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Sinopec Oilfield Service Corporation

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

ANNOUNCEMENT ON PERMANENT REPLENISHMENT OF WORKING CAPITAL BY USING THE REMAINING PROCEEDS RAISED AND TERMINATION OF CERTAIN PROJECTS FUNDED BY PROCEEDS RAISED AND PERMANENT REPLENISHMENT OF WORKING CAPITAL BY USING REMAINING PROCEEDS

Reference is made to the announcement (the “**Announcement**”) dated 4 March 2015 by Sinopec Oilfield Service Corporation (the “**Company**”) in relation to results of the non-public issuance of A shares and change in share capital.

On 25 April 2019, the Company held the twelfth meeting of the ninth session of board of directors to consider and approve the Proposal on the Permanent Replenishment of Working Capital by Using the Remaining Proceeds Raised and Proposal on the Termination of Certain Projects Funded by Proceeds and the Permanent Replenishment of Working Capital by Using Remaining Proceeds Raised. The above two proposals are subject to consideration at the 2018 annual general meeting of the Company.

I. Background of the Proceeds Raised

With the approval of the China Securities Regulatory Commission (Zheng Jian Xu Ke [2014] No. 1370), the Company completed the issuance of 1,333,333,333 renminbi-denominated ordinary shares (A Shares) to seven specific investors such as Darry Asset Management (Hangzhou) Co., Ltd. by way of non-public offering of shares (the “**Issuance**”) on 3 March 2015.

According to the Capital Verification Report issued by Grant Thornton Certified Public Accountants (Special General Partnership) (Yan Zi (2015) No. 110ZC0115), the total proceeds raised from the Issuance were RMB6000 million, and the net

proceeds were RMB5,952,516,700 after deducting the issuance expenses of RMB47,483,300. The Company manages the special account for the proceeds in accordance with the Measures for the Management of Funds Raised by Listed Companies of the Shanghai Stock Exchange (Revised in 2013) and the relevant provisions of the Administrative Measures for Raised Funds of the Company, and strictly examined and approved the use of proceeds to ensure that committed proceeds are for dedicated purposes by entering into the Tripartite Custodian Agreement for Special Accounts for the Proceeds with the deposit bank and joint independent financial advisers.

II. Actual Utilization of the Proceeds

According to the use of proceeds raised from the Issuance (“**Fundraising Project(s)**”) as disclosed in the Announcement, as of the date of this announcement, the actual utilization of the proceeds on the Fundraising Projects are as follows:

Unit: RMB ten thousand

No.	Name of project	Investment amount of proceeds committed	Utilized proceeds as of the date of this announcement	Amount of remaining proceeds	Proportion of remaining proceeds over total investment	The project progress
Overseas operational high-end equipment						
1	Kuwait rig project	160,000.00	106,689.38	53,310.62	33.32%	Completed
Ocean engineering equipment						
2	Project of building 25m working platform	46,600.00	46,600.00	0.00	0	Completed
3	Project of purchasing 8000HP multipurpose working vessel	19,500.00	17,464.82	2,035.18	10.44%	Completed
4	Project of purchasing LOGIQ Imaging Logging System	12,000.00	11,219.91	780.09	6.50%	Completed
Shale gas operation equipment						
5	Project of purchasing downhole testing equipment	13,900.00	13,900.00	0.00	0	Completed
6	Project of purchasing Top Drive equipment	11,000.00	11,000.00	0.00	0	Completed
7	Project of purchasing Coiled Tubing	8,000.00	8,000.00	0.00	0	Completed

	equipment					
Pipeline construction equipment						
8	Project of purchasing pipe construction equipment	53,000.00	13,365.15	39,634.85	74.78%	Propose to be terminated
Supplement the working capital						
9	Supplement the working capital	271,251.67	271,251.67	0.00	0	Completed
	Total	595,251.67	499,490.93	95,760.74	-	-

As of the date of this announcement, accumulated interest income in the Company's special account for the proceeds raised is RMB37,601,400, accumulated service charges in the special account for the proceeds raised are RMB390 and accumulated net interest in the special account for the proceeds raised is RMB37,601,000. The actual balance in the Company's special account for the proceeds raised is RMB995,208,400.

Given the Fundraising Projects "Kuwait rig project", "Project of purchasing 8000HP multipurpose working vessel" and "Project of purchasing LOGIQ Imaging Logging System" have been completed and generated proceeds balance of the committed investment, in order to reduce its financial expense and capital cost, improve the effectiveness of the proceeds and satisfy the funding requirements for production and operation, the Company intends to use the aggregate balance of the committed proceeds from the above Fundraising Projects of RMB561,258,900 to replenish its working capital for investing in the production and operating activities in relation to the principal business of the Company. Upon consideration of the actual progress of the Company's uncompleted Fundraising Project "Project of purchasing pipe construction equipment", the Company proposes to terminate the "Project of purchasing pipe construction equipment" and to use the balance of the proceeds from such Projects of RMB396,348,500 to replenish the Company's working capital. The aggregate amount of the remaining proceeds from the above Fundraising Projects used to permanently replenish the working capital of the Company is RMB995,208,400 (including net interest income, the final amount is subject to the balance after interest settlement of the bank on the date when the proceeds are transferred out from the special account).

III. Proposed Permanent Replenishment of Working Capital by Using of the Remaining Proceeds

1. Main Reason for the Remaining Proceeds Raised

The oil service industry kept weak for a long time due to the sharp decline since

2015 and the recovery growth in 2018 in international oil prices. The continued weakness of the oil service industry has resulted in the substantial decline of the demand for oil-related equipment and the price. The Company strengthened the control of all aspects of project construction to save project construction costs and therefore generated the remaining proceeds. The committed proceeds balance from the "Kuwait Rig Project", "Project on Purchasing 8000HP Multipurpose Working vessel" and "Project on Purchasing LOGIQ Imaging Logging System" totaled RMB561,258,900.

2. Use of Remaining Proceeds and Subsequent Arrangement

Given that the balances of proceeds have been generated from the Fundraising Projects, i.e. "Kuwait Rig Project", "Project on Purchasing 8000HP Multipurpose Working vessel" and "Project on Purchasing LOGIQ Imaging Logging System", the Company intends to use all the remaining proceeds saved from the above-mentioned Fundraising Projects of RMB 561,258,900 to permanently replenish the Company's working capital for investing in the production and operation activities related to the Company's principal business. After the relevant resolutions are considered and approved at the general meeting, the Company will use the remaining proceeds to supplement the liquidity required for the Company's production and operation according to the Administrative Measures for Raised Funds and the Tripartite Custodian System for Raised Funds and other regulations until the proceeds raised were fully utilized. The joint independent financial advisers and the audit institution will issue a special report on the deposit and use of the proceeds.

3. Effects of the Permanent Replenishment of Working Capital by Using the Remaining Proceeds Saved on the Company

The above remaining balance of the proceeds will be used to permanently replenish the Company's working capital for investing in the production and business activities related to the Company's principal business. At present, the Company's operating environment continues to improve with operating income increasing significantly and the demand for working capital increasing simultaneously. Remaining proceeds can effectively alleviate the pressure on funds, help the Company

seize the favorable opportunity of the continuous recovery of the oilfield service market, and leverage the advantages of complicated services in terms of oil and gas and special technologies, which lays a decisive foundation for the Company's overall sustainable development.

IV. Proposed Termination of Fundraising Project

1. Original investment plan and actual investment situation of the Fundraising Project to be terminated

As the Xin Yue Zhe pipeline project, being the underlying project of the "Project of purchasing pipe construction equipment", was approved by the government in the second half of 2015, the project for construction of the natural gas pipeline from Qianjiang to Shaoguan of the Xin Yue Zhe pipeline project went through open tender process in November and December 2017 after Sinopec Xinjiang Coal-based SNG Transmission Pipeline Co., Ltd., the first-party of the project, completed the optimization of the project's construction scheme and profit based on the approval issued by the relevant government department. The Company won bids for six tenders of the project in total. The project for construction of the natural gas pipeline from Qianjiang to Shaoguan is under construction, and the main part of the project is expected to be completed by the end of 2019. The Company is purchasing the pipeline construction equipment with the committed proceeds according to the construction schedule. As of the date of this announcement, a total of RMB133,651,500 of the proceeds was used for the "Project of purchasing pipe construction equipment", accounting for 25.22% of the total investment amount of proceeds committed, and the total amount of the remaining proceeds is RMB396,348,500.

2. Termination of the Fundraising Project

Because the open tender and construction of the project for construction of the natural gas pipeline from Qianjiang to Shaoguan of the Xin Yue Zhe pipeline project, being the underlying project of the "Project of purchasing pipe construction equipment", was launched in November and December 2017, the specific open

tendering and commencement of construction of other underlying projects have not yet been determined. Upon fully considering the Company's own development and the actual situation of the Fundraising Projects, the Company has decided to terminate the "Project of purchasing pipe construction equipment".

3. The impact of the termination of the Fundraising Project on the Company's production and operation

Upon the termination of the "Project of purchasing pipe construction equipment" by the Company, the remaining proceeds committed for the project will be used to permanently replenish the working capital, which will be helpful to improve the utilization efficiency of the proceeds. The termination of the Fundraising Project will not lead to changes and adjustments to the Company's principal business, and will not adversely affect the Company's production and operation.

4. Subsequent arrangements for the proceeds after the termination of the Fundraising Projects

RMB396,348,500 will be used to permanently replenish the working capital of the Company after the termination of the Fundraising Project. Subject to the consideration and approval of the relevant resolution at the general meeting, the Company will supplement the working capital required for its production and operation according to the Administrative Measures for Raised Funds (《募集資金管理辦法》) and the Tripartite Custodian System for Raised Funds, until the proceeds are fully utilized. A special report on the deposit and use of the proceeds will be issued by the joint independent financial advisers and the audit institution.

V. Opinions of the Independent Directors

The independent directors are of the view that the use of the remaining proceeds raised to permanently replenish the working capital, terminating certain project funded by the proceeds raised and using the remaining proceeds to permanently replenish working capital by the Company are its decisions based on the Company's business development and the actual situation of the project, which will help improve

the utilization efficiency of the proceeds, reduce financial expenses and capital costs and better meet the Company's development needs, and will not adversely affect the Company's production and operation. The decision-making procedures for the Company to use the remaining proceeds to permanently replenish its working capital, to terminate part of the fund-raising investment project and to use the remaining proceeds for the permanent replenishment of working capital are in compliance with relevant laws, regulations and the Articles of Association of the Company, and there is no circumstance that will be prejudicial to the interests of the Company and all shareholders. Therefore, we unanimously agree with the use of the remaining proceeds to permanently replenish the working capital, terminating part of the fund-raising investment project and using the remaining proceeds to permanently replenish the working capital by the Company.

VI. Opinions of the Board of Supervisors

The Proposal on the Permanent Replenishment of Working Capital by Using the Remaining Proceeds Raised and the Proposal on the Termination of Certain Projects Funded by Proceeds Raised and the Permanent Replenishment of Working Capital by Using Remaining Proceeds were considered and passed at the ninth meeting of the ninth session of the Board of Supervisors of the Company. The Board of Supervisors are of the view that the use of the remaining proceeds to permanently replenish the working capital and terminating part of the fund-raising investment project and using the remaining proceeds to permanently replenish the working capital by the Company are in the interests of the Company and all shareholders. The relevant content and procedures are in compliance with the relevant requirements of the China Securities Regulatory Commission and the Shanghai Stock Exchange on the management of proceeds by listed companies.

VII. Opinions of the Independent Financial Advisers

The Company's joint independent financial advisors, Guotai Junan Securities Co., Ltd. and UBS Securities Co., Limited, have issued the following verification opinions on the use of the remaining proceeds to permanently replenish the working capital and terminating certain projects funded by proceeds raised and using the remaining

proceeds to permanently replenish the working capital by the Company:

Upon verification, the use of the remaining proceeds raised to permanently replenish the working capital, terminating part of the fund-raising investment project and using the remaining proceeds to permanently replenish working capital by the Company are its decisions based on the Company's business development and the actual situation of the project, which will help improve the utilization efficiency of the proceeds, reduce financial expenses and capital costs and better meet the Company's development needs, and will not adversely affect the Company's production and operation, and there is no disguised change in the use of proceeds to invest and damage the interests of shareholders. The above proposals have been considered and approved at the twelfth meeting of the ninth session of board of directors of the Company convened on 25 April 2019, and the independent directors and the Board of Supervisors expressed independent opinion of consent. The relevant procedures are in compliance with the requirements of the Supervisory Guidelines No. 2 for Listed Companies – Supervisory Requirements for Management and Use of Raised Funds of Listed Companies and the Administrative Measures for Raised Funds of Listed Companies of the Shanghai Stock Exchange (2013 revised). We agree with the use of the remaining proceeds to permanently replenish the working capital, terminating part of the fund-raising investment project and using the remaining proceeds to permanently replenish the working capital by the Company.

For and on behalf of the Board of Directors
Li Honghai
Company Secretary

Beijing, 25 April 2019

As at the date of this announcement, the board of directors comprises Mr. Liu Zhongyun+, Mr. Sun Qingde#, Mr. Chen Xikun#, Mr. Lu Baoping+, Mr. Fan Zhonghai+, Mr. Wei Ran+, Ms. Jiang Bo, Mr. Pan Ying*, Mr. Chen Weidong* and Mr. Dong Xiucheng**

+ Non-Executive Director

Executive Director

** Independent Non-Executive Director*