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Sinopec Oilfield Service Corporation
(a joint stock limited company established in the People's Republic of China)
(Stock code: 1033)

CONNECTED TRANSACTION

ACQUISITION OF THE TARGET ASSETS AND THE JIANGSU OILFIELD ASSET INTERESTS

The Board hereby announces that on 28 December 2018, SOSC (a wholly-owned subsidiary of the Company) and Nanjing Weinuo entered into an Asset Transfer Agreement, pursuant to which Nanjing Weinuo has agreed to dispose of and SOSC has agreed to acquire the Target Assets and 100% asset interests in Jiangsu Oilfield. Consideration for the Transaction will be determined according to the valuation amount of the Target Assets and the Jiangsu Oilfield Asset Interests as at the Valuation Date. According to the Valuation Report, the valuation amount of the Target Assets was RMB75,023,700 and the valuation amount of the Jiangsu Oilfield Asset Interests was RMB7,387,900, with a total valuation amount of RMB82,411,600. The final consideration for the Transaction is subject to the valuation amount of the Target Assets and the Jiangsu Oilfield Asset Interests as confirmed by the Valuation Report upon its filing and will be paid by way of cash.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, CPC is the controlling shareholder of the Company (holding 70.18% of the total issued share capital of the Company), and CPC holds 100% equity interest in Nanjing Weinuo, therefore Nanjing Weinuo is an associate of CPC under Chapter 14A of the Listing Rules, and hence it is also a connected person of the Company. According to Chapter 14A of the Listing Rules, the transaction contemplated under the Asset Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

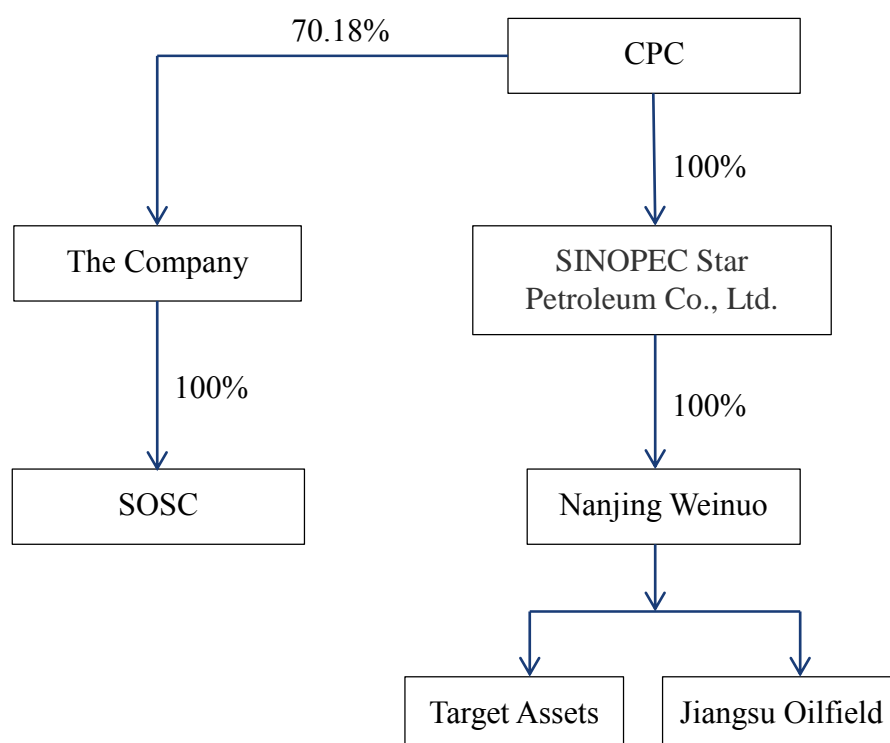
As one or more of the applicable percentage ratios in respect of the Transaction calculated pursuant to the Listing Rules exceed 0.1% but all of the applicable percentage ratios are less than 5%, therefore, the Transaction is subject to reporting and announcement requirements but is exempted from the requirement of independent Shareholders' approval under Chapter 14A of the Listing Rules.

I. INTRODUCTION

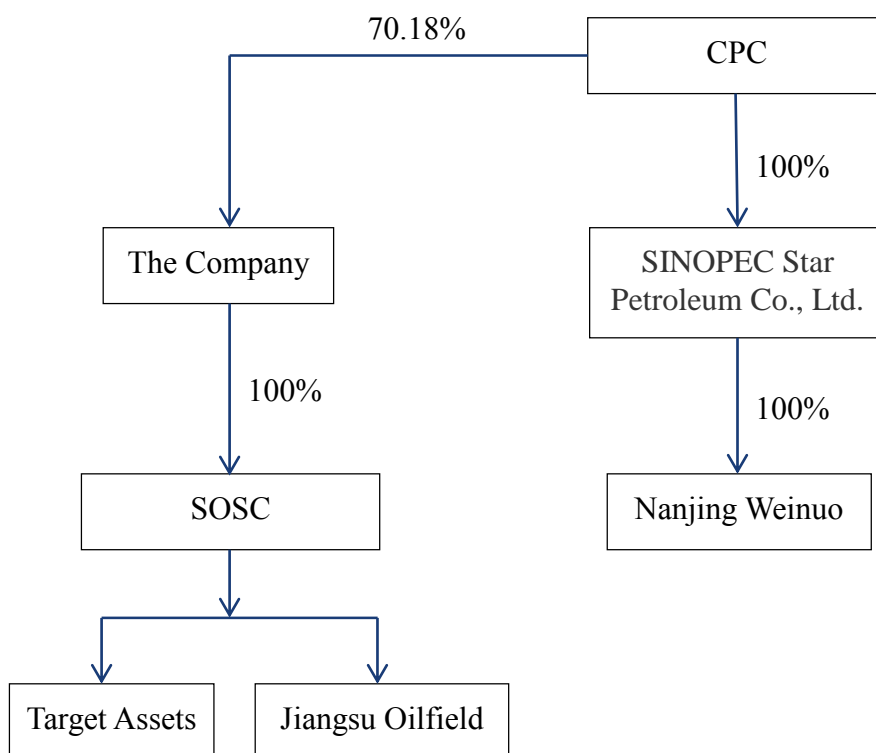
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The asset/equity interest structures immediately before and after the completion of the Transaction are set out below:

Before completion



After completion



After completion of the Transfer of the Jiangsu Oilfield Assets Interests, Jiangsu Oilfield will become a wholly-owned subsidiary of the Company.

II. ASSET TRANSFER AGREEMENT

Details of the Asset Transfer Agreement are summarized as follows:

Date

28 December 2018

Parties

Transferee: SOSC

Transferor: Nanjing Weinuo

Subject of transfer

Nanjing Weinuo has agreed to dispose of and the Company has agreed to acquire the Target Assets and the Jiangsu Oilfield Assets Interests. The Target Assets include, among other things, the account receivables, other receivables, inventories, other current assets, properties and buildings, machinery and equipment, long-term amortized expenses and

current liabilities of Nanjing Weinuo; the Jiangsu Oilfield Asset Interests represent 100% assets and liabilities of Jiangsu Oilfield.

Transfer consideration and payment

According to the Asset Transfer Agreement, consideration for the Transaction will be determined according to the valuation amount of the Target Assets and the Jiangsu Oilfield Asset Interests as at the Valuation Date. According to the Valuation Report prepared by CEA using the asset-based method, the valuation amount of the Target Assets was RMB75,023,700 and the valuation amount of the Jiangsu Oilfield Asset Interests was RMB7,387,900, with a total valuation amount of RMB82,411,600. The final consideration for the Transaction is subject to the valuation amount of the Target Asset and the Jiangsu Oilfield Asset Interests as confirmed by the Valuation Report upon its filing and will be paid by way of cash.

Considering that (i) the consideration for the Transaction is equal to the valuation amount of the Target Assets and the Jiangsu Oilfield Asset Interests; (ii) the existing condition and expected depreciation of the Target Assets; (iii) the specific purpose of the Target Assets; and (iv) the operating condition and qualifications of Jiangsu Oilfield, the Directors are of the view that the consideration for the Transaction is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Effective conditions

The Asset Transfer Agreement is constituted after it is duly signed by the parties thereto, and shall become effective on 28 December 2018 upon approval by the Board.

Completion

As agreed by the parties to the Asset Transfer Agreement, the Completion Date of the Transaction is 31 December 2018. Nanjing Weinuo shall deliver the Target Assets and the Jiangsu Oilfield Asset Interests to SOSC on the Completion Date. SOSC shall be legally entitled to enjoy and assume all rights and obligations represented by the Target Assets and the Jiangsu Oilfield Asset Interests on the Completion Date. The relevant profit and loss for the period between the Valuation Date and the Completion Date shall be vested in Nanjing Weinuo. The actual amount shall be confirmed in writing by the parties within 5 business days after the Completion Date.

Although the industrial and commercial registration procedure for the Transfer of the Jiangsu Oilfield Asset Interests may be completed on a date later than the Completion Date, the Jiangsu Oilfield Asset Interests shall be deemed as being transferred and delivered to SOSC on the Completion Date. The parties to the Asset Transfer Agreement shall complete the registration procedures for the conversion of Jiangsu Oilfield from an enterprise owned by the whole people into a limited liability company and for the change in shareholders as soon as possible after the completion of the Transaction.

III. INFORMATION OF THE SUBJECT OF TRANSFER

(I) Information of the Target Assets

The Target Assets include the account receivables, other receivables, inventories, other current assets, properties and buildings, machinery and equipment, long-term amortized expenses and current liabilities of Nanjing Weinuo. The physical assets of the Target Assets, mainly located in Domestic Regions, Sudan and Ukraine, include inventories, properties and buildings, machinery and equipment as well as automobiles. Of these, (1) inventories assets are raw materials, mainly including materials such as component parts for cementing vehicles, glass products for mud projects and drilling and mining component parts for well-drilling projects, which are currently stored in the warehouse in Sudan; (2) properties and buildings mainly include warehouses, detection and inspection engineering rooms, office buildings and staff dormitories located in Domestic Regions, as well as a small number of commercial houses purchased from external parties; (3) machinery and equipment mainly include drilling equipment, cementing equipment, power supply equipment required for project sites and other ancillary equipment stored in Sudan and Ukraine; and (4) automobiles mainly include motor vehicles stored in the project division of Sudan.

According to the Valuation Report, as at the Valuation Date, the asset carrying value of the Target Assets was RMB59,462,900 and the valuation amount was RMB75,023,700, resulting in a premium of RMB15,560,800 or a premium ratio of 26.17%. The premium was mainly due to the appreciation in value of properties and buildings and relevant machinery and equipment.

According to the financial report of Nanjing Weinuo prepared in accordance with the Accounting Standards for Business Enterprises in the PRC, the net profits attributable to the Target Assets (before and after taxation and extraordinary items) for the financial years ended 31 December 2016 and 31 December 2017 are set out as follows:

	For the financial year ended 31 December 2016	For the financial year ended 31 December 2017
	(RMB)	(RMB)
Unaudited net profit before taxation and extraordinary items	-13,132,089.74	-33,161,176.62
Unaudited net profit after taxation and extraordinary items	-13,132,089.74	-33,161,176.62

(II) Information of Jiangsu Oilfield

Jiangsu Oilfield is a wholly-owned subsidiary of Nanjing Weinuo and an enterprise owned by the whole people established in the PRC with a registered capital of RMB33,570,000. Its principal business scope include construction general contracting for housing construction projects (Grade 2), specialty contracting for construction, renovation and decoration projects (Grade 2), specialty contracting for precast concrete structure (Grade 2), construction general contracting for municipal utility projects (Grade 2), general contracting for chemical and petroleum equipment and pipeline installation projects (Grade 2), professional installation of mechanical and electrical equipment (Grade 3), professional contracting for construction and waterproofing projects (Grade 3), professional contracting for perishable and constant temperature projects (Grade 2), installation of pressurized pipelines, maintenance and sales of boilers, sales of heaters, general freight forwarding, overseas dispatch of various types of labour services (excluding Hong Kong, Macau and Taiwan regions), installation and maintenance of ground surface projects, installation and maintenance of construction pipelines, installation and maintenance of water and electrical appliances, and oilfield downhole operation, etc.

According to the Valuation Report, as at the Valuation Date, the carrying value of the total assets of Jiangsu Oilfield was RMB210,467,300 and the valuation amount was RMB220,019,900, resulting in a premium of RMB9,552,600 or a premium ratio of 4.54%. The carrying value of the total liabilities was RMB212,632,000 and the valuation amount was RMB212,632,000. The carrying value of the net assets was RMB-2,164,700 and the valuation amount of the net assets was RMB7,387,900, resulting in a premium of RMB9,552,600. The premium was mainly due to the appreciation in value of properties, buildings and land use right.

According to the financial report of Jiangsu Oilfield prepared and audited in accordance with the Accounting Standards for Business Enterprises in the PRC, as at 31 December 2017, the total assets of Jiangsu Oilfield amounted to RMB273,454,500. The net profits attributable to Jiangsu Oilfield (before and after taxation and extraordinary items) for the financial years ended 31 December 2016 and 31 December 2017 are set out as follows:

	For the financial year ended 31 December 2016	For the financial year ended 31 December 2017
	<i>(RMB)</i> Unaudited	<i>(RMB)</i> Audited
Net profit before taxation and extraordinary items	537,652.80	-6,982,410.38
Net profit after taxation and extraordinary items	517,962.26	-7,020,926.22

IV. REASONS FOR AND BENEFITS OF ENTERING INTO THE ASSET TRANSFER AGREEMENT

The Board is of the view that entering into the Asset Transfer Agreement (1) will be favourable for eliminating the potential peer competition between the Group and CPC. At present, Nanjing Weinuo is mainly engaged in oilfield technical services in Sudan, and the Group has not commenced any business in Sudan. However, with expanding business and market regions of the Group and Nanjing Weinuo, peer competition may rise between the Group and Nanjing Weinuo. Also, competition exists in a small amount of businesses between Jiangsu Oilfield and Sinopec Petroleum Engineering and Construction Corporation, a subsidiary of the Company. Therefore, acquisition of the Target Assets of Nanjing Weinuo and the Jiangsu Oilfield Assets Interests will be favourable for eliminating the peer competition between the Company and CPC; (2) will be favourable for enlarging the scope of business of the Group and increasing the income of the Group. With the recovery of the business for oilfield services, Nanjing Weinuo's business in Sudan has been expanding gradually, and a total revenue of RMB39,220,000 was recorded from January to November 2018. Since the United States lifted the country-wide embargo and asset freeze on Sudan and Sudanese government on 12 October 2017, the Company has been paying attention to the developments in the market of Sudan. Acquisition of the relevant Target Assets from Nanjing Weinuo will facilitate the Company to enter the Sudanese market quickly and develop the relevant business effectively. Meanwhile, acquisition of the Jiangsu Oilfield Assets Interests will enable the Group to obtain the qualifications including construction general contracting for housing construction projects (Grade 2) and specialty contracting for construction, renovation and decoration projects (Grade 2), which will be favourable for the Group to expand the scope of engineering contracting works and enhance its business competitiveness.

V. OPINIONS OF THE DIRECTORS

At the 10th meeting of the Ninth Session of the Board convened by the Company on 28 December 2018, the Asset Transfer Agreement and the Transaction were considered and approved by the Board. The connected Directors, namely Mr. Liu Zhongyun, Mr. Lu Baoping and Mr. Fan Zhonghai, have abstained from voting.

The Directors are of the view that, although the Asset Transfer Agreement and the transactions contemplated thereunder are not carried out in the ordinary and usual course of business of the Company, the Asset Transfer Agreement has been entered into on normal commercial terms after arm's length negotiations between the parties, all the terms are normal commercial terms, and are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The Board is of the view that the Transaction is in line with the future development needs of the Group, and is favourable for enlarging the scope of business and market regions of the Group and increasing the income of the Company. It will not have material impact on the current and future financial conditions or operating results of the Group, and there

exists no circumstances which are detrimental to the benefits of the Company.

VI. IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, CPC is the controlling shareholder of the Company (holding 70.18% of the total issued share capital of the Company), and CPC holds 100% equity interest in Nanjing Weinuo, therefore Nanjing Weinuo is an associate of CPC under Chapter 14A of the Listing Rules, and hence it is also a connected person of the Company. According to Chapter 14A of the Listing Rules, the transaction contemplated under the Asset Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Transaction calculated pursuant to the Listing Rules exceed 0.1% but all of the applicable percentage ratios are less than 5%, therefore, the Transaction is subject to reporting and announcement requirements but is exempted from the requirement of independent Shareholders' approval under Chapter 14A of the Listing Rules.

As the Target Assets involves certain assets located in Sudan, the Company will in turn develop the relevant business in Sudan region upon the Completion of the Transaction. According to the circular to Shareholders dated 27 October 2014 of the Company, since the United States imposed country-wide embargo on Sudan at that time, the Company had undertaken to shut down the Sudanese branch and terminate or transfer the relevant business (“**Sudan Undertaking**”). However, the Company also expressed that it would continue to monitor and assess the future business potential of the sanctioned countries. When evaluating whether any new business should be commenced in a sanctioned country, the Company would consider the changes in the applicable sanction laws. Since the United States has lifted the country-wide embargo and asset freeze on Sudan and Sudanese government on 12 October 2017, at present if the Group re-enters the Sudan market, under general circumstances this will not have any sanction risk. Meanwhile, the Company has submitted an application to the Stock Exchange on the Group's proposals to acquire assets within the territory of Sudan and re-develop business in the Sudan region, and the Stock Exchange has confirmed that the Company may conduct business in Sudan. The Company will continue to disclose the development of the Company's business in Sudan, the adopted internal control measures and the changes in the relevant sanction risks (if any) in its interim and annual reports.

VII. INFORMATION OF THE PARTIES

The Group

The Company is a joint stock limited company established in the PRC and a leading provider of petroleum and gas engineering and technical services in the PRC. The Group has engineering equipment and technology for, among other things, geophysics, drilling, logging, mud logging, cementing, special downhole operations, oilfield ground surface construction, petroleum and natural gas pipeline construction, and is capable of providing

comprehensive engineering and technical services to cover the entire life-cycle of oil and gas fields. The Group has over 50 years of solid operating results, its oil and gas engineering services have been conducted successively in 76 basins across the PRC, and its business is distributed over 14 provinces in China.

Sinopec Oilfield Service Co., Ltd. (SOSC)

SOSC is a limited liability company incorporated in the PRC with a registered capital of RMB4.0 billion. It is currently a wholly-owned subsidiary of the Company. Its principal business includes the provision of engineering equipment and technical services in the areas of geophysics, drilling, logging, mud logging, cementing, special downhole operations, oilfield ground surface construction, petroleum and natural gas pipeline construction.

Nanjing Weinuo Oil & Gas Well Logging Engineering Co., Ltd. (Nanjing Weinuo)

Nanjing Weinuo is a limited liability company incorporated in the PRC, it is mainly engaged in oil and gas well logging and technical services and technical consulting; wellbore logging technical services; special equipment logging and sales of component parts; provision of technical services for mining and exploitation of petroleum and natural gas; offshore oil engineering services; construction engineering works; geological exploration for energy and minerals, geological exploration for solid minerals; geological exploration technical services, etc. Nanjing Weinuo is a wholly-owned subsidiary of CPC.

DEFINITIONS

Unless the context otherwise requires, the expressions used in this announcement shall have the following meanings:

“Asset Transfer Agreement”	The Asset Transfer Agreement dated 28 December 2018 signed between Nanjing Weinuo and SOSC
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	The Board of Directors of the Company
“business day”	The business hours (except Saturdays, Sundays and public holidays) when commercial banks of the PRC are open to conduct business for the public
“CEA”	China Enterprise Appraisals Co., Ltd. (北京中企華資產評估有限責任公司), which has qualifications to conduct securities and futures related businesses
“Company”	Sinopec Oilfield Service Corporation (中石化石油工程技術服務股份有限公司), a joint stock limited company

	incorporated in the PRC, its A Shares are listed on the Shanghai Stock Exchange and its H Shares are listed on the Main Board of the Stock Exchange
“Completion Date”	31 December 2018
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“CPC”	China Petrochemical Corporation (中國石油化工集團公司), a wholly state-owned company incorporated in the PRC, and a controlling shareholder of the Company holding 70.18% of the total issued share capital of the Company
“Director(s)”	Directors of the Company
“Jiangsu Oilfield Asset Interests”	100% asset interests in Jiangsu Oilfield, representing its entire assets and liabilities
“Group”	The Company and its subsidiaries
“Jiangsu Oilfield”	Jiangsu Oilfield Service and Construction Corporation (江蘇油服建設總公司)
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Nanjing Weinuo”	Nanjing Weinuo Oil & Gas Well Logging Engineering Co., Ltd. (南京威諾油氣井測試工程有限公司), a wholly-owned subsidiary of CPC
“Domestic Regions”	Shandong Province, Xinjiang Uygur Autonomous Region and Sichuan Province of the PRC
“PRC”	The People’s Republic of China, for the purpose of this announcement, excludes Hong Kong Special Administrative Region of the PRC, Macau Special Administrative Region of the PRC and Taiwan
“RMB”	The lawful currency of the PRC
“Shareholder(s)”	The registered holder(s) of the shares of the Company
“SOSC”	Sinopec Oilfield Service Co., Ltd. (中石化石油工程技術服務有限公司), a direct wholly-owned subsidiary of the Company

“Stock Exchange”	Stock Exchange of Hong Kong Limited
“Sudan”	Republic of the Sudan
“Target Assets”	Part of the assets located in Domestic Regions, Sudan and Ukraine and the relevant liabilities proposed to be disposed of by Nanjing Weinuo to SOSC pursuant to the Asset Transfer Agreement
“Transaction”	The transactions contemplated under the Asset Transfer Agreement, including Transfer of the Target Assets and Transfer of the Jiangsu Oilfield Asset Interests
“Transfer of the Jiangsu Oilfield Asset Interests”	the proposed disposal of the Jiangsu Oilfield Asset Interests by Nanjing Weinuo to SOSC and the proposed acquisition of the Jiangsu Oilfield Asset Interests by SOSC pursuant to the terms and conditions of the Asset Transfer Agreement
“Transfer of the Target Assets”	the proposed disposal of the Target Assets by Nanjing Weinuo to SOSC and the proposed acquisition of the Target Assets by SOSC pursuant to the terms and conditions of the Asset Transfer Agreement
“Valuation Date”	30 November 2018
“Valuation Report”	The Valuation Report prepared by CEA in respect of the Transaction using the asset-based valuation approach
“%”	Per cent

By Order of the Board
Li Honghai
Secretary to the Board

Beijing, 28 December 2018

As at the date of this announcement, the directors of the Company comprise Liu Zhongyun⁺, Sun Qingde[#], Chen Xikun[#], Lu Baoping⁺, Fan Zhonghai⁺, Wei Ran⁺, Jiang Bo^{}, Pan Ying^{*}, Chen Weidong^{*} and Dong Xiucheng^{*}.*

⁺ *Non-executive Director*

[#] *Executive Director*

^{*} *Independent Non-executive Director*