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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 of the interim results for the six months ended 30 June 2022**

The Board of Directors (the “**Board**”) of Sinopec Oilfield Service Corporation (the “**Company**”) hereby presents the interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2022.

#### **1. IMPORTANT NOTES**

1.1 The Board and the supervisory committee (the “**Supervisory Committee**”) and its directors, supervisors and senior management warrant that there are no false representations, misleading statements or material omissions in this announcement and individually and jointly accept full responsibility for the authenticity, accuracy and completeness of the information contained in this announcement.

1.2 The interim financial statements of the Company for 2022, which have been prepared in accordance with the PRC Accounting Standards for Business Enterprises (“**PRC ASBE**”) and International Financial Reporting Standards (“**IFRS**”), are unaudited. The interim financial statements of the Company for 2022, which have been prepared in accordance with the IFRS, have been reviewed by BDO Limited.

1.3 Mr. Chen Xikun, Chairman, Mr. Yuan Jianqiang, General Manager, Mr. Cheng Zhongyi, Chief Financial Officer, and Mr. Yang Yulong, Manager of the Accounting Department of the Company, hereby warranted the authenticity and completeness of the interim financial statements contained in the announcement.

1.4 This announcement of interim results is a summary of the 2022 Interim Report of the Company. For more details, investors should carefully read the full version of the 2022 Interim Report, which is published on the websites of the Shanghai Stock Exchange (“**SSE**”) (website: <http://www.sse.com.cn>), The Stock Exchange of Hong Kong Limited (“**HKSE**”) (website: <http://www.hkex.com.hk>) and the Company (website: <http://ssc.sinopec.com>).

## 2. BASIC INFORMATION OF THE COMPANY

### 2.1 Company Profile

#### 2.1.1 Places of listing, short names and codes of the stock:

Share Type	Place of listing of the shares	Stock abbreviation	Stock Code	Stock abbreviation before change
A Shares	SSE	SINOPEC SSC	600871	-
H Shares	HKSE	SINOPEC SSC	01033	-

#### 2.1.2 Contact Persons and Contact Information

	Secretary to the Board	Company Secretary, Securities Affairs Representative
Name	Cheng Zhongyi	Shen Zehong
Address	Office of the Board of Directors, #9 Jishikou Road, Changyang District, Beijing, China.	
Telephone	86-10-59965998	
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E-mail	ir.ssc@sinopec.com	

## 2.2 Principal financial data and financial indicators

### 2.2.1 Extracted from the interim financial report prepared under IFRS (Unaudited)

	As at 30 June 2022 <i>RMB '000</i>	As at 31 December 2021 <i>RMB '000</i>	Increase/ (Decrease) From last year (%)
Total assets	65,671,526	64,052,447	2.5
Total Liabilities	58,254,367	57,190,930	1.9
Total equity attributable to equity shareholders of the Company	7,417,159	6,861,517	8.1
Net assets per share attributable to equity shareholders of the Company ( <i>RMB</i> )	0.39	0.36	8.3
	For the six months ended 30 June 2022 <i>RMB '000</i>	For the six months ended 30 June 2021 <i>RMB '000</i>	Increase/ (Decrease) From corresponding period of last year (%)
Profit attributable to equity shareholders of the Company	555,642	694,246	-20.0
Basic and diluted earnings per share	RMB 0.029	RMB 0.037	-19.9
Net cash generated from/(used in) operating activities	-537,926	358,861	-249.9
Return on net assets	7.49%	9.36%	decreased by 1.87 percentage points
Net cash generated from/(used in) operating activities per share	RMB -0.028	RMB 0.019	-247.4

### 2.2.2 Extracted from the interim financial report prepared in accordance with the PRC ASBE (Unaudited)

#### ( 1 ) Key financial data

	<b>For the six months ended 30 June 2022 RMB'000</b>	<b>For the six months ended 30 June 2021 RMB'000</b>	<b>Increase/(Decrease) (%)</b>
Operating income	33,148,652	31,570,061	5.0
Operating profit	363,318	430,442	-15.6
Profit before income tax	377,377	450,516	-16.2
Net profit attributable to equity shareholders of the Company	200,268	368,558	-45.7
Net profit deducted extraordinary gain and loss attributable to equity shareholders of the Company	144,002	310,618	-53.6
Net cash inflow from operating activities (“-” for outflow)	-537,926	358,861	-249.9
	<b>As at 30 June 2022 RMB'000</b>	<b>As at 31 December 2021 RMB'000</b>	<b>Increase/(Decrease) (%)</b>
Total equity attributable to equity shareholders of the Company	7,417,159	6,861,517	8.1
Total assets	65,671,526	64,052,447	2.5

## ( 2 ) Key financial indicators

	<b>For the six months ended 30 June 2022</b>	<b>For the six months ended 30 June 2021</b>	<b>Increase/(Decrease) (%)</b>
Basic earnings per share (RMB/share)	0.011	0.019	-42.1
Diluted earnings per share (RMB/share)	0.011	0.019	-42.1
Basic earnings per share deducted extraordinary gain and loss (RMB/share)	0.008	0.016	-50.0
Weighted average return on net assets	2.88%	5.34%	decreased by 2.46 percentage points
Weighted average return on net assets deducted extraordinary gain and loss	2.07%	4.50%	decreased by 2.43 percentage points

### 2.2.3 Extraordinary gain and loss items and amount (figures are based on the interim financial report prepared in accordance with the PRC ASBE) (Unaudited)

<b>Extraordinary gain and loss items</b>	<b>Amount (RMB'000)</b>
Gain on disposal of non-current assets	21,611
Government grants recognized in profit or loss during the current period	59,025
Gains of debt restructuring	10,841
Other non-operating income and expenses excluding the aforesaid items	-20,502
Effect of income tax	-14,709
Total	56,266

### 2.2.4 Differences between the interim financial report of the Company prepared in accordance with the PRC ASBE and IFRS (Unaudited)

	Net profit attributable to equity shareholders of the Company		Total equity attributable to equity shareholders of the Company	
	For the six months ended 30 June 2022 RMB'000	For the six months ended 30 June 2021 RMB'000	As at 30 June 2022 RMB'000	As at 1 January 2022 RMB'000
PRC ASBE	200,268	368,558	7,417,159	6,861,517
Adjustment of items and amount in accordance with the IFRS: :				
Specific reserve (a)	355,374	325,688	-	-
IFRS	555,642	694,246	7,417,159	6,861,517
Description of differences	Please refer to section 7.3 of financial report of this interim performance announcement.			

### 3. CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF MAJOR SHAREHOLDERS

#### 3.1 Changes in share capital

During the reporting period, there was no change in the total number of shares and the share structure of the Company.

3.2 As at 30 June 2022, the number of shareholders of the Company was 133,672, including 133,336 shareholders of A shares and 336 registered holders of H shares.

3.3 As at 30 June 2022, the shareholdings of the top ten shareholders of the Company are as follows:

Shareholdings of the top ten shareholders						
Names of shareholders	Nature of shareholders	Changes of shareholdings <sup>1</sup> (shares)	Number of shares held at the end of the reporting period (shares)	Percentage to total share capital (%)	Number of shares with selling restrictions (shares)	Number of shares pledged or frozen
China Petrochemical Corporation <sup>2</sup>	State-owned legal person	0	10,727,896,364	56.51	0	0
Hong Kong Securities Clearing Company (Nominees) Limited ("HKSCC (Nominees) Limited") <sup>3</sup>	Overseas legal person	-52,000	5,402,011,694	28.46	0	0
CITIC Corporation Limited	State-owned legal person	-59,043,400	616,113,200	3.25	0	0
Hong Kong Securities Clearing Company Limited <sup>4</sup>	Others	-26,974,597	95,318,032	0.50	0	0
Anhui Yangguang Xintong Electronic Technology Corp., Ltd	Others	23,600,000	26,600,000	0.14	0	0
Agricultural Bank of China – China	Others	7,228,200	17,825,200	0.09	0	0

Securities 500 Trading Open Index Securities Investment Fund						
Shanghai Tongneng Investment Holdings Co., Ltd.	Others	4,660,000	16,176,200	0.09	0	0
Li Feng	Domestic natural person	1,593,300	12,000,000	0.06	0	0
Changjiang Pension Insurance Co.,Ltd.-Changjiang Shengshi Huazhang No.2 Community Pension Management Fund <sup>5</sup>	Others	0	11,574,427	0.06	0	0
Hu Xiao	Domestic natural person	0	9,920,000	0.05	0	0
<b>Shareholdings of top ten shareholders of shares without selling restrictions</b>						
<b>Name of shareholders</b>					<b>Number of shares without selling restrictions held at the end of the reporting period (shares)</b>	<b>Types of shares</b>
China Petrochemical Corporation					10,727,896,364	A Share
Hong Kong Securities Clearing Company (Nominees) Limited (“HKSCC (Nominees) Limited”)					5,402,011,694	H Share
CITIC Corporation Limited					616,113,200	A Share
Hong Kong Securities Clearing Company Limited					95,318,032	A Share
Anhui Yangguang Xintong Electronic Technology Corp., Ltd					26,600,000	A Share
Agricultural Bank of China – China Securities 500 Trading Open Index Securities Investment Fund					17,825,200	A Share
Shanghai Tongneng Investment Holdings Co., Ltd.					16,176,200	A Share
Li Feng					12,000,000	A Share
Changjiang Pension Insurance Co.,Ltd.-Changjiang Shengshi Huazhang No.2 Community Pension Management Fund					11,574,427	A Share
Hu Xiao					9,920,000	A Share
Statement on the connected relationship or activities in concert among the above-mentioned shareholders			The Company is not aware of any connected relationship or acting in concert among the above-mentioned shareholders.			

Note:

- As compared with the number of shares held as of 31 December 2021.
- Apart from directly holding 10,727,896,364 A-shares of the Company, China Petrochemical Corporation also held 2,595,786,987 H-shares through its wholly-owned subsidiary, Century Bright Company. Therefore, China Petrochemical Corporation directly and indirectly holds 13,323,683,351 shares of the Company, which represents 70.18% of the total shares of the Company.

3. HKSCC (Nominees) Limited is a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited, acts as an agent to hold H shares of the Company on behalf of other companies or individual shareholders.
4. Hong Kong Securities Clearing Company Limited is a wholly-owned subsidiary of the Hong Kong Exchanges and Clearing Limited, and acts as a nominal holder to hold A shares of the Company in the Shanghai Stock Exchange on behalf of the investors of the Hong Kong Stock Exchange.
5. Changjiang Pension Insurance Co., Ltd held it on behalf of Qi Xin Gong Ying Scheme.

### 3.4 Substantial Shareholder's Interests in Shares or Short Position of the Company

To the Directors' knowledge, as at 30 June 2022, the following persons (other than director, supervisor or senior management of the Company) had an interest or short positions in the shares and underlying shares of the Company which shall be disclosed under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO") were as follows:

Name of shareholder	Number of share held (shares)	Percent of shareholding in the Company's total issued share capital (%)	Percent of shareholding in the Company's total issued domestic shares (%)	Percent of shareholding in the Company's total issued H shares (%)	Short position (shares)
China Petrochemical Corporation	10,727,896,364 ( A share )	56.51	79.06	Not Applicable	-
	2,595,786,987 ( H share ) <sup>1</sup>	13.67	Not Applicable	47.94	-

Note: 1. China Petrochemical Corporation held 2,595,786,987 H shares of the Company through its wholly-owned subsidiary Century Bright Company. China Petrochemical Corporation is deemed to have H shares held by Century Bright Company.

Save as disclosed above, as at 30 June 2022, as far as known to the Directors, no other person (other than director, supervisor or senior management of the Company) had an interest or short position in the shares and underlying shares of the Company which would as recorded in the register kept by the Company under Section 336 of the SFO.

## 4. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### 4.1 Changes in Directors, Supervisors and Senior Management

Mr. Ma Xiang resigned as the chairman of the supervisory committee and the supervisor of the Company due to his age on 29 March 2022. According to the election of the annual general meeting for the year 2021, Mr. Wang Jun was elected as a non-employee representative supervisor of the tenth session of the supervisory committee of the Company.

On 26 May 2022, the Company held the tenth meeting of the tenth session of the Supervisor Committee and Mr. Wang Jun was elected as the chairman of the tenth session of the Supervisory Committee, with a term of office commencing from 26 May 2022 to the date when the term of the tenth session of the Supervisory Committee expires.

Mr. Zhang Jiankuo resigned as the deputy general manager of the Company due to change in his work position on 28 June 2022.

The Company expresses its heartfelt thanks to Ms. Ma Xiang and Mr. Zhang Jiankuo for their hard work and important contributions during their tenure.

#### 4.2 Directors', Supervisors' and Senior Management's Interests and Short Positions in Shares, Underlying Shares and Debentures

At the date of this announcement, the Company's deputy general manager Mr. Sun Bingxiang as a beneficial owner held 50,300 A shares of the Company, representing 0.00037% of the A shares in issue of the Company and 0.00026% of shares in issue of the Company.

As at 30 June 2022, save as disclosed above and Qi Xin Gong Ying Scheme disclosed below, none of the Directors, Supervisors or other senior management of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the registry by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the HKSE pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”).

#### Directors, Supervisors and Senior Management Participate in Qi Xin Gong Ying Scheme

On 25 January 2018, the Company non-publicly issued 1,503,568,702 and 23,148,854 shares of restricted-sale A shares to China Petrochemical Corporation and the Qi Xin Gong Ying Scheme respectively. Qi Xin Gong Ying Scheme is managed by Changjiang Pension Insurance Co., Ltd., and its shares shall be subscribed by the certain directors, supervisors, senior management and other core management personnel of the Company. The number of subscribers is 198, and the subscription amount is RMB60.65 million in total. The subscription price for each scheme share under Qi Xin Gong Ying Scheme is RMB 1.00. The duration of Qi Xin Gong Ying Scheme is 48 months commencing from 25 January 2018. The first 36 months shall be the lock-up period and the last 12 months shall be the unlocking period. On 25 January 2021, the lock-up period of 23,148,854 A shares with selling restrictions held by Qi Xin Gong Ying Scheme have ended and were listed for trading. In 2021, Qi Xin Gong Ying Scheme reduced holding 11,574,427 shares of A share through centralized bidding. By the end of the reporting period, Qi Xin Gong Ying Scheme still holds 11,574,427 shares of A share.

In Qi Xin Gong Ying Scheme, directors, supervisors and senior management of the Company have subscribed 5.15 million scheme shares in total, accounting for approximately 8.5% of the total scheme shares of Qi Xin Gong Ying Scheme. There are 15 directors, supervisors and senior management of the Company in total who have subscribed for Qi Xin Gong Ying Scheme. The subscriptions by the directors, supervisors and senior management of the Company under Qi Xin Gong Ying Scheme are as follows:

Name	Position	Subscription amount under Qi Xin Gong Ying Scheme (RMB)	Subscription scheme shares under Qi Xin Gong Ying Scheme (shares)	Subscription Price (RMB/A Share)	Subscription of A share (share)
Chen Xikun	Chairman, Secretary of the Party Committee	400,000	400,000	2.62	152,671
Wang Jun	Chairman of Supervisory Committee	300,000	300,000	2.62	114,503
Sun Yongzhuang	Employee representative supervisor	300,000	300,000	2.62	114,503
Zhang Bailing	Employee representative supervisor	350,000	350,000	2.62	133,587
Du Guangyi	Employee	350,000	350,000	2.62	133,587

	representative supervisor				
Zhang Yongjie	Deputy General Manager	350,000	350,000	2.62	133,587
Zuo Yaojiu	Deputy General Manager	350,000	350,000	2.62	133,587
Zhang Jinhong	Deputy General Manager	350,000	350,000	2.62	133,587
Zhang Jiankuo	Former Deputy General Manager	300,000	300,000	2.62	114,503
Li Honghai	Former Secretary to the Board	300,000	300,000	2.62	114,503
Sun Qingde	Former Vice Chairman, General Manager	400,000	400,000	2.62	152,671
Li Wei	Former Chairman of Supervisory Committee	350,000	350,000	2.62	133,587
Li Tian	Former Chief Financial Officer	350,000	350,000	2.62	133,587
Huang Songwei	Former Supervisor	350,000	350,000	2.62	133,587
Zhang Hongshan	Former Supervisor	350,000	350,000	2.62	133,587
Total	/	5,150,000	5,150,000	-	1,965,637

#### 4.3 Independent Non-Executive Director and Audit Committee

As at 30 June 2022, the Company has three independent non-executive directors, one of whom is professional in the accounting field and has experience in financial management.

The Audit Committee of the Board of the Company has been founded. The members of the Audit Committee include Mr. Zheng Weijun, Mr. Zhou Meiyun, Mr. Chen Weidong and Mr. Dong Xiucheng. The main responsibilities of the Audit Committee are to review and supervise the Company's financial reporting procedures and internal control system, and to provide advice to the Board. The Audit Committee has reviewed and confirmed the interim results of the Company for the six-months ended 30 June 2022.

#### 5. MANAGEMENT DISCUSSION & ANALYSIS

*The following financial figures, except where specifically noted, are extracted from the Company's unaudited interim financial report prepared in accordance with the PRC ASBE.*

In the first half of 2022, making every effort to overcome hurdles imposed by unfavorable factors including the sporadic spread of the pandemic, the hiking prices of raw materials and the sluggish recovery in oilfield service prices, the Company seized the opportunities arising from the surge in oil prices and the demand recovery. Under its continuous step-up in efforts towards market expansion, as well as its strong focus on project management and unceasing promotion of resource optimization, the Company achieved a year-on-year growth in its operating income. During the first half of 2022, the consolidated revenue of the Company was RMB 33,148,652,000, representing an increase of 5.0% over RMB 31,570,061,000 in the same period of the previous year. Net profit attributable to shareholders of the Company amounted to RMB 200,268,000, representing a decline of 45.7% from RMB 368,558,000 in the same period of the previous year. This was mainly due to the Company's persistent focus on building up a technology-leading petroleum service company, expediting our core technological breakthroughs and increasing our research and development expenditure, which in turn resulted into a year-on-year growth of 91.1% in our research and development expenses in the first half of the year. Basic earnings per share was RMB 0.011, representing an decrease of RMB 0.008 over the same period of the previous year; net cash flow from operating activities was RMB -537,926,000, representing an decrease of 249.9% as compared with RMB 358,861,000 in the same period last year.



## **5.1 Market review**

In the first half of 2022, facing the complex and severe international environment, global economy witnessed an evident slowdown in its growth, while the sporadic outbreaks of pandemic in China delivered a big hit to the stable operation of the economy. Despite so, along with the effective coordination of pandemic prevention and control measures as well as the ongoing effectiveness in the economic and social developments, the overall domestic economy continued its steady growth upon the success in the implementation of a package of policies and measures to stabilize growth. In the first half of the year, the country achieved a year-on-year increment of 2.5% in its gross domestic product (GDP). Affected by factors such as geopolitical conflicts and the increased liquidity in the world's major economies, energy prices continued to stay high, where the average spot price of North Sea Brent Crude reached US\$ 107.2 per barrel, representing a year-on-year increase of 65.2%. These have effectively driven the continuous growth of upstream exploration and exploitation investment by oil companies, leading to the obvious trend of revival in the oilfield service industry. Meanwhile, through the efforts of strategies for safeguarding national energy security and the “Seven-year Action Plan” to expand reserves and production, the recovery in the domestic oilfield service market picked up pace where the utilization rate of the Company’s teams also improved.

In the first half of 2022, the Company proactively seized the favorable opportunities brought by the increased investment in oil and gas exploration and exploitation, increased its efforts in cultivating technological innovations along with reforms and management in innovative initiatives, and comprehensively improved the technical capability, management performance, comprehensive quality and market competitiveness of its teams. Adhering to market orientation, we exerted all efforts to support and safeguard the oil and gas exploration and exploitation of China Petrochemical Corporation, meanwhile to expand our domestic and external markets as well as high-quality and large-scaled markets overseas. We also achieved a historical high in the number of our newly signed contracts in the markets since the “13th Five-Year” Plan, where our accumulated value of our newly signed contracts amounted to RMB52.9 billion, representing a year-on-year growth of 20.8%. Among which, the value of our newly signed contracts in the market of China Petrochemical Corporation reached RMB31.63 billion, representing a year-on-year growth of 16.5%; the value of our newly signed contracts in the domestic external markets reached RMB9.45 billion, representing a year-on-year growth of 21.5%; and the value of our newly signed contracts in the overseas markets reached RMB11.82 billion, representing a year-on-year growth of 33.3%. The Company also successfully guaranteed quality and efficient service, and made significant breakthroughs in its core technologies. During the first half of the year, we also established an unprecedented record of 300 constructions. Under the continuous promotion of market layout planning and the optimization of resource allocation, we have seen steady improvements, not only in our market competitiveness but also our capabilities in generating income and efficiency. In general, major HSE and drilling-well risks remained under control, and our production and operation remained promising.

## **5.2 Operation Review**

### **5.2.1 Geophysical service**

In the first half of 2022, the Company’s operation revenue from the principal business of geophysical service was RMB1,512,225,000, representing a decline of 16.0% from RMB1,800,634,000 in the same period of the previous year. The completed 2D seismic exploration accumulated for 2,718 kilometers, representing a year-on-year increase of 344.8%; while the completed 3D seismic exploration accumulated for 6,962 square kilometers, representing a year-on-year decrease of 12.1%. During the first half of the year, with the roll-out of full-node acquisition as well as high-efficiency vibroseis acquisition technology, the Company comprehensively enhanced its oil and gas exploration capabilities, where our seismic data acquired with first grade quality was 3.1 percentage points higher and our 3D average daily efficiency increased by 224.7% as compared with that of the same period of previous year. Additionally, we actively served the oil and gas exploration of Sinopec in Junggar, Tarim, southeast Sichuan and other regions. In 2022, we have newly signed with Sinopec Northwest Oilfield Company in relation to the data acquisition for 3D seismic exploration in the Shuntuoguole Area of the

Tarim Basin, covering a total of 3 projects with a total contract value of RMB670 million. The development in our Beidou business, engineering geophysical exploration and other new businesses demonstrated positive momentum, where we have also been awarded tenders amounting to RMB203 million with our new businesses, hitting a record high over the same period of the previous years.

### **5.2.2 Drilling service**

In the first half of 2022, the Company's operation revenue from the principal business of drilling service was RMB16,635,798,000, representing an increase of 5.9% from RMB15,712,885,000 in the same period of the previous year. Our completed drilling footage reached 4,870 kilometers, representing a year-on-year increase of 3.2%. During the first half of the year, the average utilization rate of our drilling teams was 90.1%, that is a year-on-year improvement of 6.5 percentage points. Under the continuous optimization of its team scale, the Company established a more reasonable team layout, speeded up the promotion of recommended practices and the application of matured technologies. Focusing on the operation management of demonstration wells and key wells, we steadily expanded the "factory-based mode" drilling. During the first half of the year, the average drilling cycle of completed wells lasted for 26.51 days, which had shortened by 11.6% as compared to the same period of the previous year. Meanwhile, the time on complicated failures was 0.42%, representing a year-on-year decline of 50.6%. Besides, Shengye 9-3HF well set a record for the longest domestic horizontal section of shale gas horizontal well, whereas Shunbei 4-12H well also set a record for the shortest drilling cycle among the comparable wells located in the Tahe and Shunbei industrial zones, altogether effectively establishing a group of key wells and high-yield wells with quality.

### **5.2.3 Logging and mud logging service**

In the first half of 2022, the Company's operation revenue from the principal business of logging and mud logging service was RMB1,202,466,000, representing an increase of 4.5% from RMB1,150,738,000 in the same period of the previous year. Our completed logging projects accumulated for 133,780,000 standard meters, representing a year-on-year decrease of 2.3%, whereas our completed mud logging projects accumulated for 4,070 kilometers, representing a year-on-year decrease of 15.9%. The quality and technical indicators of logging and mud logging services were maintained well, and the pass rate of logging and mud logging data reached 100%. In Sinopec's "Northwest China, North China, Northeast China and Sichuan" and eastern old oil fields, our logging and mud logging business remained stable, while the Sichuan Basin and other domestic and external markets of Sinopec also became pillars for the services of the logging and mud logging business of the Company. Focusing on the needs of its clients, the Company initiated technological promotion, and continued to enhance its technologies adhering to the works under the principle of "Four Improvements", revealing a number of new records in multiple indicators in relation to testing, logging, locating and etc.

### **5.2.4 Downhole operation service**

In the first half of 2022, the Company's operation revenue from the principal business of downhole operation service was RMB4,292,870,000, representing a year-on-year growth of 8.9% as compared with RMB3,941,443,000 in the same period of the previous year. We completed downhole operation for 3,463 wells/times, with a year-on-year increase of 4.7%, where the fracturing construction efficiency in key industrial zones in "Northwest China, North China, Northeast China and Sichuan" was improved by 18.5% year-on-year. The Company gave full play to the advantages of professionalism and technologies in horizontal well subdivided fracturing, large-scale acid fracturing, acid gas testing, high-temperature and high-pressure well testing and continuous oil pipeline operations. It also continued to enhance the support for high-quality exploration and profitable development of Sinopec, facilitating Sinopec to discover not only a number of wells of daily production in thousand ton per well in the Shunbei industrial zone in the Northwest China, but also the second shale gas reserve of trillion cubic feet in the southeast Sichuan, along with the significant breakthroughs made in the shale oil exploration in the Subei Basin. In addition, while collaborative exploitation of oilfields have been further deepened in the Company's reservoir business, we have also broken new ground in the Southwestern China in the partnerships regarding the tight gas reservoir in Xinchang – Hexingchang of the western Sichuan, as well as the shale gas region in Dingshan of the southern Sichuan, altogether forming a desirable profile for the bilateral growth in the areas of oil and gas.

### **5.2.5 Engineering and construction service**

In the first half of 2022, the Company's operation revenue from the principal business of engineering and construction service was RMB8,326,149,000, representing a year-on-year growth of 5.8% from RMB7,868,764,000 in the same period of the previous year. We completed projects with a accumulated contract value of RMB8.53 billion, representing a year-on-year improvement of 8.1%, where the accumulated value of our newly signed contracts amounted to RMB23.16 billion, representing a year-on-year improvement of 60.2%. The Company undertook the relocation and construction project of the crude oil depot in Dongyin, which was advanced with high standards and high quality, and the project in relation to the natural gas pipeline from the gas gathering station to Lunnan in Xinjiang was put into operation 81 days ahead of schedule. Additionally, we have also successfully won the tender in relation to a general contractor contract regarding the natural gas pipeline of the East Main Line of the Shandong pipeline network, where the value of the tender amounted to RMB6.27 billion. We also newly signed with PipeChina in relation to the project of the "Relocation and Construction Project of Dongyin Gas Station of Eastern Crude Oil Storage and Transportation Co., Ltd.", which had a contract value of RMB175 million. Apart from these, we also successfully won the tender in relation to the construction project of the surface of the Shuyang to Suyu section, with a contract value of RMB420 million. All these achievements allow us to further gain a firm foothold in the expressway market in Jiangxu.

### **5.2.6 International business**

In the first half of 2022, the Company's operation revenue from the principal business of international business was RMB5,650,053,000, representing a year-on-year growth of 29.7% from RMB4,356,273,000 in the same period of the previous year, accounting for 17.3% of the revenue from our principal business in the first half of the year. During the first half of the year, in the face of the grim realities of persistent tensions generated by the pandemic overseas, the Company continued to solidify its presence in the traditional market while striving to expand new businesses; under which, we have effectively maintained the steady developments in three large-scaled markets, namely Saudi, Kuwait and Ecuador. In Saudi market, we successfully signed 6 contracts with Saudi Aramco in relation to unconventional gas well drilling rigs, with a contract value reaching US\$530 million. In Kuwait market, we successfully signed a drill bit contract with a contract value of US\$27.65 million, riding on the expansion of trading business driven by the traditional well drilling and improvement business. In the Ecuador market, we newly signed a drilling and completion general contractor service project in relation to the SACHA oilfield drilling and completion, with its contract value amounting to RMB830 million. Riding on the trend, our engineering construction business newly signed a US\$610 million general contractor project in relation to the oil and gas transmission in Uganda, as well as a US\$130 million EPC project in relation to the natural gas pipeline from Bang Pakong to south Bangkok of Thailand. Meanwhile, under the steady expansion of our geophysical exploration business, we extended our contract with Saudi Aramco for an additional year for the S84 3D seismic acquisition project, which has a contract value of US\$58 million. Through the diligence and care that we devoted in our oil reservoir business, our I-L-Y project in Ecuador as well as our EBANO project in Mexico have captured the favorable opportunities brought by the upward trend of oil prices, with various indicators indicating our performance in the first half of the year was beyond expectations, while new historical high has been reached in relation to the increase in our production and efficiency.

### **5.2.7 Technology Research & development**

In the first half of 2022, the Company further optimized our institutional mechanisms of technological innovation, continued to release vitality and raise the effectiveness of innovation, and undertook 300 projects throughout the year, which is another new record. With integrated supporting technologies as the core tool supporting our development, we achieved a number of original and groundbreaking achievements by making breakthroughs in key technologies such as drilling and completion of deep and ultra-deep shale oil gas well, providing strong technical support for China Petrochemical Corporation's major breakthroughs in the upstream exploration and discovery. We saw substantial progress in making breakthroughs in core technology, with completion of testing of 13 oil wells by Type I rotary steerable system and continuous drilling in one go for 7 oil wells; our ultra-deep high-temperature electrical imaging logging instrument and high-temperature MWD became mature and finalized, with substantially enhanced technical capabilities of performing measurement and

control, logging and measurement at wells of above 9,000 meter and high-temperature (175°C); we have successfully developed the first integrated d/c driven fine pressure control drilling system in China. In the first half of the year, the industrialization of products and the transformation of scientific and technological achievements of the Company amounted to RMB1.39 billion.

### **5.2.8 Internal reform and management**

In the first half of 2022, the Company made efficient progress in coordinating and optimizing the resource allocation by establishing the project management department and the oil engineering equipment management centre in southwestern industrial zone, and strengthening efforts to optimize resource allocation in southwestern industrial zone. With these efforts, we coordinated and optimized allocation of equipment and resources precisely, and continued to enhance our capabilities in terms of asset management, generating revenue and raising efficiency; we have further clarified the overall approach to the construction of a project-based management system by formulating work plans of the construction of a project-based management system and plans of running the projects. We have accelerated the construction of a project-based management system centered on project management and supported by “two pools, two banks and one platform”, and developed and finalized the relevant management measures. With these efforts, we have achieved overall improvement in profitability and resource allocation for the projects and have made substantial progress in the construction of the project-based management system; focusing on the five industrial chains including physical exploration, drilling, downhole operation, testing, logging and locating services and engineering and construction, we have formulated special development plan and ascertained distinctive business development approaches for the projects. With these efforts, we have laid a sound foundation for the coordination and development of the business of distinctive construction and technology services in the future.

### **5.2.9 Capital Expenditure**

In the first half of 2022, the Company had a capital expenditure of RMB1.01 billion, representing an increase of RMB0.59 billion. The Company adhered to the “proactive and prudent” investment principle, optimized investment structure, strengthened resource coordination, and continued to play the leading and supporting role of investment, mainly for the renewal purchase of 25 drilling rigs, upgrading of 23 drilling rigs, purchase of 12 top-drive guiding devices of drilling rigs, 12 sets of rig network electrical equipment, 13 cementing trucks used in oil wells, 20 sets of electric fracturing units, 2 sets of coiled tubing equipment, 3 workover rigs, 10 rotary steering devices, 6 sets of devices for high-temperature measurement and control while drilling, 205,000 acquisition equipment and 10 sets of fully automatic welding standard unit.

## **5.3 Assets, liabilities, equity and cash flow analysis (Prepared in accordance with International Financial Reporting Standards (“IFRS”))**

As at 30 June 2022, the Group’s total assets were RMB 65,671,526,000 and total liabilities were RMB 58,254,367,000. The total equity attributable to shareholders of the Company was RMB 7,417,159,000. Compared with the consolidated statement of financial position as at 31 December 2021 (“Compared with that at the end of last year”), the changes and its main reasons were as follow:

Total assets were RMB65,671,526,000, increased by RMB1,619,079,000 compared with that of the end of last year, including that (i) current assets were RMB35,215,584,000, increased by RMB3,462,852,000 compared with that of the end of last year, mainly due to the increase in completed unliquidated projects in the first half of the year, resulting in an increase in contract assets of RMB3,304,419,000. (ii) non-current assets were RMB30,455,942,000, decreased by RMB1,843,773,000 compared with that of the end of last year, mainly due to depreciation and amortization of the Group’s fixed assets and long-term prepaid expenses were normally accrued in the first half year.

The total liabilities were RMB58,254,367,000, increased by RMB1,063,437,000 compared with that of the end of last year, including that (i) current liabilities were RMB55,921,683,000, increased by RMB900,802,000 compared with that of the end of last year, mainly due to an increase of RMB1,042,176,000 of short-term

borrowings in the first half of the year; and (ii) non-current liabilities were RMB2,332,684,000, increased by RMB162,635,000 compared with that of the end of last year, which is mainly due to an increase of long-term borrowings of RMB178,954,000.

Total equity attributable to shareholders of the Company was RMB7,417,159,000, increased by RMB555,642,000 compared with that of the end of last year. It was mainly due to the fact that profit attributable to shareholders of the Company for the first half of 2022 was RMB 555,642,000.

As at 30 June 2022, the ratio of total liabilities to assets was 88.7%, comparing with 89.3% as at 31 December 2021.

In the first half of 2022, the Group's net cash outflow from operating activities was RMB537,926,000, representing a increase of cash outflow by RMB896,787,000 as compared with the corresponding period of last year. It was mainly due to increase payments to suppliers during the first half of this year.

In first half of 2022, the Group's net cash outflow from investing activities was RMB492,591,000, a increase of cash outflow by RMB101,959,000 as compared with the corresponding period of last year. It was mainly due to the expenditure on the acquisition of equipment increasing year-on-year.

In the first half of 2022, the Group's net cash inflow from financing activities was RMB305,843,000, an increase of cash inflow by RMB296,576,000 compared with the corresponding period of last year. It was mainly due to the increase in volume of loans in the first half year.

As at 30 June 2022, the Group's borrowings from bank and related companies were RMB 19,991,943,000 (as at 31 December 2021: RMB 19,074,777,000). These borrowings include the short-term borrowings of RMB 18,441,608,000 and the long-term borrowings due more than one year of RMB 1,550,335,000. As at 30 June 2022, approximately 86.0% of the borrowings were denominated in Renminbi (as at 31 December 2021: 86.8%) and approximately 14.0% were denominated in US dollars (as at 31 December 2021: 13.2%).

As at 30 June 2022, the gearing ratio of the Group was 72.1% (as at 31 December 2021: 71.6%). The gearing ratio = (liability with interest – cash & cash equivalents)/(liability with interest – cash & cash equivalents + shareholders' equity).

#### 5.4 Statement of operation by industry

Industry	Operating Income for the first half of 2022 <i>RMB '000</i>	Operating cost for the first half of 2022 <i>RMB '000</i>	Gross Profit Margin (%)	Increase/ (decrease) in operating income as compared with last year (%)	Increase/ (decrease) in operating cost as compared with last year (%)	Gross profit margin compared with last year
Geophysical	1,512,225	1,503,752	0.6	-16.0	-13.8	decreased by 2.5 percentage points
Drilling	16,635,798	15,455,935	7.1	5.9	4.9	increased by 0.9 percentage points
Logging/Mud logging	1,202,466	977,133	18.7	4.5	4.3	increased by 0.1 percentage points
Downhole operation	4,292,870	4,014,132	6.5	8.9	7.6	increased by 1.1 percentage points
Engineering and Construction	8,326,149	7,692,437	7.6	5.8	3.7	increased by 1.9 percentage point
Other	757,056	789,082	-4.2	15.8	5.1	increased by 10.7 percentage points

Total	32,726,564	30,432,471	7.0	5.1	3.8	increased by 1.2 percentage points
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## 5.5 Statement of operation by regions

Region	Operating income for the first half of 2022 RMB '000	Increase/ (decrease) as compared with the corresponding period of last year (%)
Mainland China	27,076,511	1.1
Hong Kong, Macau, Taiwan and overseas	5,650,053	29.7

## 5.6 Business prospects

Looking forward to the second half of 2022, the oilfield service industry will continue to recover, and the market competition remains challenging and complicated. In the second half of the year, the risk premium of geopolitics will remain there, while many uncertainties in supply and demand sides remain. The overall crude oil prices are expected to fluctuate at a high level, which will continue to make contribution to the recovery of investment in oil and gas exploration and exploitation; to ensure national energy security, China will vigorously promote the implementation of relevant planning for oil and gas projects to encounter uncertainties in the external environment with certainties in increasing output and ensuring abundant supplies of domestic oil and gas products, so as to create development opportunities for the oilfield service market in the PRC. However, we also see that the risk of the pandemic across the world remains, prospects for a global economic recovery remains uncertain, and there are still many uncertainties in the way to recovering demand in the industry. Accordingly, domestic and overseas oil companies will have higher requirements for cost of construction, engineering technology, quality of service, safety and environmental protection.

### Operation Plans for the Second Half of 2022

In the second half of 2022, the Company will continue to enhance its capabilities in support for the exploration and exploitation, promote efficient co-ordination of market layout and resource allocation, leverage the advantages of comprehensive services and special technologies to support the exploration and exploitation work of Sinopec Group and continue to optimize the market layout and fully expand the market. Focusing on efficiency improvement, the Company will continue to coordinate its market layout, optimize resources allocation, and strengthen technological innovation and application, so as to facilitate sustainable development of the petroleum engineering and improve the quality of corporate development. The Company expects to achieve a newly signed contract value of RMB21.1 billion, among which RMB14.3 billion will be from the Sinopec Group market, RMB3.6 billion from domestic external market, and RMB3.2 billion from overseas market. The Company expects to achieve a newly signed contract value of 74 billion for the whole year.

#### 5.6.1 Geophysical service

In the second half of 2022, the Company will efficiently serve the exploration and exploitation of oil companies, accelerate efforts to make breakthroughs in key technologies, equipment and practical processes, accelerate upgrading of key equipment, pay close attention to the development of digital and intellectual seismic teams by continuously improving the level of automation, informatization and mechanization of the geophysical equipment, so as to provide support to endeavor to realize higher yield with less wells in a stronger and more effective manner; we will leverage our competitive advantages in integration of collection, processing and interpretation, strengthen efforts to develop domestic external markets including the China Geological Survey, coal mining companies, Yanchang Oilfield, mining companies in different provinces, which have been the traditional markets of seismic services. We plan to complete the acquisition of 2D seismic data of 1,412 kilometers and 3D of 11,298 sq. kilometers in the second half of the year.

#### 5.6.2 Drilling service

In the second half of 2022, the Company will strengthen the linkage of professional teams and production links

in their operation, so as to enhance the efficiency of production and operation and reduce non-productive time; accelerate efforts of making breakthroughs in key technologies and equipment such as deep and ultra-deep oil and gas engineering, development of shale oil and gas, as well as intelligent drilling and completion of oil wells. We will strengthen management of key wells and model wells in all aspects, promote recommended practices and wider application of advanced and sophisticated technologies in key regions to continuously reduce complicated downhole failures. We will expand the scale of development of difficult-to-use reserve for expansion of oil and gas reserves and production on all fronts; we will continue our expansion in domestic external markets such as CNPC and CNOOC, so as to expand the domestic market share for shale gas, conventional oil and gas and coalbed methane. The Company plans to complete drilling footage accumulated for 4,830 kilometers in the second half of the year.

### **5.6.3 Logging and mud logging service**

In the second half of 2022, the Company will leverage on the professional synergy advantage and continue to optimize the professional technology system of our logging/mud logging, expand the application of various new technologies of our logging/mud logging and keep increasing the ability to maintain our exploration and exploitation service. While we are stabilizing the markets for the Sinopec Group companies, we will proactively expand the domestic and foreign market and overseas service business, and accelerate the expansion of markets with economy of scale, promote featured technologies, such as high build-up rate rotary steering, safe and efficient ultra-deep well logging and smart engineering warning, to our clients while keep overcoming technological difficulties and preparing for the technology base. The Company plans to complete logging footage accumulated for 156,810 kilometers and the mud logging footage accumulated for 5,130 kilometers in the second half of the year.

### **5.6.4 Downhole operation service**

In the second half of 2022, the Company will continue to improve the ability of the technical service and guarantee capacity of our downhole operation service. We will also endeavor to increase the standard of our integrated reservoir services, continue to optimize and expand the market of shale gas in Sichuan and Chongqing, shale oil in Shengli, tight gas fracturing in Northern China and completion testing service of Shunbei oil and gas fields, speed up the breakthrough, research and development of instruments and the application and promotion of ultra-deep high-temperature-and-pressure reserve of oil and gas testing technology, progress steadily in the cooperative exploitation of eastern old oil fields reserve, western Sichuan tight gas reserve and southern Sichuan shale gas difficult-to-use reserves. The Company plans to complete downhole operation service of 3,717 well times in the second half of 2022.

### **5.6.5 Engineering and construction service**

In the second half of 2022, the Company will focus on the construction term of our key domestic projects, the key nodes and the integrated progress control and ensure the mid-term delivery by late September and the start of production by late October for Dongying crude oil depot relocation project. We will ensure the quality of the new project planning of the Daniudi Gas Field ethane recovery project, Wen 24 Gas Storage project and more and make sure the projects are initiated with quality. We will continue to consolidate the traditional beneficial market and endeavor to strengthen our new business, such as new energy resource, carbon reduction, digitalization and intellectualization to achieve low-cost advantage and reach the leading position in the national pipeline network and local gas market, water conservancy, highway and other high-quality external markets. The Company plans to sign new contracts of RMB6 billion and complete contracts of RMB8.5 billion in the second of the year.

### **5.6.6 International Business**

In the second half of 2022, the Company will continue to strive for the strategy of globalizing operation, steadily expand the base for market scale, improve the ability to generate efficiency in quality markets, strengthen and optimize the industrial chain and value chain of overseas business, refine and optimize the three major markets, namely Saudi Arabia, Kuwait and Ecuador, and strive to achieve breakthroughs in fracturing, thick oil large-

scale contracting, general contracting projects and high-end technical services. We will intensively utilize the two oil reservoir projects in Mexico and Ecuador and keep improving the success rate of production and the return rate on investment. We will keep an eye on the progress of key projects, such as Saudi Aramco's unconventional drilling, the acquisition and processing of 3D seismic data in Mexico, and surface construction in Uganda to ensure the performance of the projects and the efficiency in operation.

#### **5.6.7 Technology Research & development**

In the second half of 2022, the Company will take full advantage of the integration of production, education, research and application, mobilize all positive factors to drive key technological innovation, research and achievement transformation, and create the next level technological innovation. We accelerate breakthroughs in key technologies and equipment, such as deep and ultra-deep oil and gas engineering, shale oil and gas exploitation, and smart drilling and completion, strengthen the introduction and application of highly adaptive tools and instruments, and comprehensively improve technical support capabilities. We will finalize the mass production of Type I rotary steerable system and the field test of Type II rotary steerable system as soon as possible, and forge core technology tools for low-cost and efficient exploitation of shale gas in China. We will anchor the development goal of product industrialization, accelerate the standardized construction of industrial bases and product lines of machinery and equipment, tools and instruments, and oilfield chemicals, continue to expand the scale of product industrialization, and drive the industrialization of chemical auxiliaries to move forward.

#### **5.6.8 Internal Reform and Management**

In the second half of 2022, the Company will continue to intensify reforms, promote the optimization of resource allocation in full swing, maintain the integration of internal resources, and improve the overall efficiency of the Company. We will comprehensively intensify the building of project-based management systems, and complete the building and the supporting operation mechanisms of "two pools, two banks and one platform" by the end of the year to path the way for the full implementation and operation in the Company next year. We continue to promote the development of featured businesses, formulate guiding opinions on the Company's featured development, and promote the efficient aggregation of featured businesses, increase differentiation competitiveness, and enhance the Company's ability to expand the market and generate efficiency in accordance with the principle of supporting the excellence. We strengthen the implementation of cost target management for all employees, drastically reduce labor costs and organizational operating costs for low efficiency projects and improve the level of cost and efficiency of scale.

#### **5.6.9 Capital expenditure**

In the second half of 2022, the planned capital expenditure is RMB3.49 billion. The Company will focus on economic benefits, continue to improve its exploration and exploitation service capabilities, expand resource integration and enhance overall planning, and focus on ensuring the renewal and transformation of urgent production needs, technical service capabilities, and equipment with potential safety and environmental protection hazards, mainly including the purchase of 2 sets of quick transferring and making-up drilling rigs, the upgrading and transformation of 1 drilling rig, the purchase of 18 sets of maintenance equipment for logging instruments, the purchase of oil-based rock chip processing equipment and other equipment. We further promote the transformation of development mode, the adjustment of market structure, and the cultivation of core competitiveness.

### **6. SIGNIFICANT EVENTS**

#### **6.1 Interim dividends for 2022 and proposal on issue of shares by capitalizing the common reserves**

In accordance with the Articles of Association of the Company, the Board resolved that no interim cash dividend was paid for the period ended 30 June 2022, and no issue of bonus shares by way of capitalization of common reserves.

#### **6.2 During the reporting period, the Company was not involved in material litigation or arbitration.**



6.3 During the reporting period, there was no bankruptcy restructuring related matter.

6.4 During the reporting period, the Company had no major acquisition or disposals of assets, nor any merger and acquisitions activities.

#### 6.5 Information on material connected transactions

The Company's material connected transactions entered into during the six months ended 30 June 2022 are as follows:

(a) The following are the material connected transactions relating to ordinary operation during the reporting period:

The nature of the transaction classification	Connected parties	Amount of transaction RMB '000	Proportion of the same type of transaction (%)
Purchase of materials and equipment	China Petrochemical Corporation and its associates	5,291,028	45.0
Rendering engineering services	China Petrochemical Corporation and its associates	20,762,266	63.6
Rendering engineering services	China Oil and Gas Pipeline Network Corporation	1,694,835	5.2
Comprehensive service expenditure	China Petrochemical Corporation and its subsidiaries	4,420	100.0
Other comprehensive service expenditure	China Petrochemical Corporation and its subsidiaries	192,675	100.0
Technology R&D Income	China Petrochemical Corporation and its subsidiaries	51,312	97.5
Land and property rental expenses	China Petrochemical Corporation and its subsidiaries	428,809	64.3
Equipment leasing expenses	China Petrochemical Corporation and its subsidiaries	11,869	10.6
Loan interest expense	China Petrochemical Corporation and its associates	263,629	97.8
Borrowings obtained	China Petrochemical Corporation and its subsidiaries	12,154,500	100.0
Borrowings repaid	China Petrochemical Corporation and its subsidiaries	11,380,482	99.7
Safety and insurance fund expenses	China Petrochemical Corporation	40,100	100.0
Safety and insurance fund expenses refund	China Petrochemical Corporation	36,821	100.0

The Company considers that it is necessary to enter into the above connected transactions with the selected connected parties and they will continue to occur. The agreements of connected transactions were based on the needs of the Group's operations and actual market situation. Purchasing materials and equipment from China Petrochemical Corporation and its subsidiaries will ensure the stable and safe supply of the Group's materials. The provision of engineering service to China Petrochemical Corporation and its subsidiaries is decided by the history of the operating system of China's petroleum development and by the history of China Petrochemical Corporation's development, the China Petrochemical Corporation and its subsidiaries constitute the Company's main business income source, and the borrowed funds from China Petrochemical Corporation can satisfy the Group's capital needs under the situation of the fund shortage, so it is beneficial to the Company. The above transactions were mainly based on the market price or the price decided by open bidding or negotiation, which were fair, equal and open, beneficial to the development of Company's main business, and ensure the maximization of the shareholders' interests. The above connected transactions have no adverse effects on the

profits of the Company or the independence of the Company.

(b) During the reporting period, there were no material connected transactions related to the acquisition or disposal of assets or equities of the Company.

(c) The following is connected obligatory rights and debts during the reporting period:

Unit: RMB'000

Connected parties	Connected relation	Funds provided to connected party			Funds provided to the Company by connected party		
		Opening balance	Occurrence amount	Closing balance	Opening balance	Occurrence amount	Closing balance
China Petrochemical Corporation and its subsidiaries	Controlling shareholders and its subsidiaries	8,255,885	1,773,196	10,029,081	15,477,629	1,195,648	16,673,277
Sinopec Finance Company Limited	Subsidiary companies of the controlling shareholder	-	-	-	4,550,000	650,000	5,200,000
Sinopec Century Bright Capital Investment Limited	Subsidiary companies of the controlling shareholder	-	-	-	1,970,091	271,517	2,241,608
Total		8,255,885	1,773,196	10,029,081	21,997,720	2,117,165	24,114,885
Causes of related claims and debts		Normal production and operation					
Influence of connected claims and debts on the Company's performance and financial situation		No material adverse effects					

During the reporting period, there were no occupancy of fund for non-operating purpose by the controlling shareholders and its subsidiaries.

The Board is of the view that the above connected transactions were entered into in the ordinary course of business and in normal commercial terms and in accordance with the terms of agreements governing these transactions. The terms are fair, reasonable and in accordance with the interests of shareholders as a whole. The above connected transactions are fully in compliance with the relevant rules and regulations of HKSE and the SSE.

## 6.6 Material contracts and performance

( a ) During the reporting period, there were no trusteeship and subcontracting other companies by the Company which would contribute profit to the Company of 10 percent or more of its total profits for the current period.

### ( b ) Leasing Matters

During the reporting period, there were no leasing matters which would contribute profit to the Company of 10 percent or more of its total profits for the current period.

## ( c ) Guarantees of the company during the reporting period

Unit: Thousand RMB

External Guarantee provided by the Company (excluding Guarantees for Subsidiaries)															
Guarantor	Relationship with the listed company	Guaranteed person	Amount of guarantee	Date of guarantee (Agreement signing date)	The starting day	End date	Type of guarantee	Main debt situation	Pledged thing	Whether the guarantee has been fulfilled	Whether the guarantee is overdue	Overdue amount	Counter-guarantee	Whether to guarantee the related party	Connected relationship
The Company	itself	Mexico DS Company	1,845,299	17 June 2022	17 June 2022	The end time of annual meeting of shareholders for the year 2022	Guarantee of joint and several liability	-	No	No	No	0	Yes	No	-
Total Amount of Guarantees during the Reporting Period (excluding Guarantees for Subsidiaries)										1,845,299					
Total Balance of Guarantees at the end of the Reporting Period (A) (excluding Guarantees for Subsidiaries)										1,845,299					
The Guarantee provided by the Company and its Subsidiaries to the Subsidiaries															
Total Amount of Guarantees paid to Subsidiaries during the Reporting Period										10,207,331					
Total Balance of Guarantees to Subsidiaries at the end of the Reporting Period (B)										27,989,017					
Total Company Guarantee (including Guarantee for Subsidiaries)															
Total Guarantees ( A+B )										29,834,316					
Total Amount of Guarantees as a Percentage of the Company's Net Asset (%)										402.2					
Among them:															
Amount of Guarantees provided to Shareholders, Actual Controllers and their related Parties (C)										0					
Debt Guarantees Amount directly or indirectly for the guaranteed Object whose asset-liability Ratio exceeds 70% (D)										10,329,210					
The Amount of the total Guarantee exceeds 50% of the Net Assets (E)										26,125,737					
Sum of the three Guarantees above (C+D+E)										36,454,947					
Statement of Unexpired Guarantees as potential subject to Joint Liability										None					
Guarantee Statement										The guarantees provided by the Company are all provided for the performance of the performance guarantee letters issued by the subsidiaries and joint venture (DS Servicios Petroleros,S.A. de C.V.) in the domestic and foreign contracts. The guarantee amount is within the amount approved by the annual general meeting for 2021 of the Company.					

( d ) Save as disclosed in the interim report, during the reporting period, the Company did not enter into any

material contract which requires disclosure.

## 6.7 Analysis of investment situation

( a ) Investment in securities

During the reporting period, there was no investment in securities.

( b ) Interest in other listed securities held by the Company

During the reporting period, the Company did not hold any shares of other listed companies.

( c ) Equities of financial institutions held by the Company

During the reporting period, the Company did not hold any shares of financial institutions such as commercial banks, securities companies, insurance companies, trust companies and future companies.

( d ) Shareholding interests of the Company in non-listed financial institutions

During the reporting period, the Company did not hold any shares of non-listed financial institutions.

( e ) Entrusted asset management and derivatives investment

During the reporting period, there were no entrusted asset management, no other investment or asset management and derivatives investment items of the Company.

## 6.8 The special undertakings made by the Company and its shareholders holding more than 5% and the performance of the undertakings as of 30 June 2022:

Undertaking Background	Undertaking Type	Undertaking-party	Undertaking	Date and duration of the Undertaking	Whether there is a performance period	Whether the undertaking has been strictly fulfilled
Undertaking regarding the material assets reorganization	To solve horizontal competition	China Petrochemical Corporation	<p>The Non-Competition Undertaking</p> <p>1. China Petrochemical Corporation undertook that it would not engage with the Company's production and business activities in competition, and will ensure its subsidiaries not to engage with the Company's production and business activities in competition through exercise of its shareholder rights. 2. After the material assets reorganization, if Sinopec Star's new business opportunity has any direct or indirect competition with the Company's main business, priorities of the above-mentioned opportunity will be given to the Company. 3. After the material assets reorganization, if China Petrochemical Corporation and its subsidiaries' new business opportunity has any direct or indirect competition with the Company's main business, priorities of the above-mentioned opportunity will be given to the Company. If China Petrochemical Corporation intends to transfer, sell, lease, license or otherwise transfer or permit to use any of the above business which would result in the competition with the Company's main business, priorities of the above-mentioned opportunity will be given to the Company for avoiding the</p>	<p>Date of undertaking: 12 September 2014</p> <p>Duration: long term</p>	No	During the reporting period, China Petrochemical Corporation did not act contrary to the undertaking.

			competition. 4. China Petrochemical Corporation consent that it will bear and pay damages to the listed companies caused by its violation of the commitment.			
Undertaking regarding the Material Assets Reorganization	To solve connected transactions	China Petrochemical Corporation	The Undertaking of Regulating the connected transaction: China Petrochemical Corporation and its other controlling companies will regulate its/their connected transactions with the Company. For the connected transactions with reasonable grounds, China Petrochemical Corporation and its controlling Company's will sign the standard agreement of connected transactions, and will fulfill the obligations of the program approval and information disclosure, in accordance with the provisions of relevant laws and regulations, and the Company's Articles of Association. The confirmation price related to the connected transaction will follow the principle of fair, reasonable and impartial.	Date of undertaking: 12 September 2014 Duration: long term	No	During the reporting period, China Petrochemical Corporation did not act contrary to the promise.
Undertaking regarding the Material Assets Reorganization	Others	China Petrochemical Corporation	Issued "The commitment letter regarding to the regulating of connected transaction and maintaining the independence of the Company": 1. China Petrochemical Corporation and its controlling companies guarantee the maintaining of the separation from the Company's asset, personnel, finance, organization and business, strictly comply with the relevant provisions regarding to the listed Company's independency of CSRC. China Chemical Corporation will not utilize, control or violate the Standardized operation program of the listed company, not intervene the Company's operating decisions, and not jeopardize the legitimate rights and interests of the Company and its shareholders. 2. China Petrochemical Corporation and its controlling companies guarantee not to illegally use the funds of the Company and its holding Company. 3. If China Petrochemical Corporation violate the above commitment, it would undertake the law and compensate the losses caused to the Company.	Date of undertaking: 12 September 2014 Duration: long term	No	During the reporting period, China Petrochemical Corporation did not act contrary to the promise.

6.9 During the reporting period, none of the Company or its Directors, Supervisors, senior management, shareholders who hold more than five percent of the Company's shares or de facto controller was subject to any investigation by relevant authorities or enforcement by judicial or disciplinary departments or subject to criminal liability, or subject to investigation or administrative penalty by the CSRC, nor any restriction of participation in the securities market or deemed unsuitability to act as directors thereby by other administrative authorities or any public censured made by a stock exchange.

## 7. INTERIM FINANCIAL REPORT

### 7.1 Interim financial report prepared in accordance with IFRS

The following financial information has been extracted from the Company's unaudited interim financial report, prepared in accordance with IFRS, for the six months ended 30 June 2022.

#### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Notes	For the six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<b>Revenue</b>	4	<b>33,148,652</b>	31,570,061
Cost of sales and taxes and surcharges		<b>(30,494,380)</b>	(29,277,815)
<b>Gross profit</b>		<b>2,654,272</b>	2,292,246
Selling expenses		<b>(26,643)</b>	(34,037)
General and administrative expenses		<b>(1,092,018)</b>	(888,531)
Research and development expenses		<b>(666,919)</b>	(349,034)
Finance expenses – net	5	<b>(281,888)</b>	(408,182)
Reversal of/(Provision for) expected credit loss (“ECL”) – net	6	<b>69,340</b>	40,642
Share of profit/(loss) from joint ventures		<b>96</b>	47
Share of profit from associates		<b>2,662</b>	3,290
Other income	7	<b>113,915</b>	135,457
Other expenses	8	<b>(40,066)</b>	(15,694)
<b>Profit before income tax</b>	9	<b>732,751</b>	776,204
Income tax expense	10	<b>(177,109)</b>	(81,958)
<b>Profit for the period</b>		<b>555,642</b>	694,246
<b>Other comprehensive income for the period, net of tax Item that will not be reclassified subsequently to profit or loss:</b>			
Net movement in fair value of financial assets at fair value through other comprehensive income (“FVTOCI”)		-	10
<b>Total comprehensive income for the period</b>		<b>555,642</b>	694,256
<b>Earnings per share for profit attributable to owners of the Company (presented in RMB per share)</b>	11	RMB	RMB
Basic and diluted		<b>0.029</b>	0.037

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	24,110,829	24,924,711
Other non-current assets	14	5,673,201	6,595,302
Intangible assets		298,531	400,130
Interests in joint ventures		24,218	24,122
Interests in associates		22,280	22,926
Financial assets at FVTOCI	15	21,760	21,760
Deferred tax assets		305,123	310,764
<b>Total non-current assets</b>		<b>30,455,942</b>	<b>32,299,715</b>
<b>Current assets</b>			
Inventories	19	933,543	1,009,166
Financial assets at FVTOCI	15	743,386	1,295,971
Trade receivables	16	8,541,458	8,151,019
Prepayments and other receivables	17	6,126,101	5,162,319
Contract assets and costs to fulfil contracts	18	16,930,452	13,626,033
Restricted cash		93,804	32,917
Cash and cash equivalents		1,846,840	2,475,307
<b>Total current assets</b>		<b>35,215,584</b>	<b>31,752,732</b>
<b>Total assets</b>		<b>65,671,526</b>	<b>64,052,447</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2022

	Notes	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
<b>Equity</b>			
Share capital	20	18,984,340	18,984,340
Reserves		(11,567,181)	(12,122,823)
<b>Total equity</b>		<b>7,417,159</b>	6,861,517
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long-term borrowings	23	2,124,506	1,945,552
Deferred income		9,619	9,288
Deferred tax liabilities		9,213	9,438
Provisions		189,346	205,771
<b>Total non-current liabilities</b>		<b>2,332,684</b>	2,170,049
<b>Current liabilities</b>			
Notes and trade payables	21	29,927,653	29,890,348
Other payables	22	3,627,982	3,555,046
Contract liabilities	18	3,251,499	3,547,938
Short-term borrowings	23	18,858,212	17,816,036
Current income tax payable		256,337	211,513
<b>Total current liabilities</b>		<b>55,921,683</b>	55,020,881
<b>Total liabilities</b>		<b>58,254,367</b>	57,190,930
<b>Total equity and liabilities</b>		<b>65,671,526</b>	64,052,447
<b>Net current liabilities</b>		<b>(20,706,099)</b>	(23,268,149)
<b>Total assets less current liabilities</b>		<b>9,749,843</b>	9,031,566



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the Company							Total equity RMB'000
	Share capital RMB'000 (Note 20)	Share premium RMB'000	Other capital reserve RMB'000	Surplus reserve RMB'000	Specific reserve RMB'000	Other comprehensive income reserve (non-recycling) RMB'000	Accumulated losses RMB'000	
At 1 January 2022	18,984,340	11,622,283	95,490	200,383	219,182	(3,823)	(24,256,338)	6,681,517
Profit for the period	-	-	-	-	-	-	555,642	555,642
Other comprehensive income for the period: Net movement in fair value of financial assets at FVTOCI	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	555,642	555,642
Transactions with owners:								
Appropriation of specific reserve	-	-	-	-	575,168	-	(575,168)	-
Utilisation of specific reserve	-	-	-	-	(219,794)	-	219,794	-
Transfer of other comprehensive income reserve	-	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	355,374	-	(355,374)	-
At 30 June 2022 (Unaudited)	18,984,340	11,622,283	95,490	200,383	574,556	(3,823)	(24,056,070)	7,417,159

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June  
2021

Attributable to owners of the Company

	Share capital RMB'000 (Note 20)	Share premium RMB'000	Other capital reserve RMB'000	Surplus reserve RMB'000	Specific reserve RMB'000	Other comprehensive income reserve (non-recycling) RMB'000	Accumulated losses RMB'000	Total equity RMB'000
At 1 January 2021	18,984,340	11,622,283	95,490	200,383	258,523	(2,014)	(24,436,139)	6,722,866
Profit for the period	-	-	-	-	-	-	694,246	694,246
Other comprehensive income for the period: Net movement in fair value of financial assets at FVTOCI	-	-	-	-	-	10	-	10
Total comprehensive income for the period	-	-	-	-	-	10	694,246	694,256
Transactions with owners:								
Appropriation of specific reserve	-	-	-	-	568,834	-	(568,834)	-
Utilisation of specific reserve	-	-	-	-	(243,146)	-	243,146	-
Transfer of other comprehensive income reserve	-	-	-	-	-	(10)	10	-
Total transactions with owners	-	-	-	-	325,688	(10)	(325,678)	-
At 30 June 2021 (Unaudited)	18,984,340	11,622,283	95,490	200,383	584,211	(2,014)	(24,067,571)	7,417,122

**SINOPEC OILFIELD SERVICE CORPORATION**

**NOTES TO THE INTERIM FINANCIAL INFORMATION  
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	For the six months ended	
	30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Cash flows from operating activities</b>		
Cash flows (used in)/generated from operations	(415,488)	441,299
Interest received	4,430	24,620
Income tax paid	(126,868)	(107,058)
<b>Net cash (used in)/generated from operating activities</b>	<b>(537,926)</b>	<b>358,861</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(359,072)	(178,761)
Purchases of intangible assets	(579)	(1,434)
Purchases of other non-current assets	(148,875)	(228,321)
Proceeds from disposal of property, plant and equipment	12,079	11,500
Proceeds from disposal of other non-current assets	-	5,684
Proceeds from financial assets at FVTOCI	-	10
Dividends received from associates	3,856	690
<b>Net cash used in investing activities</b>	<b>(492,591)</b>	<b>(390,632)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	12,154,500	29,118,868
Repayments of borrowings	(11,415,907)	(28,611,789)
Restricted Cash	(60,887)	-
Payment of lease liabilities	(97,834)	(186,822)
Interests paid	(274,029)	(310,990)
<b>Net cash generated from financing activities</b>	<b>305,843</b>	<b>9,267</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(724,674)</b>	<b>(22,504)</b>
Effect of foreign exchange rate changes on cash and cash equivalents	96,207	(6,704)
Cash and cash equivalents at the beginning of the period	2,475,307	1,523,352
<b>Cash and cash equivalents at the end of the period</b>	<b>1,846,840</b>	<b>1,494,144</b>

# **SINOPEC OILFIELD SERVICE CORPORATION**

## **NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2022**

### **NOTES TO THE INTERIM FINANCIAL INFORMATION**

For the six months ended 30 June 2022

#### **1. GENERAL INFORMATION**

Sinopec Oilfield Service Corporation (the “Company”) is a joint stock company with limited liability established in the People’s Republic of China (the “PRC”). The registered office is No. 9, Jishikou Road, Chaoyang District, Beijing, the PRC and the headquarter address is No. 22, Chaoyangmen North Street, Chaoyang District, Beijing, the PRC.

The immediate and ultimate holding company of the Company is China Petrochemical Corporation (hereinafter referred to as the “Sinopec Group”) which is a state wholly-owned enterprise established in the PRC.

The principal activities of the Group are the provision of onshore and offshore oil, natural gas and other mineral prospecting, exploration, drilling and exploitation and provision of general contracting, design and construction services for the oil and gas and other types of construction projects.

This interim financial information is presented in RMB, unless otherwise stated. This interim financial information has been approved and authorised for issue by the Board of Directors on 25 August 2022.

## SINOPEC OILFIELD SERVICE CORPORATION

### NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2022

#### 2. BASIS OF PRESENTATION AND PREPARATION

##### 2.1 Basis of presentation

As at 30 June 2022, the Group had net current liabilities of approximately RMB20,703,299,000 and capital commitments of approximately RMB 31,415,000. These conditions may cast significant doubt about the Group's ability to continue as a going concern. The directors of the Company have performed an assessment covering a period of 12 months from the six months ended 30 June 2022, taking account of the following events and measures:

- (i) As at 30 June 2022, the Group obtained a line of credit of RMB16 billion and USD0.6 billion (Total: approximately RMB20.9 billion), and a line of credit promissory note and letter of guarantee of RMB11.8 billion from the Sinopec Group's subsidiaries;
- (ii) As disclosed in Note 23, the Group's borrowings amounted to approximately RMB18.5 billion are sourced from Sinopec Group and its subsidiaries, where the Group maintains ongoing good relationship with these companies, which enables the Group to secure sufficient financial support from these companies;
- (iii) To obtain additional credits facilities, the Group will diversify its source of finance by exploring and developing good relationship with listed and state-owned financial institutions; and
- (iv) The Group is expected to generate operating cash inflows in the next twelve months.

The directors of the Company are in the opinion that the above measures are sufficient to meet with the expected liquidity, daily operation and capital requirements and considered that going concern basis is appropriate for the preparation of these consolidated financial statements.

# SINOPEC OILFIELD SERVICE CORPORATION

## NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2022

### 2. BASIS OF PRESENTATION AND PREPARATION (CONTINUED)

#### 2.2 Basis of preparation

This interim financial information for the six months ended 30 June 2022 has been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The interim financial information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at FVTOCI, which are carried at fair value.

The preparation of an interim financial information in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

The Group has applied the same accounting policies and methods of computation in its interim financial information as in its annual financial statements for the year ended 31 December 2021, except that in the current interim period, the Group has applied, for the first time, the following amendments to IFRSs which are mandatory effective for the annual period beginning on or after 1 January 2022:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020

The adoption of the amendments to IFRSs had no material impact on the Group’s results and financial position.

**SINOPEC OILFIELD SERVICE CORPORATION**

**NOTES TO THE INTERIM FINANCIAL INFORMATION  
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

**4. REVENUE AND SEGMENT INFORMATION**

The Group's revenue is as follows:

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Geophysics	1,512,225	1,800,634
Drilling engineering	16,635,798	15,712,885
Logging and mud logging	1,202,466	1,150,738
Special downhole operations	4,292,870	3,941,443
Engineering construction	8,326,149	7,868,764
Others	1,179,144	1,095,597
	<u>33,148,652</u>	<u>31,570,061</u>

## SINOPEC OILFIELD SERVICE CORPORATION

### NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2022

#### 4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

##### Segment information

The Group identifies its operating segments based on the internal organisation structure, senior executive management requirements and internal reporting system. The Group has identified five operating segments including geophysics, drilling engineering, logging and mud logging, special downhole operations and engineering construction. These operating segments are identified based on the regular internal financial information reported to the senior executive management. Senior executive management of the Company regularly reviews the segment information for their decision about the resources allocation and performance assessment.

Five reportable operating segments are as follows:

- Geophysics, which provides terrestrial and marine geophysical exploration, development and technical services;
- Drilling engineering, which provides customers with land and ocean drilling design, construction, technical services and drilling instrumentation;
- Logging and mud logging, which provides land and ocean project contracting and technical services for collection, monitoring, transmission, processing and interpretation and evaluation of wellbore oil and gas, geology and engineering information;
- Special downhole operations, which provides oil engineering technical and construction, including oil (gas) testing, well repair, lateral drilling, fracturing, acidising and oil assignments; and
- Engineering construction, which provides a package of services, including feasibility studies, design, procurement, construction for projects of onshore and offshore oil and gas fields, long-distance pipeline projects, oil and gas transporting process projects, storage and transportation projects, petrochemical supporting projects, building construction, water resources and hydropower, ports and waterways, electricity transmission and distribution projects, manufacturing of pressure vessels, LNG projects, coal chemical engineering, geothermal utilisation, energy saving and municipal roads and bridges.



**SINOPEC OILFIELD SERVICE CORPORATION**

**NOTES TO THE INTERIM FINANCIAL INFORMATION  
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

**4. REVENUE AND SEGMENT INFORMATION (CONTINUED)**

**Segment information (Continued)**

Inter-segment transfers are measured by reference to market price. The assets are allocated based on the operations of the segment and the physical location of the asset.

All assets are allocated to reportable segments other than certain property, plant and equipment, certain intangible assets, certain other non-current assets, certain inventories, certain contract assets, certain trade receivables, certain prepayments and other receivables, certain cash and cash equivalents, certain deferred tax assets, certain financial assets at FVTOCI and interests in joint venture and associates.

All liabilities are allocated to reportable segments other than certain borrowings, certain deferred income, certain deferred tax liabilities, certain notes and trade payables, certain other payables, certain contract liabilities and certain current income tax payable.

The resources related to certain interest income, certain interest expenses, interests in joint ventures and associates, gain on investment, income tax expense as well as shared assets of all segments are centrally managed and accounted for by the Company, and thus are not allocated among segments.

Segment information of each reportable segment were reported and disclosed to the senior executive management in accordance with the accounting policies and the respective measurement bases. These accounting policies and measurement bases were the same as those used in for the preparation of the financial statements.

Information regarding each reportable segment provided to the senior executive management was as follows:

**SINOPEC OILFIELD SERVICE CORPORATION**

**NOTES TO THE INTERIM FINANCIAL INFORMATION  
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

**4. REVENUE AND SEGMENT INFORMATION (CONTINUED)**

**Segment information (Continued)**

**(a) Segment results, assets and liabilities**

For the six months ended 30 June 2022 and as at that date, segment results, assets and liabilities were as follows:

	Geophysics RMB'000	Drilling engineering RMB'000	Logging and mud logging RMB'000	Special downhole operations RMB'000	Engineering construction RMB'000	Unallocated RMB'000	Eliminated RMB'000	Total RMB'000
<b>For the six months ended 30 June 2022 (Unaudited)</b>								
<b>Segment revenue and results</b>								
Revenue from external customers	1,512,225	16,635,798	1,202,466	4,292,870	8,326,149	1,179,144	-	33,148,652
Inter-segment revenue	27,041	1,201,379	383,244	156,562	27,700	2,690,846	(4,486,772)	-
<b>Reportable segment revenue</b>	<b>1,539,266</b>	<b>17,837,177</b>	<b>1,585,710</b>	<b>4,449,432</b>	<b>8,353,849</b>	<b>3,869,990</b>	<b>(4,486,772)</b>	<b>33,148,652</b>
<b>Reportable segment (loss)/profit</b>								
	(101,305)	623,980	119,914	217,338	160,210	(361,235)	-	658,902
Other income	11,772	32,675	10,578	2,730	38,442	17,718	-	113,915
Other expenses	(1,588)	(20,281)	(2,059)	(2,438)	(8,456)	(5,244)	-	(40,066)
<b>(Loss)/Profit before income tax</b>	<b>(91,121)</b>	<b>636,374</b>	<b>128,433</b>	<b>217,630</b>	<b>190,196</b>	<b>(348,761)</b>	<b>-</b>	<b>732,751</b>
Income tax expense								(177,109)
<b>Profit for the period</b>								<b>555,642</b>
<b>Supplementary information</b>								
<b>Depreciation and amortisation</b>								
- Property, plant and equipment	168,118	899,040	93,979	262,317	135,408	209,351	-	1,768,213
- Other non-current assets	34,796	851,341	70,049	94,622	6,072	12,652	-	1,069,531
- Intangible assets	94	283	721	4,082	6,272	90,725	-	102,177
<b>Capital expenditure</b>								
- Property, plant and equipment	101,585	182,899	39,719	55,084	283,644	344,242	-	1,007,173
- Intangible assets	-	-	-	-	580	-	-	580
Provision for/(Reversal of) ECL on trade receivables, net	2,374	(19,670)	(3,249)	(7,025)	(37,811)	8,705	-	(56,676)
(Reversal of)/Provision for ECL on other receivables, net	(1,274)	1,086	62	378	(13,985)	(282)	-	(14,015)
(Reversal of)/Provision for ECL on contract assets, net	(1,972)	148	2,553	1,335	3,813	(4,526)	-	1,351
<b>As at 30 June 2022 (Unaudited)</b>								
<b>Assets</b>								
Segment assets	4,032,095	41,123,961	3,802,736	7,119,192	21,245,665	27,143,313	(38,795,436)	65,671,526
<b>Liabilities</b>								
Segment liabilities	3,058,409	29,321,012	2,900,395	4,218,791	20,719,124	36,832,072	(38,795,436)	58,254,367

**SINOPEC OILFIELD SERVICE CORPORATION**

**NOTES TO THE INTERIM FINANCIAL INFORMATION  
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

**4. REVENUE AND SEGMENT INFORMATION (CONTINUED)**

**Segment information (Continued)**

**(a) Segment results, assets and liabilities (Continued)**

For the six months ended 30 June 2021 and as at that date, segment results, assets and liabilities were as follows:

	Geophysics RMB'000	Drilling engineering RMB'000	Logging and mud logging RMB'000	Special downhole operations RMB'000	Engineering construction RMB'000	Unallocated RMB'000	Eliminated RMB'000	Total RMB'000
<b>For the six months ended 30 June 2021 (Unaudited)</b>								
<b>Segment revenue and results</b>								
Revenue from external customers	1,800,634	15,712,885	1,150,738	3,941,443	7,868,764	1,095,597	-	31,570,061
Inter-segment revenue	12,744	1,728,725	563,716	172,445	7,589	2,008,098	(4,493,317)	-
<b>Reportable segment revenue</b>	<b>1,813,378</b>	<b>17,441,610</b>	<b>1,714,454</b>	<b>4,113,888</b>	<b>7,876,353</b>	<b>3,103,695</b>	<b>(4,493,317)</b>	<b>31,570,061</b>
<b>Reportable segment (loss)/profit</b>								
	(19,982)	460,512	246,599	121,776	153,944	(306,408)	-	656,441
Other income	24,240	48,886	1,294	8,577	27,973	24,487	-	135,457
Other expenses	(2,795)	(1,270)	(2,991)	(1,202)	(7,334)	(102)	-	(15,694)
<b>(Loss)/Profit before income tax</b>	<b>1,463</b>	<b>508,128</b>	<b>244,902</b>	<b>129,151</b>	<b>174,583</b>	<b>(282,023)</b>	<b>-</b>	<b>776,204</b>
Income tax expense								(81,958)
<b>Profit for the period</b>								<b>694,246</b>
<b>Supplementary information</b>								
<b>Depreciation and amortisation</b>								
- Property, plant and equipment	179,636	930,661	106,521	249,437	126,067	131,813	-	1,724,135
- Other non-current assets	47,018	783,879	75,083	125,846	6,028	15,268	-	1,053,122
- Intangible assets	9	40,701	720	3,755	4,454	2,674	-	52,313
<b>Capital expenditure</b>								
- Property, plant and equipment	8,926	112,879	65,637	21,365	117,512	88,818	-	415,137
- Intangible assets	-	-	-	-	-	1,434	-	1,434
Provision for/(Reversal of) ECL on trade receivables, net	(266)	(21,643)	294	8,389	(54,807)	3,863	-	(64,170)
Provision for/(Reversal of) ECL on other receivables, net	1,036	1,916	62	2,699	3,289	(2,927)	-	6,075
Provision for/(Reversal of) ECL on contract assets, net	(521)	4,358	4,385	2,007	6,933	291	-	17,453
<b>As at 31 December 2021 (Audited)</b>								
<b>Assets</b>								
Segment assets	4,524,519	38,958,384	3,541,026	6,425,152	20,252,666	29,111,052	(38,760,352)	64,052,447
<b>Liabilities</b>								
Segment liabilities	3,427,097	28,862,019	2,978,969	3,475,883	19,867,388	37,339,926	(38,760,352)	57,190,930

**SINOPEC OILFIELD SERVICE CORPORATION**

**NOTES TO THE INTERIM FINANCIAL INFORMATION  
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**4. REVENUE AND SEGMENT INFORMATION (CONTINUED)**

**Segment information (Continued)**

**(b) Geographical information**

The following table presents the geographical information. Revenue is based on the location at which revenue were derived. Specified non-current assets include property, plant and equipment, other non-current assets, intangible assets, interests in joint ventures and interest in associates, which are based on the physical location of the assets.

	<b>Revenue from external customers</b>	
	<b>For the six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
The PRC	27,450,310	27,175,580
Middle East	3,949,932	3,369,391
Other countries	1,748,410	1,025,090
	33,148,652	31,570,061
	33,148,652	31,570,061

	<b>Specified non-current assets</b>	
	<b>As at</b>	<b>As at</b>
	<b>30 June 2022</b>	<b>31 December 2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
The PRC	25,514,575	26,965,860
Other countries	4,614,485	5,001,331
	30,129,060	31,967,191
	30,129,060	31,967,191

**SINOPEC OILFIELD SERVICE CORPORATION**

**NOTES TO THE INTERIM FINANCIAL INFORMATION  
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

**4. REVENUE AND SEGMENT INFORMATION (CONTINUED)**

**Segment information (Continued)**

**(c) Major customer**

For the six months ended 30 June 2022 and 2021, revenue from customers which individually contributed over 10% of the Group's revenue is as follows:

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Customer A	20,875,657	20,581,901

Revenue from this customer was derived from the operating segments of geophysics, drilling engineering, logging and mud logging, special downhole operations and engineering construction which accounted for 63% (2021: 65%) of the Group's revenue.

**(d) Analysis on revenue from contracts**

For the six months ended 30 June 2022 and 2021, the Group derives revenue from the transfer of goods and service at a point in time and over time in the following operating segments of geophysics, drilling engineering, logging and mud logging, special downhole operations and engineering construction service:

	Geophysics RMB'000	Drilling engineering RMB'000	Logging and mud logging RMB'000	Special downhole operations RMB'000	Engineering construction RMB'000	Unallocated RMB'000	Total RMB'000
<b>For the six months ended 30 June 2022 (Unaudited)</b>							
<b>Timing of revenue recognition:</b>							
- At a point in time	-	4,275	-	-	1,667	95,351	101,293
- Over time	1,512,225	16,631,523	1,202,466	4,292,870	8,324,482	1,083,793	33,047,359
<b>Total</b>	1,512,225	16,635,798	1,202,466	4,292,870	8,326,149	1,179,144	33,148,652
<b>For the six months ended 30 June 2021 (Unaudited)</b>							
<b>Timing of revenue recognition:</b>							
- At a point in time	-	2,248	4,270	176	3,815	54,912	65,421
- Over time	1,800,634	15,710,637	1,146,468	3,941,267	7,864,949	1,040,685	31,504,640
<b>Total</b>	1,800,634	15,712,885	1,150,738	3,941,443	7,868,764	1,095,597	31,570,061

**SINOPEC OILFIELD SERVICE CORPORATION**

**NOTES TO THE INTERIM FINANCIAL INFORMATION  
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

**5. FINANCE EXPENSES – NET**

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Finance income</b>		
<b>Interest income</b>		
- Sinopec Group's subsidiaries	408	560
- Third parties and other financial institutions	4,022	24,060
	4,430	24,620
<b>Finance expenses</b>		
<b>Interest expenses on loans wholly repayable within 5 years</b>		
- Sinopec Group and its subsidiaries	(263,629)	(278,688)
- Third parties and other financial institutions	(6,059)	(40,830)
<b>Interest expenses on lease liabilities</b>		
- Sinopec Group and its subsidiaries	(9,545)	(12,173)
- Associates and joint ventures of Sinopec Group	(6,982)	(10,073)
- Third parties	(9,155)	(8,928)
<b>Exchange gains/(losses), net</b>	47,529	(56,379)
<b>Bank and other charges</b>	(38,477)	(25,731)
	(286,318)	(432,802)
	(281,888)	(408,182)

**6. REVERSAL OF/(PROVISION FOR) ECL – NET**

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Reversal of ECL on trade and other receivables, net	70,691	58,095
Provision for ECL on contract assets, net	(1,351)	(17,453)
	69,340	40,642

**SINOPEC OILFIELD SERVICE CORPORATION**

**NOTES TO THE INTERIM FINANCIAL INFORMATION  
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

**7. OTHER INCOME**

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Gain on disposal of property, plant and equipment, net	13,783	4,420
Gain on disposal of other non-current assets, net	13,322	1,080
Government grants (Note)	35,829	74,824
Waived payables	-	14,511
Penalty income	2,115	494
Compensation received	5,400	6,055
Gain on debt restructuring	10,840	15,958
Others	32,626	18,115
	<u>113,915</u>	<u>135,457</u>

Note: For the six months ended 30 June 2022 and 2021, government grants primarily represent financial appropriation income and non-income tax refunds received from respective government agencies without conditions or other contingencies attached to the receipts of the grants.

**8. OTHER EXPENSES**

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Penalty pay	1,134	1,591
Compensation	2,138	2,689
Others	36,794	11,414
	<u>40,066</u>	<u>15,694</u>

**SINOPEC OILFIELD SERVICE CORPORATION**

**NOTES TO THE INTERIM FINANCIAL INFORMATION  
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

**9. PROFIT BEFORE INCOME TAX**

Profit before income tax is stated after charging/(crediting) the followings:

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Staff costs, including directors and supervisors emoluments	7,146,661	6,914,213
Retirement benefit plan contribution (including in the above mentioned staff costs)		
- Municipal retirement scheme costs	680,149	699,978
- Supplementary retirement scheme costs	338,800	335,335
Changes in inventories of finished goods and work in progress	30,267	(54,505)
Raw materials and consumables used	8,889,820	8,873,355
Depreciation and amortisation		
- Property, plant and equipment	1,768,213	1,724,135
- Other non-current assets	1,069,531	1,053,122
- Intangible assets	102,178	52,313
Short-term leases and leases with lease term of 12 months or less	379,742	783,557
(Reversal of)/Provision for ECL – net		
- Trade and other receivables	(70,691)	(58,095)
- Contract assets	1,351	17,453
Rental income from property, plant and equipment after relevant expenses	(26,500)	(4,992)
(Gain on disposal)/write-off of property, plant and equipment, net	(9,692)	(4,420)
(Gain on disposal)/write-off of other non-current assets, net	(4,091)	(1,080)
Exchange (gains)/losses, net	(47,529)	56,379
COVID-19 related rent concessions	-	(174)



**SINOPEC OILFIELD SERVICE CORPORATION**

**NOTES TO THE INTERIM FINANCIAL INFORMATION  
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

**10. INCOME TAX EXPENSE**

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Current tax</b>		
PRC enterprise income tax	91,201	68,550
Overseas enterprise income tax	80,492	15,915
	<u>171,692</u>	<u>84,465</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	5,417	(2,507)
	<u>5,417</u>	<u>(2,507)</u>
<b>Income tax expense</b>	<u>177,109</u>	<u>81,958</u>

According to the Corporate Income Tax Law of the PRC, the applicable income tax for the six months ended 30 June 2022 and 2021 is 25%.

According to the normal statutory PRC corporate income tax and relevant rules, apart from certain subsidiaries of the Company subjected to the relevant development zone policy or participation in technology development and the PRC's western development project that can enjoy a 15% preferential tax rate during the six months ended 30 June 2022 and 2021, the majority of the companies of the Group are subject to 25% income tax rate.

Taxes in other countries are calculated according to the tax laws where the related companies of the Group operate.

**SINOPEC OILFIELD SERVICE CORPORATION**

**NOTES TO THE INTERIM FINANCIAL INFORMATION  
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

**11. EARNINGS PER SHARE**

**(a) Basic**

For the six months ended 30 June 2022 and 2021, the basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue.

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Profit for the period attributable to owners of the Company (RMB'000)	555,642	694,246
Weighted average number of ordinary shares in issue (Shares)	18,984,340,033	18,984,340,033
<b>Basic earnings per share (RMB)</b>	<u>0.029</u>	<u>0.037</u>

**(b) Diluted**

For the six months ended 30 June 2022 and 2021, the diluted earnings per share was the same as the basic earnings per share as the exercise price of those share options is higher than the average market price for shares during both periods.

**12. DIVIDENDS**

The Board of Directors of the Company did not recommend the payment of any interim dividends for the six months ended 30 June 2022 (2021: Nil).

**SINOPEC OILFIELD SERVICE CORPORATION**

**NOTES TO THE INTERIM FINANCIAL INFORMATION  
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

**13. EMPLOYEE BENEFITS**

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Salaries, wages and other benefits	6,127,712	5,908,880
Retirement benefit plan contribution (note)		
- Municipal retirement scheme costs	680,149	669,978
- Supplementary retirement scheme costs	338,800	335,355
	7,146,661	6,914,213

Note:

Retirement benefits

As stipulated by the regulations of the PRC, the Group participates in basic defined contribution retirement schemes organised by respective municipal government under which it is governed. As at 30 June 2022, the Group and the employees pay 16% and 8% (31 December 2021: 16% and 8%) of salary respectively to basic defined contribution plan.

In addition, the Group provides a supplementary defined contribution retirement plan for its staff at rates not exceeding 8% (31 December 2021: 8%) of the salaries. Employees who have served the Group for one year or more are entitled to participating in this plan. The funds of this plan are held separately from the Group in an independent fund administered by a committee consisting of representatives from the employees and the Group.

Those employees who involved supplementary retirement scheme are entitled to receive the pension in accordance with a certain percentage of the pre-retirement salary after retirement. The Group has no other material obligation for the payment of retirement benefits associated with these plans beyond Municipal retirement scheme and Supplementary retirement scheme.

**SINOPEC OILFIELD SERVICE CORPORATION**

**NOTES TO THE INTERIM FINANCIAL INFORMATION  
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

**14. PROPERTY, PLANT AND EQUIPMENT AND OTHER NON-CURRENT ASSETS**

**(a) Property, Plant and Equipment**

For the six months ended 30 June 2022 (Unaudited)

	<b>Buildings RMB'000</b>	<b>Oil engineering equipment and others RMB'000</b>	<b>Land RMB'000</b>	<b>Prepaid land leases RMB'000</b>	<b>Construction in progress RMB'000</b>	<b>Total RMB'000</b>
<b>Cost</b>						
Balance at 1 January 2022	2,356,118	64,958,562	164,030	137,876	671,866	68,288,452
Additions	520,804	20,365	38,547	-	422,405	1,002,121
Remeasurement of leases	2,887	2,197	(33)	-	1	5,052
Disposals/Write-off	(158,423)	(605,341)	(21,385)	-	-	(785,149)
Transferred from construction in progress	-	488,019	-	-	(488,019)	-
At 30 June 2022	<u>2,721,386</u>	<u>64,863,802</u>	<u>181,159</u>	<u>137,876</u>	<u>606,253</u>	<u>68,510,476</u>
<b>Accumulated depreciation</b>						
Balance at 1 January 2022	1,128,447	40,840,373	112,286	31,410	-	42,112,516
Depreciation	163,396	1,582,879	20,329	1,609	-	1,768,213
Disposals/Write-off	(145,299)	(557,035)	(19,470)	-	-	(721,804)
At 30 June 2022	<u>1,146,544</u>	<u>41,866,217</u>	<u>113,145</u>	<u>33,019</u>	<u>-</u>	<u>43,158,925</u>
<b>Accumulated impairment loss</b>						
Balance at 1 January 2022	654	1,247,069	-	-	3,502	1,251,225
Disposals/Write-off	-	(10,503)	-	-	-	(10,503)
At 30 June 2022	<u>654</u>	<u>1,236,566</u>	<u>-</u>	<u>-</u>	<u>3,502</u>	<u>1,240,722</u>
<b>Carrying amounts</b>						
At 30 June 2022 (Unaudited)	<u>1,574,188</u>	<u>21,761,019</u>	<u>68,014</u>	<u>104,858</u>	<u>602,751</u>	<u>24,110,829</u>
At 31 December 2021 (Audited)	<u>1,227,017</u>	<u>22,871,120</u>	<u>51,744</u>	<u>106,466</u>	<u>668,364</u>	<u>24,924,711</u>

**SINOPEC OILFIELD SERVICE CORPORATION**

**NOTES TO THE INTERIM FINANCIAL INFORMATION  
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

**14. PROPERTY, PLANT AND EQUIPMENT AND OTHER NON-CURRENT ASSETS  
(CONTINUED)**

**(a) Property, Plant and Equipment**

Note:

As at 30 June 2022, right-of-use assets with carrying amounts of RMB1,123,283,000 are included in property, plant and equipment (31 December 2021: RMB827,404,000).

	Carrying amounts		Depreciation
	As at	As at	During the six
	30 June 2022	1 January 2022	months ended 30
	RMB'000	RMB'000	June 2022
			RMB'000
Buildings	599,208	224,143	135,673
Oil engineering equipment and others	351,202	445,051	103,926
Land	68,015	51,744	20,329
Prepaid land leases	104,858	106,466	1,608
	<u>1,123,283</u>	<u>827,404</u>	<u>261,536</u>

**SINOPEC OILFIELD SERVICE CORPORATION**

**NOTES TO THE INTERIM FINANCIAL INFORMATION  
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**14. PROPERTY, PLANT AND EQUIPMENT AND OTHER NON-CURRENT ASSETS (CONTINUED)**

**(a) Property, Plant and Equipment**

For the six months ended 30 June 2021 (Unaudited)

	<b>Buildings RMB'000</b>	<b>Oil engineering equipment and others RMB'000</b>	<b>Land RMB'000</b>	<b>Prepaid land leases RMB'000</b>	<b>Construction in progress RMB'000</b>	<b>Total RMB'000</b>
<b>Cost</b>						
Balance at 1 January 2021	2,574,128	63,146,900	229,773	136,660	356,026	66,443,487
Additions	48,846	71,585	55,291	-	175,391	351,113
Remeasurement of leases	52,374	2,670	8,980	-	-	64,024
Disposals/Write-off	(125,565)	(347,742)	(17,762)	-	-	(491,069)
Transferred from construction in progress	-	195,228	-	-	(195,228)	-
At 30 June 2021	<u>2,549,783</u>	<u>63,068,641</u>	<u>276,282</u>	<u>136,660</u>	<u>336,189</u>	<u>66,367,555</u>
<b>Accumulated depreciation</b>						
Balance at 1 January 2021	978,471	39,361,809	99,134	28,305	-	40,467,719
Depreciation	144,536	1,553,992	24,060	1,547	-	1,724,135
Disposals/Write-off	(57,182)	(334,336)	(10,311)	-	-	(401,829)
At 30 June 2021	<u>1,065,825</u>	<u>40,581,465</u>	<u>112,883</u>	<u>29,852</u>	<u>-</u>	<u>41,790,025</u>
<b>Accumulated impairment loss</b>						
Balance at 1 January 2021	8,436	1,319,930	-	-	71,734	1,400,100
Disposals/Write-off	-	(839)	-	-	-	(839)
At 30 June 2021	<u>8,436</u>	<u>1,319,091</u>	<u>-</u>	<u>-</u>	<u>71,734</u>	<u>1,399,261</u>
<b>Carrying amounts</b>						
At 30 June 2021 (Unaudited)	<u><u>1,475,522</u></u>	<u><u>21,168,085</u></u>	<u><u>163,399</u></u>	<u><u>106,808</u></u>	<u><u>264,455</u></u>	<u><u>23,178,269</u></u>

**14. PROPERTY, PLANT AND EQUIPMENT AND OTHER NON-CURRENT ASSETS  
(CONTINUED)**

**(b) Other Non-Current Assets**

For the six months ended 30 June 2022

	Special tools of petroleum engineering	Other tools of Petroleum engineering	Camping house	Other long-term deferred expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Cost</b>					
At 1 January 2022	14,196,612	1,942,128	2,142,874	51,214	18,332,828
Additions	75,591	55,562	16,795	628	148,876
At 30 June 2022	<b>14,272,303</b>	<b>1,997,690</b>	<b>2,159,669</b>	<b>51,842</b>	<b>18,481,404</b>
<b>Accumulated depreciation</b>					
At 1 January 2022	8,804,286	1,418,358	1,482,990	31,892	11,737,526
Depreciation	833,412	117,776	114,605	3,738	1,069,531
Other decrease				1,146	1,146
At 30 June 2022	<b>9,637,698</b>	<b>1,536,134</b>	<b>1,597,595</b>	<b>36,776</b>	<b>12,808,203</b>
<b>Carrying amounts</b>					
At 30 June 2022 (Unaudited)	4,634,505	461,556	562,074	15,066	5,673,201
At 31 December 2021 (Audited)	<b>5,392,326</b>	<b>523,770</b>	<b>659,884</b>	<b>19,322</b>	<b>6,595,302</b>

**14. PROPERTY, PLANT AND EQUIPMENT AND OTHER NON-CURRENT ASSETS  
(CONTINUED)**

**(b) Other Non-Current Assets**

For the six months ended 30 June 2021

	<b>Special tools of petroleum engineering</b>	<b>Other tools of Petroleum engineering</b>	<b>Camping house</b>	<b>Other long-term deferred expenses</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Cost</b>					
At 1 January 2021	11,938,311	1,609,042	1,823,188	44,576	15,415,117
Additions	359,410	90,147	36,463	2,280	488,300
At 30 June 2021	12,297,721	1,699,189	1,859,651	46,856	15,903,417
<b>Accumulated depreciation</b>					
At 1 January 2021	7,163,913	1,099,821	1,272,641	23,828	9,560,203
Depreciation	786,669	162,701	99,671	4,081	1,053,122
Other decrease	25,134	2,685	14,904	-	42,723
At 30 June 2021	7,975,716	1,265,207	1,387,216	27,909	10,656,048
<b>Carrying amounts</b>					
At 30 June 2021 (Unaudited)	<b>4,322,005</b>	<b>433,982</b>	<b>472,435</b>	<b>18,947</b>	<b>5,247,369</b>



## 15. FINANCIAL ASSETS AT FVTOCI

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
<b>Financial assets at FVTOCI (non-recycling)</b>		
<b>Non-current assets:</b>		
Equity securities – the PRC	<u>21,760</u>	<u>21,760</u>
<b>Current assets:</b>		
Notes receivables	<u>743,386</u>	<u>1,295,971</u>

Notes:

- (a) Unlisted investments represent the Groups' equity interests in the unlisted entities in the PRC. They are mainly engaged in drilling and technical services operations.

The Group designated its investment in unlisted investment as financial assets at FVTOCI (non-recycling), as the investment is held for strategic purpose.

- (b) As at 30 June 2022 and 31 December 2021, notes receivables were classified as financial assets at FVTOCI, as the Group's business model is achieved both by collecting contractual cash flows and by selling of these assets.

All notes receivables of the Group are banks' acceptance notes and commercial acceptance bills usually collected within six months from the date of issue.

As at 30 June 2022 and 31 December 2021, none of the Group's notes receivables were pledged as collateral or overdue.

- (c) All financial assets at FVTOCI are denominated in RMB.

## 16. TRADE RECEIVABLES

	<b>As at 30 June 2022 RMB'000 (Unaudited)</b>	<b>As at 31 December 2021 RMB'000 (Audited)</b>
<b>Trade receivables</b>		
- Sinopec Group and its subsidiaries	2,929,750	2,361,677
- Joint ventures of the Group	20,375	31,673
- Joint ventures and associates of Sinopec Group	838,428	31,943
- Third parties	7,196,185	8,141,221
	<u>10,984,738</u>	<u>10,566,514</u>
Less: ECL allowance	<u>(2,443,280)</u>	<u>(2,415,495)</u>
<b>Trade receivables - net</b>	<u><u>8,541,458</u></u>	<u><u>8,151,019</u></u>

As at 30 June 2022 and 31 December 2021, the Group's trade receivables were approximately their fair values.

The Group usually provides customers with a credit term between 90 to 180 days. For the settlement of trade receivables from provision of services, the Group usually reaches an agreement on the term of each payment with the customer by taking into account factors such as, among other things, the credit history of the customer, its liquidity position and the Group's working capital needs, which varies on a case-by-case basis that requires the judgment and experience of the management. The Group does not hold any collateral as security.

## 16. TRADE RECEIVABLES (CONTINUED)

Ageing analysis of trade receivables net of ECL allowance based on invoice date is as follows:

	<b>As at 30 June 2022 RMB'000 (Unaudited)</b>	<b>As at 31 December 2021 RMB'000 (Audited)</b>
Within 1 year	7,871,696	7,356,037
1 to 2 years	345,906	455,345
2 to 3 years	160,611	185,164
Over 3 years	163,245	154,473
	<u>8,541,458</u>	<u>8,151,019</u>

The movements of ECL allowance on trade receivables are as follows:

	<b>2022 RMB'000 (Unaudited)</b>	<b>2021 RMB'000 (Audited)</b>
At the beginning of the period/year	2,415,495	2,474,538
ECL allowance	54,444	93,248
Reversal	(111,120)	(91,906)
Others	84,461	(31,649)
Receivables write-off as uncollectible	-	(28,736)
<b>At the end of the period/year</b>	<u>2,443,280</u>	<u>2,415,495</u>

## 17. PREPAYMENT AND OTHER RECEIVABLES

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
<b>Prepayments (note (a))</b>	707,322	342,419
<b>Other receivables (note (b))</b>		
Petty cash funds	40,347	3,304
Guarantee deposits	1,265,811	1,247,723
Disbursement of funds	1,192,354	870,202
Temporary payment	918,019	697,197
Escrow payments	4,756	6,430
Deposits	133,002	127,035
Export tax refund receivables	6,589	21,405
Excess value-added tax paid	1,164,087	1,281,654
Value added tax to be certified	32,579	22,671
Prepaid value-added tax	1,053,524	931,596
Prepaid income tax	2,770	2,085
Others	427,782	417,701
	<u>6,948,942</u>	<u>5,971,422</u>
Less: ECL allowance	<u>(822,841)</u>	<u>(809,103)</u>
<b>Prepayments and other receivables – net</b>	<u><u>6,126,101</u></u>	<u><u>5,162,319</u></u>

### Notes:

- (a) As at 30 June 2022, prepayments included related party balances: Sinopec Group and its subsidiaries amounting to RMB 110,289,000 (31 December 2021: RMB88,584,000), the associates and joint ventures of Sinopec Group amounting to RMB7,910,000 (31 December 2021: Nil).
- (b) As at 30 June 2022, other receivables included related party balances: Sinopec Group and its subsidiaries amounting to RMB147,353,000 (31 December 2021: RMB200,891,000), the joint ventures of the Group amounting to RMB 1,351,000 (31 December 2021: RMB246,000) and the associates and joint ventures of Sinopec Group amounting to RMB 346,624,000 (31 December 2021: RMB294,411,000).
- (c) The amounts due from related parties are unsecured, interest free and repayable on demand.
- (d) The carrying amounts of the Group's prepayments and other receivables as at 30 June 2022 and 31 December 2021 approximate their fair value.

## 17. PREPAYMENT AND OTHER RECEIVABLES (CONTINUED)

The movements of ECL allowance on other receivables are as follows:

	<b>2022</b> <b>RMB'000</b> <b>(Unaudited)</b>	<b>2021</b> <b>RMB'000</b> <b>(Audited)</b>
At the beginning of the period/year	809,103	761,013
ECL allowance	40,012	122,076
Reversal	(54,027)	(100,926)
Receivables write-off as uncollectible	-	(4,151)
Others	27,753	31,091
	<u>822,841</u>	<u>809,103</u>
<b>At the end of the period/year</b>	<b><u>822,841</u></b>	<b><u>809,103</u></b>

## 18. CONTRACT ASSETS AND COST TO FULFIL CONTRACTS/CONTRACT LIABILITIES

### (a) Contract assets and cost to fulfil contracts

	<b>As at</b> <b>30 June 2022</b> <b>RMB'000</b> <b>(Unaudited)</b>	<b>As at</b> <b>31 December</b> <b>2021</b> <b>RMB'000</b> <b>(Audited)</b>
Contract assets arising from construction and service contracts	16,446,305	13,647,488
Cost to fulfil contracts	588,122	79,138
Less: ECL allowance	(103,975)	(100,593)
	<u>16,930,452</u>	<u>13,626,033</u>

**Typical payment terms which impact on the amount of contract assets recognised are as follows:**

The Group's construction and service contracts include payment schedules which require progress payments over the construction period once certain specified milestones are reached. Approximate 5% of progress billings of engineering construction service would be retained as quality guarantee. This amount is included in contract assets until the end of guarantee period.

The amount of contract assets that is expected to be recovered after more than one year is RMB337,172,000 (31 December 2021: RMB350,834,000).

18. CONTRACT ASSETS AND COST TO FULFIL CONTRACTS/CONTRACT LIABILITIES (CONTINUED)

(b) Contract liabilities

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Contract liabilities arising from construction and service contracts	<u>3,251,499</u>	<u>3,547,938</u>

The balance of contract liabilities as at 1 January 2022 is RMB3,547,938,000, in which RMB2,035,572,000 was recognised as revenue during the period.

**Unsatisfied performance obligation:**

The Group has signed engineering service contracts with several customers to provide petroleum engineering and technical service and construction engineering contracts, which will be completed within the agreed period and regarded as a single performance obligation as a whole. As at 30 June 2022, part of the Group's petroleum engineering and technical service and construction engineering contracts were still in the process, and the total transaction price apportioned to the unsatisfied performance obligation was RMB28.56 billion (31 December 2021: RMB27.46 billion), the amount of which was related to the progress of the performance of each contract, and will be recognised as revenue in accordance with the percentage of work performed in the future, which is expected to be completed in the coming 60 months.

## 19. INVENTORIES

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Raw materials	812,347	919,795
Finished goods	110,164	96,481
Work in progress	22,151	5,567
Turnover materials	15,046	13,604
	<u>959,708</u>	<u>1,035,447</u>
Less: Inventories write-down	(26,165)	(26,281)
	<u>933,543</u>	<u>1,009,166</u>

For the six months ended 30 June 2022 and 2021, cost of inventories recognised as expenses and included in “cost of sales” amounting to RMB8,920,087 and RMB8,818,850,000 respectively. For the six months ended 30 June 2022, reversal of inventories write-down of RMB116,000 (For the six months ended 30 June 2021: Nil) was made .

## 20. SHARE CAPITAL

	As at 30 June 2022		As at 31 December 2021	
	Number of shares (Share)	Share capital RMB'000 (Unaudited)	Number of shares (Share)	Share capital RMB'000 (Audited)
<b>Registered, issued and paid:</b>				
- Domestic non-public legal person shares of RMB1.00 each	11,786,045,218	11,786,046	11,786,045,218	11,786,046
- Social public A shares of RMB1.00 each	1,783,333,333	1,783,333	1,783,333,333	1,783,333
- H shares of RMB1.00 each	5,414,961,482	5,414,961	5,414,961,482	5,414,961
	<u>18,984,340,033</u>	<u>18,984,340</u>	<u>18,984,340,033</u>	<u>18,984,340</u>

## 21. NOTES AND TRADE PAYABLES

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
<b>Trade payables</b>		
- Sinopec Group and its subsidiaries	2,427,096	1,242,579
- Joint ventures of the Group	43,936	52,175
- Joint ventures and associates of Sinopec Group	20	12,054
- Third parties	18,186,628	20,249,454
	<u>20,657,680</u>	<u>21,556,262</u>
<b>Notes payables</b>	9,269,973	8,334,086
	<u>29,927,653</u>	<u>29,890,348</u>

As at 30 June 2022 and 31 December 2021, the carrying amount of Group's notes and trade payables were approximately their fair values.

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

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Within 1 year	29,397,080	29,450,316
1 to 2 years	231,179	161,590
2 to 3 years	107,054	87,803
Over 3 years	192,340	190,639
	<u>29,927,653</u>	<u>29,890,348</u>



## 22. OTHER PAYABLES

	<b>As at 30 June 2022 RMB'000 (Unaudited)</b>	<b>As at 31 December 2021 RMB'000 (Audited)</b>
Salaries payables	707,248	644,026
Other tax payables	330,337	526,212
Interest payables (note (a))	32,178	19,476
Other payables (note (b))		
Guarantee deposits	697,719	617,945
Deposits	143,786	138,024
Disbursement of funds	650,318	671,505
Temporary receipts	401,246	224,384
Escrow payments	47,146	38,852
Withheld payments	49,817	56,341
Others	568,187	618,281
	<u>3,627,982</u>	<u>3,555,046</u>

### Notes:

- (a) As at 30 June 2022, interest payables include related party balances with Sinopec Group and its subsidiaries amounting to RMB30,448,000 (31 December 2021: RMB19,364,000).
- (b) As at 30 June 2022, other payables include related party balances with Sinopec Group and its subsidiaries amounting to RMB27,567,000 (31 December 2021: RMB47,788,000), associates of the Group amounting to RMB36,507,000 (31 December 2021: RMB23,410,000).
- (c) The above amounts due to related parties are unsecured, interest free and repayable on demand.

## 23. BORROWINGS

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
<b>Current liabilities</b>		
Loans from Sinopec Finance Company Limited (note (a))	5,200,000	4,550,000
Loans from Sinopec Century Bright Capital Investment Limited (note (a))	2,241,608	1,970,091
Loans from Sinopec Group (note (a))	11,000,000	11,000,000
Lease liabilities (note (b))	416,533	295,945
Others	71	-
	<u>18,858,212</u>	<u>17,816,036</u>
<b>Non-current liabilities</b>		
Bank borrowings (note (a))	1,550,335	1,554,686
Lease liabilities (note (b))	574,171	390,866
	<u>2,124,506</u>	<u>1,945,552</u>
	<u>20,982,718</u>	<u>19,761,588</u>

Notes:

(a) The borrowings of the Group are repayable as follows:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Within 1 year	18,441,608	17,520,091
1 to 2 years	1,550,335	1,554,686
	<u>19,991,943</u>	<u>19,074,777</u>

As at 30 June 2022, annual interest rate of credit loans from related parties and bank ranged from 1.43% to 3.92% (31 December 2021: 1.42% to 3.92%).

## 23. BORROWINGS (CONTINUED)

### (b) Lease liabilities

	<b>As at 30 June 2022 RMB'000 (Unaudited)</b>	<b>As at 31 December 2021 RMB'000 (Audited)</b>
Total minimum lease payments		
- Within 1 year	434,616	308,806
- 1 to 2 years	350,983	224,724
- 2 to 5 years	220,669	195,470
- Over 5 years	54,249	10,834
	<u>1,060,517</u>	<u>739,834</u>
Future finance charges on lease liabilities	<u>(69,813)</u>	<u>(53,023)</u>
<b>Present value of lease liabilities</b>	<u><u>990,704</u></u>	<u><u>686,811</u></u>
	<b>As at 30 June 2022 RMB'000 (Unaudited)</b>	<b>As at 31 December 2021 RMB'000 (Audited)</b>
Present value of minimum lease payments		
- Within 1 year	416,533	295,945
- 1 to 2 years	323,775	202,509
- 2 to 5 years	201,308	178,013
- Over 5 years	49,088	10,344
	<u>990,704</u>	<u>686,811</u>
Less: Portion due within one year included under current liabilities	<u>(416,533)</u>	<u>(295,945)</u>
<b>Portion due after one year included under non-current liabilities</b>	<u><u>574,171</u></u>	<u><u>390,866</u></u>

As at 30 June 2022, the Group leases various residential properties, office and equipment. The leases run for an initial period of 1 to 30 years (31 December 2021: 1 to 30 years), with an option to renew the leases and renegotiate the terms at the expiry date or at dates mutually agreed between the Group and respective landlords/lessors.

For the six months ended 30 June 2022, total cash outflow for the lease payment is RMB668,776,000 (30 June 2021: RMB705,425,000).

## 24. COMMITMENTS

### (a) Capital commitments

Capital commitments for the purchase of property, plant and equipment outstanding as at 30 June 2022 and 31 December 2021 are as follows:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Contracted but not provided for	<u>31,415</u>	<u>74,473</u>

### (b) Lease commitments

The lease commitments for short-term leases as at 30 June 2022 and 31 December 2021 are as follows:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Within 1 year	<u>21,064</u>	<u>89,085</u>

As at 30 June 2022 and 31 December 2021, the Group leases various residential properties, office and equipment with a lease period of 6 to 12 months, which are qualified to be accounted for under short-term lease exemption under IFRS 16.

### (c) Investment commitments

As at 30 June 2022, the Group has outstanding commitments of RMB129,625,000 (31 December 2021: RMB129,625,000) in respect of its investment in joint ventures.

### (d) Fulfilment of commitments for the previous period

The Group has fulfilled the capital and operating lease commitments as at 30 June 2022.

## 25. CONTINGENCIES AND GUARANTEES

In preparing this interim financial information, except for described below, there were no further developments of those contingencies as at 30 June 2022, which were disclosed in the 2021 annual report.

### (a) Contingent liabilities and financial impacts due to pending litigation

The Group is the defendant of certain lawsuits and also the third party or the designated party of other proceedings arising in the ordinary course of business. Management has assessed the possibility of adverse results of these contingencies, lawsuits or other proceedings and believes that any resulting liabilities will not have significant negative impact on the financial position, operating results or cash flow of the Group. Therefore, the management does not make provision for the foresaid matters.

China National Chemical Engineering No. 11 Construction Co., Ltd. (the “Applicant”) and Sinopec International Petroleum Services Corporation (“International services Corporation” or the “Respondent”), a wholly-owned subsidiary of the Group, has entered into the “Works Contract for the Package C Construction of the Saudi Yanbu-Medina Phase III Pipeline Project” (the “Construction Works Contract”) with International Services Corporation on 16 August 2012. Pursuant to the Construction Works Contract, International Services Corporation subcontracted to the Applicant the construction of the “Package C Project” of the “Saudi Yanbu-Medina Phase III Pipeline Project”. On 29 May 2018, the Applicant submitted to the China International Economic and Trade Arbitration Commission in Beijing the “Application for Arbitration” in respect of the contract dispute between the Applicant and the Respondent during the performance of the Construction Works Contract, requesting the Respondent to pay approximately RMB456,810,000 for the project fee and the accrued interest, approximately RMB145,968,000 for the loss due to stoppage of work and the accrued interest, approximately RMB38,018,000 for the advance payment under the letter of guarantee and the accrued interest, and approximately RMB500,000 for attorney fee and the arbitration fee for the case (the “Arbitration”). The China International Economic and Trade Arbitration Commission accepted the case on 15 June 2018. At the report date, the arbitration tribunal has selected a professional to conduct cost confirmation on the disputed costs in this case. The hearing was held again on 3 July 2022 and the arbitral tribunal has extended the time limit for final decision to 24 October 2022. As at 30 June 2022, only the legal fees expected to be incurred in the arbitration process of RMB4,000,000 have been accrued in accordance with the related service agreement from lawyer.

As the case is still under trial, the Group does not make any other provision for the pending litigation since the management considered that an outflow of recourses embodying economic benefits required to settle the obligation is not probable.

## **25. CONTINGENCIES AND GUARANTEES (CONTINUED)**

### **(b) Performance guarantee**

As at 30 June 2022, the Group agreed to provide performance guarantee for DS Servicios Petroleros, S.A.de C.V. (“Mexico DS Company”) for the performance obligations under the production sharing contract for the EBANO project entered into between Mexican National Hydrocarbons Commission, being the beneficiary, and the Mexico DS Company. During the guarantee period, when Mexico DS Company loses contract performance capabilities, the Group shall undertake to perform the contracts on its behalf to an amount not exceed USD274,950,000.

## **26. SIGNIFICANT RELATED PARTY TRANSACTIONS**

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. The Group is subject to the control of the PRC government which also controls a significant portion of the productive assets and entities in the PRC (collectively known as the “state-owned enterprises”).

In accordance with IAS 24 “Related party disclosures”, other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC government are regarded as related parties of the Group (“other state-owned enterprises”). For the purpose of related party disclosures, the Group has in place procedures to identify the immediate ownership structure of its customers and suppliers to determine whether they are state-owned enterprises. Many state-owned enterprises have multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatisation programs. Nevertheless, management believes that meaningful information relating to related party transaction has been adequately disclosed.

In addition to the related party transactions and balances shown elsewhere in this interim financial information, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, including other state-owned enterprises, for the six months ended 30 June 2022 and 2021.

The transactions with related parties are carried out on normal commercial terms or relevant agreements with counterparties in the ordinary course of business.

The majority of these significant related party transactions with Sinopec Group and its fellow subsidiaries also constitute continuing connected transactions as defined under Chapter 14A of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

26. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant related party transactions arising with Sinopec Group and its subsidiaries and fellow subsidiaries:

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<b>Purchases of materials</b>		
- Sinopec Group and its subsidiaries	5,183,876	4,141,305
<b>Sale of products</b>		
- Sinopec Group and its subsidiaries	20,309	11,013
<b>Rendering of engineering services</b>		
- Sinopec Group and its subsidiaries	20,755,730	20,537,866
<b>Receiving of community services</b>		
- Sinopec Group and its subsidiaries	4,420	5
<b>Receiving of integrated services</b>		
- Sinopec Group and its subsidiaries	192,458	235,969
<b>Rendering of integrated services</b>		
- Sinopec Group and its subsidiaries	48,106	-
<b>Rendering of technology research and development services</b>		
- Sinopec Group and its subsidiaries	51,312	31,870
<b>Rental income - Buildings</b>		
- Sinopec Group and its subsidiaries	105	918
<b>Rental income - Equipment</b>		
- Sinopec Group and its subsidiaries	95	234
<b>Lease payment – Lands and buildings</b>		
- Sinopec Group and its subsidiaries	428,809	99,673
<b>Lease payment – Equipment</b>		
- Sinopec Group and its subsidiaries	2,046	96,943

**26. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)****(a) Significant related party transactions arising with Sinopec Group and its subsidiaries and fellow subsidiaries: (Continued)**

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Deposits interest income</b>		
- Sinopec Group's subsidiaries	408	560
<b>Loans interest expenses</b>		
- Sinopec Group and its subsidiaries	263,629	278,688
<b>Interest expenses on lease liabilities</b>		
- Sinopec Group and its subsidiaries	9,121	12,173
<b>Borrowings obtained</b>		
- Sinopec Group and its subsidiaries	12,154,500	29,118,868
<b>Borrowings repaid</b>		
- Sinopec Group and its subsidiaries	11,380,482	28,632,419
<b>Safety and insurance fund expenses</b>		
- Sinopec Group	40,100	37,800
<b>Safety and insurance fund refund</b>		
- Sinopec Group	36,821	52,118



**26. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)**

**(b) Significant related party transactions arising with the associates and joint ventures of the Group:**

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Rendering of engineering services</b>		
- Associates and joint ventures of the Group	124,991	172
<b>Receiving of engineering services</b>		
- Associates and joint ventures of the Group	898,095	954,509
<b>Lease payment – Lands and buildings</b>		
- Associates and joint ventures of the Group	-	780

## 26. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

### (c) Significant related party transactions arising with the associates and joint ventures of Sinopec Group:

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<b>Purchases of materials</b>		
- Associates and joint ventures of Sinopec Group	107,152	104,267
<b>Rendering of engineering services</b>		
- Associates and joint ventures of Sinopec Group	6,536	622,306
<b>Receiving of integrated services</b>		
- Associates and joint ventures of Sinopec Group	217	70,631
<b>Lease payment – Equipment</b>		
- Associates and joint ventures of Sinopec Group	9,823	64,711
<b>Interest expenses on lease liabilities</b>		
- Associates and joint ventures of Sinopec Group	6,982	10,073

## 26. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

### (d) Remuneration of key management personnel

Key management includes directors, supervisors, president, vice presidents, chief financial officer and secretary to the Board of Directors. The compensation paid or payable to key management form employee services is shown below:

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Fee	300	300
Salaries, allowances and bonus	7,147	6,599
Contributions to pension plans	286	283
	<u>7,733</u>	<u>7,182</u>

### (e) Provision for counter guarantee

As at 30 June 2022, the Group has provided the counter guarantee to Sinopec Group, amounting to RMB300,000,000 (30 June 2021: RMB500,000,000). The counter guarantee will be ended in September 2024.

## 27. FAIR VALUE

Other than noted as below, the carrying value of the Group's financial assets and liabilities stated at the condensed consolidated statement of financial position are not materially different from their fair values.

Fair value is the price that would be received to sell assets or paid to transfer liabilities in an orderly transaction between market participants at the measurement date. The Group discloses fair value measurements of financial instruments by level of the following fair value measurement hierarchy:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## 27. FAIR VALUE (CONTINUED)

### (a) Recurring fair value measurement of the Group's financial assets measured at fair value

The financial assets measured at fair value in the condensed consolidated statement of financial position on a recurring basis are grouped into the fair value hierarchy as follows:

	<b>Level 3</b>	
	<b>As at 30 June 2022 RMB'000 (Unaudited)</b>	<b>As at 31 December 2021 RMB'000 (Audited)</b>
<b>Financial assets at FVTOCI (non-recycling)</b>		
- Unlisted equity investments	21,760	21,760
<b>Financial assets at FVTOCI</b>		
- Notes receivables	743,386	1,295,971
	<u>765,146</u>	<u>1,317,731</u>

The reconciliation of the carrying amounts of assets classified within Level 3 of the fair value hierarchy is as follows:

	<b>Six months ended</b>	<b>Year ended</b>
	<b>30 June 2022 RMB'000 (Unaudited)</b>	<b>31 December 2021 RMB'000 (Audited)</b>
Opening balance	1,317,731	1,346,260
Addition/(Settlement), net	(552,585)	(26,377)
Movement in fair value recognised in other comprehensive income	-	(2,152)
Closing balance	<u>765,146</u>	<u>1,317,731</u>

## 27. FAIR VALUE (CONTINUED)

### (a) Recurring fair value measurement of the Group's financial assets measured at fair value (Continued)

The fair value of the unlisted equity investments and notes receivables is measured using valuation techniques with reference to the net asset value and discounted cash flows, respectively. The Directors believe that the change in fair value (which is included in other comprehensive income) derived from the valuation technique is reasonable and is the most appropriate value at the end of the reporting period. There have been no transfers into or out of Level 3 during the six months period ended 30 June 2022 (2021: Nil).

### (b) Fair values of financial assets and liabilities carried at other than fair value

The carrying value of the Group's financial instruments carried at amortised cost are not materially different from fair value as at 30 June 2022 and 31 December 2021.

## 7.2 Interim financial report prepared in accordance with the PRC ASBE

The following financial information has been extracted from the Company's unaudited interim financial report, prepared in accordance with the PRC ASBE, for the six months ended 30 June 2022.

### **Consolidated balance sheets**

*(Expressed in thousands of Renminbi Yuan)*

Assets	<b>30 June 2022</b>	<b>31 December 2021</b>
Current assets:		
Cash at bank and on hand	<b>1,940,644</b>	2,508,224
Accounts receivable	<b>8,541,458</b>	8,151,019
Receivable at FVTOCI	<b>743,385</b>	1,295,971
Prepayments	<b>703,422</b>	338,555
Other receivables	<b>3,137,547</b>	2,552,292
Inventories	<b>1,521,665</b>	1,088,304
Contract assets	<b>16,342,330</b>	13,546,895
Other current assets	<b>2,252,960</b>	2,238,006
Total current assets	<b>35,183,411</b>	<b>31,719,266</b>
Non-current assets:		
Long-term equity investments	<b>46,498</b>	47,048
Other equity instrument investments	<b>21,760</b>	21,760
Fixed assets	<b>22,416,968</b>	23,461,781
Construction in progress	<b>602,751</b>	668,364
Right-of-use assets	<b>1,018,425</b>	720,938
Intangible assets	<b>403,389</b>	506,596
Long-term prepaid expenses	<b>5,673,201</b>	6,595,930
Deferred tax assets	<b>305,123</b>	310,764
Total non-current assets	<b>30,488,115</b>	<b>32,333,181</b>
Total assets	<b>65,671,526</b>	<b>64,052,447</b>

**Consolidated balance sheets (continued)**  
*(Expressed in thousands of Renminbi Yuan)*

Liabilities and shareholders' equity	30 June 2022	31 December 2021
Current liabilities:		
Short-term loans	18,441,608	17,520,091
Bills payable	9,269,973	8,334,086
Accounts payable	20,657,680	21,556,262
Contract liabilities	3,251,499	3,547,938
Employee benefits payable	707,248	644,026
Taxes payable	586,674	737,725
Other payables	2,539,740	2,355,823
Non-current liabilities due within one year	416,605	296,045
Total current liabilities	-	-
Non-current liabilities:	55,871,027	54,991,996
Long-term loans		
Lease liabilities	1,550,335	1,554,686
Long-term payables	574,171	390,866
Provisions	50,656	28,885
Deferred income	189,346	205,771
Deferred income tax liabilities	9,619	9,288
Total non-current liabilities	9,213	9,438
Total liabilities	2,383,340	2,198,934
Equity:	58,254,367	57,190,930
Share capital		
Capital reserve	18,984,340	18,984,340
Other comprehensive income	11,717,773	11,717,773
Specific reserve	-3,823	-3,823
Surplus reserve	574,556	219,182
Retained earnings	200,383	200,383
Total equity attributable to owners of the Company	-24,056,070	-24,256,338
Non-controlling interests	7,417,159	6,861,517
Total equity	-	-
Total liabilities and equity	7,417,159	6,861,517

**Consolidated income statements***(Expressed in thousands of Renminbi Yuan)*

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2022</b>	<b>2021</b>
1.Revenue	<b>33,148,652</b>	31,570,061
Less: Cost of sales	<b>30,727,547</b>	29,584,206
Taxes and surcharges	<b>122,208</b>	105,875
Selling and distribution expenses	<b>26,643</b>	32,041
General and administrative expenses	<b>1,092,018</b>	803,949
Research and development expenses	<b>666,919</b>	349,034
Finance costs	<b>281,888</b>	408,182
Including: Interest expense	<b>312,413</b>	350,692
Interest income	<b>4,430</b>	24,620
Add: Other income	<b>35,167</b>	78,231
Investment income (“-” for losses)	<b>13,599</b>	19,295
Including: Share of profit of associates and joint ventures	<b>2,758</b>	3,337
Credit impairment losses (“-” for losses)	<b>70,691</b>	58,095
Assets impairment (“-” for losses)	<b>-1,351</b>	-17,453
Gains from disposal of non-current asset (“-” for losses)	<b>13,783</b>	5,500
2.Operating profit (“-” for losses)	<b>363,318</b>	<b>430,442</b>
Add: Non-operating income	<b>54,124</b>	35,768
Less: Non-operating expenses	<b>40,065</b>	15,694
3.Profit before income tax (“-” for losses)	<b>377,377</b>	<b>450,516</b>
Less: Income tax expenses	<b>177,109</b>	81,958
4.Net profit for the period (“-” for losses)	<b>200,268</b>	<b>368,558</b>
Profit for the period attributable to:		
- Owners of the company	200,268	368,558
- Non-controlling interests	-	-
5.Earnings per share(“-” for losses):		
Basic earnings per share (in RMB)	0.011	0.019
Diluted earnings per share (in RMB)	0.011	0.019
6.Other comprehensive income for the period	-	10
7.Total comprehensive income for the period	<b>200,268</b>	<b>368,568</b>
Total comprehensive income for the period attributable to:		
- Owners of the Company	200,268	368,568
- Non-controlling shareholders	-	-



**Consolidated cash flow statement**  
(Expressed in thousands of Renminbi Yuan)

	For the six months ended	
	30 June	
	2022	2021
1. Cash flows from operating activities:		
Cash received from sale of goods and rendering of services	26,511,123	26,379,564
Refund of taxes	162,722	61,071
Cash received from other operating activities	990,607	746,831
Sub-total of cash inflows	<u>27,664,452</u>	<u>27,187,466</u>
Cash paid for goods and services	19,058,356	18,391,038
Cash paid to and for employees	7,005,451	6,990,261
Cash paid for all types of taxes	701,782	570,397
Cash paid relating to other operating activities	1,436,789	876,909
Sub-total of cash outflows	<u>28,202,378</u>	<u>26,828,605</u>
Net cash inflow from operating activities	<u>-537,926</u>	<u>358,861</u>
2. Cash flows from investing activities :		
Cash received from investment	-	10
Cash received from the investment income	3,856	690
Net cash received from disposal of fixed assets	12,079	17,184
Sub-total of cash inflows	<u>15,935</u>	<u>17,884</u>
Cash paid for acquisition of fixed assets, intangible assets and other long term assets	508,526	408,516
Cash paid for the investments	-	-
Sub-total of cash outflows	<u>508,526</u>	<u>408,516</u>
Net cash inflow from investing activities (“-” for outflow)	<u>-492,591</u>	<u>-390,632</u>
3. Cash flows from financing activities :		
Cash received from borrowings	12,154,500	29,118,868
Sub-total of cash inflows	<u>12,154,500</u>	<u>29,118,868</u>
Cash paid for repayments of borrowings	11,415,907	28,611,789
Cash paid for distribution of dividend, profit or payments of interests	274,029	299,675
Cash paid for other financing activities	158,721	198,137
Sub-total of cash outflows	<u>11,848,657</u>	<u>29,109,601</u>
Net cash inflow from financing activities	<u>305,843</u>	<u>9,267</u>
4. Effect of foreign exchange rate changes on cash and cash equivalents	96,207	-6,704
5. Net decrease in cash and cash equivalents	-628,467	-29,208
Add: Cash and cash equivalents at the beginning of the period	<u>2,475,307</u>	<u>1,523,352</u>
6. Cash and cash equivalents at the end of the period	<u>1,846,840</u>	<u>1,494,144</u>

## **Consolidated Statement of changes in equity**

*(Expressed in thousands of Renminbi Yuan)*

Items	Share capital	Capital reserve	Other comprehensive income	Specific reserve	Surplus reserve	(Accumulated losses)/Retained earnings	Non-controlling interests	Total equity
Balance at 31 December 2021	18,984,340	11,717,773	-3,823	219,182	200,383	-24,256,338	-	6,861,517
Add: Changes in accounting policies	-	-	-	-	-	-	-	-
Adjustment for the business combination under common control	-	-	-	-	-	-	-	-
Balance at 1 January 2021	18,984,340	11,717,773	-3,823	219,182	200,383	-24,256,338	-	6,861,517
Changes during the period (decrease in "-")	-	-	-	335,374	-	200,268	-	555,642
Total comprehensive income	-	-	-	-	-	200,268	-	200,268
Increase or decrease of capital	-	-	-	-	-	-	-	-
Transfer of equity	-	-	-	-	-	-	-	-
Transfer of other comprehensive income reserve	-	-	-	-	-	-	-	-
Net loss	-	-	-	-	-	-	-	-
Distribution of profits	-	-	-	-	-	-	-	-
Specific reserve-provided during the period	-	-	-	575,168	-	-	-	575,168
Specific reserve-used during the period (expressed in "-")	-	-	-	-219,794	-	-	-	-219,794
<b>Balance at 30 June 2021</b>	<b>18,984,340</b>	<b>11,717,773</b>	<b>-3,823</b>	<b>574,556</b>	<b>200,383</b>	<b>-24,067,571</b>	<b>-</b>	<b>7,417,159</b>
Balance at 31 December 2020	18,984,340	11,717,773	-2,014	258,523	200,383	-24,436,139	-	6,722,866
Add: Changes in accounting policies	-	-	-	-	-	-	-	-
Adjustment for the business combination under common control	-	-	-	-	-	-	-	-
Balance at 1 January 2021	18,984,340	11,717,773	-2,014	258,523	200,383	-24,436,139	-	6,722,866
Changes during the period (decrease in "-")	-	-	-	325,688	-	368,568	-	694,256
Total comprehensive income	-	-	10	-	-	368,558	-	368,568
Increase or decrease of capital	-	-	-	-	-	-	-	-
Transfer of equity	-	-	-	-	-	-	-	-
Transfer of other comprehensive income reserve	-	-	-10	-	-	10	-	-
Net loss	-	-	-	-	-	-	-	-
Distribution of profits	-	-	-	-	-	-	-	-
Specific reserve-provided during the period	-	-	-	568,834	-	-	-	568,834
Specific reserve-used during the period (expressed in "-")	-	-	-	-243,146	-	-	-	-243,146
<b>Balance at 30 June 2021</b>	<b>18,984,340</b>	<b>11,717,773</b>	<b>-2,014</b>	<b>584,211</b>	<b>200,383</b>	<b>-24,067,571</b>	<b>-</b>	<b>7,417,122</b>

### 7.3 Reconciliation statement of differences in the financial statements prepared under different GAAPs

The difference between the financial statements prepared under the IFRS and PRC ASBE on net profit and net assets are as follows:

	Net profit attributable to equity shareholders of the Company		Net assets attributable to equity shareholders of the Company	
	For the six months ended 30 June		At 30 June	At 1 January
	2022	2021	2022	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts under PRC ASBE	<b>200,268</b>	<b>368,558</b>	7,417,159	6,861,517
Adjustments under IFRS:	-	-	-	-
Specific reserve (a)	355,374	325,687	-	-
Amounts under IFRS	<u>555,642</u>	<u>694,245</u>	<u>7,417,159</u>	<u>6,861,517</u>

a. Specific reserve

Under PRC ASBE, accrued production safety fund is recognised as expenses in profit or loss and separately recorded as a specific reserve in shareholders' equity according to the national regulation. As using production safety fund, if it is profit or loss related, the cost of expenditure is directly charged against the specific reserves. While if it is capital expenditure related, the cost of fixed asset is offset against the specific reserves and the same amount of accumulated depreciation is recognised, then the fixed asset is no longer depreciated in its useful life.

## 8. OTHER EVENTS

### 8.1 Compliance with the Corporate Governance Code

For the six months ended 30 June 2022, the Company has complied with all the code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules, except that:

### 8.2 Compliance with the Model Code

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. Upon specifically inquires of all the Directors, Supervisors and Senior Management, the Company confirms that its Directors, Supervisors and Senior Management have fully complied with the standards as set out in the Model Code during the reporting period.

### 8.3 Purchase, sale or redemption of the Company's listed securities

During the reporting period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

By order of the Board  
**Shen Zehong**  
Company Secretary

25 August 2022  
Beijing, The PRC

*As at the date of this announcement, the Board of Directors comprises Mr. Chen Xikun#, Mr. Yuan Jianqiang#, Mr. Lu Baoping+, Mr. Fan Zhonghai+, Mr. Wei Ran+, Mr. Zhou Meiyun+, Mr. Chen Weidong\*, Mr. Dong Xiucheng\* and Mr. Zheng Weijun\*.*

*# Executive Director*

*+ Non-Executive Director*

*\* Independent Non-Executive Director*