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## **Sinopec Oilfield Service Corporation**

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

**(Stock code: 1033)**

### **ANNOUNCEMENT IN RELATION TO PROVISION FOR IMPAIRMENT OF ASSETS**

The board of directors and all members of the board of directors of the Company warrant that the contents of the announcement do not contain any false statement, misleading representation or material omission and accept responsibility severally and jointly for the truthfulness, accuracy and completeness of the contents of this announcement.

On 27 March 2018, Sinopec Oilfield Service Corporation (the “**Company**”) held the second meeting of ninth session of the board of directors of the Company and passed the resolution to approve the provision for impairment of assets of the Company, details of which are set out below:

1. Summary of the provision for impairment of assets

(1) Reasons for provision for impairment of assets

In 2017, the international oil prices rose from 2016, but still hovered at low levels. Chinese and foreign oil companies increased their upstream capital expenditure for oilfield exploration, and the work volume and revenue from principal business recorded a recovery growth. It is expected that the work volume will stabilize after such recovery growth, and the existing market structure is not likely to see a favorable turnaround in the near term, which made some existing equipments of the Company redundant. For the purpose to improve the equipment utilization rate and productivity, the Company implemented measures to curtail excessive and backward capacities, whereby it streamlined and cut down the number of existing engineering

services crews. The Company expects that there will be impairment indicators in the redundant equipment and the auxiliary inventory resulting from the aforesaid crew curtailment. Therefore, at the end of 2017, the Company conducted the impairment test and made the provision for impairment in accordance with China Accounting Standards for Business Enterprises (“CASBE”) 1 – Inventory, CASBE 8 - Impairment of Assets and International Accounting Standards (“IAS”) 36 - Impairment of Assets.

(2). Details of provision for impairment of assets

According to CASBE 1 – Inventory, CASBE 8 - Impairment of Assets, Hong Kong Accounting Standards 36 - Impairment of Assets and relevant accounting policy of the Company, the recoverable amount of an asset is determined by the higher amount of the net amount of fair value deducting disposal costs and the present value of future cash flows expected from the assets. When the asset’s recoverable amount is lower than its carrying amount of the asset, the provision for impairment of assets is recognized at an amount of such difference. The net amount of fair value deducting disposal costs is determined based on the market price valuation report issued by the brokers of relevant assets in January 2018.

As the recoverable amount of redundant equipment and the auxiliary inventory of the Company was lower than its carrying amount, the Company made a provision for impairment of fixed assets of approximately RMB1,149.49 million and a provision for decline in value of inventories of approximately RMB72.46 million, totaling to RMB1,221.95 million.

Category	Items	Provision for impairment (RMB ten thousand)
Fixed asset	Drilling rig	77,378
	Downhole operation equipments	14,540
	Logging and testing equipments	14,590
	Cementing auxiliary equipments	4,387
	Geophysical exploration equipments	543
	other specialized equipments	3,511
	Subtotal	114,949
Inventory	Auxiliary materials for drilling	6,941
	Auxiliary materials for geophysical exploration	305
	Subtotal	7,246
Total		122,195

In addition, as at the end of 2017, in light of the doubtful recovery of the account receivable due to the financial difficulties in the customers which had no alternative payment channels, the Company provided in full the provision for bad and doubtful debts of RMB804.03 million against such account receivable on an individual basis.

(3). Effect of the provision for impairment of assets on the financial condition of the Company

The provision for impairment of fixed assets and inventories will result in a decrease in the profit before income tax of the Company by RMB1,221.95 million which accounts for approximately 1.97% of the total assets of the Company as at the end of 2017 and approximately 11.55% of the net profit for 2017.

The provision for bad and doubtful debts on an individual basis will result in a decrease in the profit before income tax of the Company by RMB804.03 million which accounts for approximately 1.30% of the total assets of the Company as at the end of 2017 and approximately 7.60% of the net profit for 2017.

2. Explanation of the board of directors on the provision for impairment of assets

The board of directors of the Company believes that the provision for impairment of assets and the retirement and disposal of assets is made on a prudential principle which is well justified and gives a true and fair view of the financial condition and asset value of the Company.

3. Independent opinion of independent directors on the provision for impairment of assets

The independent directors are of the opinion that the provision for impairment of assets complies with relevant requirements of the CASBE, Hong Kong Financial Reporting Standards and the accounting policy of the Company, which could give a fair view of the assets value of the Company and ensure the standardized operation of the Company, without any prejudice to the lawful interests of small and medium shareholders, and as such they agree to the provision for impairment of assets.

4. Review opinion of the supervisory committee on the provision for impairment of assets

The supervisory committee is of the opinion that the provision for impairment of assets in accordance with relevant requirements of the CASBE, Hong Kong Financial Reporting Standards and the accounting policy of the Company is in line with the

actual conditions of the Company, which gives a more fair view of the assets value of the Company. Meanwhile, the decision-making procedures of the board of directors of the Company in respect of the resolution complies with the requirements of applicable laws, regulations and the articles of association of the Company, and accordingly it agrees to the provision for impairment of assets.

By Order of the Board

Mr. Li Honghai  
Company Secretary

Beijing, PRC, 27 March 2018

*As at the date of this announcement, the Board of Directors comprises Mr. Jiao Fangzheng<sup>+</sup>, Mr. Sun Qingde<sup>#</sup>, Mr. Chen Xikun<sup>#</sup>, Mr. Ye Guohua<sup>+</sup>, Mr. Lu Baoping<sup>+</sup>, Mr. Fan Zhonghai<sup>+</sup>, Ms. Jiang Bo<sup>\*</sup>, Mr. Zhang Huaqiao<sup>\*</sup> and Mr. Pan Ying<sup>\*</sup>.*

*+ Non-Executive Director*

*# Executive Director*

*\* Independent Non-Executive Director*