hung Safety Month posters in a prominent position on main production and business premises and organized staff to watch promotional videos related to warning, accidents and analysis of typical cases.

II. Enhancing legal compliance awareness

The Group initiated law publicity activities on Work Safety Law, Fire Protection Law and Law on Prevention and Control of Occupational Diseases, with the aim of continuously raising awareness of work safety in compliance with laws and regulations among all employees.

III. Developing ability of "Everyone Knows Emergency Response"

We refined the evacuation route plan in corresponding places/sites of the unit, and inspected on-site whether evacuation routes, emergency exits, evacuation signs/lights, and emergency lighting are unblocked and in good condition. We identified all potential evacuation routes in the rented office and living premises to ensure at least one escape route is kept clear at all times.

The Group popularized first aid knowledge to help employees master necessary first aid skills; we checked the configuration of first aid kits so that employees can grasp the use methods and precautions of various drugs and equipment.

We carried out emergency drills to improve the team's emergency skills, with the aim of improving deficiencies in the emergency response plans and measures in a targeted manner.

Environmental, Social and Governance Report

IV. Carrying out the investigation and rectification of major accident hazards

We formulated a checklist to commence investigation regarding potential work safety risks, and take care the aftermath issues, eliminating possible safety risks, reducing the occurrence of hazards and achieving dynamic clearance of hazards.

V. Sorting out the qualification certificates of work safety

The Group comprehensively sorted out the possession of work safety qualification certificates for corresponding positions, and established special files for employees to conduct classification management.

VI. Improving safety management of related parties

We carried out inspections on safety management of related parties to ensure the signing of safety and production management agreements.

3.3.3 Safety Training and Education

The Group organized regular targeted training. In 2024, we focused on carrying out new training on Work Safety Law (new version), knowledge on heat stroke prevention and cooling in summer and professional knowledge on flood and waterlogging prevention after drilling, and special safety training on high-risk operations such as hoisting and fire operations. Training improved employees' safety technology and management capabilities and raised legal awareness of safety.

In 2024, the Drilling Engineering Management Department in Xinjiang proactively participated in safety knowledge competition organized by a customer (Emergency Center), and three employees won awards: Dai Zhenqiang won the First Prize, Wang Zhiguo the Second Prize, and Wang Xiaojiang the Third Prize.

3.3.4 The Group's Safety Inspection

The Group conducted safety inspection in summer with the establishment of inspection teams in domestic and overseas. The inspection team inside China was led by the Group's chief safety officer to carry out comprehensive inspections, and the inspection team outside of China was organized by the regional safety officer for inspections. It was carried out in three stages: self-inspection by each project department, random inspection by the Group's safety inspection officer, and summary and evaluation. During random inspection by inspection teams in this summer, all identified hazard have been rectified.

3.3.5 Announcing the Results for Quarterly and Annual Safety Assessment by the Group

By implementing the responsibility system of safety production for all employees and improving their safety responsibility awareness and safety management skills, the Group aimed to strengthen the safety management of its production and operation to ensure to achieve safety production goals in 2024. The Safety Commission Office of the Group, in accordance with the 2024 QHSSE Responsibility Certificate (《二零二四年QHSSE責任狀》), implemented flag hanging quarterly and listing annually. In 2024, the assessment of quarterly and annual safety production was conducted and publicized to all units in an effort to urge them to continue to do a good job in safety production.

Environmental, Social and Governance Report

3.3.6 Revising System

In order to implement the working principle of "safety-foremost with prevention-oriented and comprehensive management", promote the effective implementation of the QHSE responsibility system, and advance the comprehensive, sustainable and balanced development of the Group's QHSE work, the Group has strengthened top-level design and continuously improved the Group's relevant systems of safety production, revised and improved the QHSE Incentive and Penalty System of SPT Energy Group, and further clarified the QHSE incentives and penalties.

3.3.7 Eight Prohibitions

In order to further regulate the safety behaviors and labor discipline of employees (including employees of contractors and subcontractors), strengthen the management of production safety, and to avoid the occurrence of production safety accidents, the safety committee of the Group, combined with the actual business development of the Group, has revised the Eight Prohibitions on Safety Production of the Group, which further clarified the code of conduct on safety behaviors of employees.

And organized the publicity, implementation and study of Eight Prohibitions across the Group, which took effect from October 1, 2024.

3.3.8 Strengthening Occupational Health Management

In order to strengthen occupational health management of the Group's employees and identify health risks, a questionnaire survey on occupational health of the Group's employees was organized to screen out occupational health problems and put forward suggestions for improvement.

3.3.9 Regulatory Inspection

In order to promote the implementation of safety production regulations and improve HSE management, the Group has compiled the Checklist for Law Compliance on Safety, which includes 36 items of compliance inspection, including safety certificates, duty performance of major persons-in-charge, safety operating procedures, special operations, and elimination of hidden dangers, comprehensively covering the relevant requirements of safety laws and regulations.

Arranging each unit to carry out investigation case-by-case according to the specific production and operation conditions of the region and project department against the checklist, and incorporating the investigation results into the Group's quarterly and annual safety assessment.

3.3.10 Work Injury Statistics

Number of deaths due to work in the past three years (2024 inclusive)	0
Percentage of deaths due to work in the past three years (2024 inclusive)	0
Number of workdays lost due to work-related injuries in 2024	0

IV. EMPLOYEES' RIGHTS AND INTERESTS

4.1 Legal Employment

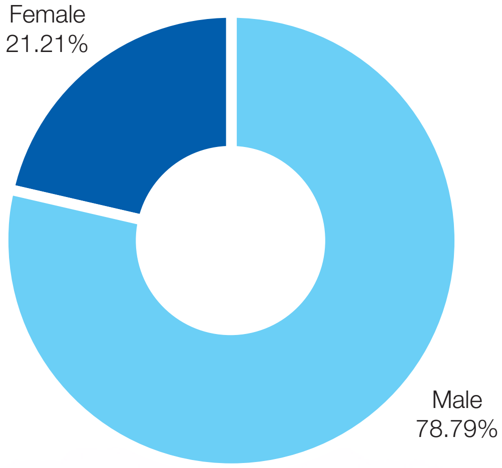
The Group complies with the state laws and local laws in relation to recruitment. These laws and regulations include: the Labour Law of the People's Republic of China, the Employment Contract Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Minors, the Provisions on the Prohibition of Using Child Labour, the Provisions on Special Protection of Minors, the Labour Law of the Republic of Kazakhstan and other applicable laws and regulations of relevant countries. The Group undertakes not to use forced labour, pledged labour (including bonded labour), indentured labour or non-voluntary prison labour and not to be involved in slavery nor labour trafficking. All work must be performed voluntarily, and employees have the right to leave or terminate their employment contract immediately. No employment conditions should require any employees to hand in any personal identification, passport or VISA issued by the government. No expenses other than those required to be charged under relevant laws and regulations should be charged to the employees and the charges must be disclosed publicly. Child labour is strictly prohibited at any stage of production or manufacturing. Wages paid to employees shall comply with the labour laws applicable to the places of employment and wage payment receipts must be issued to employees in the form of wage slip or other similar papers in a timely manner. No brutal, inhumane actions or any threat of the following actions can be taken against the employees, including any form of sexual harassment, sexual abuse, physical punishment, mental or physical oppression or verbal abuse. The human resources department of the Group requires applicants to present valid ID documentation upon recruitment and carries out background checks as appropriate based on the information provided. As of 31 December 2024, the Group had no labor disputes or any noncompliance with laws and regulations relating to child labor or forced labor.

Environmental, Social and Governance Report

As of 31 December 2024, the employee structure and number of separations of the Group are as follows:

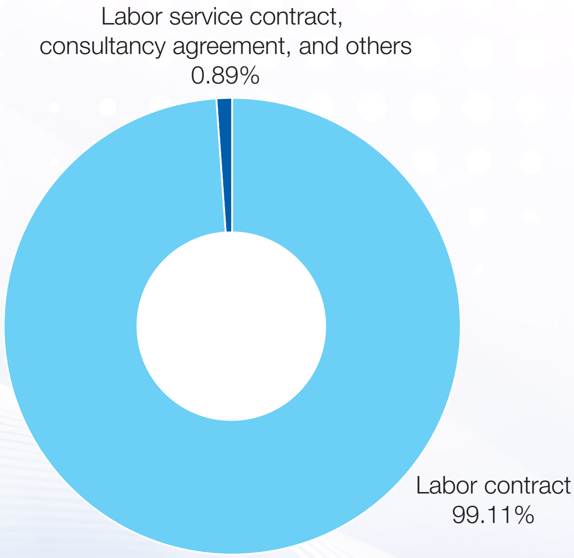
Total workforce by gender, employment type, age group and region (number of employees at the beginning of the period: 4,199; number of employees at the end of the period: 3,805)

Gender



	Number of employees
Male	2,998
Female	807
	Total 3,805

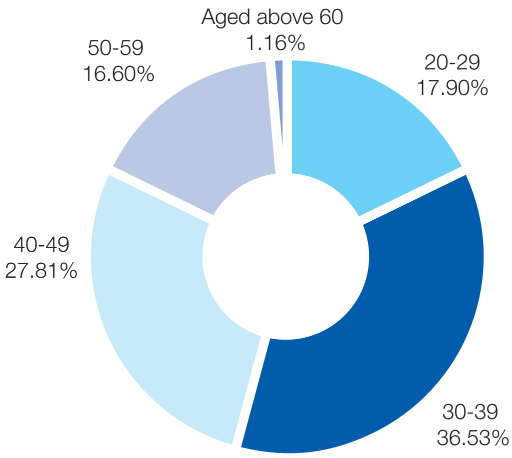
Employment Type



	Number of employees
Labor contract	3,771
Labor service contract, consultancy agreement, and others	34
	Total 3,805

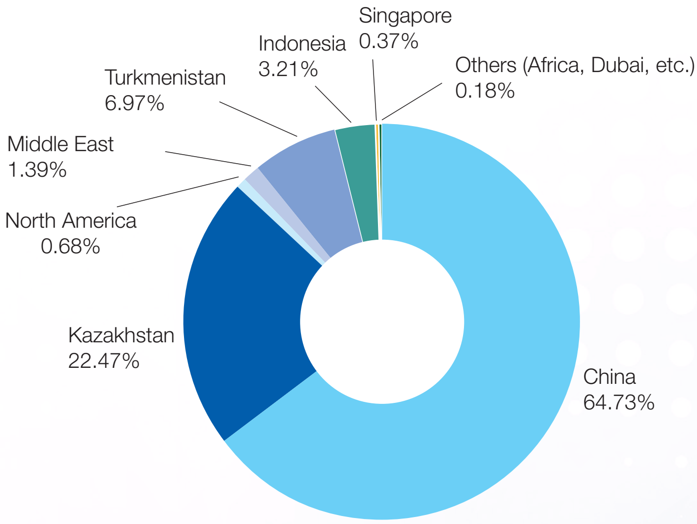
Environmental, Social and Governance Report

Age group



	Number of employees
20-29	681
30-39	1,390
40-49	1,058
50-59	632
Aged above 60	44
	Total 3,805

Region

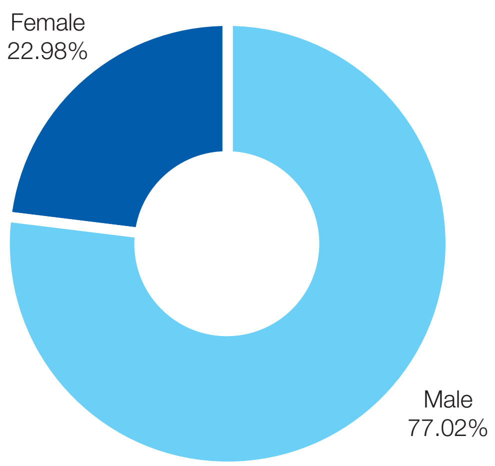


	Number of employees
China	2,463
Kazakhstan	855
North America	26
Middle East	53
Turkmenistan	265
Indonesia	122
Singapore	14
Others (Africa, Dubai, etc.)	7
	Total 3,805

Environmental, Social and Governance Report

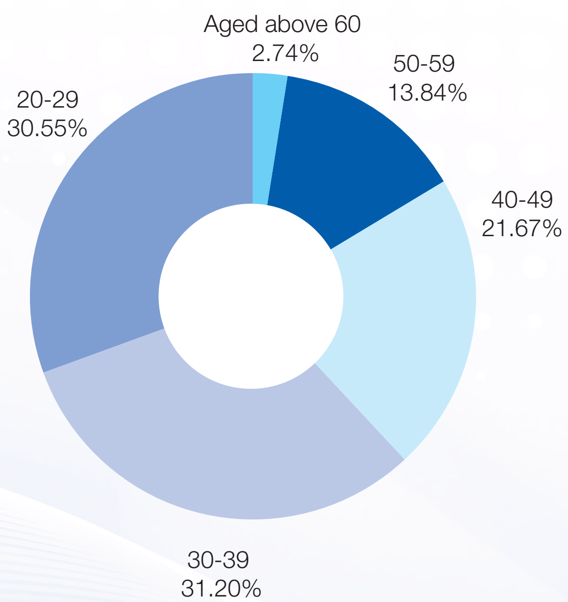
Employee turnover rate by gender, age group and region
(turnover rate = number of resignations at the current period/(number of employees at the end of the period+ number of resignations at the current period))

Gender



	Employee turnover rate by gender
Male	16.44%
Female	17.90%

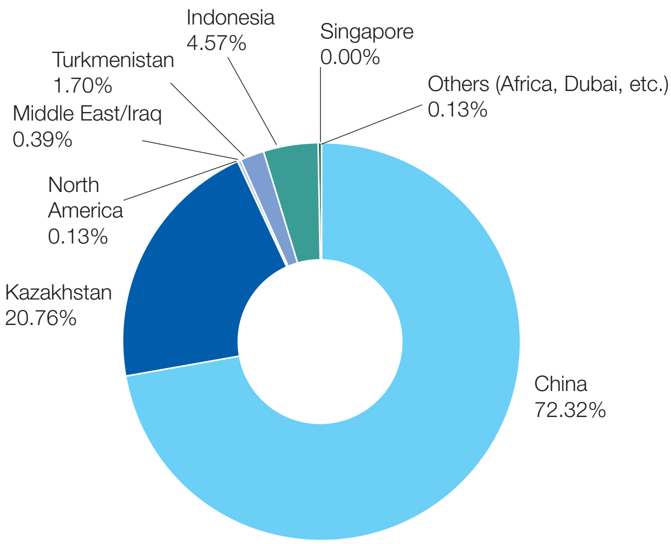
Age group



	Employee turnover rate by age group
Aged above 60	32.31%
50-59	14.36%
40-49	13.56%
30-39	14.67%
20-29	25.57%

Environmental, Social and Governance Report

Region



Employee turnover rate by region	
China	18.36%
Kazakhstan	15.68%
North America	3.70%
Middle East/Iraq	5.36%
Turkmenistan	4.68%
Indonesia	22.29%
Singapore	0.00%
Others (Africa, Dubai, etc.)	12.50%

4.2 Development and Training

In 2024, we focused on providing “targeted training” and “on-job tutoring” to our core managements in key regions and project management departments, so as to unveil and enhance the potential advantageous merits for new managers. By way of online management courses training, offline management sand table training, one-on-one on-job tutoring and others, we have constantly paid attention to improving the comprehensive abilities of our core managements. We continue to leverage the advantages of online learning platforms, through which we may complete various online training projects covering new employees, management, safety and others.

In 2024, a total of 716 training sessions (including online and offline) were conducted, with attendance reaching 13,982 and training hours reaching 100,917 in aggregate. The training contents covered technology, safety, production, management, new employees and others.

Environmental, Social and Governance Report

V. RESPONSIBILITY MANAGEMENT

5.1 Supply Chain Management

The Group adopts an "access system" for the selection of new suppliers. In other words, the procurement unit (project department) under the Group will initiate the application for a supplier access according to the operation demand. Once the application has been approved, the supplier is qualified and the Group can then conduct business transactions with them.

The Risk Management Department of the Group is responsible for the day-to-day supervision for the implementation of the access system and conducts regular internal audit.

Regarding the access of new suppliers, suppliers are required to provide qualifications such as the Basic Information Questionnaire and sign an anti-fraud commitment letter. Depending on the characteristics of the business, we will also conduct on-site visits to suppliers.

The Group conducts annual performance evaluations of its suppliers to review the quality of their products or services, to ensure that the suppliers' comprehensive capabilities, including quality assurance capabilities and production or service assurance capabilities, meet the Group's requirements. The assessments also facilitate continuous improvement of suppliers.

As an oil-field services entity, the Group has always attached importance to environmental protection and sustainable development. This concept will also be passed on to the downstream suppliers of the supply chain, thereby enhancing the sustainable development of the entire chain and ultimately achieving green supply chain management.

The Group has enhanced its information technology and modern management practices to optimize every aspect of cooperation with suppliers.

The Group will focus on developing long-term strategic cooperation relationships with suppliers who perform better in terms of environmental protection and sustainable development and grant them with favour and incentives such as developing into strategic suppliers and purchase amounts.

As of 31 December 2024, the number of suppliers by region of the Group is as follows:

				Distribution of major cities in Mainland China					
Year	Total number of suppliers	Overseas	Mainland China	Xinjiang	Sichuan and Chongqing	Beijing	Shaanxi	Tianjin	Others
2024	1,003	465	538	197	55	38	36	36	176

Environmental, Social and Governance Report

5.2 Anti-Corruption Management

The Group and its employees are in strict compliance with the relevant laws and regulations of the places where it operates, including the Company Law of the People's Republic of China, the Law of the People's Republic of China Against Unfair Competition, the Law of the People's Republic of China on Bid Invitation and Bidding, the Criminal Law of the People's Republic of China, the Prevention of Bribery Ordinance in Hong Kong, special administrative region of the People's Republic of China. As of 31 October 2024, there was no corruption, bribery, blackmail, fraud and money-laundering event within the Group.

5.2.1 Improve the Anti-fraud Reporting Procedures and Working Mechanism

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

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

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

5.3 Social Responsibility

In the process of providing oil-field technical services, the Group satisfies the requirements regarding environment protection of the relevant parties through effective implementation of environmental protection and social investment measures. In addition to undertaking social responsibilities, it has built a friendly, harmonious and win-win environment with local residents. In 2024, the Xinjiang SPT Engineering Service Co., Ltd. of the Group has been awarded an excellent grass-root Party organization, and a certificate of honor and Party-building funds for its excellent scores in the evaluation by the subdistrict office of Kangdu Street, Korla as it standardized its system of the Party organization and document management.

Environmental, Social and Governance Report

VI. CLIMATE CHANGE

In recent years, extreme weather such as high temperatures, drought and rainstorms occur frequently around the world, which has posed a serious threat to the natural ecological environment, the economy and society and public's lives and health. Climate change, a global crisis, calls for urgent action. The Group is well aware of the impact of the climate crisis and assumes responsibility for mitigating global climate change. We firmly comply with a series of international conventions such as the United Nations Framework Convention on Climate Change and the Paris Agreement, and are committed to promoting carbon emission reduction across the entire value chain. The Group attaches great importance to climate change-related risks and opportunities, integrates climate change risks into its comprehensive risk management system, identifies and evaluates climate risks and opportunities in combination with its own business segments, and develops relevant response policies to mitigate or avoid the impact of climate change on the Company.

6.1 Governance

6.1.1 Governance Structure

The Group has established a comprehensive framework to address climate change, with a three-tier governance structure comprising the Board and Board Committees, management and workforce. The governance structure operates smoothly to ensure that the Group's objectives and actions are effectively communicated and implemented across the Group from the Board level onwards. In terms of climate-related risks, the risk control and supervision department leads the supervision and fully integrates climate risks into the Group's risk management to ensure that the Group systematically identifies, analyzes and manages climate-related risks during its governance and strategy implementation.

(1) Board and Board Committees

The Board members have diversified knowledge, experience and skills, including corporate strategy, corporate governance, finance, risk management and compliance, which provide them with strong and constructive opinions to enable them to effectively perform governance responsibilities related to climate issues. The ESG management committee, whose members have up-to-date knowledge of ESG management, strategy, risk management and disclosure and others, and are responsible for overseeing the management of the Group's climate-related opportunities and closely monitoring climate change issues to optimize the standards and quality of climate-related disclosure and enhance the Group's performance on climate change. The ESG management committee regularly reports to the Board important issues such as climate change of the Group when convening the Board meeting to ensure that the Board is aware of relevant issues that may have a significant impact on the Group, which may help the Board in making decisions on climate-related risks and opportunities.

(2) *Management level*

As to the management level, we have established the ESG management working group to comprehensively implement the Group's ESG strategy, approve the implementation of the ESG policies, and regularly submit recommendations to the Board and the ESG Management Committee for material concerns. The ESG management working group thoroughly integrates climate related risks and opportunities management into each aspect of the Group, involving the risk control and supervision department, human resources department, financial assets department, supplies management department, technology and safety production department, the Group's supervision department, investor relations department, training center and other departments.

As such, with the support from the risk control and supervision department, the risk of the Group is generally under monitoring and control. Through formulating the risk management strategy for the Group, the risk portfolio of the Group is determined. The risk control department conducts identification, evaluation and management over the material risk that the Group encounters; it also conducts review and evaluation in respect of the risk management policy and system of the Group.

(3) *Working level*

As to the working level, regional companies, subsidiaries and task forces are responsible for the detailed implementation of works in relation to climate related risks and opportunities.

6.1.2 Climate Related Management System

In order to enhance the governance of climate related issues within the Group, as well as to set formal objectives and standards for each process, we formulated policies and mechanisms for various related areas with reference to relevant local and international guidelines and standards, which all members of the Group need to comply with and thorough implement.

In terms of responding to climate changes, the Group copes with the opportunities brought by such changes and facilitate the transformation into a low-carbon economy. According to regulatory requirements and guidelines, the Group reduces the emissions of greenhouse gas and exhaust, energy, water and waste, while gradually taking climate-related risks factors into consideration in respect of risk management frameworks. Leveraging on the effective risk management process, the Group identifies, measures, monitors, reports, controls, manages and mitigates climate related risks.

The Group establishes the Supplier Management Measures. During the purchase process, we take some concepts such as climate change into consideration. We set out requirements on suppliers in respect of social, environmental, ethical, corporate governance and workplace, and developed an evaluation mechanism to regard environmental protection as an important scoring criterion. If an existing supplier receives a relatively low score during regular re-inspection and fails to submit an effective improvement plan in a timely manner, we will consider suspending the collaboration with such supplier. In addition to survey, we also require our suppliers to provide materials such as environmental management system certification to assist in scoring.

Environmental, Social and Governance Report

6.2 Strategies

The Group takes "sustainable and high-quality development" as the core concept of the medium and long-term development, and considers improving the resilience to cope with climate risks as an important foundation for maintaining the stable and high-quality development of the Company. To this end, we have fully integrated our efforts to address climate changes into the blueprint for sustainable development, and clarified a number of quantitative and qualitative development goals and implementation measures.

6.3 Risks and Opportunities

6.3.1 Identification of Climate Related Risks and Response Measures

We systematically manage climate risks by incorporating climate risk factors into our risk management framework, and develop appropriate management system and process to identify, assess, monitor, report, control, manage and mitigate related risks. In our daily operation, through the identification and assessment of climate risks, we analyze their economic and financial impacts on the Group's operations and development, and thereby formulating corresponding strategies to enhance the overall risk management process and resilience in response to climate changes. Climate changes have a significant impact on operations and the market, affecting the safety and stability of operations and becoming an important challenge to maintain stability. The climate related risks we face mainly fall into two categories, namely physical risks and transition risks:

Risk category		Risk description	Countermeasures
Physical risks	Acute risks: Extreme weather events such as typhoons and heavy rains	Damage to construction sites, office buildings and equipment, causing asset losses; Stable production affected by equipment damage, employees' inability to work, transportation interruption, etc.; Impact brought by supply chain disruptions.	Closely monitor, regularly update climate-related data and issue timely warnings; Formulate emergency response plans for natural disasters, and continuously improve the emergency response mechanism for natural disasters; Identify potential asset damage and purchase necessary insurance.
	Chronic risks: Continuous high temperature, drought, etc.	The rising temperature will require the Company to equip more refrigeration equipment, increasing its energy consumption and operating costs; Employees may not be able to work outdoors for a long time during the hot season, which affects operational efficiency of the Company;	Apply more energy-efficient refrigeration equipment; Scientifically arrange production plans, deploy production organizations carefully, and improve operational efficiency. Intensified water-supply shortage in water-scarce areas.

Environmental, Social and Governance Report

Risk category		Risk description	Countermeasures
Transition risks	Policy and law risks	The government may introduce more stringent policies and regulations to mitigate climate change, which may increase the workload of business compliance, and the number of related lawsuits or claims.	Closely monitor changes in environmental laws, regulations and policies and respond to them in a timely manner. Strictly abide by applicable laws and regulations and actively participate in standard setting; Improve our low-carbon development and risk control and management for safety and environmental protection.
	Technical risks	Failure to identify and apply low-carbon technologies in a timely manner, resulting in the low-carbon transformation of products falling behind industry peers and affecting the efficiency of low-carbon transformation.	Increase the proportion of new energy use and actively carry out cooperation with peers; Research into cooperation methods in new technologies and equipment; Improve the Company's ability to research and develop its own new technology and equipment.
	Market risks	Increase in raw material and energy costs; Decrease in demand for fossil fuels.	Build an energy information platform to monitor and analyze energy use, and improve energy management and control capabilities; Step up market development and increase the proportion of external market business.
	Reputational risks	Negative feedback from stakeholders due to poor performance in climate change and sustainability.	Enhance the Company's sustainable development capabilities and actively respond to climate change; Enhance management transparency in relevant aspects and respond to the concerns of stakeholders.

Environmental, Social and Governance Report

6.3.2 Identification of Climate-related Opportunities and Countermeasures

Opportunities		Countermeasures
Resource efficiency	Demand for more energy-efficient equipment and low-carbon technology; Supportive policy incentives of green transformation.	Actively explore and apply new technologies, new equipment and new processes to improve resource efficiency and reduce energy costs; Identify and respond to government support policies and green projects;
Product and services	Promotion and application of green and low-carbon products; Comprehensive solutions for climate change in the industry.	Strengthen the research and development and promotion of low-carbon technologies, and continue to increase the proportion of green and low-carbon emitting products;
Market	Huge market demand for green energy development; International market expansion.	Identify and participate in emerging markets; Promote the development and utilization of renewable energy.
Adaptability	Ability to aggregate resources; Identification of alternative energy sources and diversified solutions; Participation in renewable energy projects.	

6.3.3 Facing Challenges and Prospects

We understand that as climate-related regulations and policies are undergoing development, regulatory authorities will gradually introduce more in-depth and detailed regulatory requirements. The Group needs to continuously refine its own management structure and relevant process, so as to adapt to the latest development trends. Furthermore, there are various difficulties in data collection, making our climate risk management a major challenge. Going forward, we will continue to improve the inclusion of climate-related risk factors in risk management measures and to strengthen existing climate risk management structure and policies. We will also review and update the Group's internal definition and management process of climate risks in a timely manner, so as to ensure that climate risks are maintained at an appropriate level and continue to improve risk management and control capabilities.

Environmental, Social and Governance Report

6.4 Metrics and Targets

The Group regularly monitors its performance in addressing climate change and analyzes and manages a series of metrics related to climate change. The Group is committed to improving its environmental performance and reducing greenhouse gas emissions from its business operations. Thus the effective implementation of the long-term carbon reduction plan will be guaranteed. We, therefore, regularly measure and manage greenhouse gas emissions, and set clear targets. With 2020 as the base year, greenhouse gas emissions per million yuan will be reduced by 50% by 2030, and we will strive to achieve carbon neutrality for our own operations by 2060. We will strive to achieve results in reducing our carbon footprint through various energy-saving and emission reduction measures to strengthen and promote green work mode and green travel.

Independent Auditor's Report

CCTH CPA LIMITED
中正天恆會計師有限公司

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

OPINION

We have audited the consolidated financial statements of SPT Energy Group Inc. (the "Company") and its subsidiaries (the "Group") set out on pages 104 to 200, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated income statement, consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2023 were audited by another auditor who expressed an unmodified opinion on those statements on 26 March 2024.

KEY AUDIT MATTERS

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

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

As at 31 December 2024, the carrying amount of property, plant and equipment and right-of-use assets amounted to approximately RMB359,855,000 (net of accumulated impairment loss of RMB13,503,000) and approximately RMB46,197,000 (net of accumulated impairment loss of RMB1,516,000) respectively.

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

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

The Group engages independent valuers (the "Valuers") to assist the estimation. Key estimates involved in the preparation of cash flow projections for the period covered by the approved financial budgets include the growth rates in revenue, estimated gross profit, estimated profit before tax and pre-tax discount rates.

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

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

Independent Auditor's Report

- Evaluating the competency, capabilities and objectivity of the Valuers;
- Evaluating the appropriateness of pre-tax discount rates applied in the forecast by comparing them to economic and industry data; and
- Evaluating the reasonableness of the financial budgets approved by the management by comparing the actual results of the cash-generating units (or group of cash generating units) to the previously forecasted results used in the impairment assessment of property, plant and equipment and rights-of-use assets.

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

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

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

As disclosed in Notes 3.1 and 11 to the consolidated financial statements, the carrying amount of trade receivables is RMB651,570,000 (2023: RMB956,954,000) as at 31 December 2024, after net off of the impairment loss of RMB169,489,000 (2023: RMB174,257,000).

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

- Obtaining an understanding of the management process and the key controls in ECL assessment and assumptions made in determining the default rates for ECL assessment of receivables using provision matrix and evaluating the reasonableness of any quantitative, qualitative and forward looking information incorporated by the management;
- Testing the information used by the management to develop the provision matrix, on a sample basis, to the source documents;
- Evaluating the appropriateness of the expected loss rates applied by reference to the historical default rates;
- Checking the mathematical accuracy of the ECL calculations; and
- Evaluating the reasonableness of forward looking information used by the management by reference to available market information.

Independent Auditor's Report

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent Auditor's Report

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purpose of the group audit. We remain solely responsible for our audit opinion.

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

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

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

CCTH CPA Limited
Certified Public Accountants
Hong Kong, 27 June 2025

Lau Tat Ki
Practicing certificate number P08160

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

Consolidated Statement of Financial Position

		As at 31 December	
		2024	2023
	Notes	***RMB'000***	*RMB'000*
Assets			
Non-current assets			
Property, plant and equipment	*6*	**359,855**	407,048
Right-of-use assets	*7*	**46,197**	55,754
Intangible assets	*8*	**13,281**	14,561
Investment in an associate		**1,796**	1,921
Investment in a joint venture		**2,609**	235
Deferred income tax assets	*19*	**106,327**	115,399
Financial assets at fair value through other comprehensive income	*3.3(i)*	**10,368**	7,287
Other non-current assets	*9(a)(i)*	**16,145**	16,145
Prepayments and other receivables	*12*	**22,681**	33,504
		579,259	651,854
Current assets			
Inventories	*10*	**529,122**	656,583
Contract assets	*5*	**34,312**	21,966
Trade and note receivables	*11*	**652,270**	1,016,402
Prepayments and other receivables	*12*	**288,307**	238,812
Restricted bank deposits	*13*	**36,165**	22,410
Cash and cash equivalents	*13*	**389,230**	303,180
		1,929,406	2,259,353
Total assets		**2,508,665**	2,911,207
Equity			
Equity attributable to the Company's equity holders			
Share capital	*14*	**1,247**	1,247
Share premium		**869,853**	869,853
Other reserves	*15*	**362,063**	351,401
Currency translation differences		**(533,160)**	(501,629)
Retained earnings		**322,295**	579,236
		1,022,298	1,300,108
Non-controlling interests		**(19,842)**	(14,868)
Total equity		**1,002,456**	1,285,240

Consolidated Statement of Financial Position

	Notes	As at 31 December 2024 RMB'000	2023 RMB'000
Liabilities			
Non-current liabilities			
Borrowings	*16*	**55,074**	77,206
Non-current lease liabilities	*7*	**7,903**	13,292
Deferred income tax liabilities	*19*	**24,655**	26,252
		87,632	116,750
Current liabilities			
Borrowings	*16*	**456,000**	355,303
Current portion of long-term borrowings	*16*	**115,301**	60,907
Contract liabilities	*5*	**58,188**	44,190
Trade and note payables	*17*	**557,385**	777,453
Accruals and other payables	*18*	**189,212**	205,281
Current income tax liabilities		**36,768**	55,154
Current portion of lease liabilities	*7*	**5,723**	10,929
		1,418,577	1,509,217
Total liabilities		**1,506,209**	1,625,967
Total equity and liabilities		**2,508,665**	2,911,207

The accompanying notes on pages 111 to 200 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 104 to 200 were approved by the Board of Directors on 27 June 2025 and were signed on its behalf.

Ethan Wu
Director

Li Qiang
Director

Consolidated Income Statement

	Notes	Year ended 31 December 2024 RMB'000	2023 RMB'000
Revenue	5	**1,694,119**	1,947,244
Other gains, net	20	**1,669**	12,297
Operating costs			
Material costs		**(501,992)**	(549,238)
Employee benefit expenses	21	**(641,501)**	(627,213)
Short-term and low-value lease expenses	7	**(133,723)**	(123,985)
Transportation costs		**(29,374)**	(33,783)
Depreciation and amortisation	22	**(55,239)**	(71,174)
Technical service expenses		**(253,178)**	(265,232)
Impairment loss of right-of-use assets		**(1,516)**	–
Impairment loss of property, plant and equipment		**(13,503)**	–
Net impairment losses of financial assets and contract assets	3	**(53,725)**	(46,831)
Write-down of inventories and provision for prepayments	10,12	**(12,961)**	(4,751)
Others		**(217,073)**	(183,321)
		(1,913,785)	(1,905,528)
Operating (loss)/profit		**(217,997)**	54,013
Finance income	23	**1,797**	802
Finance costs	23	**(33,002)**	(31,948)
Finance costs, net		**(31,205)**	(31,146)
Share of net profit/(loss) of an associate and a joint venture accounted for using the equity method		**2,625**	(1,317)
(Loss)/profit before income tax		**(246,577)**	21,550
Income tax expense	24	**(17,008)**	(12,772)
(Loss)/profit for the year		**(263,585)**	8,778
Attributable to:			
Owners of the Company		**(256,231)**	16,745
Non-controlling interests		**(7,354)**	(7,967)
		(263,585)	8,778
(Loss)/earnings per share for the (loss)/profit attributable to the owners of the Company			
Basic (loss)/earnings per share	26	**RMB(0.131)**	RMB0.009
Diluted (loss)/earnings per share	26	**RMB(0.131)**	RMB0.009

The accompanying notes on pages 111 to 200 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
(Loss)/profit for the year	**(263,585)**	8,778
Other comprehensive (loss)/income:		
Items that may be subsequently reclassified to profit or loss:		
Currency translation differences	**(42,911)**	8,439
Items that will not be subsequently reclassified to profit or loss:		
Currency translation differences	**12,060**	13,847
Changes in fair value of equity investments at fair value through other comprehensive income	**3,081**	(1,081)
Total comprehensive (loss)/income for the year	**(291,355)**	29,983
Total comprehensive (loss)/income for the year attributable to:		
Owners of the Company	**(284,681)**	38,213
Non-controlling interests	**(6,674)**	(8,230)
	(291,355)	29,983

The accompanying notes on pages 111 to 200 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

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

Consolidated Statement of Changes in Equity

	Note	Equity attributable to owners of the Company						Non-controlling interests	Total equity
		Share capital	Share premium	Other reserves	Currency translation differences	Retained earnings	Total		
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance as at 1 January 2023		1,178	848,026	335,409	(525,073)	575,241	1,234,781	(9,677)	1,225,104
Comprehensive income/(loss)									
Profit/(loss) for the year		–	–	–	–	16,745	16,745	(7,967)	8,778
Other comprehensive (loss)/income		–	–	(1,081)	22,549	–	21,468	(263)	21,205
Total comprehensive (loss)/income		–	–	(1,081)	22,549	16,745	38,213	(8,230)	29,983
Transactions with owners in their capacity as owners									
Issue of ordinary shares	*14*	69	21,827	–	–	–	21,896	–	21,896
Share-based payments	*15(b)*	–	–	8,257	–	–	8,257	–	8,257
Transfer to statutory reserves	*15(c)*	–	–	8,816	–	(8,816)	–	–	–
Change from a subsidiary to a joint venture	*27(d)*	–	–	–	895	(3,934)	(3,039)	3,039	–
Transactions with owners in their capacity as owners		69	21,827	17,073	895	(12,750)	27,114	3,039	30,153
Balance as at 31 December 2023		1,247	869,853	351,401	(501,629)	579,236	1,300,108	(14,868)	1,285,240

The accompanying notes on pages 111 to 200 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

	Notes	Year ended 31 December 2024 RMB'000	2023 RMB'000
Cash flows from operating activities			
Cash generated from operations	*27*	**40,692**	153,561
Income tax paid		**(14,313)**	(11,456)
Net cash generated from operating activities		**26,379**	142,105
Cash flows from investing activities			
Purchases of property, plant and equipment		**(22,225)**	(53,736)
Proceeds from disposal of property, plant and equipment		**55**	35
Cash disposed on change from a subsidiary to a joint venture	*27(d)*	**–**	(3,513)
Increase in restricted bank deposits		**(13,755)**	(5,221)
Interest received		**1,927**	744
Dividends received from an associate		**400**	–
Dividends received from investment in financial assets at fair value through other comprehensive income		**889**	785
Net cash used in investing activities		**(32,709)**	(60,906)
Cash flows from financing activities			
Proceeds from borrowings		**677,432**	591,528
Repayments of borrowings		**(539,555)**	(630,414)
Proceeds from issues of new shares		**–**	21,896
Interest paid		**(26,492)**	(22,148)
Principal elements of lease payments		**(7,125)**	(11,887)
Payments of financing fee and deposits		**(6,196)**	(7,318)
Net cash generated from/(used in) financing activities		**98,064**	(58,343)
Net increase in cash and cash equivalents		**91,734**	22,856
Cash and cash equivalents at beginning of the year		**303,180**	277,536
Effects of exchange rate changes on cash and cash equivalents		**(5,684)**	2,788
Cash and cash equivalents at end of the year		**389,230**	303,180

The accompanying notes on pages 111 to 200 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

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

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

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

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated, and are approved for issue by the Board of Directors on 27 June 2025.

2. BASIS OF PREPARATION

2.1 Compliance with IFRS Accounting Standards and HKCO

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

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

Notes to the Consolidated Financial Statements

2. BASIS OF PREPARATION (CONTINUED)

2.2 Historical cost convention

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

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

In the current year, the Group has applied the following amendments to IFRS Accounting Standards for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the consolidated financial statements:

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

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

Amendments to IAS 1, Presentation of financial statements – Classification of liabilities as current or non-current and Amendments to IAS 1, Presentation of financial statements – Non-current liabilities with covenants

The amendments to IAS 1 (2020) concern the requirements on determining if a liability is current or non-current. In particular, the amendments specify the condition of an entity to classify a liability as non-current requires that a right to defer settlement must exist at the end of the reporting period and have substance, and clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement.

Notes to the Consolidated Financial Statements

2. BASIS OF PREPARATION (CONTINUED)

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

The amendments also specify the classification of liabilities that will or may be settled by issuing an entity's own equity instruments. When a liability includes a counterparty conversion option that involves a transfer of the entity's own equity instruments, the classification of such liability is not affected only when the conversion option is recognised separately from the host liability as an equity component under IAS 32.

The amendments to IAS 1 (2022) specify that only covenants with which an entity must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the entity must comply after the reporting date (i.e. future covenants) do not affect a liability's classification at that date. However, an entity is required to disclose information regarding the risk that the non-current liabilities subject to future covenants could become repayable within twelve months after the end of the reporting period.

The 2022 amendments defer the effective date of the 2020 amendments to annual reporting periods beginning on or after 1 January 2024. If an entity applies one of these two amendments for an earlier period, the other amendments should also be applied for that period.

The Group anticipates that the adoption of the amendments will not have materials impacts on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements

2. BASIS OF PREPARATION (CONTINUED)

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

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

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Annual Improvements to IFRS Accounting Standard Volume 11	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7[2]
Amendments to IAS 21	Lack of Exchangeability[1]
IFRS 18	Presentation and Disclosure in Financial Statements[3]
IFRS 19	Subsidiaries without Public Accountability: Disclosures[3]
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity[2]

[1] Effective for annual periods beginning on or after 1 January 2025

[2] Effective for annual periods beginning on or after 1 January 2026

[3] Effective for annual periods beginning on or after 1 January 2027

[4] Effective for annual periods beginning on or after a date to be determined.

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

2. BASIS OF PREPARATION (CONTINUED)

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

IFRS 18 Presentation and Disclosure in Financial Statements

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

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

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

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

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

At 31 December 2024, if RMB had weakened/strengthened by certain percentage against the USD with all other variables held constant, the assumed changes of the exchange rates would have the following impact on the Group's foreign exchange gains/(losses) accounts.

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

Pre-tax losses decrease/(increase) (2023: pre-tax profits increase/(decrease)) during the financial year:

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
RMB against USD		
– Weakened 5%	**21,242**	8,103
– Strengthened 5%	**(21,242)**	(8,103)

Exposure

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

	31 December 2024 USD	31 December 2023 USD
	RMB'000	*RMB'000*
Cash	**29,770**	37,326
Trade receivables	**98,304**	54,950
Other receivables	**11,369**	4,396
Trade payables	**(52,406)**	(17,278)
Other payables	**(2,985)**	(15,809)
Borrowings	**(5,751)**	(7,611)

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk

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

Based on the balance of floating interest borrowings as at 31 December 2024, if interest rates on these borrowings for the year had been higher/lower by 50 basis points, (loss)/profit before income tax for the year would have been RMB160,000 (2023: RMB14,000) lower/higher.

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk

(i) Risk Management

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

The Group has concentrations of credit risk on trade receivables. Sales to China National Petroleum Corporation ("CNPC"), a PRC state-owned enterprise with a high credit rating, along with its related entities, represented approximately 75.7% of the Group's revenue for the year (2023: 69.9%). The Group has policies in place to ensure that services are rendered or sales of products are made to customers with an appropriate credit history. The Group's credit sales are only made to customers with appropriate credit history, with a credit period of six months in general. The Group's historical experience in the collection of trade and other receivables falls within the recorded allowance and the directors are of the opinion that adequate provisions for trade and other receivables have been made.

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

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
PRC – State owned listed banks	**23,361**	35,861
PRC – Other listed banks	**275,570**	142,925
Kazakhstan government-owned banks	**69,987**	82,946
Singapore listed banks	**13,518**	10,224
Canada listed banks	**15,575**	6,032
Other listed banks	**18,090**	34,742
Others	**8,178**	10,932
Total	**424,279**	323,662

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets and contract assets

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

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

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

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

(2) Trade receivables and contract assets

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

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

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

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

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

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

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

31 December 2023	Up to 6 months *RMB'000*	6 months - 1 year *RMB'000*	1-2 years *RMB'000*	2-3 years *RMB'000*	Over 3 years *RMB'000*	Total *RMB'000*
Expected loss rate	1.39%	1.45%	18.33%	36.27%	62.03%	
Gross carrying amount	715,685	99,303	57,368	83,304	198,530	1,154,190
Impairment loss	9,963	1,438	10,513	30,214	123,142	175,270

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

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

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

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

	Contract assets		Trade receivables	
	2024 *RMB'000*	2023 *RMB'000*	**2024** *RMB'000*	2023 *RMB'000*
As at 1 January	**1,013**	1,032	**174,257**	131,491
Provision for impairment	**5,055**	–	**48,959**	46,522
Reversal	**–**	(19)	**(645)**	(51)
Written off	**–**	–	**(52,206)**	(4,143)
Exchange difference	**–**	–	**(876)**	438
As at 31 December	**6,068**	1,013	**169,489**	174,257

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

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

(3) Other receivables

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

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

Movement of impairment loss of other receivables are as follow:

	Other receivables	
	2024	2023
	RMB'000	*RMB'000*
As at 1 January	**4,729**	4,743
Provision for impairment	**420**	404
Written off	**–**	(89)
Reversal	**–**	(20)
Exchange difference	**30**	(309)
As at 31 December	**5,179**	4,729

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

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

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

	2024	2023
	RMB'000	*RMB'000*
Impairment losses on trade receivables and contract assets	**54,014**	46,522
Impairment losses on other receivables	**420**	404
Reversal	**(709)**	(95)
Net impairment losses of financial assets and contract assets	**53,725**	46,831

(c) Liquidity risk

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

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

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

	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Over 5 years *RMB'000*	Total contractual cash flows *RMB'000*	Carrying amount liabilities *RMB'000*
As at 31 December 2024						
Borrowings	**589,799**	**56,716**	**2,155**	**–**	**648,670**	**626,375**
Trade and note payables	**557,385**	**–**	**–**	**–**	**557,385**	**557,385**
Accruals and other payables	**66,257**	**–**	**–**	**–**	**66,257**	**66,257**
Lease liabilities	**6,504**	**5,391**	**950**	**3,387**	**16,232**	**13,626**
Total	**1,221,789**	**62,204**	**3,105**	**3,387**	**1,290,485**	**1,263,643**
As at 31 December 2023						
Borrowings	432,039	72,807	8,709	–	513,555	493,416
Trade and note payables	777,453	–	–	–	777,453	777,453
Accruals and other payables	68,822	–	–	–	68,822	68,822
Lease liabilities	12,022	8,146	10,043	4,303	34,514	24,221
Total	1,290,336	80,953	18,752	4,303	1,394,344	1,363,912

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

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

The gearing ratios are as follows:

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Gross debt	**640,001**	517,637
Total equity	**1,002,456**	1,285,240
Gross debt to equity ratio	**63.8%**	40.3%

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation

(i) Fair value hierarchy

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

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

Recurring fair value measurements At 31 December 2023	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Financial assets at FVOCI				
– Equity securities	7,287	–	–	7,287

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

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

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

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

Notes to the Consolidated Financial Statements

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

As at 31 December 2024, in view of impairment indicators, the Group performed impairment assessment on property, plant and equipment with carrying amount of RMB359,855,000 (2023: RMB407,048,000) and right-of-use assets of RMB46,197,000 (2023: RMB55,754,000), respectively. Impairment losses of RMB13,503,000 (2023: nil) and RMB1,516,000 (2023: nil) arising from drilling business in respect of property and equipment and right-of-use assets have been recognised in the consolidated income statement for the year ended 31 December 2024 respectively.

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

Notes to the Consolidated Financial Statements

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

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

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

The impairment loss under ECL model is sensitive to changes in estimates. In estimating the impairment loss under ECL model, the management is required to consider all relevant factors with reasonable and supportable assumptions to make significant accounting estimations. As at 31 December 2024, the carrying amount of trade receivables from goods and services was RMB651,570,000 (2023: RMB956,954,000), net of accumulated impairment loss of RMB169,489,000 (2023: RMB174,257,000).

(c) Provision of Inventories

Inventories are reviewed for impairment whenever events or changes in circumstances cause their cost to exceed their net realisable value. Cost is determined on the weighted average basis. The determination of net realisable value of the inventories requires the use of estimates. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Where the actual outcome or expectation in future is different from the original estimate, such difference will have an impact on the net realisable value of inventories and a provision may be made or reversed in the year in which these estimates have been changed. As at 31 December 2024, the carrying amount of inventories was RMB529,122,000 (2023: RMB656,583,000), net of accumulated impairment loss of RMB95,819,000 (2023: RMB83,940,000).

Notes to the Consolidated Financial Statements

5. SEGMENT INFORMATION

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

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

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

(a) Revenue

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Drilling	**462,521**	513,406
Well completion	**280,837**	477,844
Reservoir	**816,843**	784,169
Others*	**133,918**	171,825
	1,694,119	1,947,244

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

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

Revenue amounting to RMB1,281,676,000 (2023: RMB1,361,094,000) are derived from China National Petroleum Corporation ("CNPC") and its related entities and the revenue is attributable to drilling, well completion and reservoir segments.

Notes to the Consolidated Financial Statements

5. SEGMENT INFORMATION (CONTINUED)

(b) Segment information

The segment information for the years ended 31 December 2024 and 2023 are as follows:

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

	Drilling *RMB'000*	Well completion *RMB'000*	Reservoir *RMB'000*	Others *RMB'000*	Total *RMB'000*
Year ended 31 December 2023					
Revenue from external customers	513,406	477,844	784,169	171,825	1,947,244
Time of revenue recognition					
– At a point in time	14,065	303,075	61,841	171,825	550,806
– Over time	499,341	174,769	722,328	–	1,396,438
EBITDA	75,731	73,053	110,518	9,993	269,295

Notes:

(a) During the year ended 31 December 2024, impairment loss of property, plant and equipment and right-of-assets of RMB13,503,000 and RMB1,516,000, arising from drilling business, have been recognised in consolidated income statement, respectively.

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

Notes to the Consolidated Financial Statements

5. SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

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

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

The segment information on total assets as at 31 December 2023 are as follows:

	Drilling *RMB'000*	Well completion *RMB'000*	Reservoir *RMB'000*	Others* *RMB'000*	Total *RMB'000*
As at 31 December 2023					
Segment assets	728,478	847,157	620,340	48,682	2,244,657
Unallocated assets					666,550
Total assets					2,911,207
Additions to non-current assets (other than financial assets and deferred income tax assets)	15,646	8,858	10,943	49,330	84,777

Notes to the Consolidated Financial Statements

5. SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

A reconciliation of EBITDA to (loss)/profit before income tax is provided as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
EBITDA for reportable segments	**(10,837)**	269,295
Unallocated expenses		
– Share-based payments (Note 15)	**(6,871)**	(8,257)
– Other gains, net (Note 20)	**1,669**	12,297
– Unallocated overhead expenses	**(144,094)**	(149,465)
	(149,296)	(145,425)
	(160,133)	123,870
Depreciation and amortisation (Note 22)	**(55,239)**	(71,174)
Finance costs (Note 23)	**(33,002)**	(31,948)
Finance income (Note 23)	**1,797**	802
(Loss)/profit before income tax	**(246,577)**	21,550

Notes to the Consolidated Financial Statements

5. SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Segment assets for reportable segments	**1,683,517**	2,244,657
Unallocated assets		
– Deferred income tax assets	**106,327**	115,399
– Unallocated inventories	**70,400**	48,032
– Unallocated prepayment and other receivables	**208,253**	168,086
– Restricted bank deposits	**36,165**	22,410
– Cash and cash equivalents	**389,230**	303,180
– Financial assets at fair value through other comprehensive income	**10,368**	7,287
– Investments in an associate and a joint venture	**4,405**	2,156
	825,148	666,550
Total assets	**2,508,665**	2,911,207

Notes to the Consolidated Financial Statements

5. SEGMENT INFORMATION (CONTINUED)

(c) Geographical segment

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

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
PRC	**1,044,354**	1,079,027
Kazakhstan	**330,735**	413,824
Turkmenistan	**93,721**	158,878
Indonesia	**57,361**	96,505
Middle East	**117,583**	70,570
Canada	**48,501**	57,726
Others	**1,864**	70,714
	1,694,119	1,947,244

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

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
PRC	**211,247**	301,510
Indonesia	**82,767**	82,277
Singapore	**30,538**	43,036
Kazakhstan	**24,446**	34,856
Middle East	**27,905**	34,441
Turkmenistan	**60,635**	10,005
Canada	**3,291**	4,296
Others	**17,330**	16,591
	458,159	527,012

Notes to the Consolidated Financial Statements

5. SEGMENT INFORMATION (CONTINUED)

(d) Assets and liabilities related to contracts with customers

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

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Contract assets	**40,380**	22,979
Less: impairment loss	**(6,068)**	(1,013)
Total contract assets	**34,312**	21,966
Contract liabilities	**58,188**	44,190

The contract assets (retention money receivables) primarily relate to the Group's right to consideration for services completed and not billed because the rights are conditioned on the Group's achieving specified milestones as stipulated in the contracts at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional. The amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional on achieving specified milestones as stipulated in the contracts. The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

At 1 January 2023, the contract assets amounted to RMB32,731,000.

Notes to the Consolidated Financial Statements

5. SEGMENT INFORMATION (CONTINUED)

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

(i) Revenue recognised in relation to contract liabilities

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

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Revenue recognised that was included in the contract liability balance at the beginning of the year		
– Drilling	**–**	4,223
– Well completion	**–**	418
– Reservoir	**411**	542
– Other	**27,217**	32,055
Total	**27,628**	37,238

Notes to the Consolidated Financial Statements

5. SEGMENT INFORMATION (CONTINUED)

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

(ii) Unsatisfied long-term service contracts

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

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Within one year	**755,548**	701,234
More than one year but not more than two years	**372,068**	399,168
More than two years	**325,126**	241,842
Total	**1,452,742**	1,342,244

Notes to the Consolidated Financial Statements

5. SEGMENT INFORMATION (CONTINUED)

(e) Performance obligations for contracts with customers

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

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

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

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

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

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

(ii) Sales of goods

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

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

Notes to the Consolidated Financial Statements

6. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and equipment	Motor vehicles	Furniture, fixtures and others	Construction in process	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2023						
Opening net book value	96,619	245,512	10,770	15,929	61,241	430,071
Additions	1,846	13,074	6,152	8,939	47,198	77,209
Depreciation charge	(8,267)	(39,045)	(4,536)	(6,195)	–	(58,043)
Disposals	–	(3,900)	(220)	(226)	–	(4,346)
Transfer upon completion	–	12,383	–	–	(12,383)	–
Currency translation differences	2,538	5,838	919	1,027	–	10,322
Change from a subsidiary to a joint venture (Note 27(d))	(13,476)	(26,335)	(911)	(1,461)	(5,982)	(48,165)
Closing net book value	96,619	245,512	10,770	15,929	61,241	430,071
At 31 December 2023						
Cost	161,675	640,628	69,870	131,068	90,074	1,093,315
Accumulated depreciation and impairment	(82,415)	(433,101)	(57,696)	(113,055)	–	(686,267)
Net book value	79,260	207,527	12,174	18,013	90,074	407,048
Year ended 31 December 2024						
Opening net book value	**79,260**	**207,527**	**12,174**	**18,013**	**90,074**	**407,048**
Additions	**633**	**6,297**	**3,707**	**2,804**	**4,845**	**18,286**
Depreciation charge	**(8,342)**	**(29,771)**	**(5,944)**	**(5,227)**	**–**	**(49,284)**
Disposals	**–**	**(2,346)**	**(566)**	**(931)**	**–**	**(3,843)**
Transfer upon completion	**14,909**	**54**	**190**	**–**	**(15,153)**	**–**
Currency translation differences	**(64)**	**531**	**(300)**	**(232)**	**1,216**	**1,151**
Impairment loss recognised	**–**	**(13,152)**	**–**	**(351)**	**–**	**(13,503)**
Closing net book value	**86,396**	**169,140**	**9,261**	**14,076**	**80,982**	**359,855**
At 31 December 2024						
Cost	**173,297**	**633,553**	**74,943**	**124,450**	**80,982**	**1,087,225**
Accumulated depreciation and impairment	**(86,901)**	**(464,413)**	**(65,682)**	**(110,374)**	**–**	**(727,370)**
Net book value	**86,396**	**169,140**	**9,261**	**14,076**	**80,982**	**359,855**

Notes to the Consolidated Financial Statements

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes:

(a) For the year ended 31 December 2024, depreciation expenses amounting to RMB49,284,000 (2023: RMB58,043,000) have been charged in operating costs.

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

(c) Depreciation methods and useful lives

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

(d) During the year ended 31 December 2024, the Group is making loss and the management of the Group concluded that there was indication for impairment and conducted impairment assessment on recoverable amount of property, plant and equipment and right-of-use assets, by the relevant cash generating units ("CGUs"), to which the asset belongs when it is not possible to estimate the recoverable amount individually. As the recoverable amount of certain CGUs are lower than the respective carrying amounts of property, plant and equipment and right-of-use assets, a total impairment loss of RMB13,503,000 and RMB1,516,000 were recognised in the consolidated income statement for the year ended 31 December 2024 so arising from these CGU of drilling business, respectively.

The recoverable amounts of the CGUs are determined based on a value in use or the fair value in use. The value in use calculation covering a 5-year period. Cash flows beyond the 5-year period are extrapolated using a steady range from 3% growth rate and the cash flows are discounted using a discount rate of 17.79%. The discount rate used is pre-tax and reflects specific risks relating to the CGUs. Other key assumptions for the value in use calculation relate to the estimations of cash inflows/outflows which include gross margin and operating expenses. Such estimations are based on the CGUs' past performance and management's expectations for the market development.

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

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

Notes to the Consolidated Financial Statements

7. LEASES

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

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

	31 December 2024 *RMB'000*	31 December 2023 *RMB'000*
Right-of-use assets		
Buildings	**19,594**	25,593
Land use rights		
– Located in the PRC*	**19,600**	18,380
– Outside of the PRC	**5,659**	6,240
Machinery and equipment	**2,860**	5,541
	47,713	55,754
Less: Impairment loss	**(1,516)**	–
	46,197	55,754
Lease liabilities		
Current lease liabilities	**5,723**	10,929
Non-current lease liabilities	**7,903**	13,292
	13,626	24,221

* The Group's land use rights primarily represent lease prepayments for the leasehold land in the PRC for a period of 50 years. As at 31 December 2024, land use rights have a remaining period of 38 years (2023: 39 years).

During the year, additions to the right-of-use assets were RMB5,073,000 (2023: RMB7,568,000).

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

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

Notes to the Consolidated Financial Statements

7. LEASES (CONTINUED)

(b) Amounts recognised in the consolidated income statement:

	Notes	2024 RMB'000	2023 RMB'000
Depreciation charge of right-of-use assets			
Buildings		**3,781**	6,123
Land use rights		**651**	586
Machinery and equipment		**244**	5,108
	22	**4,676**	11,817
Interest expense (included in finance cost)	*23*	**864**	1,345
Expense relating to short-term and low-value lease		**133,723**	123,985
Impairment loss of right-of-use assets		**1,516**	–

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

	2024 RMB'000	2023 RMB'000
Payments of principal elements of lease	**7,125**	11,887
Payments of interest expense of lease	**864**	1,345
Payments of short-term and low-value lease	**133,723**	123,985
	141,712	137,217

(d) The Group's leasing activities

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

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

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

Notes to the Consolidated Financial Statements

8. INTANGIBLE ASSETS

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

	Technology	Computer software	License*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2023				
Opening net book value	110	1,596	14,169	15,875
Amortisation charge	(40)	(518)	(756)	(1,314)
Closing net book value	70	1,078	13,413	14,561
At 31 December 2023				
Cost	17,241	7,238	15,114	39,593
Accumulated amortisation	(17,171)	(6,160)	(1,701)	(25,032)
Net book value	70	1,078	13,413	14,561
Year ended 31 December 2024				
Opening net book value	**70**	**1,078**	**13,413**	**14,561**
Amortisation charge	**(42)**	**(481)**	**(756)**	**(1,279)**
Currency translation difference	**(1)**	**–**	**–**	**(1)**
Closing net book value	**27**	**597**	**12,657**	**13,281**
At 31 December 2024				
Cost	**17,241**	**7,238**	**15,114**	**39,593**
Accumulated amortisation and currency translation difference	**(17,214)**	**(6,641)**	**(2,457)**	**(26,312)**
Net book value	**27**	**597**	**12,657**	**13,281**

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

(a) Amortisation methods and useful lives

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

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

Notes to the Consolidated Financial Statements

9. SUBSIDIARIES, A JOINT VENTURE AND AN ASSOCIATE

(a) Subsidiaries

The following is a list of the principal subsidiaries of the Group at 31 December 2024 and 2023:

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Ownership interest directly held by the Company or its subsidiary		Ownership interest directly held by non-controlling interests	
				2024	2023	2024	2023
北京華油油氣技術開發有限公司 (Sinopetroleum Technology Inc.)	PRC, Limited liability entity*	Oil field services, PRC	RMB353,790,000	**98.59%**	98.59%	**1.41%**	1.41%
新疆華油油氣工程有限公司 (Petrotech (Xinjiang) Engineering Co., Ltd)	PRC, Limited liability entity	Oil field services, PRC	RMB149,142,404	**100%**	100%	**-**	-
新疆華油能源工程服務有限公司 (Xinjiang SPT Engineering Service Co., Ltd)	PRC, Limited liability entity	Oil field services, PRC	RMB65,000,000	**100%**	100%	**-**	-
新疆華油新海石油工程技術有限公司 (Petrotech (Xinjiang) Xinhai Petroleum Engineering Co., Ltd.)	PRC, Limited liability entity	Oil field services, PRC	RMB41,000,000 (2023: RMB36,000,000)	**100%**	100%	-	-
北京華油環保工程科技有限公司 (Sinopetroleum Engineering Technology Co., Ltd.)	PRC, Limited liability entity	Trading, PRC	RMB15,600,000	**95%**	95%	**5%**	5%
新疆新能華油技術服務有限公司 (Xinjiang Energy (Group) Huayou Technology Service Co. Ltd)	PRC, Limited liability entity	Oil field services, PRC	RMB50,000,000	**100%**	100%	**-**	-
廊坊華油能源技術服務集團有限公司 (Langfang SPT Energy Limited)	PRC, Limited liability entity **	Trading, PRC	USD1,000,000	**100%**	100%	**-**	-

Notes to the Consolidated Financial Statements

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

(a) Subsidiaries (Continued)

The following is a list of the principal subsidiaries of the Group at 31 December 2024 and 2023:

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Ownership interest directly held by the Company or its subsidiary		Ownership interest directly held by non-controlling interests	
				2024	2023	2024	2023
諾斯石油工具(天津)有限公司 (North Resource Oil Tools Limited)	PRC, Limited liability entity**	Manufacturing, PRC	USD36,265,000	100%	100%	-	–
德威興業(北京)油氣技術服務有限公司 (De Wei Oil & Gas technologies Services Co., Ltd.)	PRC, Limited liability entity**	Oil field services and trading, PRC	RMB10,000,000	100%	100%	-	–
Enecal PTE. Limited	Singapore, Limited liability entity	Manufacturing, Singapore	SGD 3,550,000	100%	100%	-	–
M-Tech service LLP	Kazakhstan, Limited liability partnership	Oil field services, Kazakhstan	KZT 87,200	100%	100%	-	–
OS Technology Services LLP	Kazakhstan, Limited liability partnership	Oil field services, Kazakhstan	KZT 151,800	100%	100%	-	–
Pioneer Petrotech Services Inc.	Canada, Limited liability entity	Manufacturing, Canada	CAD 15	100%	100%	-	–
PT. Enecal Indonesia	Indonesia, Limited liability entity	Oil field services, Indonesia	USD6,000,000	95%	95%	5%	5%
SPT Energy (Hong Kong) Ltd.	Hong Kong, Limited liability entity	Investment holding, Hong Kong	HKD1,000,000	100%	100%	-	–

Notes to the Consolidated Financial Statements

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

(a) Subsidiaries (Continued)

The following is a list of the principal subsidiaries of the Group at 31 December 2024 and 2023:

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Ownership interest directly held by the Company or its subsidiary		Ownership interest directly held by non-controlling interests	
				2024	2023	**2024**	2023
PT CIPTA NIAGA GEMILANG (i)	Indonesia, Limited liability entity	Oil and gas exploration and mining, Indonesia	RP 12,000,000,000	**92.86%**	92.86%	**7.14%**	7.14%

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

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

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

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

Notes:

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

(ii) Material non-controlling interests

As at 31 December 2024 and 2023, the non-controlling interests in respect of subsidiaries were not material.

Notes to the Consolidated Financial Statements

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

(b) Associate

The following is a list of the associate of the Group at 31 December 2024 and 2023:

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	Ownership interest directly held by the Company or its subsidiary		Measurement method
			2024	2023	
新疆博塔油田技術服務有限公司 (Xinjiang Bota Oilfield Technology Service Co., Ltd.)	PRC, Limited liability entity	Oil field services, PRC	24%	24%	Equity method

(c) Joint Venture

The following is a list of the joint venture of the Group at 31 December 2024 and 2023:

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	Ownership interest directly held by the Company or its subsidiary		Measurement method
			2024	2023	
SSAM	Ghana, Limited liability entity	Manufacture, Ghana	60%	60%	Equity method

Since 22 November 2023 ("transaction date"), SSAM has been accounted for by the Group as a joint venture instead of as a subsidiary.

See note 27(d) for more information related to change from a subsidiary to a joint venture.

Notes to the Consolidated Financial Statements

10. INVENTORIES

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Project materials and consumables	**496,255**	545,497
Project-in-progress	**128,686**	195,026
	624,941	740,523
Less: provision for inventories	**(95,819)**	(83,940)
	529,122	656,583

The cost of inventories recognised as an expense and included in "operating costs" amounted to RMB501,992,000 (2023: RMB549,238,000).

Movements of provision for inventories are as follows:

	2024	2023
	RMB'000	*RMB'000*
As at 1 January	**(83,940)**	(79,879)
Provision	**(12,988)**	(6,126)
Write-off	**–**	2,558
Exchange difference	**1,109**	(493)
As at 31 December	**(95,819)**	(83,940)

Notes to the Consolidated Financial Statements

11. TRADE AND NOTE RECEIVABLES

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Trade receivables (a)	**821,059**	1,131,211
Less: impairment loss	**(169,489)**	(174,257)
Trade receivables, net	**651,570**	956,954
Notes receivable (a)	**706**	59,518
Less: impairment loss	**(6)**	(70)
Notes receivable, net	**700**	59,448
	652,270	1,016,402

Notes:

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

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Up to 6 months	**584,939**	761,148
6 months – 1 year	**20,619**	93,490
1 – 2 years	**29,335**	56,605
2 – 3 years	**14,232**	81,260
Over 3 years	**172,640**	198,226
Trade and note receivables, gross	**821,765**	1,190,729
Less: impairment loss	**(169,495)**	(174,327)
Trade and note receivables, net	**652,270**	1,016,402

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

Notes to the Consolidated Financial Statements

12. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Current		
Advances to suppliers	**81,957**	89,171
Prepayment for taxes	**107,927**	63,059
Less: provision	**(3,526)**	(3,576)
Total non-financial assets	**186,358**	148,654
Deposits and other receivables	**57,103**	56,543
Receivable from sales of property, plant and equipment (Note 30(b))	**37,752**	38,053
Loan to a joint venture (a)	**12,273**	–
Less: impairment loss	**(5,179)**	(4,438)
Total financial assets	**101,949**	90,158
Total current financial assets	**288,307**	238,812
Non-current		
Deposits and other receivables	**11,898**	11,723
Loan to a joint venture (a)	**–**	11,448
Loan to a third party (b)	**10,783**	10,624
Less: impairment loss	**–**	(291)
Total financial assets	**22,681**	33,504
Total non-current financial assets	**22,681**	33,504
Total	**310,988**	272,316

Notes:

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

(b) The loan to a potential business partner bears no interest and will mature in February 2026.

Notes to the Consolidated Financial Statements

13. CASH AND CASH EQUIVALENTS

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Restricted bank deposits (a)	**36,165**	22,410
Cash and cash equivalent		
– Cash on hand	**1,116**	1,928
– Deposits in banks	**388,114**	301,252
	389,230	303,180
	425,395	325,590

Notes:

(a) As at 31 December 2024 and 2023, the restricted bank deposits were held as securities for tendering or performing oil service projects, which will be released upon completion of the tender or contract.

(b) At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB288,669,000 (2023: RMB174,524,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

14. SHARE CAPITAL

	Number of shares	**Share capital**
	(Thousands)	***RMB'000***
Authorised:		
Ordinary shares of USD0.0001 each		
as at 31 December 2023 and 2024	5,000,000	3,219
Issued and fully paid:		
As at 1 January 2023	1,853,776	1,178
Add: new issuance of ordinary shares (a)	100,000	69
As at 31 December 2023 and 2024	1,953,776	1,247

(a) On 2 May 2023, 100,000,000 placing shares were allotted and issued at HKD0.25 per share, resulting in approximately RMB69,000 and RMB21,827,000 being recognised as share capital and share premium respectively.

Notes to the Consolidated Financial Statements

15. OTHER RESERVES

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Merger reserves (a)	**(148,895)**	(148,895)
Share-based payments (b)	**217,320**	210,449
Statutory reserves (c)	**93,035**	92,325
Capital reserves	**209,850**	209,850
Changes in fair value of equity investments at fair value through other comprehensive income	**(9,247)**	(12,328)
	362,063	351,401

Notes:

(a) Merger reserves

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

(b) Share-based payments

The Group adopted a share option scheme on 1 December 2011. The Group will continue to consider granting share options to eligible persons in accordance with the share option scheme to better achieve long-term talent incentives. On 31 March 2023, 185,300,000 share options were granted by the Company to certain directors and employees to subscribe for 185,300,000 ordinary shares of USD0.0001 each at an exercise price of HKD0.25.

These share options will be evenly vested over 3 years from the first anniversary of the grant date and exercisable within 10 years from the date of grant. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

Notes to the Consolidated Financial Statements

15. OTHER RESERVES (CONTINUED)

Notes: (Continued)

(b) Share-based payments (Continued)

The numbers of the share options granted at the grant date and the exercisable share options as at 31 December 2024 and 2023 are as below:

Grant Date	Expiry date	Exercise price *HKD*	The granted share option number *(Thousands)*	Outstanding share options 31 December 2024 *(Thousands)*	Outstanding share options 31 December 2023 *(Thousands)*
31 August 2016	30 August 2026	0.49	130,000	98,668	98,668
26 September 2018	25 September 2028	0.74	60,000	58,300	58,300
6 December 2018	5 December 2028	0.53	37,000	37,000	37,000
31 March 2023	30 March 2033	0.25	185,300	185,300	185,300
Total		0.42	479,750	379,268	379,268
Weighted average remaining contractual life of options outstanding at end of years				5.41 years	6.41 years

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

	2024		2023	
	Average exercise price per share options ***HKD***	**Number of share options** ***(Thousands)***	Average exercise price per share options *HKD*	Number of share options *(Thousands)*
As at 1 January	**0.42**	**379,268**	1.08	221,818
Granted	**–**	**–**	0.25	185,300
Forfeited	**–**	**–**	3.53	(1,800)
Expired	**–**	**–**	4.69	(26,050)
Vested and exercisable as at 31 December	**0.42**	**379,268**	0.42	379,268

Total expenses arising from share-based payment transactions recognised during the twelve months ended 31 December 2024 as part of employee benefit expenses were RMB6,871,000 (2023: RMB8,257,000).

Notes to the Consolidated Financial Statements

15. OTHER RESERVES (CONTINUED)

Notes: (Continued)

(c) Statutory reserves

	RMB'000
As at 1 January 2023	83,509
Appropriation	8,816
As at 31 December 2023 and 1 January 2024	92,325
Appropriation	710
As at 31 December 2024	**93,035**

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

Notes to the Consolidated Financial Statements

16. BORROWINGS

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Long-term borrowings:		
– Bank loans, secured (a)	**69,466**	31,352
– Loans from a third party, secured (b)	**95,158**	99,150
– Loans from a third party, unsecured (c)	**5,751**	7,611
	170,375	138,113
less:		
Non-current portion of long-term borrowings:		
– Bank loans, secured (a)	**23,522**	29,425
– Loans from a third party, secured (b)	**31,552**	40,170
– Loans from third parties, unsecured (c)	**–**	7,611
Non-current portion of long-term borrowings	**55,074**	77,206
Current portion of long-term borrowings	**115,301**	60,907
Short-term borrowings:		
– Bank loans, secured (d)	**393,000**	292,319
– Bank loans, unsecured (e)	**20,000**	29,984
– Loans from third party, secured (f)	**20,000**	15,000
– Loans from third party, unsecured (g)	**23,000**	18,000
	456,000	355,303

Notes:

(a) Long-term secured bank loans comprise:

(i) A loan of RMB67,500,000 (2023: RMB28,500,000) bears interest at a rate of 5.5% (2023: 6.0%) per annum, and is secured against the right of collecting certain trade receivables.

(ii) A loan of RMB1,966,000 (2023: RMB2,852,000) bears interest rate at 3-month swap offer rate plus 3.5% (2023: 3-month swap offer rate plus 3.5%) per annum, and are secured against a right-of-use asset and a guarantee provided by the Company. During the year ended 31 December 2024, the average interest rate was 2.97% (2023: 3.88%).

Notes to the Consolidated Financial Statements

16. BORROWINGS (CONTINUED)

Notes: (Continued)

(b) The Group's long-term secured loans from third party financial institutions bear interest at rates ranging from 4.49% to 7.81% (2023: 5.80% to 7.81%), and are secured against certain machinery with carrying amount of RMB144,304,000 (2023: RMB182,988,000) and a guarantee provided by a subsidiary of the Group.

(c) The Group's long-term unsecured loan from a third party bears interest at a rate of 10% per annum (2023: 12.5%).

(d) Short-term secured bank loans comprise:

(i) Loans totalling RMB100,000,000 (2023: RMB27,900,000) bear interest at a rate ranging from 5.00% to 5.50% (2023: 6.00%) per annum, and are secured against the right of collecting certain trade receivables.

(ii) Loans totalling RMB85,000,000 (2023: RMB69,852,000) bear interest at rates ranging from 3.05% to 5.26% (2023: 3.35% to 5.26%) per annum, and guaranteed by a third party guarantee company with counter-guarantees provided by a subsidiary of the Group.

(iii) Loans totaling RMB208,000,000 (2023: RMB194,567,000) bear interest ranging from 2.30% to 4.50% (2023: 3.65% to 5.45%) per annum, with guarantees provided by subsidiaries of the Group.

(e) The Group's short-term unsecured bank loans bear interest ranging from 1.50% to 4.60% (2023: 2.31% to 4.60%).

(f) The Group's short-term secured loan from a third party institution bears interest at a rate of 5.10% (2023: 5.45%) per annum, with guarantees provided by a subsidiary of the Group through pledge of a land use right of RMB17,900,000 (2023: RMB18,380,000).

(g) The Group's unsecured loan from a third party bears interest at a rate of 6% per annum (2023: 8%).

Notes to the Consolidated Financial Statements

16. BORROWINGS (CONTINUED)

Notes: (Continued)

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

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Fixed-rate borrowings	**594,409**	490,564
Variable-rate borrowings	**31,966**	2,852
	626,375	493,416

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

	As at 31 December	
	2024	2023
Fixed-rate borrowings	**1.50% to 10.00%**	2.31% to 12.50%
Variable-rate borrowings	**2.97% to 3.20%**	3.88%

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

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
RMB	**618,658**	482,953
USD	**5,751**	7,611
SGD	**1,965**	2,852
	626,375	493,416

Notes to the Consolidated Financial Statements

16. BORROWINGS (CONTINUED)

Notes: (Continued)

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

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Within 1 year	**571,301**	416,210
1 year to 2 years	**53,002**	68,704
2 years to 5 years	**2,072**	8,502
	626,375	493,416

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

	As at 31 December 2024	As at 31 December 2023
	RMB'000	*RMB'000*
Right-of-use assets	**1,966**	2,852
Trade and note receivables	**167,500**	56,400

17. TRADE AND NOTE PAYABLES

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

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Up to 6 months	**373,975**	562,231
6 months to 1 year	**48,836**	47,066
1 – 2 years	**44,567**	60,353
2 – 3 years	**19,832**	27,962
Over 3 years	**70,175**	79,841
	557,385	777,453

Notes to the Consolidated Financial Statements

18. ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2024 *RMB'000*	2023 *RMB'000*
Payroll and welfare payable	**91,270**	109,461
Other tax payables	**31,685**	26,998
Other payables – related parties	**14,872**	14,872
Other payables for purchase of property, plant and equipment	**2,995**	5,084
Other payables	**48,390**	48,866
	189,212	205,281

19. DEFERRED INCOME TAXATION

The movement in deferred income tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Lease Liabilities *RMB'000*	Tax losses *RMB'000*	Impairment of assets *RMB'000*	Unrealised profit* *RMB'000*	Accrued expense *RMB'000*	Total *RMB'000*
As at 1 January 2023	4,609	49,237	40,250	23,153	2,661	119,910
(Charged)/credited to the income statement	(1,462)	(8,522)	6,763	(491)	1,657	(2,055)
Currency translation differences	–	–	(88)	88	313	313
As at 31 December 2023 and 1 January 2024	**3,147**	**40,715**	**46,925**	**22,750**	**4,631**	**118,168**
(Charged)/credited to the income statement	**(221)**	**(10,776)**	**3,158**	**(1,167)**	**(423)**	**(9,429)**
Currency translation differences	**–**	**1,554**	**(400)**	**(632)**	**(234)**	**288**
As at 31 December 2024	**2,926**	**31,493**	**49,683**	**20,951**	**3,974**	**109,027**

* Deferred income tax assets in relation to unrealised profit mainly resulted from the unrealised profit on intra-group transfer of property, plant and equipment and inventories.

Notes to the Consolidated Financial Statements

19. DEFERRED INCOME TAXATION (CONTINUED)

(a) The movement in deferred income tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows: (Continued)

Deferred income tax liabilities

	Right-of-use assets RMB'000	Accelerated tax depreciation RMB'000	Withholding tax of the unremitted earnings of certain subsidiaries* RMB'000	Valuation surplus upon acquisition of a subsidiary RMB'000	Total RMB'000
As at 1 January 2023	4,609	66	22,183	3,543	30,401
(Credited)/charged to the income statement	(1,840)	(66)	715	(189)	(1,380)
As at 31 December 2023 and 1 January 2024	**2,769**	**–**	**22,898**	**3,354**	**29,021**
Credited to the income statement	**(69)**	**–**	**(1,392)**	**(205)**	**(1,666)**
As at 31 December 2024	**2,700**	**–**	**21,506**	**3,149**	**27,355**

* Deferred income tax liabilities in relation to unremitted earnings of certain subsidiaries resulted from certain subsidiaries' accumulated profit which are expected to be distributed as dividends in the future. Pursuant to the local tax regulations where such subsidiaries operate, when such subsidiaries declare or paid dividends, withholding tax will be imposed on these dividends.

(b) Details of unrecognised deferred income tax are as follows:

(i) Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB159,307,000 as at 31 December 2024 (2023: RMB107,720,000), in respect of losses amounting to RMB911,503,000 (2023: RMB595,412,000) that can be carried forward against future taxable income and will expire between 2025 and 2034.

(ii) As at 31 December 2024, the Group did not recognise deferred income tax liabilities of RMB33,321,000 (2023: RMB34,124,000) relating to withholding tax of unremitted earnings of certain subsidiaries totalling approximately RMB665,722,000 (2023: RMB682,441,000) as such unremitted earnings are expected to be retained in the respective subsidiaries for their future investment and expansion activities.

Notes to the Consolidated Financial Statements

20. OTHER GAINS, NET

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Net foreign exchange (losses)/gains	**(3,038)**	226
Gain on transfer from a subsidiary to a joint venture (Note 27(d))	**–**	9,434
Others	**4,707**	2,637
	1,669	12,297

21. EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Wages, salaries and allowances	**509,704**	504,127
Housing benefits	**18,774**	18,192
Pension costs*	**84,585**	80,494
Share-based payments (Note 15)	**6,871**	8,257
Welfare and other expenses	**21,567**	16,143
	641,501	627,213

* There was no forfeited contribution during the years ended 31 December 2024 and 2023 available for reducing the Group's contributions as at 31 December 2024 and 2023.

Notes to the Consolidated Financial Statements

21. EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(a) Five highest paid individuals

	Year ended 31 December Number of individuals	
	2024	2023
Director	**2**	2
Non-director individual	**3**	3
	5	5

The aggregate amounts of emoluments paid and payable to the non-director individuals whose emoluments were the highest in the Group for the years are as follows:

	Year ended 31 December	
	2024 ***RMB'000***	2023 *RMB'000*
Salaries and other short-term benefits	**3,045**	2,772
Share-based payments	**1,353**	1,003
Retirement benefits and others	**360**	385
	4,758	4,160

The emoluments fell within the following bands:

	Year ended 31 December Number of individuals	
	2024	2023
Emolument band		
HKD500,001 to HKD1,000,000	**2**	2
HKD1,000,001 to HKD1,500,000	**–**	–
HKD1,500,001 to HKD2,000,000	**1**	1
	3	3

Note: Non-cash share-based payments are not considered in the determination of emolument bands.

Notes to the Consolidated Financial Statements

22. EXPENSES BY NATURE

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Gains on disposal of property, plant and equipment	**(1,185)**	(1,754)
Sales tax and surcharges	**8,300**	4,627
Depreciation		
– Right-of-use assets (include land use rights) (Note 7)	**4,676**	11,817
– Property, plant and equipment (Note 6)	**49,284**	58,043
Amortisation of intangible assets (Note 8)	**1,279**	1,314
Auditor's remuneration – audit service	**3,050**	3,050

23. FINANCE COSTS, NET

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Finance income:		
– Interest income from bank deposits	**1,927**	744
Net foreign exchange (losses)/gains on financing activities	**(130)**	58
Finance income	**1,797**	802
Interest expense:		
– Bank borrowings	**(20,272)**	(22,860)
– Lease liabilities	**(864)**	(1,345)
– Other borrowings	**(6,600)**	(3,534)
Bank charges and others	**(5,266)**	(4,209)
Finance costs	**(33,002)**	(31,948)
Finance costs, net	**(31,205)**	(31,146)

Notes to the Consolidated Financial Statements

24. INCOME TAX EXPENSE

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Current income tax (a)	**9,245**	12,097
Deferred income tax	**7,763**	675
Income tax expense	**17,008**	12,772

Notes:

(a) Current income tax

(i) The Company was incorporated in Cayman Islands as an exempted company with limited liability under the Company Law of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

(ii) PRC enterprise income tax ("EIT") is provided on the basis of the profits of the subsidiaries established in PRC for statutory financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes. The statutory income tax is assessed on an individual entity basis, based on their results of operations. For the years ended 31 December 2024 and 2023, certain subsidiaries established in the western area of the PRC were subject to a preferential tax rate of 15% while other subsidiaries established in the PRC are subject to income tax rate of 25%.

(iii) The Group's subsidiaries established in Singapore are subject to Singapore profits tax at a rate of 17% (2023: 17%).

(iv) The corporate income tax rate for subsidiaries established in Kazakhstan is 20%. Income tax is charged on all business income generated in Kazakhstan with relief for tax deductible expenses (2023: 20%).

(v) The corporate income tax rate for subsidiaries established in Canada is 25% (2023: 25%).

(vi) Taxation on profits generated in other locations has been provided at the rate of taxation prevailing in the countries in which those profits arose.

Notes to the Consolidated Financial Statements

24. INCOME TAX EXPENSE (CONTINUED)

Notes: (Continued)

(b) The income tax on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Year ended 31 December	
	2024 *RMB'000*	2023 *RMB'000*
(Loss)/profit before income tax	**(246,577)**	21,550
Tax calculated at domestic tax rates applicable in respective countries	**(45,402)**	11,732
Expenses not deductible for taxation purposes	**12,870**	681
Impact on share of results of investments accounted for using equity method	**(656)**	193
Utilisation of previously unrecognised tax losses and temporary differences	**(6,967)**	(19,201)
Losses not recognised as deferred income tax assets	**57,163**	18,717
Withholding tax relating to unremitted retained earnings	**–**	715
Additional deduction of research and development expense	**–**	(65)
Income tax expense	**17,008**	12,772

25. DIVIDENDS

The Board did not propose a final dividend for the year ended 31 December 2024 (2023: Nil).

26. (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2024	2023
(Loss)/profit attributable to owners of the Company (RMB'000)	**(256,231)**	16,745
Weighted average number of ordinary shares in issue (thousands)	**1,953,776**	1,923,556
Basic (loss)/earnings per share (RMB per share)	**(0.131)**	0.009

Notes to the Consolidated Financial Statements

26. (LOSS)/EARNINGS PER SHARE (CONTINUED)

(b) Diluted

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options.

The share options in issue have not been included in the calculation of the diluted (loss)/earnings per share, as the adjusted exercise prices of those share options are higher than the average annual market price of the Company's shares. Accordingly, these share options had no dilutive effect during the year ended 31 December 2024 and 2023 and the diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share during the year ended 31 December 2024 and 2023.

27. CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended 31 December	
	2024 ***RMB'000***	2023 *RMB'000*
(Loss)/profit before income tax	**(246,577)**	21,550
Adjustments for:		
Depreciation charge		
– Property, plant and equipment (Note 6, 22)	**49,284**	58,043
– Right-of-use assets (include land use rights) (Notes 7, 22)	**4,676**	11,817
Amortisation of intangible assets (Note 8)	**1,279**	1,314
Gains on disposals of property, plant and equipment (Note 22)	**(1,185)**	(1,754)
Gain on change from a subsidiary to a joint venture (Note 27(d))	**–**	(9,434)
Dividend income from financial assets at fair value through other comprehensive income	**(889)**	–
Impairment loss of right-of-use assets	**1,516**	–
Impairment loss of property, plant and equipment	**13,503**	–
Write-down of inventories and provision of prepayments	**12,961**	4,751
Net impairments losses of financial assets and contract assets	**53,725**	46,831
Net foreign exchange losses/(gains) (Notes 20, 23)	**3,168**	(284)
Interest income (Note 23)	**(1,927)**	(744)
Interest expenses on borrowings and leases (Note 23)	**27,736**	27,739
Share-based payments (Note 21)	**6,871**	8,257
Share of net (profit)/loss of an associate and a joint venture accounted for using the equity method	**(2,625)**	1,317
Changes in working capital:		
Inventories	**99,119**	(113,820)
Trade and note receivables and contract assets	**283,560**	90,997
Prepayments and other receivables	**(41,351)**	(5,767)
Trade and note payables	**(214,557)**	43,944
Accruals and other payables and contract liabilities	**(7,595)**	(31,196)
Net cash generated from operations	**40,692**	153,561

Notes to the Consolidated Financial Statements

27. CASH FLOW INFORMATION (CONTINUED)

(b) Non-cash transactions

During the year ended 31 December 2024, the non-controlling interest of the Group injected RMB1,700,000 in a subsidiary of the Company through the acquisition of land-use rights.

(c) Net debt reconciliation

(i) Analysis of net debt

	2024	2023
	RMB'000	*RMB'000*
Cash and cash equivalents	**389,230**	303,180
Borrowings – repayable within one year	**(571,301)**	(416,210)
Borrowings – repayable after one year	**(55,074)**	(77,206)
Lease liabilities	**(13,626)**	(24,221)
Net debt	**(250,771)**	(214,457)
Cash and liquid investments	**389,230**	303,180
Gross debt-fixed interest rates	**(608,035)**	(514,785)
Gross debt-variable interest rates	**(31,966)**	(2,852)
Net debt	**(250,771)**	(214,457)

Notes to the Consolidated Financial Statements

27. CASH FLOW INFORMATION (CONTINUED)

(c) Net debt reconciliation (Continued)

(ii) Movements in net debt

	Other assets	Liabilities from financing activities			
	Cash and cash equivalents	Borrowing due within 1 year	Borrowing due after 1 year	Lease	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net debt as at 1 January 2023	277,536	(499,548)	(43,035)	(28,061)	(293,108)
Cash flows	22,856	26,916	11,970	11,887	73,629
Lease changes	–	–	–	(7,568)	(7,568)
Foreign exchange adjustments	2,788	(58)	–	(479)	2,251
Accrued interest expenses	–	(6,866)	–	–	(6,866)
Change from a subsidiary to a joint venture (Note 27(d))	–	–	9,887	–	9,887
Reclassification of amounts to current portion	–	63,346	(63,346)	–	–
Payments of financing fee and deposits	–	–	7,318	–	7,318
Net debt as at 31 December 2023	303,180	(416,210)	(77,206)	(24,221)	(214,457)
Net debt as at 1 January 2024	303,180	(416,210)	(77,206)	(24,221)	(214,457)
Cash flows	91,734	47,218	(185,095)	7,125	(39,018)
Lease changes	–	–	–	3,396	3,396
Foreign exchange adjustments	(5,684)	(34)	–	74	(5,644)
Accrued interest expenses	–	(1,244)	–	–	(1,244)
Reclassification of amounts to current portion	–	(201,031)	201,031	–	–
Payments of financing fee and deposits	–	–	6,196	–	6,196
Net debt as at 31 December 2024	**389,230**	**(571,301)**	**(55,074)**	**(13,626)**	**(250,771)**

Notes to the Consolidated Financial Statements

27. CASH FLOW INFORMATION (CONTINUED)

(d) Cash disposed on change from a subsidiary to a joint venture

According to the SSAM Shareholders' resolution on 22 November 2023, there are a total of six members of the board of directors, and each shareholder has the right to appoint three directors. As a result of the above arrangement, in the opinion of the directors of the Group, Cornerstone Business PTE. LTD. (a subsidiary of the Group) and another shareholder have joint control on SSAM.

Relevant financial information of SSAM as of transaction date and the gain on the change from a subsidiary to a joint venture is calculated as follows:

	As at 22 November, 2023 *RMB'000*
Property, plant and equipment	48,165
Right-of-use assets	2,144
Inventories	9,845
Prepayments and other receivables	4,569
Cash and cash equivalents	3,513
Total assets	68,236
Borrowings	(18,430)
Non-current lease liabilities	(1,537)
Accounts payable	(45,024)
Contract liabilities, other payables and accruals	(16,613)
Total liabilities	(81,604)
Carrying amount of SSAM's net assets	(13,368)
Non-controlling interest	(3,039)
Share of net assets attributable to the Group	(10,329)
Consideration received or receivable	–
Fair value of retained investment in SSAM	–
Foreign currency translation reserve transfer to loss	895
Gain on change from a subsidiary to a joint venture	(9,434)

Notes to the Consolidated Financial Statements

28. CONTINGENCIES

The Group has claims or other legal procedures arising in its ordinary course of business from time to time. As at 31 December 2024 and 2023, the Directors did not anticipate that any material liabilities will arise from the contingent liabilities other than those provided for in the financial statements.

29. COMMITMENTS

Capital commitments

Capital expenditure contracted for but not yet incurred is as follows:

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Property, plant and equipment	**12,235**	17,486
Exploration and evaluation	**42,458**	46,288

30. RELATED PARTY TRANSACTIONS

Other than those disclosed elsewhere in these financial statements, the following transactions were carried out with related parties for the year ended 31 December 2024 and 2023:

(a) Key management compensation

Key management includes directors and members of senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Salaries and other short-term benefits	**9,260**	7,939
Share-based payments	**1,884**	1,906
Retirement benefits and others	**1,281**	1,279
	12,425	11,124

(b) Outstanding balances arising from sales of property, plant and equipment

	2024	2023
	RMB'000	*RMB'000*
Other receivables (Note 12)		
– a joint venture	**37,752**	38,053

Notes to the Consolidated Financial Statements

30. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Loans to a joint venture

	2024 *RMB'000*	2023 *RMB'000*
Loans to a joint venture (Note 12)	**12,273**	11,448

(d) Transactions with related parties

On 21 January 2022, pursuant to the exclusive Call Option Agreement entered into between SPT Energy (Hong Kong) Limited ("SPT HK") and several companies ("Non-controlling Shareholders") owned by Preference Shareholders as stated in the prospectus of the Company dated 14 December 2011, SPT HK has exercised the call options with respect to Non-controlling Shareholders. Accordingly, SPT HK shall acquire a total of 350,000 preference shares from Non-controlling Shareholders by way of an instrument of transfer at a total consideration of SGD3,200,000 (the "Transactions"). The Transactions had been completed in 2022 with the consideration (equivalent to RMB14,872,000) yet to be paid.

Notes to the Consolidated Financial Statements

31. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

		As at 31 December	
	Note	**2024** *RMB'000*	2023 *RMB'000*
Assets			
Non-current assets			
Interests in subsidiaries		**1,263,385**	1,256,670
Current assets			
Prepayments and other receivables		**63**	1,452
Cash and cash equivalents		**87**	90
Total assets		**1,263,535**	1,258,212
Equity and liabilities			
Share capital		**1,247**	1,247
Share premium	*Note (a)*	**869,853**	869,853
Other reserves	*Note (a)*	**430,219**	423,348
Currency translation differences	*Note (a)*	**97,449**	85,389
Accumulated losses	*Note (a)*	**(153,265)**	(149,736)
Total equity		**1,245,503**	1,230,101
Current liabilities			
Accruals and other payables		**18,032**	28,111
Total liabilities		**18,032**	28,111
Total equity and liabilities		**1,263,535**	1,258,212

The statement of financial position of the Company was approved by the Board of Directors on 27 June 2025 and was signed on its behalf.

Ethan Wu
Director

Li Qiang
Director

Notes to the Consolidated Financial Statements

31. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Statement of financial position of the Company (Continued)

Note:

(a) Reserve movements of the Company

	Accumulated losses *RMB'000*	Share premium *RMB'000*	Other reserves *RMB'000*	Currency translation differences *RMB'000*	Total *RMB'000*
At 1 January 2023	(145,397)	848,026	415,091	71,542	1,189,262
Loss for the year	(4,339)	–	–	–	(4,339)
Issue of ordinary shares	–	21,827	–	–	21,827
Share-based payments	–	–	8,257	–	8,257
Currency translation differences	–	–	–	13,847	13,847
At 31 December 2023	(149,736)	869,853	423,348	85,389	1,228,854
At 1 January 2024	**(149,736)**	**869,853**	**423,348**	**85,389**	**1,228,854**
Loss for the year	**(3,529)**	**–**	**–**	**–**	**(3,529)**
Share-based payments	**–**	**–**	**6,871**	**–**	**6,871**
Currency translation differences	**–**	**–**	**–**	**12,060**	**12,060**
At 31 December 2024	**(153,265)**	**869,853**	**430,219**	**97,449**	**1,244,256**

Notes to the Consolidated Financial Statements

32. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executives emoluments

The remuneration of each director and the chief executive for the year ended 31 December 2024 is set out below:

	Fee *RMB'000*	Salary *RMB'000*	Discretionary bonuses *RMB'000*	Housing allowance *RMB'000*	Allowances, benefit in kind and others *RMB'000*	Total *RMB'000*
Executive Directors						
Mr. 吳東方 (Mr. Ethan Wu)						
(Chairman and Chief Executive Officer)	–	1,471	–	75	118	1,664
Mr. 李強 (Mr. Li Qiang)	–	1,163	–	50	136	1,349
Mr. 丁克臣 (Ding Kechen)*	–	1,641	–	–	393	2,034
Non-executive Directors						
Mr. 王國強 (Mr. Wang Guoqiang)**	488	–	–	25	28	541
Ms. 陳春花 (Ms. Chen Chunhua)	244	–	–	31	27	302
Mr. 武吉偉 (Mr. Wu Jiwei)	229	–	–	–	19	248
Independent Non-Executive Directors						
Mr. 胡國強 (Mr. Wu Kwok Keung Andrew)	274	–	–	–	19	293
Ms. 張渝涓 (Ms.Zhang Yujuan)	274	–	–	–	19	293
Mr. 馬小虎 (Mr. Ma Xiaohu)	274	–	–	–	19	293
	1,783	4,275	–	181	778	7,017

* On 3 April 2024, Mr. Ding Kechen was appointed as an executive Director of the Company.

** On 26 March 2024, Mr. Wang Guoqiang was re-designated as a non-executive Director of the Company from an executive Director of the Company.

Notes to the Consolidated Financial Statements

32. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and chief executives emoluments (Continued)

The remuneration of each director and the chief executive for the year ended 31 December 2023 is set out below:

	Fee *RMB'000*	Salary *RMB'000*	Discretionary bonuses *RMB'000*	Housing allowance *RMB'000*	Allowances, benefit in kind and others *RMB'000*	Total *RMB'000*
Executive Directors						
Mr. 王國強 (Mr. Wang Guoqiang) *(Chairman)*	–	1,500	–	43	9	1,552
Mr. 吳東方 (Mr. Ethan Wu) *(Chief Executive Officer)*	–	1,300	–	66	112	1,478
Mr. 李強 (Mr. Li Qiang)	–	600	–	47	116	763
Non-executive Directors						
Ms. 陳春花 (Ms. Chen Chunhua)	473	–	–	57	7	537
Mr. 武吉偉 (Mr. Wu Jiwei)	396	–	–	–	3	399
Independent Non-Executive Directors						
Mr. 胡國強 (Mr. Wu Kwok Keung Andrew)	270	–	–	–	–	270
Ms. 張渝涓 (Ms.Zhang Yujuan)	270	–	–	–	–	270
Mr. 馬小虎 (Mr. Ma Xiaohu)	270	–	–	–	–	270
	1,679	3,400	–	213	247	5,539

Notes to the Consolidated Financial Statements

32. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(b) Directors' retirement benefits

During the year, no retirement benefits operated by the Group were paid or made, directly or indirectly, to or receivable by a director in respect of his services as a director or other services in connection with the management of the affairs of the Company or its subsidiaries (2023: nil).

(c) Directors' termination benefits

During the year, no payments or benefits in respect of termination of director's services were paid or made, directly or indirectly, to or receivable by a director; nor are any payable (2023: nil).

(d) Consideration provided to third parties for making available directors' services

During the year, no consideration was provided to or receivable by third parties for making available director's services (2023: nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There are no loans, quasi-loans or other dealings in favour of directors, controlled bodies corporate by and connected entities (2023: nil).

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2023: nil).

Notes to the Consolidated Financial Statements

33. MATERIAL ACCOUNTING POLICY INFORMATION

33.1 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 33.2).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

(b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see Note 33.1(d) below), after initially being recognised at cost.

(c) Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Notes to the Consolidated Financial Statements

33. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

33.1 Principles of consolidation and equity accounting (Continued)

(d) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income ("OCI") of the investee in other comprehensive income. Dividends received or receivable from investee are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its investee are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 33.8.

Notes to the Consolidated Financial Statements

33. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

33.1 Principles of consolidation and equity accounting (Continued)

(e) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Notes to the Consolidated Financial Statements

33. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

33.2 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity.

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Notes to the Consolidated Financial Statements

33. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

33.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

33.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer, vice presidents and directors of the Company that makes strategic decisions.

33.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Company's functional currency is United States Dollar ("USD") and the consolidated financial statements are presented in RMB, which is the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement, within finance costs. All other foreign exchange gains and losses are presented in the consolidated income statement on a net basis within other income or other expenses.

Notes to the Consolidated Financial Statements

33. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

33.5 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- currency translation differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

(d) Disposal of foreign operation

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

Notes to the Consolidated Financial Statements

33. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

33.6 Property, plant and equipment

(a) Fixed assets and construction in progress

Property, plant and equipment, other than construction-in-progress, is stated at cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Construction-in-progress is stated at cost, including the costs of construction, machinery and other expenditures for the purpose of preparing the construction-in-progress for its intended use and borrowing costs incurred before the assets ready for intended use that are eligible for capitalisation. Construction-in-progress is not depreciated until the asset is completed and ready for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the consolidated income statement during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 33.8).

(b) Oil and gas properties

The Group uses the successful efforts method of accounting for its oil and gas producing activities. Under this method, costs of development wells, the related supporting equipment and proved mineral interests in properties are capitalised. The cost of exploratory wells is initially capitalised as construction in progress pending determination of whether the well has found proved reserves. The impairment of exploratory well costs occurs upon the determination that the well has not found proved reserves. The exploratory well costs are usually not carried as an asset for more than one year following completion of drilling, unless (i) the well has found a sufficient quantity of reserves to justify its completion as a producing well if the required capital expenditure is made; (ii) drilling of the additional exploratory wells is under way or firmly planned for the near future; or (iii) other activities are being undertaken to sufficiently progress the assessing of the reserves and the economic and operating viability of the project. All other exploration costs, including geological and geophysical costs, other dry hole costs and annual lease rentals to explore for or use oil and natural gas, are expensed as incurred. Capitalised costs of proved oil and gas properties are amortised on a unit-of production method based on volumes produced and reserves.

Notes to the Consolidated Financial Statements

33. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

33.7 Intangible assets

(a) Computer softwares

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

(b) Technology

Technology assets were generated from the Group's research and development activities. Only development costs that are directly attributable to the design, development and application of technology are recognised as intangible assets when the following criteria are met:

- Management intends to complete the patents and use or sell it;
- There is an ability to use or sell the patents;
- It can be demonstrated how the patents will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the patents available; and
- The expenditure attributable to the patents during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the patent include material costs, patent development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(c) Licenses

Separately acquired licenses are shown at historical cost. Licenses acquired in a business combination are initially recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

Notes to the Consolidated Financial Statements

33. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

33.8 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed which there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

33.9 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Notes to the Consolidated Financial Statements

33. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

33.9 Investments and other financial assets (Continued)

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses), and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Notes to the Consolidated Financial Statements

33. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

33.9 Investments and other financial assets (Continued)

(c) Measurement (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

33.10 Inventories

Inventories primarily consist of project materials, consumables and project-in-progress for the provision of oilfield services and sales. Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of project-in-progress comprises project materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs to completion and the estimated costs necessary to make the sale.

33.11 Trade receivables

Trade receivables arising from IFRS 15 are recognised initially at the amount of the transaction price that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 33.9 for further information about the Group's accounting for trade receivables and Note 3.1 for a description of the Group's impairment policies.

Notes to the Consolidated Financial Statements

33. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

33.12 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

33.13 Share capital

Share capital is classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

33.14 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

33.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Notes to the Consolidated Financial Statements

33. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

33.16 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

33.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Notes to the Consolidated Financial Statements

33. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

33.17 Current and deferred income tax (Continued)

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. When the current tax and deferred tax arising from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Notes to the Consolidated Financial Statements

33. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

33.18 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating annual leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

(b) Post-employment obligations

The Group operates various post-employment schemes, which are defined contribution pension plans.

(i) Pension obligations

The PRC employees of the Group are covered by various PRC government-sponsored defined-contribution pension plans under which the employees become entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these employees when they retire. The Group contributes on a monthly basis to these pension plans for the employees which are determined at a certain percentage of their salaries. Under these plans, the Group has no obligation for post-retirement benefits beyond the contribution made. Employees of entities located in countries other than PRC are covered by other defined-contribution pension plans sponsored by respective governments.

(ii) Housing benefits

The PRC employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the employees' salaries. The Group's liability in respect of these funds is limited to the contributions payable in each period. The non-PRC employees are not covered by the housing benefits.

Notes to the Consolidated Financial Statements

33. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

33.18 Employee benefits (Continued)

(c) Share-based compensation

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of options granted is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or hold shares for a specific period of time).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium. The corresponding amount accounted for as "Other reserve" when recognising the share-based compensation are reclassified to share premium as well.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to the subsidiary undertakings. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

Notes to the Consolidated Financial Statements

33. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

33.19 Dividend income

Dividends are recognised in profit or loss when the right to receive payment is established.

33.20 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

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

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;

Notes to the Consolidated Financial Statements

33. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

33.20 Leases (Continued)

- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Notes to the Consolidated Financial Statements

33. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

33.20 Leases (Continued)

Right-of-use assets, include land use rights, are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise some machinery and equipment and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term.

Sale and leaseback transaction

The Group applies the requirement of IFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group.

Notes to the Consolidated Financial Statements

33. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

33.21 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

33.22 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial year.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and any other changes associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Notes to the Consolidated Financial Statements

33. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

33.23 Related Parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group; or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Notes to the Consolidated Financial Statements

33. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

33.24 Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, drilling, well completion and reservoir service in one contract, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

Notes to the Consolidated Financial Statements

33. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

33.24 Revenue from contracts with customers (Continued)

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

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* For identification purpose only