Sinopec Oilfield Service Corporation

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

(Stock code: 1033)

INSIDE INFORMATION
IN RELATION TO EXPLANATION ON THE REALIZATION STATUS OF THE PROFIT FORECAST FOR 2015 OF THE ACQUIRED ASSET IN THE MATERIAL ASSET REORGANIZATION

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

Reference is made to the circular dated 27 October 2014 published by the Company in relation to, inter alia, the very substantial acquisition, very substantial disposal and connected transactions (the "**Circular**").

Pursuant to the Circular, the Company conducted a material asset reorganization (the "**Reorganization**") in 2014, by using all the assets and liabilities owned by the Company as at the time of the Circular ("**Outgoing Business**") as consideration to repurchase equity interest in the Company held by China Petroleum & Chemical Corporation ("**Sinopec Corp.**") for cancellation, and at the same time by issuing shares to China Petrochemical Corporation to acquire 100% equity interest in Sinopec Oilfield Service Corporation ("**SOSC**") ("**Acquired Asset**") held by China Petrochemical Corporation. The profit forecast for the Acquired Asset for the year 2015 (the "**2015 Profit Forecast**") was included in the Circular. The explanation on the realization status of the 2015 Profit Forecast is set out as follows:

I. Profit Forecast of the Acquired Asset and the Company

According to the audit report on the consolidated profit forecast for each of the years ending 31 December 2014 and 2015 of SOSC and the audit report on the pro forma consolidated profit forecast for the years ending 31 December 2014 and 2015 of Sinopec Yizheng Chemical Fibre Company Limited issued by Grant Thornton (Special General Partnership), the forecast amount of net profit attributable to owners of the parent company in 2015 of the Acquired Asset in the Reorganization was RMB3,505,402,300, and the pro forma consolidated amount was RMB3,505,402,300.

II. Realization Status of the Profit Forecast for 2015 by the Acquired Asset and the Company

According to the audit report of the Company for 2015 issued by Grant Thornton (Special General Partnership), net profit attributable to owners of the parent company in 2015 was RMB24,478,000, of which the net profit of the Acquired Asset attributable to owners of the parent company in 2015 was RMB2,026,000 and below the forecast amount in the profit forecast report, the shortfall was RMB3,503,376,300.

III. Reasons and Explanations for Non-realization of the 2015 Profit Forecast

In 2015, as international crude oil prices were hovering at low levels persistently, investments from oil companies were compressed significantly, and the industry of oilfield services was facing a challenging environment of falling prices and business volume, as a result the operation performance of the Company and the Acquired Asset declined in 2015. Although the Company had already provided detailed disclosure on the risk of fluctuations in profitability in the Circular, however, given the impact of the relevant factors was greater than expectation, and resulted in a significant decline in the performance results of the Company and the Acquired Asset, a specific analysis of the reasons is as follows:

1. The operating results of the Company in 2015 were below the forecast amounts, which was mainly due to the significant reduction in capital expenditure for exploration and development by oil companies caused by the drastic fall in international crude oil prices.

   Despite the lack of material changes in the world economies in 2015, drastic falls in international crude oil prices had occurred several times consecutively. Take Brent as an example, the average price per barrel in 2015 was US$53.77, decreased by 45.87% as compared to 2014, the Crude Oil Brent Price as at the end of 2015 fell below US$40. The continuous and drastic falling international crude oil prices were beyond the expectation of all professionals in the industry, and were not able to be predicted and judged in advance by the Company at the time of conducting the profit forecast.

   Affected by the falling international crude oil prices, both domestic and overseas oil companies have reduced the capital expenditure for upstream exploration and development in general, and the capital expenditure of Sinopec Corp. for the exploration and development segment in 2015 decreased by 31.8% as compared to 2014. Since the operating results of the Company were mainly dependent on the business volume of exploration and development tasks carried out by oil companies, therefore the significant reduction in the business volume due to large cuts in capital expenditure amounts by oil companies as a result of the drastic falling international crude oil prices was beyond the Company's control. Thus, the business volume of the principal business of the Company in 2015 decreased significantly by approximately 30% as compared to 2014, and was approximately 36% lower than the level described in the profit forecast information, thereby resulted in a decrease of 30.5% in revenue as compared to the estimated amount described in the profit forecast report for 2015.

2. Operating results of the Company are consistent with the trend of the industry.

   The comparable domestic oilfield service company, China Oilfield Services Limited (COSL), and foreign oilfield service leaders including Schlumberger, Halliburton, Weatherford and Baker Hughes, have all recorded significant declines in their results for 2015, or even incurred losses. The change in operating results of the Company is in line with the trend of the industry.

3. Efforts made by the Company to improve operating results.

   Facing a challenging operation environment in 2015, the Company organized production and operation scientifically according to the seasonality of the oilfield service industry, heavy efforts were dedicated to develop external markets, while consolidation of internal resources were accelerated, control over costs and expenses was further reinforced through reducing teams and streamlining staff, lowering the cost and enhancing the efficiency, in order to improve the overall operating results. And we mainly adopted the following measures:

   Firstly, we developed external markets with full force on the solid base of the internal market offered by China Petrochemical Corporation and its subsidiaries ("**Sinopec Group**"). In 2015, the market share of the Company in the drilling market within the Sinopec Group was 96.2%, up 6.7 percentage points on a year-on-year basis; our share in the revenue from external markets of the Sinopec Group was 37.2%, increased by 1.6 percentage points as compared to 2014; and we were the largest onshore drilling contractor for Saudi Aramco and the national oil companies of Kuwait and Ecuador, and the largest geophysical contractor for Algeria.

Secondly, we continued to proceed further structural adjustments. Internal idle assets were activated by reducing the quantity proactively and removing assets of low efficiency or ineffective assets; team structure was optimized by reducing 104 teams and cutting 10,100 employees. Existing resources were revitalized through constructing equipment from multiple channels and optimizing the management system, forming innovative labour organization to optimized allocation of labour force. Growth was achieved in investments by adhering to effective investments and effective developments, selecting investment projects with low investment amount, quick return, good market demand and competitiveness and nurturing emerging business actively.

Thirdly, heavy efforts were dedicated to implement technological applications and integrated technical packages, innovative development and active spirit were stimulated among the entire staff, further highlighting the leading and supportive roles of technology. Significant breakthrough was achieved in the technologies for shale gas exploration and development engineering and equipment manufacturing, and initially formed a comprehensive technology series with our own proprietary intellectual property rights. Domestic production of key equipment and tools for petroleum engineering was realized, further enhancing the capabilities for drilling and completion of deep wells and ultra-deep wells and improving special reservoirs, providing powerful support for increases in oil and gas reserves and production. Advancement in technology did not only bring improvements to production efficiency but did also reduce production costs.

Fourthly, we exerted our best efforts to lower the cost and enhance the efficiency. The total amount of benefits derived under such efforts for the full year was RMB1.18 billion.

After we made the above endeavours, the Company turned from making losses in three consecutive quarters in 2015 to making profit for the full year of 2015. Due to the international crude oil prices in 2015, the external operating environment of the Company and the material changes occurred from the time of the 2015 Profit Forecast in 2014 were unexpected at the time when the 2015 Profit Forecast was made by the Company, the vast impact of the fall in crude oil prices on the operating results of the Company was also beyond the control of the Company. Although the Company had achieved a profitable year in operating results by taking various types of measures, we were still unable to meet the profit forecast figures in the 2015 Profit Forecast. For this, the Company would like to send our sincere apologies to all investors.

By Order of the Board
Li Honghai
Secretary to the Board

Beijing, 30 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*