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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 ON CHANGES IN ACCOUNTING ESTIMATES**

#### **Important Notes:**

- The current changes in accounting estimates are adjustments made to the depreciation term of years for some equipment assets and special tools of petroleum engineering, and the amortization period of onshore camping house will be adjusted from 3 years to 5 years, and the amortization policy for onshore drilling tools in use will be changed from the full amount cumulative amortization method based on hole-depth to the excess amount cumulative amortization method based hole-depth. The above adjustments have been implemented with effect from 1 January 2016.
- The current changes in accounting estimates will not make retrospective adjustments to prior years, therefore the total assets, net assets and net profit as stated in the consolidated financial statements disclosed in each of the accounting periods of the Company will not be affected. It is expected that the adjustment made to the depreciation term of years of some equipment assets and special tools of petroleum engineering will result in a decrease in depreciation expenses by approximately RMB400 million in 2016, the adjustment made to the amortization period of camping house will result in a decrease in amortization expenses by approximately RMB30 million, and the change of amortization method for drilling tools in use will not have substantive impact on the amortization amount of the Company in 2016.

On 30 March 2016, the 9th Meeting of the Eighth Session of the Board of Directors convened by the Company considered and approved the “Resolution on Changes in Accounting Estimates”, the details of which are hereby announced as follows:

#### **I. Overview of Changes in Accounting Estimates**

In recent years, Sinopec Oilfield Service Corporation (the “Company” or “we”) has been elevating the technical standards and quality standards of equipment assets for petroleum

engineering, enhancing regular repairs and maintenance of equipment assets persistently, and the application of new technology and new technical process has gradually reduced the working intensity of equipment, the usage lifespan of some equipment assets and special tools of petroleum engineering is obviously lengthened. In order to reflect more accurately the practical condition of the depreciation term of years for fixed assets such as some equipment assets and specialized tools of petroleum engineering, according to the “Accounting Standards for Business Enterprises” and the relevant requirements, the Company has adjusted the depreciation term of years of some equipment assets and special tools of petroleum engineering.

Meanwhile, the Company has adjusted the amortization period of onshore camping house from 3 years to 5 years, and the amortization policy for onshore drilling tools in use has been changed from the full amount cumulative amortization method based on hole-depth to the excess amount cumulative amortization method based on hole-depth.

The above changes in accounting estimates are implemented with effect from 1 January 2016.

## II. Particulars of Changes in Accounting Estimates and Effects on the Company

1. The Company has adjusted the depreciation term of years of some equipment assets and special tools of petroleum engineering, the particulars are as follows:

<b>Type of assets</b>	<b>Depreciation term of years before adjustment</b>	<b>Depreciation term of years after adjustment</b>
Oil and gas exploration equipment		
Airgun boat	18	22
Seismic vessel	18	22
Geophysical prospecting ship	18	22
Multi-purpose vessel	18	22
Offshore drilling equipment	18	22
Offshore operation equipment	18	22
Oil drilling rig		
Large drilling rig	12	15
Medium drilling rig	12	15
Oil hole testing equipment	10	12
Mud-logging equipment	10	12
Logging equipment	10	12

The above changes in accounting estimates have been implemented with effect from 1 January 2016, retrospective adjustment will not be carried out for prior years, therefore the total assets, net assets and net profit as stated in the consolidated financial statements disclosed in each of the accounting periods of the Company will not be affected. It is expected that the adjustment made to the depreciation term of years of some equipment assets and special tools of petroleum engineering will result in a decrease in depreciation expenses by approximately RMB400 million in 2016.

2. Adjustments of amortization period of onshore camping house and amortization policy for onshore drilling equipment in use

With elevated construction standards, diversification of functions and improvement in relocation conditions for on-site camping house and activity buildings and regulated management of work-site areas, the actual average usage lifespan of camping house is approximately 7 to 10 years, and currently the amortization period of onshore work-site camping house is 3 years. To reflect the actual conditions, the Company has adjusted the amortization period of onshore camping house from 3 year to 5 years.

The above adjustment made to camping house has been implemented with effect from 1 January 2016, but no retrospective adjustment will be made to prior years, therefore the total assets, net assets and net profit as stated in the consolidated financial statements disclosed in each of the accounting periods of the Company will not be affected. It is expected the adjustment made to the amortization period of camping house will result in a decrease in amortization expenses by approximately RMB30 million in 2016.

In addition, onshore drilling tools in use are currently categorized into three regional standards on which the full amount cumulative amortization method based on hole-depth is implemented. The current implementation standards are as follows:

<b>Hole-depth</b>	<b>Excluding Northeastern Sichuan, Erdos and Xinjiang regions</b>	<b>Northeastern Sichuan region</b>	<b>Erdos and Xinjiang regions</b>
1 – 2,500 meters	40	260	150
2,501 – 3,500 meters	60	260	150
3,501 – 4,500 meters	80	260	150
Above 4,501 meters	120	260	150

The current implementation standards have not taken into account the difference in abrasion of drilling tools in the working process at different levels of hole-depth, and the difference in the usage time of drilling tools caused by variation in progress in the course of drilling by the drilling tools. To make the amortization method more reasonable, the Company has adjusted the amortization policy for onshore drilling tools in use from the full amount cumulative amortization method based on hole-depth to the excess amount cumulative amortization method based hole-depth.

The change in amortization policy for onshore drilling tools in use has been implemented with effect from 1 January 2016, no retrospective adjustment will be made to prior years, therefore, the total assets, net assets and net profit as stated in the consolidated financial statements disclosed in each of the accounting periods of the Company will not be affected; meanwhile, it is expected that the adjustment made to amortization method for drilling tools in use will not have substantive impact on the amortization amount of the Company in 2016.

### **III. Opinions of Independent Directors and Supervisory Committee**

In the opinion of the Independent Directors, the Company's decision-making procedures for the current changes in accounting estimates are legal and have complied with regulations. The accounting estimates after the changes are able to reflect more accurately the actual conditions of the depreciation term of years of some equipment assets and special tools of petroleum engineering of the Company, the adjustments made to the amortization period of

onshore camping house and the amortization policy for onshore drilling tools in use are also in line with the practical conditions of the Company, and the changes have complied with genuine, reliable and relevant requirements of the Accounting Standards for Business Enterprises. After the changes, the accounting estimates are able to reflect the financial conditions of the Company more truly and objectively without prejudice to the interests of the Company and the medium and small shareholders. Consent has been given to the current changes in the accounting estimates of the Company.

The Supervisory Committee considers that the current changes in the accounting estimates of the Company are more in line with the relevant requirements of the Ministry of Finance and the practical conditions of the Company, the relevant decision-making procedures have complied with the relevant legal and regulatory requirements, and without prejudice to the interests of the Company and all shareholders. Consent has been given to the implementation of the above changes in the accounting estimates of the Company.

By Order of the Board  
**Li Honghai**  
Company Secretary

Beijing, PRC, 30 March 2016

*As at the date of this announcement, the Board of Directors comprises Mr. Jiao Fangzheng<sup>+</sup>, Mr. Zhou Shiliang<sup>#</sup>, Mr. Li Lianwu<sup>+</sup>, Mr. Zhang Hong<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*