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Sinopec Oilfield Service Corporation

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

INSIDE INFORMATION

Possible Implementation of Share Option Incentive Plan

This announcement is made by Sinopec Oilfield Service Corporation (the “**Company**”) pursuant to the Inside Information Provisions (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) (the “**Listing Rules**”) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and Rule 13.09 of the Listing Rules.

References are made to the announcement dated 20 June 2013 in relation to the update on possible issue of shares by capitalizing the common reserves – possible share option scheme (the “**Possible Share Option Scheme Announcement**”), and the announcement dated 15 August 2014 in relation to the progress of possible share option incentive scheme (the “**Progress Announcement**”) published by the Company. References are also made to the circular dated 27 October 2014 in relation to, among other things, the very substantial acquisition, the very substantial disposal and connected transactions and the announcement dated 31 December 2014 in relation to completion of the share repurchase and issuance of consideration shares published by the Company.

Pursuant to the Possible Share Option Scheme Announcement, China Petroleum & Chemical Corporation (“**Sinopec Corp.**”, the former controlling shareholder of the Company) and CITIC Limited have made a undertaking in connection with the A shares reform scheme that within 12 months from the date their non-tradeable A shares in the Company have obtained the right to be tradeable on the stock market, they would propose that, subject to compliance with the relevant regulations of the State-owned Assets Supervision (“**SASAC**”) and Administration Commission of the State Council, the Ministry of Finance and the China Securities Regulatory Commission (“**CSRC**”) (the “**Relevant Regulations**”), the board of directors of the Company (the “**Board**”) makes a proposal for a share option incentive scheme. Pursuant to the Progress Announcement, the Company did not meet the condition of

implementing the share option incentive scheme for the reason of consecutive operating losses. Therefore, Sinopec Corp. and CITIC Limited were not able to request the Board to propose the share option incentive scheme before 19 August 2014 (the due date in respect of their aforesaid undertaking), in accordance with the Relevant Regulations.

During the second half of 2014, the Company implemented a material asset reorganization (the "**Reorganization**"). Upon the completion of the Reorganization, China Petrochemical Corporation, replaced Sinopec Corp., became the controlling shareholder of the Company. China Petrochemical Corporation would make a request to the Board to propose the share option incentive scheme on the premise of compliance with Relevant Regulations upon completion of the Reorganization. To fulfil its undertaking under the A-share Reform of the Company, China Petrochemical Corporation has recently requested the Board to propose a share option incentive scheme (the "**Scheme**") that complies with the relevant rules of SASAC and CSRC.

The exercise price for the first batch of the stock options to be granted under the draft Scheme (the "**Draft**") shall not be lower than (i) the closing price of A shares on the last trading day before the announcement of the draft which includes the details of the proposed grant of the options under the Scheme by the Company (the "**Scheme Announcement**"); (ii) the average closing price of A shares during the last 30 trading days before the date of the Scheme Announcement; and (iii) RMB4.43 per A share (the "**Adjusted Reference Price**"). Regarding the Adjusted Reference Price, as undertook by all the shareholders of non-tradable shares of the Company under the A-share Reform dated August 2013, they would request the Board to make a proposal for a share option incentive scheme, with the exercise price of the first grant of share options being not less than RMB 6.64 per A share (such minimum exercise price will be subject to adjustment due to matters for exclusion of rights and dividends prior to the announcement of the proposed Scheme). Due to the issuance of bonus shares by the Company on the basis of 5 new shares for every 10 existing shares held by the shareholders of the Company on the record date by way of capitalization of common reserves in November 2013, the minimum exercise price of the first grant of share options is adjusted to RMB4.20 per share from RMB6.43 per share.

Since the Scheme involves the grant of new A shares to be listed on the Shanghai Stock Exchange, Chapter 17 and certain provisions of the Listing Rules are therefore applicable to the Scheme. Since the Scheme involves the grant of A shares of the Company, relevant PRC laws and regulations relating to the adoption of share option scheme and grant of share options are also applicable.

Note (1) to Rule 17.03(9) of the Listing Rules requires that the exercise price must be at least the higher of: (i) the closing price of the securities on the date of grant; and (ii) the average closing price of the securities for the five business days immediately preceding the date of grant. However, the relevant PRC laws and regulations require

the exercise price shall be the higher of: (i) the closing price of the A shares of the Company on the trading day immediately preceding the date of the announcement on the summary of the draft proposal for each grant; and (ii) the average closing price of the A shares of the Company for the 30 trading days immediately preceding the date of the announcement on the summary of the draft proposal for each grant.

Since the Scheme involves the issue of A shares of the Company only, the Company has applied for, and The Stock Exchange of Hong Kong Limited has granted to the Company, a waiver from strict compliance with Note (1) to Rule 17.03(9) of the Listing Rules.

The Board has considered and approved the Draft to be submitted for review and approval by SASAC and shareholders of the Company, subject to compliance with the Relevant Regulations of SASAC and CSRC.

The Draft is subject to further amendments upon request from SASAC. The implementation of the Scheme is also conditional on certain conditions, among others, (i) the approval of the Scheme by SASAC, and (ii) the approval of the Scheme by the shareholders at a general meeting, and at separate class meetings of the shareholders of the Company

Details of the Scheme and the proposal for granting the first batch of the share options under the Scheme will be disclosed in the circular to be dispatched to the shareholders of the H shares of the Company before the relevant general meeting and separate class meetings of the shareholders.

There is uncertainty on the implementation of the Scheme. Shareholders of the Company and investors are reminded to exercise caution when dealing in shares of the Company.

By Order of the Board

Mr. Li Honghai
Company Secretary

Beijing, PRC, 29 March 2016

As at the date of this announcement, the Board of Directors comprises Mr. Jiao Fangzheng⁺, Mr. Zhou Shiliang[#], Mr. Li Lianwu⁺, Mr. Zhang Hong⁺, Ms. Jiang Bo^{}, Mr. Zhang Huaqiao^{*} and Mr. Pan Ying^{*}.*

+ Non-Executive Director

Executive Director

** Independent Non-Executive Director*