
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Sinopec Oilfield Service Corporation, you should at once hand this circular, together with the forms of proxy, Independent Director's Proxy Forms and reply slip which you received earlier, to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



Sinopec Oilfield Service Corporation

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

(Stock code: 1033)

PROPOSED ADOPTION OF SHARE OPTION SCHEME

Sinopec Oilfield Service Corporation will convene the EGM, the A Shareholders Class Meeting and the H Shareholders Class Meeting at Meeting Room 6, the third floor of Kun Tai Royal Hotel B12 Chaowai Street, Chaoyang District, Beijing, PRC on Tuesday, 25 October 2016 at 9 a.m., 9:30 a.m. (or immediately after the conclusion of previous meeting) and 10 a.m. (or immediately after the conclusion of previous meeting), respectively. Notices convening the EGM and the H Shareholders Class Meeting have been despatched to the Shareholders separately. The notice convening the A Shareholders Class Meeting has also been issued and made available to the A Shareholders as appropriate.

Whether or not you are able to attend the EGM and/or the H Shareholders Class Meeting in person, please complete the form of proxy of the Company or the Independent Director's Proxy Form in accordance with the instructions printed thereon and return it to Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as practicable and in any event not less than 24 hours before the time for holding the EGM and/or the H Shareholders Class Meeting or any adjournment thereof (as the case may be).

Ms. Jiang Bo, an INED, has sent out an Independent Director's Proxy Form for each of the EGM, the A Shareholders Class Meeting and the H Shareholders Class Meeting in accordance with the relevant PRC regulations to solicit votes from the Shareholders on all resolutions regarding the adoption of the Share Option Scheme at the EGM and the Class Meetings.

Completion and return of the forms of proxy or the Independent Director's Proxy Form will not preclude you from attending and voting in person at the EGM and/or the Class Meetings or any adjournment thereof (as the case may be) as you wish.

26 September 2016

CONTENTS

	<i>Page</i>
RESPONSIBILITY STATEMENTS	ii
DEFINITIONS	1
LETTER FROM THE BOARD	5
I. Proposed Adoption of Share Option Scheme	5
II. EGM and the H Shareholders Class Meeting	12
III. Recommendation	13
APPENDIX I — SUMMARY OF PRINCIPAL TERMS OF THE SHARE OPTION SCHEME	I-1
APPENDIX II — DETAILS OF THE PROPOSED GRANT	II-1
APPENDIX III — ADMINISTRATIVE MEASURES ON THE A SHARE OPTION INCENTIVE SCHEME	III-1
APPENDIX IV — ADMINISTRATIVE MEASURES FOR APPRAISAL UNDER THE A SHARE OPTION INCENTIVE SCHEME	IV-1

RESPONSIBILITY STATEMENTS

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

DEFINITIONS

In this circular, unless the context otherwise specified, the following expressions have the following meanings:

“A Shareholders”	holders of A Shares
“A Shareholders Class Meeting”	the 2016 first class meeting of the A Shareholders to be held at Meeting Room 6, the third floor of Kun Tai Royal Hotel B12 Chaowai Street, Chaoyang District, Beijing, PRC on Tuesday, 25 December 2016 at 9:30 a.m. or immediately following the conclusion of the EGM or any adjournment thereof to approve and adopt the Share Option Scheme (including the Proposed Grant) pursuant to the Share Option Scheme
”A Shares”	the A shares of the Company with nominal value of RMB1.00 each
“Articles of Association”	the articles of association of the Company
“Board”	the board of Directors of the Company
“Class Meetings”	A Shareholders Class Meeting and H Shareholders Class Meeting
“Company” / “SSC”	Sinopec Oilfield Service Corporation (中石化石油工程技術服務股份有限公司), a joint stock limited company established in the PRC and its A Shares are listed in the Shanghai Stock Exchange and its H Shares are listed on the main board of the Hong Kong Stock Exchange
“Company Law”	Company Law of the PRC, as amended, supplemented or otherwise modified from time to time
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
”China Petrochemical Corporation “	China Petrochemical Corporation (中國石油化工集團公司), a wholly state-owned company incorporated in China, being the controlling shareholder of the Company
“Director(s)”	the director(s) of the Company
“EGM”	the first extraordinary general meeting of the Company for 2016 to be held at Meeting Room 6, the third floor of Kun Tai Royal Hotel B12 Chaowai Street, Chaoyang District, Beijing, PRC on Tuesday, 25 October 2016 at 9 a.m. for the purpose of approving the Share Option Scheme (including the Proposed Grant)

DEFINITIONS

“EOE”	Profit margin before interest, tax, depreciation and amortization on net assets, refers to earnings before interest, tax, depreciation and amortization (“EBITDA”) divided by average net assets. EBITDA refers to the total profit before deducting income tax, interest, depreciation and amortization, and average net assets refer to the arithmetic mean of the sum of owners’ equity at the beginning and at the end of the period
“Exercise Price”	the price pre-determined at each grant of the Options in accordance with the terms of the Share Option Scheme, at which the Participants are able to purchase Underlying Shares
“Grantee”	any Participant who accepts an offer to be granted with Share Options in accordance with the terms of the Share Option Scheme
“Grant Date”	the date on which the Share Options are formally granted to the Participants by the Company pursuant to the Share Option Scheme which must be a trading day
“Group”	the Company and its subsidiaries
“H Shareholders”	holders of H Shares
“H Shareholders Class Meeting”	the 2016 first class meeting of H Shareholders to be held at Meeting Room 6, the third floor of Kun Tai Royal Hotel B12 Chaowai Street, Chaoyang District, Beijing, PRC on Tuesday, 25 October 2016 at 10 a.m. or immediately after the conclusion of the A Shareholders Class Meeting to approve and adopt, among other things, the Share Option Scheme (including the Proposed Grant) pursuant to the Share Option Scheme
“H Shares”	H shares of the Company with nominal value of RMB1.00 each
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Director’s Proxy Form(s)”	the solicitation proxy forms sent out by Ms. Jiang Bo, an INED, to solicit votes from the Shareholders on the resolutions regarding the Share Option Scheme at the EGM and the Class Meetings
“INED”	the independent non-executive Director of the Company

DEFINITIONS

“Latest Practicable Date”	23 September 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Option(s)” or “Share Option(s)”	conditional upon the fulfillment of the exercise conditions and other exercise arrangements, an option to subscribe for one A Share at a pre-determined exercise price during the exercise period for such share options
“Original Draft Scheme”	the Company’s A Share option incentive plan (Draft) passed by the Board on 29 March 2016 and approved by the SASAC on 31 May 2016.
“Participant(s)”	certain Directors, senior management members and other employees of the Company eligible for participating in the Share Option Scheme
“peer benchmark enterprises”	means domestically listed companies which engage in the businesses identical to or partly identical to, or similar to or partly similar to, those conducted by the Company in accordance with the Guidelines for the Industrial Classification of Listed Companies promulgated by and adjusted from time to time by the CSRC
“PRC” or “China”	the People’s Republic of China and, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Proposed Grant”	the proposed grant to the Participants no more than 50,850,000 Share Options pursuant to the Share Option Scheme by the Company
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中國國務院國有資產監督管理委員會)
“Securities Law”	Securities Law of the PRC, as amended, supplemented or otherwise modified from time to time
“Shanghai Stock Exchange”	The Shanghai Stock Exchange

DEFINITIONS

“Shanghai Listing Rules”	The Rules Governing the Listing of Securities on the Shanghai Stock Exchange
“Share Incentive Plan Measures”	the Measures for the Administration of Share Incentive Plans of Listed Companies (CSRC Order No. 126) (《上市公司股權激勵管理辦法》) promulgated by CSRC on 13 July 2016
“Share Option Scheme” or “Scheme”	“Share Option Incentive Scheme for SSC’s A Shares (Amended Draft)”, the proposed share option scheme including the Proposed Grant of the Share Options under the Scheme to be approved and adopted by the Company for the issue of A Shares to the Grantees, upon the exercise of the Share Options under the Scheme
“Share(s)”	ordinary shares in the capital of the Company with a nominal value of RMB1.00 each, comprising the A Shares and the H Shares
“Shareholders”	the holder(s) of the Shares, including both A Shares and H Shares
“Underlying Shares”	new A Shares that the Participants have the right to purchase under the Scheme
“Validity Period”	commencing from the date of granting Share Options to the Participants and ending on the date on which Share Options lapse. Under the Scheme, options under each grant have a validity period of five years commencing from the Grant Date
“Vesting Date”	the date on which Participants may commence exercise of Share Options which must be a trading day
“%”	per cent

LETTER FROM THE BOARD



Sinopec Oilfield Service Corporation

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

(Stock code: 1033)

Directors:

Mr. Jiao Fangzheng
Mr. Sun Qingde
Mr. Zhou Shiliang
Mr. Li Lianwu
Mr. Zhang Hong

Independent Non-executive Directors:

Ms. Jiang Bo
Mr. Zhang Huaqiao
Mr. Pan Ying

Registered address:

22 Chaoyangmen North Street
Chaoyang District
Beijing, the PRC

Principal place of business in Hong Kong:

26th Floor Jardine House
1 Connaught Place
Central
Hong Kong

26 September 2016

To the Shareholders

Dear Sir or Madam:

PROPOSED ADOPTION OF SHARE OPTION SCHEME

The purpose of this circular is to provide you with information regarding the proposal in respect of the proposed adoption of the Share Option Scheme (including the particulars of the Proposed Grant) and the related matters, so that you can make informed decisions on whether or not to vote for relevant resolutions to be proposed at the EGM and Class Meetings.

I. PROPOSED ADOPTION OF SHARE OPTION SCHEME

Introduction

Reference is made to the announcement of the Company dated 29 March 2016 in relation to the possible implementation of A Share option incentive plan and the announcement dated 30 August 2016 in relation to the amendments to the Original Draft Scheme.

At the EGM and the Class Meetings, resolutions in relation to the approval and adoption of the Share Option Scheme and related matters will be proposed.

LETTER FROM THE BOARD

The purpose of this section is to provide you with more detailed information concerning the proposed resolutions at the EGM and the Class Meetings relating to adoption of the Share Option Scheme. A summary of all principal terms of the Share Option Scheme is set out in Appendix I to this circular.

Purpose of the Scheme

The Directors consider that it is important for the Company to adopt the Share Option Scheme, in order to (i) further establish and improve its operational mechanism; (ii) establish and improve its incentive mechanism for members of the senior management; (iii) advocate the concept of sustainable development jointly achieved by the Company, its management team and key personnel; (iv) effectively incentivise its management team and key personnel; (v) attract and retain talents; (vi) enhance its competitive position in the industry and its core competitiveness; and (vii) ensure the realisation of its development strategy and operational objectives.

Scope of Participants

Eligible Participants shall include the Directors, senior management members and key business personnel of the Company. Key business personnel refers to the employees who have a direct impact on, or contribute prominently to, the overall operational performance and the sustainable development of the Company. Under the relevant PRC laws, independent non-executive directors and supervisors of a listed company are not eligible to participate in any share option schemes.

The Participants of the Proposed Grant under the Scheme shall include:

1. Directors and senior management members; and
2. key business personnel holding core positions.

Such aforesaid Participants of the Proposed Grant shall exclude supervisors of the Company, INEDs, Directors who do not concurrently hold senior management positions in the Company, person-in-charge of State-owned key enterprises as appointed by and report to SASAC, shareholders independently or jointly holding more than 5% of the Shares and the de facto controllers of the Company, together with their respective spouses, parents or children.

None of the Directors is a trustee of the Share Option Scheme or has a direct or indirect interest in the trustee of the Share Option Scheme.

The Proposed Grant to the Directors and senior management members of the Company under the Share Option Scheme has been approved by the INEDs. As confirmed by the Company and the Company's PRC legal advisor, though certain terms in the Scheme refer to future grants

LETTER FROM THE BOARD

of Share Options, the only Share Options which can be granted pursuant to the Share Option Scheme are the Proposed Grant since only the terms in relation to the Proposed Grant were specifically set out in the Scheme, such as the total number of the Proposed Grant, participants of the Proposed Grant, exercise price and exercise arrangement of the Proposed Grant. The direct and indirect references to future grants in the Scheme are due to certain documentation formality requirements of CSRC. As disclosed above, the Scheme cannot be applicable to any future grants. In the event that the Company proposes to further grant any share options other than those under the Proposed Grant, the Company will do so by adopting a new share option scheme which will be subject to various approvals including from the SASAC and the general meeting/ class meetings of the Company.

Underlying Shares

Only new A Shares will be issued upon exercise of the Share Options to be granted under the Share Option Scheme and no H Shares will be issued under the Share Option Scheme. In accordance with the relevant provisions under the Articles of Association, the Share Option Scheme shall be approved and adopted by the Shareholders at the EGM and the A Shareholders and H Shareholders at their respective Class Meetings. As at the Latest Practicable Date, no share option scheme has ever been adopted by the Company.

Under the Proposed Grant, the number of Share Options to be granted by the Company to the Participants shall be no more than 50,850,000, with the corresponding Underlying Shares representing 0.36% of the total share capital of the Company (14,142,660,995 shares) and 0.42% of the total A-share capital of the Company (12,042,660,995 shares) as at the Latest Practicable Date, respectively. The Company does not adopt the “refreshment option” under the second paragraph of Note (1) to Rule 17.03(3) of the Hong Kong Listing Rules. The details of the Proposed Grant are set out under Appendix II to this circular.

Exercise arrangement and performance targets before Options can be exercised

Under the Share Option Scheme, the exercise of the Options is subject to a minimum two year vesting period during which a Participant is not allowed to exercise any Option granted. After the expiration of the two-year period, the Participant may exercise the Options in three batches in the 3rd, 4th and 5th year after the Grant Date respectively. The details of such exercise arrangement are set out under paragraph 9 of Appendix I to this circular. Such exercise arrangement may provide incentives to the Participants to remain employed with the Group during the two-year vesting period and thereby enable the Group to benefit from the continued services of such Participants during such period.

Further, the Share Option Scheme has set out performance target requirements which must be achieved before any Option can be exercised by a Participant. Details of such performance target requirements are set out in Appendix IV to this circular. These requirements, coupled with the aforementioned exercise arrangement, may enable the Group to provide incentives to the

LETTER FROM THE BOARD

Participants to remain in employment and to use their best endeavours in assisting the growth and development of the Group. The Directors are of the view that such arrangements will place the Group in a better position to attract and retain talents who are valuable to the growth and development of the Group as a whole.

Conditions precedent to the Share Option Scheme becoming effective

The adoption of the Share Option Scheme is conditional upon:

1. the approval of the Scheme by SASAC; and
2. the approval of the Scheme by the Shareholders at a general meeting, and at separate class meetings of the shareholders of the Company

SASAC approved the Share Option Scheme (including the Proposed Grant on 31 May 2016).

Value of all Options to be granted under the Proposed Grant

The value of all Options to be granted under the Proposed Grant, taking the Latest Practicable Date as the measurement date, the relevant pricing model and significant assumptions are set out in paragraph 7 of Appendix II to this circular.

Exercise Price of the Proposed Grant

The Exercise Price of the Proposed Grant under the Scheme shall be equal to or higher than (i) the average trading price of A Shares on the last trading day before the announcement of the Original Draft Scheme, which was published by the Company on Shanghai Stock Exchange on 30 March 2016 (RMB4.84)); (ii) at least one of the average trading price of A Shares during the last 20 trading days, 60 trading days or 120 trading days before the date of the announcement of the Original Draft Scheme (RMB5.30, RMB5.57 and RMB7.38, respectively); and (iii) RMB4.43 per A share. All shareholders of non-circulating shares of SSC undertook in the equity division reform plan of the Company in August 2013 that they would propose to the Board a share option scheme subject to compliance with the relevant regulations of the SASAC and the CSRC, with an initial Exercise Price of the Share Options no lower than RMB6.64 per share. (If there is occurrence of any ex-right or ex-dividend event before the release of the draft share option scheme, the price shall be adjusted accordingly). As the Company carried out capitalisation of surplus reserves in November 2013, the aforesaid initial Exercise Price of the Share Options, i.e. no less than RMB6.64 per share, is adjusted to no less than RMB4.43 per share. (If there is occurrence of any ex-right or ex-dividend event in the Company before the grant of Share Options, the price shall be adjusted accordingly).

The Board has determined that the Exercise Price of the Proposed Grant shall be RMB5.63 per share, which is the same as the Exercise Price determined pursuant to the Original Draft Scheme.

LETTER FROM THE BOARD

Despite the fact that the Exercise Price of the Proposed Grant is subject to the restrictions stipulated by the CSRC, such restrictions were not the driving factor for the Company to determine the Exercise Price of the Proposed Grant. Pursuant to PRC laws and regulations, the constitutional documents of the Company and the Scheme, the Board has the discretion to propose the Exercise Price of the Proposed Grant. When considering the Exercise Price of the Proposed Grant, the Board considered the totality of circumstances as well as various factors which in nature tied with options, such as the business and financial performance of the Company in the past, the business and financial prospects of the Company in future, the movement trend of the Company's A shares, and to what extent a better balance between providing incentive to the management and protecting interests of the shareholders can be achieved, etc., to determine the Exercise Price of the Proposed Grant.

The Company is of the view that the Board is capable of making a reasonable decision on the Exercise Price of the Proposed Grant for the following reasons:

- the members of the Board have to discharge their fiduciary duties under the PRC laws and regulations;
- as required under PRC laws, the independent non-executive directors are required to form an independent view on various matters in relation to the Proposed Grant, including the Exercise Price; and
- the Proposed Grant (including the Exercise Price) was subject to approval of SASAC and will be subject to the approvals at the general meeting/ class meetings of the Company.

Adjustment to the Exercise Price and number of A Shares subject to Options

The Share Option Scheme has a mechanism for adjustment of the Exercise Price and/or the number of relevant A Shares, in the event of capitalisation of capital reserves, distribution of dividends, subdivision of shares, allotment of shares, reduction of shares, or payment of dividend. The details of such adjustments are set out under paragraph 14 of Appendix I to this circular.

If the number of Share Options or the Exercise Price needs to be adjusted due to a change in the total share capital of the Company or for any other reason, such adjustment shall be filed with relevant state-owned assets supervision and administration institution and approved by the Board.

Waiver from strict compliance with the Hong Kong Listing Rules

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

LETTER FROM THE BOARD

Note (1) to Rule 17.03(9) of the Hong Kong 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 average trading price of the A shares of the Company on the trading day immediately preceding the date of the announcement on each grant under the Scheme; and (ii) at least one of the average trading price of A shares during the last 20 trading days, 60 trading days or 120 trading days preceding the date of the announcement on each grant under the Scheme.

Since the Share Option Scheme involves the issue of A Shares only, the Company has applied for, and the Hong Kong Stock Exchange has granted to the Company, a waiver from strict compliance with Note (1) to Rule 17.03(9) of the Hong Kong Listing Rules. The above waiver will only apply to the Proposed Grant.

For details of the Exercise Price of the Share Options under the Share Option Scheme, please refer to paragraph 8 of Appendix I to this circular.

Solicitation of votes on the Share Option Scheme resolutions

Pursuant to the Share Incentive Plan Measures, independent non-executive directors of a company listed on the Shanghai Stock Exchange should solicit votes publicly from all shareholders of the company on any proposed resolution relating to adoption of a share incentive scheme by the listed company. The purpose of such arrangement is to encourage shareholders of a company listed on the Shanghai Stock Exchange to participate in the voting on the resolution relating to adoption of a share incentive scheme by providing them with an additional way of participation in the general meeting.

As the A Shares are listed on the Shanghai Stock Exchange, and pursuant to the Share Incentive Plan Measures, Ms. Jiang Bo has been elected by other INEDs as a caller on their behalf to solicit votes from the Shareholders on the resolutions regarding the adoption of the Share Option Scheme at the EGM and the Class Meetings. For such purpose, Ms. Jiang Bo has prepared three Independent Director's Proxy Forms, one proxy form for each of the EGM, the A Shareholders Classing Meeting and the H Shareholders Class Meeting. The Independent Director's Proxy Forms for each of the EGM and H Shareholders Class Meeting have been despatched to the Shareholders separately. Ms. Jiang Bo has, on behalf of the INEDs, prepared a report on the solicitation of voting rights by the INEDs, the announcement of which, dated 7 September 2016, has been published on the websites of the Company, the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

You may appoint Ms. Jiang Bo as your proxy by filling in the Independent Directors' Proxy Form to vote on the resolutions regarding the adoption of the Share Option Scheme on your behalf. Alternatively, you may appoint your own proxy to vote for you on such resolutions. Please refer to the notices of the EGM and notice of the H Shareholders Class Meeting dated 7 September 2016 for details of the solicitation of votes and voting arrangements.

LETTER FROM THE BOARD

Further explanation on the resolution to authorise the Board to deal with all matters in relation to the Share Option Scheme

In order to complete the relevant matters relating to the Share Option Scheme efficiently and orderly, the Board hereby propose to the EGM and Class Meetings to authorise the Board to deal with all matters in relation to the Share Option Scheme. The scope of the proposed authorisation shall include but not limited to:

- (1) To authorise the Board to grant Share Options to the Participants when the Company and the Participants have fulfilled conditions to the grant and deal with all matters necessary for the grant of share options;
- (2) To authorise the Board to review and confirm whether the Company and the Participants have fulfilled the effective conditions, and to deal with all matters necessary for the Participants to exercise their rights, including but not limited to determining the exercise price for exercising each grant of options, etc.;
- (3) To authorise the Board to adjust, among other things, the number of share options, the number of underlying shares and the exercise price, upon the occurrence of capitalisation of capital reserves, distribution of share dividends, share split, capital reduction, placing of shares and other events as provided in the Share Option Scheme;
- (4) To authorise the Board to deal with the effective or non-effective, exercised or unexercised Share Options granted to Participants when special circumstances such as resignation, retirement or death arise in the Company or Participants in accordance with the provisions of the Share Option Scheme;
- (5) To authorise the Board to decide whether the gains from the exercise of the Options by Participants will be forfeited in accordance with the provisions of the Share Option Scheme;
- (6) To authorise the Board to carry out other management measures as necessary for the Share Option Scheme;
- (7) To implement other necessary matters as required under the Share Option Scheme, including making amendment to the “Administrative Measures for Appraisal Under the A Share Option Incentive Scheme of Sinopec Oilfield Service Corporation”, except for rights required to be exercised by a Shareholders’ general meeting as expressly provided in the relevant document;

LETTER FROM THE BOARD

- (8) To complete the procedures of, among other things, approval, registration, filing, permission and consent, with the relevant government and authorities in respect of the Share Option Scheme; to sign, execute, modify and complete the documents for submission to the relevant government, authorities, organization or individuals; and to carry out all actions, matters and things considered to be necessary, desirable or expedient in respect of the Share Option Scheme;
- (9) The period of authorisation to the Board shall be the validity period of the Share Option Scheme.

Documents available for inspection

A copy of the Share Option Scheme will be available for inspection during normal business hours at the business address of Hebert Smith Freehills at 23/F, Gloucester Tower, 15 Queen's Road Central, Hong Kong, and at the business office of the Company at #9, Jishikou Road, Chaoyang District, Beijing, PRC from the date of this circular to and including the date of the EGM.

General information

Upon the adoption of the Share Option Scheme, the Company will disclose the required information in relation to the Share Option Scheme in its subsequent interim report and annual report in accordance with the disclosure requirements under Rule 17.07 of the Hong Kong Listing Rules.

II. EGM AND THE H SHAREHOLDERS CLASS MEETING

The Company will convene the EGM, the A Shareholders Class Meeting and the H Shareholders Class Meeting at Meeting Room 6, the third floor of Kun Tai Royal Hotel B12 Chaowai Street, Chaoyang District, Beijing, PRC on Tuesday, 25 October 2016 at 9 a.m., 9:30 a.m. (or immediately after the conclusion of previous meeting) and 10 a.m. (or immediately after the conclusion of previous meeting), respectively. Notices convening the EGM and the H Shareholders Class Meeting have been despatched to the Shareholders separately.

To the extent that the Company is aware having made all reasonable enquiries, no Shareholders that are required to abstain from voting on the resolutions to be proposed at the EGM or the Class Meetings. Only two of the Directors, Mr. Sun Qingde and Mr. Zhou Shiliang are the grantees under the Proposed Grant but they presently do not have, and will not have any voting rights to vote at the EGM or the Class Meetings. None of the Company's substantial shareholders or the INEDs is a grantee under the Proposed Grant.

Pursuant to the Share Incentive Plan Measures, INEDs have selected Ms. Jiang Bo, an INED, as their caller to solicit votes regarding the Share Option Scheme. If you wish to appoint Ms. Jiang Bo as your proxy to vote for you and on your behalf at the EGM and/or the H Shareholders Class Meeting on the resolutions regarding the adoption of the Share Option Scheme, please complete relevant Independent Director's Proxy Form. You may appoint Ms. Jiang Bo as your proxy to vote for you and on your behalf on the resolutions regarding the Share Option Scheme (i.e. the proposed special

LETTER FROM THE BOARD

resolutions 1 to 4). If you wish to appoint any person other than Ms. Jiang Bo as your proxy to vote for you and on your behalf at the EGM and/or the H Shareholders Class Meeting, you may simply disregard the Independent Director's Proxy Form and complete and return the form of proxy instead.

Whether or not you are able to attend the EGM and/or the H Shareholders Class Meeting in person, please complete the forms of proxy of the Company or the Independent Director's Proxy Form in accordance with the instructions printed thereon and return it to Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as practicable and in any event not less than 24 hours before the time for holding the EGM and/or the H Shareholders Class Meeting or any adjournment thereof (as the case maybe). The notice convening the A Shareholders Class Meeting has also been issued and made available to the A Shareholders as appropriate.

Pursuant to Rule 13.39(4) of the Hong Kong Listing Rules, all votes at the EGM will be taken by poll (the A Shareholders can use online voting) and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Hong Kong Listing Rules.

III. RECOMMENDATION

The Directors (including the INEDs) consider that the resolutions in relation to the adoption of the Share Option Scheme (including the Proposed Grant under the Share Option Scheme) and the related matters are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the aforesaid resolutions as set out in the notices of the EGM, the A Shareholders Class Meeting and H Shareholders Class Meeting.

By Order of the Board
Sinopec Oilfield Service Corporation
Mr. Li Honghai
Company Secretary

26 September 2016

The following is a summary of the principal terms of the Share Option Scheme to be approved and adopted at the EGM, the A Shareholders Class Meeting and the H Shareholders Class Meeting. It does not form part of, nor is it intended to be part of, the terms of the Share Option Scheme and it should not be taken as affecting the interpretation of the terms of the Share Option Scheme.

1. PURPOSE

To further establish and improve the Company's operational mechanism, establish and improve the incentive and restraint mechanism for the senior management members of the Company, advocate the concept of sustainable development achieved by the Company together with the management and key personnel, effectively incentivise the management team and key personnel, attract and retain talents, enhance the Company's competitive position in the industry, increase the core competitiveness of the Company, and ensure the realisation of the Company's development strategy and operational objectives.

2. SCOPE OF PARTICIPANTS AND BASIS FOR DETERMINING THE PARTICIPANTS

Scope of Participants

Eligible Participants of the Share Option Scheme shall include directors, senior management members and key business personnel of the Company who have direct impact on, or contribute prominently to, the overall operational performance and the sustainable development of the Company.

The Participants of the Proposed Grant under the Share Option Scheme include:

- i. directors and senior management members; and
- ii. key business personnel holding core positions.

The aforesaid Participants shall exclude INEDs, supervisors, directors without holding concurrent senior management positions in the Company, person-in-charge of central enterprises appointed and reported to SASAC, and shall also exclude shareholders independently or jointly holding more than 5% of the Shares and the *de facto* controllers of the Company, together with their respective spouses, parents or children.

The total number of the Participants under the Proposed Grant is 495, representing 0.63% of the total number of the Company's employees by contract.

Basis for Determining the Participants

The Participants shall be determined in accordance with the relevant provisions of the Company Law, the Securities Law, the Share Incentive Administrative Measures, the Shanghai Listing Rules, the Hong Kong Listing Rules and other relevant laws, administrative regulations as well as the Articles of Association, and with respect to the Company's actual circumstances.

3. UNDERLYING SHARES AND INCENTIVE TOOLS

The Share Options to be granted under the Share Option Scheme only relate to new A Shares issued by the Company as Underlying Shares. The Company will not issue any H Shares upon the exercise of any Share Options granted under the Share Option Scheme.

Grant of the Share Options shall be the incentive tool under the Share Option Scheme. Within the valid Exercise Period of the Share Options, subject to the fulfillment of the exercise conditions to and the exercise arrangement of the Share Options, each grant of the Share Options entitles the holder to subscribe for one A Share at the pre-determined Exercise Price.

4. TERM OF SHARE OPTION SCHEME AND MAXIMUM NUMBER OF OPTIONS TO BE GRANTED

The Share Option Scheme shall be valid and effective for a period of 10 years. Each grant of Share Options and each proposed grant of Share Options shall be at an interval of at least two years during the Validity Period.

Under the Share Option Scheme, the total number of Underlying Shares to be granted shall neither exceed 10% of the total share capital of the Company (14,142,660,995 shares) nor exceed 10% of the total A-share capital of the Company (12,042,660,995 shares). As at the Latest Practicable Date, the Company has not adopted any other share option scheme.

Under the Proposed Grant, the number of the Share Options to be granted by the Company to the Participants shall not be more than 50,850,000, with the corresponding Underlying Shares representing approximately 0.36% of the total share capital of the Company (14,142,660,995 shares) and 0.42% of the total A-share capital of the Company (12,042,660,995 shares), respectively.

5. MAXIMUM ENTITLEMENT OF EACH PARTICIPANT

Unless approved by a special resolution at a general meeting of Shareholders, the aggregate number of Shares to be granted by each Grantee through the Scheme and other effective share option schemes of the Company (if any) at any time shall not exceed 1% of the total A-share capital of the Company, and the maximum entitlement of Share Options granted to each Participant (including the exercised, cancelled and outstanding Options) within any 12-month period shall not exceed 1% of the total share capital of the same class of shares in the Company.

During the Validity Period of Share Options under each grant of Share Options, the maximum proportion of share incentive benefits obtained by the Participant, in principle, shall not exceed 40% of his/her total emolument level at the Grant Date. If the actual share incentive benefits obtained by the Participant exceeds the above proportion, the Share Options granted but not yet exercised shall not be exercisable or the amount of benefit in excess shall be reclaimed by the Company. During the Validity Period of the Scheme, the Board may amend these requirements according to adjustments in provisions made by regulatory authorities.

6. GRANT OF SHARE OPTIONS**Grant Date**

The Grant Date of the Share Option Scheme shall be determined by the Board, upon the Scheme having obtained consent from the SASAC and having been reviewed and approved by the general meeting and the class meetings of Shareholders of the Company. Upon fulfilment of the conditions of the Proposed Grant under the Scheme, the Company shall convene a board meeting to grant Share Options to the Participants and complete the relevant procedures of registration and announcement in accordance with the relevant requirements. The Grant Date shall be a trading day and shall not fall within any of the following periods:

1. commencing 30 days immediately preceding the publication date of a periodic report and ending on the second trading day after the publication date of such periodic report. If the publication date of the periodic report is postponed due to special reasons, the period shall commence 30 days immediately preceding the original scheduled date of publication of such periodic report;
2. commencing 10 days immediately preceding the publication date of the Company's performance forecast announcements and ending on the second trading day after the publication date;
3. any time during the decision making process in relation to a material transaction or a significant event and ending on the second trading day after the announcement of such transaction or event;
4. where the Participant is a Director, the period from 60 days immediately preceding the publication date of the Company's annual results up to the publication date of the annual results (inclusive of the publication date of the annual results); and the period from 30 days immediately preceding the publication date of the Company's interim or quarterly results up to the publication date of the such results (inclusive of the publication date of such results);
5. any period commencing on the date when inside information is made known to the Company until the publication of the relevant inside information by the Company; in particular, the period commencing one month immediately preceding the earlier of:
 - (1) the date of the board meeting for the approval of the Company's annual, interim, quarterly or other periodic results;
 - (2) the deadline for the Company to announce its annual, interim, quarterly or other periodic results under the Hong Kong Listing Rules; and

6. any period commencing on the date on which a material event of a price sensitive nature occurs and ending on the second trading day after the announcement of such material event.

Conditions to the Proposed Grant

The Company shall only grant Share Options to the Participants under the Scheme provided:

1. none of the following has occurred in relation to the Company:
 - (1) the auditors of the Company having provided an adverse opinion or been unable to provide an opinion on the Company's financial and accounting report for the most recent financial year;
 - (2) a certified accountant has issued an audit report with adverse opinion or disclaimer of opinion in respect of the Company's internal control in the most recent fiscal year;
 - (3) the Company fails to distribute profits in accordance with laws and regulations, Articles of Association or publicly announced undertakings in the recent 36 months after the listing;
 - (4) the applicable laws and regulations prohibit the Company from implementing share option incentive plans;
 - (5) any other circumstances as identified by the CSRC.
2. none of the following has occurred in relation to a Participant:
 - (1) those who have been declared as an ineligible candidate by the Shenzhen Stock Exchange, the Shanghai Stock Exchange and the Hong Kong Stock Exchange in the last 12 months;
 - (2) those who have been declared as an ineligible candidate by the CSRC and the institution regulation departments of the CSRC in the last 12 months;
 - (3) those who have been imposed with administrative penalties or barred from entry into the market by the CSRC and the institution regulation departments of the CSRC due to act of material breach of laws and regulations in the last 12 months;
 - (4) those who are prohibited from acting as a director or a member of the senior management pursuant to the Company Law;
 - (5) those who are prohibited from joining the share option scheme of listed companies pursuant to laws and regulations;
 - (6) any other circumstances as determined by the CSRC.

7. PERFORMANCE TARGET BEFORE THE OPTIONS CAN BE EXERCISED**Performance Indicators**

Performance indicators for the grant of Share Options include:

1. Profit margin before tax, interest and amortization on net assets (EOE, EBITDA/average net assets);
2. growth rate of total profit;
3. economic value added (EVA)

Earnings before interest, tax, depreciation and amortization (EBITDA) are net profit before deduction of income tax, interest expenses, depreciation and amortization, net assets are the arithmetic mean of the sum of owners' equity at the beginning and at the end of the period. According to Accounting Standards for Business Enterprises and the relevant requirements, costs and expenses arising from implementation of incentive schemes are recurrent expenses of the Company and shall not be deducted as non-recurring gains and losses in the computation of net profit after deducting non-recurring gains and losses.

Economic value added refers to the net amount of net business profit after tax and deductions of all costs of capital invested, including equity and debts.

The Company's Performance Conditions for the Proposed Grant of Share Options

- (1) The Company's total profit for 2015 shall not be less than RMB460 million;
- (2) The Company's EOE for 2015 shall not be less than 28%;

The performance conditions of items (1) and (2) are no less than the average performance level of the Company in the last three years or 50% level of peer benchmark enterprises.

- (3) The performance of the indicator for economic value added has achieved the appraisal objective issued by the China Petrochemical Corporation.

Conditions for the exercise of Share Options under the Proposed Grant during each exercise period:

Exercise Period	Conditions for Exercise of Share Options
1st Exercise Period	In 2017, EOE shall not be less than 32%, the compound growth rate of total profit for 2017 shall not be less than 6% (based on the Company's total profit for 2015), and the above two indicators shall not be lower than the 75% level of peer benchmark enterprises, the performance of the indicator for economic value added in 2017 has achieved the appraisal objective issued by the China Petrochemical Corporation, with Δ EVA greater than zero.
2nd Exercise Period	In 2018, EOE shall not be less than 32%, the compound growth rate of net profit for 2018 shall not be less than 6% (based on the Company's total profit for 2015), and the above two indicators shall not be lower than the 75% level of peer benchmark enterprises, the performance of the indicator for economic value added in 2018 has achieved the appraisal objective issued by the China Petrochemical Corporation, with Δ EVA greater than zero.
3rd Exercise Period	In 2019, EOE shall not be less than 32%, the compound growth rate of total profit for 2019 shall not be less than 6% (based on the Company's total profit for 2015), and the above two indicators shall not be lower than the 75% level of peer benchmark enterprises, the performance of the indicator for economic value added in 2019 has achieved the appraisal objective issued by the China Petrochemical Corporation, with Δ EVA greater than zero.

In the process of annual appraisal, in case of any material change in the main business of any of the peer benchmark enterprises, the Board will eliminate or replace such enterprise during the year end appraisal.

If the Company's performance fails to achieve the above requirements in any year corresponding to an Exercise Period, the exercise of the Company's Share Options in the other years will not be affected.

Conditions Precedent for Exercise of Share Options by the Participant

If a Participant fulfills the following conditions precedent, he/she may exercise all Share Options exercisable within the relevant Exercise Period:

- (1) the Company has fulfilled the performance conditions and other conditions for the exercise of options;
- (2) none of the circumstances in relation to a Participant as set out in “Conditions to the Proposed Grant” in paragraph 6 of this Appendix I has occurred prior to the expiration of the current Exercise Period within the Validity Period of the Scheme; and
- (3) in accordance with the Administrative Measures for Appraisal as set out in Appendix IV, the Participants has been graded as competent or above in the performance appraisal of the preceding year.

If a Participant fails to fulfill the condition precedent as agreed in item (2) above for the exercise of Share Options, he/she shall waive his/her right to participate in the Scheme with no entitlement to any compensation. If a Participant fails to fulfill the condition precedent as agreed in item (3) above for the exercise of Share Options, the Company shall recover and cancel the exercisable Share Options granted to him/her with no compensation.

8. EXERCISE PRICE**The Proposed Grant**

The Exercise Price of the Proposed Grant shall be RMB5.63 per share. The Exercise Price for the Proposed Grant under the Scheme shall be equal to or higher than:

- i. the average trading price of A Shares on the last trading day before the announcement of the Original Draft Scheme, which was published by the Company on Shanghai Stock Exchange on 30 March 2016 (RMB4.84);
- ii. at least one of the average trading price of A Shares during the last 20 trading days, 60 trading days or 120 trading days before the date of the announcement of the Original Draft Scheme (RMB5.30, RMB5.57 and RMB7.38, respectively); and
- iii. RMB4.43 per share. All shareholders of non-circulating shares of SSC undertook in the equity division reform plan of the Company in August 2013 that they would propose to the Board a share option scheme subject to compliance with the relevant regulations of the SASAC and the CSRC, with an initial Exercise Price of the Share Options no lower than RMB6.64 per share. (If there is occurrence of any ex-right or ex-dividend event before the release of the draft share option scheme, the price shall be adjusted accordingly). As the Company carried out capitalisation of surplus reserves in November 2013, the aforesaid

initial Exercise Price of the Share Options, i.e. no less than RMB6.64 per share, is adjusted to no less than RMB4.43 per share. (If there is occurrence of any ex-right or ex-dividend event in the Company before the Proposed Grant, the price shall be adjusted accordingly).

The Shareholders' general meeting shall authorise the Board to determine the Exercise Price of Share Options in accordance with the aforesaid principles upon fulfillment of the conditions for the Proposed Grant of Share Options. Upon fulfillment of the conditions of the Exercise Price, each Option granted to the Participants is entitled to purchase one A Share at the Exercise Price.

Under Further Grants of Share Options

The Exercise Price under each proposed grant (other than the Proposed Grant) shall be the higher of the following:

- i. the average trading price of A Shares on the trading day immediately preceding the date of announcement on the summary of the draft proposal for each grant of Share Options; and
- ii. at least one of the average trading price of A Shares for the 20 trading days, 60 trading days or 120 trading days immediately preceding the date of announcement on the summary of the draft proposal for each grant of Share Options.

The Shareholders' general meeting shall authorise the Board to determine the Exercise Price of Share Options in accordance with the aforesaid principles upon fulfillment of the conditions for each proposed grant of Share Options.

Adjustment to the Exercise Price

If, during the period from the date of the announcement of the draft Scheme or the draft proposed grant until the expiration of the Validity Period of the Share Options, there is any occurrence of, among others, payment of dividends, capitalisation of capital reserves, distribution of dividends, subdivision or reduction of shares, and allotment of shares, an adjustment to the Exercise Price shall be made in accordance with the relevant provisions of the Scheme.

9. VALIDITY PERIOD OF THE OPTIONS, EXERCISE ARRANGEMENT AND VESTING PERIOD AND VESTING DATE**Validity Period**

The Share Option Scheme shall be valid and effective for a period of 10 years. Each grant of Share Options and each proposed grant shall be at an interval of at least two years during the Validity Period. The Scheme shall come into effect upon obtaining approval by from the SASAC and after review and approval by the general meeting and the class meetings of the Shareholders of the Company.

Exercise Arrangement

The Exercise Period for the Options shall be three years after the expiry of the two-year vesting period after the Grant Date. There shall be three Exercise Periods (one year for each Exercise Period, same for the following) for each plan of grant under the Scheme. And during the 1st, 2nd and 3rd Exercise Period, there will be 30%, 30% and 40% respectively of the total options granted may be exercised upon fulfillment of the conditions for exercise of Share Options.

Exercise arrangements for granted options

Stage	Timing Arrangement	Exercise Ratio Cap
Grant Date	To be determined by the Board upon fulfillment of the grant conditions under the Scheme	
1st Exercise Period	Commencing on the first trading day after the expiration of 24 months from the Grant Date and ending on the last trading day of 36 months from the Grant Date	30%
2nd Exercise Period	Commencing on the first trading day after the expiration of 36 months from the Grant Date and ending on the last trading day of 48 months from the Grant Date	30%
3rd Exercise Period	Commencing on the first trading day after the expiration of 48 months from the Grant Date and ending on the last trading day of 60 months from the Grant Date	40%

If a Participant is also a Director or member of senior management of the Company, at least 20% of the total Options granted to him/her shall not be exercisable until such Participant passes the appraisal during his/her term of office.

Vesting Period and Vesting Date

The vesting period refers to the period commencing on the Grant Date and ending on the Vesting Date. The vesting period for each grant of Share Options under the Scheme shall be no less than two years.

The Participants under each grant are only entitled to exercise the Share Options after the expiration of the two-year period from the Grant Date. The Vesting Date shall be any trading day during the period commencing on the second trading day after a periodic report of the Company is published and ending on the 10th trading day immediately preceding the publication of the next periodic report of the Company, and shall not fall in any of the following periods:

- i. commencing three days immediately preceding the Company's performance forecast announcement and ending on the second trading day after such announcement;
- ii. any time during the decision making process in relation to a material transaction or a significant matter and ending on the second trading day after the announcement of such transaction or matter;
- iii. any period commencing on the date on which a material matter of a price sensitive nature occurs and ending on the second trading day after the announcement of such material matter; and
- iv. where the Participant is a Director, the period from 60 days immediately preceding the publication date of the Company's annual results up to the publication date of the annual results (inclusive of the publication date of the annual results); and the period from 30 days immediately preceding the publication date of the Company's interim or quarterly results up to the publication date of such results (inclusive of the publication date of such results).

The aforesaid "material transaction", "significant matter" and "material matter that is of a price sensitive nature" are the transactions or other significant events that the Company shall disclose in accordance with the Shanghai Listing Rules.

10. THE SOLUTIONS FOR SPECIAL CIRCUMSTANCES**Change of the Company's Largest Shareholder**

When the Company's largest shareholder changes as a result of reorganization or merger, the existing largest shareholder must stipulate in the equity transfer agreement (or other agreements leading to change of the largest shareholder) that the new largest shareholder guarantees that the Scheme will remain unchanged and ensure the effective implementation and eventual completion of the Scheme and make it an integral part of the agreement.

Change of Situation of the Company

During merger or spin-off of the Company, the parties should undertake in the agreement in relation to merger or spin-off of the Company that they will continue to implement the Scheme and may make an adjustment to the content of the Scheme based on the actual situation but shall not change the Participants, the number of Share Options granted under the Scheme and the exercise price and conditions without cause.

Where any of the following events occurs in relation to the Company, the Scheme will terminate automatically, and all Share Options granted but not yet exercised by the Participants shall automatically lapse forthwith, and be recovered and cancelled without compensation by the Company:

- (1) the auditors of the Company having provided an adverse opinion or been unable to provide an opinion on the Company's financial and accounting report for the most recent financial year;
- (2) a certified accountant has issued an audit report with adverse opinion or disclaimer of opinion in respect of the Company's internal control in the most recent fiscal year;
- (3) the Company fails to distribute profits in accordance with laws and regulations, Articles of Association or publicly announced undertakings in the recent 36 months after the listing;
- (4) the applicable laws and regulations prohibit the Company from implementing share option incentive plans;
- (5) any other circumstances as identified by the CSRC.

False Financial and Accounting Records of the Company

In case of any false financial and accounting records of the Company, the responsible Participants shall return to the Company all benefits obtained under the Share Option Scheme within 12 months from the date of announcement of such accounting records, and the remaining unexercised Share Options of the Participant shall lapse.

Change of Personal Situation of the Participants

1. Where any of the following events occurs, all Share Options which are exercisable but are not yet exercised by the Participants and those which have not yet become exercisable shall lapse on the date of occurrence of such events:
 - (1) declared as an ineligible candidate by the Shenzhen Stock Exchange, the Shanghai Stock Exchange and the Hong Kong Stock Exchange in the last 12 months;
 - (2) declared as an ineligible candidate by the CSRC and the institution regulation departments of the CSRC in the last 12 months;

- (3) imposed with administrative penalties or barred from entry into the market by the CSRC and the institution regulation departments of the CSRC due to act of material breach of laws and regulations in the last 12 months;
- (4) prohibited from acting as a director or a member of the senior management pursuant to the PRC Company Law;
- (5) prohibited from joining the share option scheme of listed companies pursuant to laws and regulations;
- (6) any other circumstances as determined by the CSRC.

During the Validity Period of the Share Option Scheme, where any of the Participants is imposed a demerit record or any other sanction by the Company due to the Participant's dereliction of duty or malfeasance impairing the interests and reputation of the Company (not under the circumstances of dismissal as set out in sub-paragraphs (4) above), the Participant shall not exercise all the Share Options granted to him/her (including Share Options which are exercisable but have not been exercised), and all the Share Options granted and which have not been exercised shall lapse, and shall be recovered and cancelled without compensation by the Company.

2. If any of the following events occur, the exercise right of all Share Options of a Participant which are exercisable but are not yet exercised shall be terminated and those which have not yet become exercisable shall lapse on the date of occurrence of such events, and shall be recovered and cancelled without compensation by the Company:
 - (1) terminates or rescinds the labour contract or employment contract with the Company;
 - (2) dismissed by the Company due to reasons such as failure to pass in performance appraisal;
 - (3) other circumstances as identified by the Remuneration Committee of the Board.
3. If any of the following events occur, all Share Options of a Participant which are exercisable but are not yet exercised shall be exercised by the Participant or by his/her legal successor(s) within six months after approval by the Board (including Share Options have not yet been approved by the Board but the conditions of Company performance of the corresponding year have been fulfilled), all other Share Options shall lapse and to be recovered and cancelled without compensation by the Company:
 - (1) the Participant dies or loses the ability to work;
 - (2) the Participant retires;

- (3) upon and arrangement of deployment away from the Company and the Participant has resigned from the Company;
 - (4) when the Participant is elected as supervisor or appointed in other positions not eligible to participate in the Share Option Scheme;
 - (5) other circumstances as identified by the Remuneration Committee of the Board.
4. The Remuneration Committee of the Board shall formulate specific administrative measures to determine the treatment method under the above and other circumstances.

11. RIGHTS ATTACHING TO THE SHARE OPTIONS

The Share Options do not carry any right to vote at general meetings of the Company, or any dividend, transfer or other rights (including those arising on the winding-up of the Company).

12. RIGHTS ATTACHING TO THE UNDERLYING SHARES

No dividend or distribution shall be payable in respect of any Underlying Shares which has not been exercised under the Share Option Scheme.

Subject to the foregoing, the Shares which are allotted and issued upon the exercise of an Option shall be subject to all the provisions of the Articles of Association for the time being in force and shall rank *pari passu* in all respects with, and shall have the same voting, dividend, transfer and other rights (including those rights arising on a winding-up of the Company) as, the existing fully paid Shares in issue on the date on which those Shares are allotted and issued upon the exercise of the option and, without prejudice to the generality of the foregoing, shall entitle the holders to participate in all dividends or other distributions paid or made on or after the date on which the Shares are allotted and issued, other than any dividends or distributions previously declared or recommended or resolved to be paid or made if the record date thereof shall be before the date on which the Shares are allotted and issued.

13. TRANSFERABILITY OF THE OPTIONS AND LOCK-UP PROVISIONS

The Share Options granted to the Participants, shall not be transferable, used for provision of guarantee or repayment of debt.

The A Shares acquired by the Participants upon exercise of the Share Options granted under the Share Option Scheme are subject to the following lock-up provisions:

- i. where the Participant is a Director or a member of senior management of the Company, the number of Shares that he/she may transfer per year during his/her term of office shall not exceed 25% of the total number of the Shares held by him/her; and shall not transfer the Shares held by him/her within six months after his/her resignation;

- ii. where the Participant is a Director or a member of senior management, if such Participant sells the Shares held by him/her within six months after purchasing them, or buys back the Shares held by him/her within six months after selling them, all proceeds therefrom shall belong to the Company and the Board shall recover such proceeds; and
- iii. during the Validity Period of the Scheme, if there is any change in the relevant provisions of the Company Law, Securities Law, the Shanghai Listing Rules, the Hong Kong Listing Rules and other relevant regulations or in the Articles of Association in relation to the transfer of the Shares held by the Directors and senior management members, the transfer of Shares held by the Participants shall comply with the relevant provisions of the Company Law, Securities Law, the Shanghai Listing Rules, the Hong Kong Listing Rules and other relevant regulations then applicable as well as the Articles of Association at the time of transfer.

14. ADJUSTMENT OF OPTIONS

Method of Adjusting the Number of Share Options

If, during the period commencing on the date of announcement of the draft Scheme or each draft of the subsequent proposed grants of Share Options and until the expiry of the Validity Period, any capitalisation of capital reserves, distribution of dividend, subdivision, allotment or reduction of the Shares or any other events takes place, an adjustment to the number of Share Options shall be made accordingly. The method of adjustment is set out as below:

Capitalisation of capital reserves, distribution of dividends and subdivision of Underlying Shares

$$Q=Q_0 \times (1+n)$$

Where: “Q₀” represents the amount of Share Options before the adjustment; “n” represents the ratio of change per Share resulting from the capitalisation of capital reserves, distribution of dividends and subdivision of Shares (i.e. the adjusted number of Shares upon capitalisation of capital reserves, distribution of dividend or subdivision of Shares per Share); “Q” represents the adjusted number of Share Options.

Allotment of Underlying Shares

$$Q=Q_0 \times P_1 \times (1+n)/(P_1+P_2 \times n)$$

Where: “Q₀” represents the amount of Share Options before the adjustment; “P₁” represents the closing price as at the record date; “P₂” represents the allotment price; “n” represents the ratio of the allotment (i.e. the ratio of allotted shares to the total share capital of the Company before the allotment); “Q” represents the adjusted number of Share Options.

Reduction of Underlying Shares

$$Q=Q_0 \times n$$

Where: “Q₀” represents the amount of Share Options before the adjustment; “n” represents the ratio of reduction (i.e. one Share reduces to n reduced Share); “Q” represents the adjusted number of Share Options.

Methods of Adjusting the Exercise Price

If, during the period commencing on the date of announcement of the draft Scheme or each draft of the subsequent proposed Grants until the expiry of the Validity Period, there is any occurrence of, among others, payment of dividends, capitalisation of capital reserves, distribution of dividends, subdivision, allotment or reduction of Underlying Shares or other events of the Company, an adjustment to the Exercise Price shall be made accordingly. The method of adjustment is set out as below:

Capitalisation of capital reserves, distribution of dividends and subdivision of Underlying Shares

$$P=P_0 \div (1+n)$$

Where: “P₀” represents the Exercise Price before the adjustment; “n” represents the ratio of change per Share resulting from the capitalisation of capital reserves, distribution of dividend and subdivision of Shares; “P” represents the adjusted Exercise Price.

Allotment of Underlying Shares

$$P=P_0 \times (P_1+P_2 \times n) / [(P_1 \times (1+n))]$$

Where: “P₀” represents the Exercise Price before the adjustment; “P₁” represents the closing price as at the record date; “P₂” represents the subscription price of the allotment; “n” represents the ratio of allotment (i.e. the ratio of allotted shares to the total share capital of the Company before the allotment); “P” represents the adjusted Exercise Price.

Reduction of Underlying Shares

$$P=P_0 \div n$$

Where: “P₀” represents the Exercise Price before the adjustment; “n” represents the ratio of reduction; “P” represents the adjusted Exercise Price.

Payment of dividends

$$P=P_0-V$$

Where: “P₀” represents the Exercise Price before the adjustment; “V” represents dividend paid for each Share; “P” represents the adjusted Exercise Price.

Procedures for Adjusting the Number of Share Options and the Exercise Price

The Shareholders' general meeting and/or the class meetings of Shareholders shall authorize the Board to determine the adjustment of the Exercise Price and the number of Share Options if any of the aforesaid circumstances occurs. The Company shall engage lawyers for professional advice to the Board as to whether the aforesaid adjustments comply with the provisions of the Share Incentive Administrative Measures, the Articles of Association and the Share Option Scheme.

If the amount of Share Options, the Exercise Price or other term(s) needs to be adjusted for any other reason, such adjustment shall be reviewed by the Board and approved at the Shareholders' general meeting and/or the class meetings of Shareholders before implementation.

If any adjustment is made due to the occurrence of any aforesaid circumstance or in compliance with Rule 17.03(13) of the Hong Kong Listing Rules, the share capital of the Company shall be issued to each Participant in accordance with the same ratio as his/her previous entitlements, provided that no adjustment shall result in the issue price of Shares becoming lower than the net asset value or the par value per Share. With regard to any adjustment made due to the occurrence of any aforesaid circumstance or in compliance with Rule 17.03(13) of the Hong Kong Listing Rules (save for any adjustment made in the case of a capitalisation issue), an independent financial adviser or the auditors of the Company shall confirm to the Board in writing that the relevant adjustments comply with the provisions set out in the notes to Rule 17.03(13) of the Hong Kong Listing Rules.

15. AMENDMENTS TO AND TERMINATION OF THE SHARE OPTION SCHEME

- (1) The Shareholders' general meeting, being the body of highest authority, shall be responsible for the review and approval of the Scheme. The Shareholders' general meeting shall authorize the Board to oversee the implementation and management of the Scheme. The Board may, subject to appropriate circumstances, expressly authorize the Remuneration Committee to handle part of the issues relating to Share Options.
- (2) The Board may make amendments to the Scheme in compliance with relevant laws and regulations, and shall submit the amendments to the SASAC for filing. Before the share option scheme is considered at the general meeting, if the Company intends to amend the share option scheme, the Company should promptly disclose the Board resolution as well as the reason for the amendment, the content of the amendment and the opinions of the independent directors, the board of supervisors and the legal advisors of the Company by way of announcement after the resolution on the amendment is considered and approved by the Board.

If the Company propose to amend the share option scheme which has already been considered and approved at the general meeting, the Company should promptly make an announcement and submit it to the general meeting for consideration and shall not include the following circumstances: (1) leading to accelerated exercise of options or lifting of restrictions on sale in advance; or (2) decreasing the exercise price. Independent directors should give their independent opinions in respect of whether the proposed amended scheme

is beneficial to the sustainable development of the Company and there having any noticeable damage to the interests of the Company and its shareholders as a whole or not. The legal advisors of the Company should give its professional opinions in respect of whether the amended scheme complies with those the Share Incentive Plan Measures and relevant laws and regulations and there having any noticeable damage to the interests of the Company and its shareholders as a whole or not. If, due to a change in the total share capital resulting from an issue of new Shares, capitalisation of capital reserves, consolidation, subdivision, repurchase of the Shares or other reasons, the Company shall make an adjustment to the number or the Exercise Price of the Options to be granted, such adjustment shall be determined by the Board upon re-submission to the SASAC for filing. Prior to the convening of the Shareholders' general meeting and the class meetings of Shareholders for approval of the Scheme, the Company may amend the Scheme upon requests from the PRC and/or Hong Kong regulatory authorities. If there is any discrepancy between the terms of the Scheme and the provisions of the relevant laws, regulations, agreements and relevant requirements by the Shanghai Stock Exchange or the Hong Kong Stock Exchange, the provisions of the relevant laws, regulations, agreements, and relevant requirements by the Shanghai Stock Exchange or the Hong Kong Stock Exchange shall prevail.

Amendments to the Scheme shall be approved by the Shareholders' general meeting and/or the class meetings of Shareholders in the following circumstances: (i) where certain amendments to the Scheme shall be approved by the Shareholders' general meeting and/or the class meetings of Shareholders, the CSRC, the Shanghai Stock Exchange or the Hong Kong Stock Exchange in accordance with the relevant provisions of laws, regulations, agreements and the relevant requirements by the Shanghai Stock Exchange or the Hong Kong Stock Exchange; (ii) where the amendments relate to the matters set out in Rule 17.03 of the Hong Kong Listing Rules and are to the advantage of the Participants; (iii) the amendments to the provisions of the Scheme or the terms of the Options granted are of a material nature; or (iv) the amendments relate to the power of the Board to amend the terms of the Scheme.

- (3) At the time of early termination of the Scheme, the Board may propose to pass a resolution in the Shareholders' general meeting for the early termination of the Scheme. If early termination of the Scheme is approved at the Shareholders' general meeting, the Company shall cease to grant any Share Option pursuant to the Scheme. Except for a change of the largest shareholder of the Company, the Share Options granted prior to the termination of the Scheme shall remain valid and shall still be exercisable pursuant to the provisions of the Scheme.
- (4) Where there is a change in the personal circumstances of a Participant or where a Participant is held liable for the false records contained in the Company's financial and accounting documents, the Board shall authorise its Remuneration Committee to manage the relevant matters.

**16 MECHANISM FOR THE SETTLEMENT OF RELEVANT DISPUTES OR CONFLICTS
BETWEEN THE COMPANY AND THE PARTICIPANTS**

When the Share Options are granted, the Company should sign the “Stock Options Grant Agreement” with the Participants whereby the obligations of and the relationship between the parties and the mechanism for the settlement of disputes or conflicts are stipulated. The “Stock Options Grant Agreement” is a supporting document in respect of the granting of the Share Options by the Company and should specify the name, identity card number, address, correspondence method, stock option agreement number and relevant matters requiring attention, etc. The Company produces the stock option scheme management register based on the status of the signing of the agreement by the Participants to record the relevant information.

During the course of the implementation of this scheme, the Participants should sign the power of attorney with the Company to entrust the Company to handle (including but not limited to) matters such as option registration and cancellation. If the Participants object to this, they may raise their objection to the Company’s dedicated department. If the dedicated department fails to give a reply or the reply is unsatisfactory, the Participants may initiate arbitration or litigation in accordance with the dispute or conflict settlement mechanism as stipulated in the “Stock Options Grant Agreement”.

17. SUPPLEMENTAL PROVISIONS

The effectiveness of the Share Option Scheme is conditional upon fulfillment of the following conditions:

- (1) SASAC has approved the Scheme;
- (2) The Scheme has been reviewed and approved by the Shareholders’ general meeting and class meetings of shareholders of the Company.

The Board is responsible for interpreting the Share Option Scheme.

Detailed information in relation to the Proposed Grant, including the information of the Participants, the number of A Shares subject to the Options to be granted to the Participants, the Exercise Price of the Options and the value of the Options as at the Latest Practicable Date, is set out in this appendix. The proposed Grant to the Directors and senior management members of the Company has been approved by the Board including the INEDs of the Company on 29 March 2016 and 30 August 2016.

1. NUMBER OF UNDERLYING SHARES

The number of the Share Options under the Proposed Grant to be granted by the Company to the Participants shall be no more than 50,850,000, with the corresponding Underlying Shares representing 0.36% of the total share capital of the Company (14,142,660,995 shares) and 0.42% of the total A-share capital of the Company (12,042,660,995 shares), respectively.

2. ALLOCATION OF SHARE OPTIONS

The total number of the Participants under the Proposed Grant is 495, representing 0.63% of the total number of the Company's employees by contract.

The following table sets out the allocation of Share Options among the Participants under the Proposed Grant:

No.	Name/Item	Position	Aggregate number of Share Options to be granted under the Proposed Grant (10,000)	Aggregate percentage of the number of Share Options to be granted under the Proposed Grant of the Scheme	Aggregate percentage in the total share capital at the commencement date of the Scheme
I. Directors and senior management					
	Sun Qingde	Director, General Manager, Deputy Secretary of CPC Committee	21	0.41%	0.0014%
	Zhou Shiliang	Director, Secretary of CPC Committee, Deputy General Manager	21	0.41%	0.0014%
	Zhang Yongjie	Deputy General Manager	19	0.37%	0.0013%
	Wang Chunjiang	Deputy Secretary of CPC Committee, Chairman of Labour Union	19	0.37%	0.0013%
	Lu Baoping	Deputy General Manager	19	0.37%	0.0013%
	Liu Rushan	Deputy General Manager	19	0.37%	0.0013%
	Wang Hongchen	Chief Accountant	18	0.35%	0.0013%
	Zhang Jinhong	Deputy General Manager	18	0.35%	0.0013%
	Huang Songwei	Deputy General Manager	18	0.35%	0.0013%
	Li Honghai	Secretary to the Board	14	0.28%	0.0009%
	Sub-total	10	186	3.63%	0.0132%
II. Key business and management personnel of other core positions					
	Sub-total	485	4899	96.37%	0.3464%
	Total	495	5085	100%	0.3596%

3. GRANT DATE

The Grant Date of the Options under the Proposed Grant shall be determined by the Board, upon the Share Option Scheme having obtained consent from the SASAC and approved by the Shareholders' general meeting and class meetings of the Company. Upon fulfilment of the conditions of the Proposed Grant under the Scheme, the Company shall convene a board meeting to grant Options to the Participants and complete the relevant procedures of registration and announcement in accordance with the relevant requirements.

4. EXERCISE PRICE

The Exercise Price of the Proposed Grant shall be RMB5.63 per share. The Exercise Price for the Proposed Grant under the Scheme shall be equal to or higher than:

- i. the average trading price of A Shares on the last trading day before the Scheme Announcement, which was published by the Company on Shanghai Stock Exchange on 30 March 2016 (RMB4.84));
- ii. at least one of the average trading price of A Shares during the last 20 trading days, 60 trading days or 120 trading days before the date of the Scheme Announcement (RMB5.30, RMB5.57 and RMB7.38, respectively); and
- iii. RMB4.43 per share. All shareholders of non-circulating shares of SSC undertook in the equity division reform plan of the Company in August 2013 that they would propose to the Board a share option scheme subject to compliance with the relevant regulations of the SASAC under the State Council and the CSRC, with an initial Exercise Price of the Share Options no lower than RMB6.64 per share. (If there is occurrence of any ex-right or ex-dividend event before the release of the draft share option scheme, the price shall be adjusted accordingly). As the Company carried out capitalisation of surplus reserves in November 2013, the aforesaid initial Exercise Price of the Share Options, i.e. no less than RMB6.64 per share, is adjusted to no less than RMB4.43 per share. (If there is occurrence of any ex-right or ex-dividend event in the Company before the grant of Share Options, the price shall be adjusted accordingly).

The Shareholders' general meeting shall authorise the Board to determine the Exercise Price of Share Options in accordance with the aforesaid principles upon fulfillment of the conditions to the Proposed Grant of Share Options. Upon fulfillment to the conditions of the Exercise Price, each Option granted to the Participants is entitled to purchase one A Share of the Company at the Exercise Price.

5. PERFORMANCE CONDITIONS

- (1) The Company's total profit for 2015 shall not be less than RMB460 million;
- (2) The Company's EOE for 2015 shall not be less than 28%;

The performance conditions of items (1) and (2) are no less than the average performance level of the Company in the last three years or 50% level of peer benchmark enterprises.

- (3) The performance of the indicator for economic value added has achieved the appraisal objective issued by the China Petrochemical Corporation.

Conditions for the exercise of Share Options under the Proposed Grant during each exercise period:

Exercise Period	Conditions for Exercise of Share Options
1st Exercise Period	In 2017, EOE shall not be less than 32%, the compound growth rate of total profit for 2017 shall not be less than 6% (based on the Company's total profit for 2015), and the above two indicators shall not be lower than the 75% level of peer benchmark enterprises, the performance of the indicator for economic value added in 2017 has achieved the appraisal objective issued by the China Petrochemical Corporation, with Δ EVA greater than zero.
2nd Exercise Period	In 2018, EOE shall not be less than 32%, the compound growth rate of net profit for 2018 shall not be less than 6% (based on the Company's total profit for 2015), and the above two indicators shall not be lower than the 75% level of peer benchmark enterprises, the performance of the indicator for economic value added in 2018 has achieved the appraisal objective issued by the China Petrochemical Corporation, with Δ EVA greater than zero.
3rd Exercise Period	In 2019, EOE shall not be less than 32%, the compound growth rate of total profit for 2019 shall not be less than 6% (based on the Company's total profit for 2015), and the above two indicators shall not be lower than the 75% level of peer benchmark enterprises, the performance of the indicator for economic value added in 2019 has achieved the appraisal objective issued by the China Petrochemical Corporation, with Δ EVA greater than zero.

In the process of annual appraisal, in case of any material change in the main business of any of the peer benchmark enterprises, the Board will eliminate or replace such enterprise during the year end appraisal.

If the Company's performance fails to achieve the above requirements in any year corresponding to an Exercise Period, the exercise of the Company's Share Options in the other years will not be affected.

6. EXERCISE ARRANGEMENT

The Exercise Period for the Options shall be three years after the expiry of the two-year vesting period after the Grant Date. There shall be three Exercise Periods (one year for each Exercise Period, same for the following) for each plan of the Proposed Grant under the Scheme. And during the 1st, 2nd and 3rd Exercise Period, there will be 30%, 30% and 40% respectively of the total options granted may be exercised upon fulfillment of the conditions for exercise of Share Options.

Exercise arrangements for granted options

Stage	Timing Arrangement	Exercise Ratio Cap
Grant Date	To be determined by the Board upon fulfillment of the grant conditions under the Scheme	
1st Exercise Period	Commencing on the first trading day after the expiration of 24 months from the Grant Date and ending on the last trading day of 36 months from the Grant Date	30%
2nd Exercise Period	Commencing on the first trading day after the expiration of 36 months from the Grant Date and ending on the last trading day of 48 months from the Grant Date	30%
3rd Exercise Period	Commencing on the first trading day after the expiration of 48 months from the Grant Date and ending on the last trading day of 60 months from the Grant Date	40%

7. VALUE OF SHARE OPTIONS

The Company used the Black-Scholes model to calculate the value of the Share Options, and based on the Latest Practicable Date as the valuation date. The calculated value of each batch of Share Options under the Proposed Grant was RMB0.85 per share, RMB1.07 per share and RMB1.27 per share, respectively, representing 21.7%, 27.4% and 32.5% of the market price of the A share as at such date. Amounts used in the calculation and the results are as follows:

Factors	Value of Factor	Description
Exercise price	RMB5.63	The highest of: (i) the average trading price of A Shares on the last trading day before the announcement of the Original Draft Scheme, which was published by the Company on Shanghai Stock Exchange on 30 March 2016 (RMB4.84)); (ii) at least one of the average trading price of A Shares during the last 20 trading days, 60 trading days or 120 trading days before the date of the announcement of the Original Draft Scheme (RMB5.30, RMB5.57 and RMB7.38, respectively); and (iii) RMB4.43 per share.
Market price	RMB3.91	The closing price of the A shares on the Latest Practicable Date
Expected life	3, 4, 5 years	The validity period of each batch of Options
Expected price volatility rate	46.18%	The average price volatility rate in every 240 consecutive trading days during the period from the listing date of the A shares of the Company up to the Latest Practicable Date
Expected rate of return on dividend	0	Given its minor impact on the value of the Options and expected low accuracy, it is tentatively estimated at 0
Risk-free interest rate	2.4211%, 2.4987%, 2.5639%	The rate of return on fixed-interest treasury bonds with maturity on the Latest Practicable Date, the remaining term of which is the same as the validity period of the Options

Factors	Value of Factor	Description
Unit price of each batch of Options	RMB0.85, RMB1.07, RMB1.27	Valuation in RMB estimated based on the Black-Scholes model
Proportion of the unit price of each batch of Options in the value of A share	21.7%, 27.4%, 32.5%	
Value of All Options under the Proposed Grant	RMB55.0167 million	

Notes:

- a. The calculation results of the value of the Share Options are subject to a number of assumptions of the parameters used herein and the limitation of the model adopted, therefore the valuation of the Share Options is subjective and has uncertainties.
- b. The expected price volatility rate is calculated based on the average price volatility rate in every 240 consecutive trading days during the period from the listing date of the Company up to the Latest Practicable Date. The risk-free interest rate used herein is derived from the rate of return on fixed-interest treasury bonds on Latest Practicable Date published on the website of 0033.com.
- c. The exercise price used herein was determined in accordance with the relevant provisions stated in the Share Option Scheme, being not lower than the highest of: (i) the average trading price of A Shares on the last trading day before the announcement of Original Draft Scheme, which was published by the Company on Shanghai Stock Exchange on 30 March 2016 (RMB4.84);(ii) at least one of the average trading price of A Shares during the last 20 trading days, 60 trading days or 120 trading days before the date of the announcement of Original Draft Scheme (RMB5.30, RMB5.57 and RMB7.38, respectively); and (iii) RMB4.43 per Share. The Exercise Price is assumed to be RMB5.63 per Share.
- d. As there was no historical data for the measurement of the duration from the first Exercise Date up to the completion date of Exercise, the expected life is determined in accordance with the longest validity period of the batches of Options.

This Appendix sets out the English translation of the Chinese version of the Administrative Measures on The A Share Option Incentive Scheme. Should there be any inconsistencies or conflicts between the English and Chinese versions, the Chinese version shall prevail.

CHAPTER I GENERAL PROVISIONS

Article 1 These Measures are hereby formulated in order to implement the A Share Option Incentive Scheme (the “**Scheme**”) of Sinopec Oilfield Service Corporation (中石油石油工程技术服务有限公司) (“**SSC**” or the “**Company**”) and specify particulars such as the management authority of the Incentive Scheme and its duties, the implementation process of the Scheme, and the calculation methods for performance indicators and other relevant parameters.

Article 2 These Measures are formulated in accordance with the relevant laws and regulations of the PRC, regulatory documents issued by government authorities, the Articles of Association of SSC and the Scheme and shall come into effect upon review and approval at the shareholders’ general meeting of the Company.

Article 3 Unless otherwise stated, the terms used herein shall have the same meanings as those defined in the Scheme.

CHAPTER II MANAGEMENT AUTHORITY AND ITS DUTIES

Article 4 Duties of the shareholders’ general meeting

1. Approving the Scheme, these Measures and the proposal for each grant under the Scheme.
2. Approving the adjustments to and termination of the Scheme and the proposal for each grant.
3. Authorising the Board of Directors to handle specific matters in relation to the implementation of the Scheme.

Article 5 Duties of the Board of Directors

1. Reviewing the Scheme, these Measures and the Administrative Measures on Appraisal under the A Share Option Incentive Scheme of Sinopec Oilfield Service Corporation (the “**Administrative Measures on Appraisal**”), and submitting the same to the shareholders’ general meeting for voting in accordance with the relevant regulations.
2. Proposing the shareholders’ general meeting to consider adjustments to or termination of the Scheme.

3. Reviewing the proposal for each grant under the Scheme and implementing specific matters such as the exercise and cancellation of the share options in accordance with the Scheme and these Measures and as authorised by the shareholders at the shareholders' general meeting.
4. Approving the specific exercise proposal drafted by the Remuneration Committee of the Board of Directors, including but not limited to achievement of performance targets of the Company, performance evaluation on participants, number of exercisable options, and peer benchmark enterprise adjustment.
5. Other duties as provided for in the Scheme and these Measures or as authorised by the shareholders at the shareholders' general meeting.

Article 6 Duties of the Supervisory Board

The Supervisory Board is responsible for verifying the list of participants under the Scheme and issuing a statement on such verification at a shareholders' meeting.

Article 7 Duties of the Remuneration Committee of the Board of Directors

1. Drafting the Administrative Measures on Appraisal and submitting the same to the Board of Directors for review.
2. Drafting the proposal for each grant and an exercise proposal under the Scheme and submitting the same to the Board of Directors for review.
3. Implementing performance appraisal.
4. Leading the equity incentive working group to implement other measures relating to the Scheme.

Article 8 Duties of the General Manager

Determining the performance targets of the participants other than the executive directors and senior management members, and implementing performance appraisal on such participants and other relevant work as assigned by the Board of Directors.

Article 9

Duties of the Share Option Incentive Working Group

An share option incentive working group (the “**Working Group**”) constitutes relevant personnel from functional departments of the Company such as the Office of the Board of Directors, the Human Resources Department, the Financial Assets Department, the Business Reform Administration Department and the Legal Affairs Center to perform the following duties:

1. Assisting the Remuneration Committee of the Board of Directors and the Performance Appraisal Group of the Company in organising and implementing the performance appraisal on the participants.
2. Assisting the Remuneration Committee of the Board of Directors in drafting the proposal for each grant and the exercise proposal under the Scheme.
3. Organising management of participants, including formulating specific measures for management of participants; organising the participants to enter into a *Grant Agreement under the A Share Option Incentive Scheme of Sinopec Oilfield Service Corporation* (the “**Grant Agreement**”), supervising the participants to discharge the obligations specified in the Scheme, these Measures and the Grant Agreement, and proposing the grant of share options to and the exercise and cancellation of the share options of the participants.
4. Calculating the financial indicators relating to the Scheme, liaising with the relevant departments to conduct auditing in relation to the Scheme and estimating the number of share options in accordance with the requirements under the Scheme.
5. Giving compliance advice during the implementation process of the Scheme, reviewing agreements, contracts and other legal documents entered into by the Company in the formulation and implementation process of the Scheme and these Measures, and addressing any legal issue or legal dispute arising in the implementation process of the Scheme.
6. Being responsible for the organisation of board meetings and shareholders’ general meetings, preparation of resolutions, information disclosure and investor relationship management in the approval and implementation process of the Scheme and these Measures.
7. Being responsible for filing the Scheme with regulatory authorities such as the State-owned Assets Supervision and Administration Commission of the State Council (**SASAC**), the China Securities Regulatory Commission (**CSRC**) and the stock exchange for approval, review and record.

8. The Company is responsible for announcing the name and position of the participants internally via company website or other channels for not less than 10 days;
9. The Company is responsible for registering insiders and carrying out self-investigation on the trading of shares and derivatives of the Company by insiders during the 6 months' period prior to the announcement of the draft equity incentive scheme and requests the relevant personnel to issue explanations.
10. Coordinate the work of intermediaries such as law firms.

CHAPTER III APPROVAL AND IMPLEMENTATION OF THE SCHEME

Article 10 The Company shall perform the following in relation to the approval and review of the Scheme:

1. The Working Group shall assist the Remuneration Committee of the Board of Directors in early communication with China Petrochemical Corporation (the “**Sinopec Group**”) and SASAC in respect of the main contents of the draft Scheme (including the proposal for the Proposed Grant, the same as below).
2. Upon completion of early communication, the Remuneration Committee of the Board of Directors shall draft the Scheme and the relevant application documents and submit the same to the Board of Directors for review, and the independent directors shall issue independent opinions on whether the Scheme facilitates the sustainable development of the Company and whether the Scheme impairs the interests of the Company and the shareholders as a whole. Independent directors shall give their independent opinions in respect of whether the Scheme is beneficial to the sustainable development of the Company and there having any damage to the interests of the Company and its shareholders as a whole or not, and decide whether to engage an independent financial advisors.
3. The Supervisory Board shall verify the list of participants under the Scheme and give their opinions in respect of whether the Scheme is beneficial to the sustainable development of the Company and there having any damage to the interests of the Company and its shareholders as a whole or not.
4. The Board of Directors shall, upon review and approval of the draft Scheme, announce the relevant board resolutions, the draft summary of the Scheme, the independent directors’ opinions and legal opinion issued by lawyers, and comply with the information disclosure requirements of the stock exchange.
5. The Company shall engage a lawyer/an independent financial advisor (if any) to issue legal opinions/independent financial opinions on the Scheme;
6. The draft Scheme and the relevant application documents shall be submitted to the SASAC for approval.
7. Upon approval by the SASAC, the Board of Directors of the Company shall propose the convening of a shareholders’ meeting and a class meeting of shareholders, and announce the amended draft Scheme and other relevant disclosure documents at the same time.

8. The independent directors shall solicit proxy voting from all shareholders.
9. When the Scheme is being reviewed at a shareholders' general meeting, the Supervisory Board shall issue a statement on the verification of the list of participants at the shareholders' meeting.
10. The Scheme shall come into effect upon approval at the shareholders' general meeting and the class meeting of the shareholders of the Company.

CHAPTER IV EACH GRANT OF THE SHARE OPTIONS

Article 11 During the validity period of the Scheme, after the proposal for each grant is being reviewed by the Board of Directors of the Company and approved by the SASAC, and is being approved in accordance with the relevant laws and regulations and the relevant provisions of the authorities, the Working Group shall prepare for the implementation of the proposal, including drafting the specific scope of participants under the Scheme and the Grant Agreement, establishing filing system relating to the Scheme, and attending to enquiries by relevant parties such as shareholders.

Article 12 The Company shall meet the performance targets and other grant conditions as required in the Scheme and the proposal for each grant. The Board should consider whether the conditions for granting Options to the Participants under the scheme are fulfilled or not. The independent directors and the Board of Supervisors should express clear views simultaneously. Where any event provided for in the Scheme occurs to any person falling within the scope of participants, the Scheme shall apply.

Article 13 Upon review and adoption of each grant of the share options by the Board of Directors, the Working Group shall be responsible for submitting the Grant Agreement entered into respectively by the participants and the Company within the specified time limit.

Article 14 The Working Group shall be responsible for applying to the stock exchange and China Securities Depository and Clearing Co., Ltd. for procedures such as registration of the grant of the share options.

CHAPTER V EXERCISE OF THE SHARE OPTIONS UNDER EACH GRANT IN BATCHES

Article 15 The exercisable period of the share options under each grant shall commence upon expiration of the vesting period for the grant. The day immediately following the expiration date of the vesting period as well as the first and second anniversary dates of the said day shall respectively be the first vesting dates of three batches of the share options under each grant. The Board of Directors of the Company shall have the right to implement the specific exercise following each vesting date in the interest of the shareholders and the Company.

Article 16 Where the exercise conditions provided for in the Scheme are fulfilled, the Remuneration Committee shall propose comprehensive adjustment coefficients and corresponding exercise coefficients for the participants based on their performance appraisals, the details of which are set out as below.

Table 1: Comprehensive Adjustment Coefficient and Corresponding Exercise Coefficient for the Participants

Appraisal Grade	Performance Coefficient
Excellent (A)	1.0
Competent (B)	1.0
Incompetent (C)	0

Article 17 The Remuneration Committee shall draft a specific plan for the exercise of the share options under each grant and submit the same to the Board of Directors for approval.

Article 18 While approving the specific plan for the exercise of the Options, the Board should consider whether the conditions for the exercise of the Options by the Participants under the scheme are fulfilled or not. The independent directors and the Board of Supervisors should express clear views simultaneously.

The Company shall apply to the relevant stock exchanges for Options granted to the Participants. After exercising the Options, the Participants may dispose the underlying shares in accordance with the laws, regulations and regulatory documents. The legal advisors should issue legal opinions on whether the conditions for the exercise of Options by the Participants are fulfilled or not.

Article 19 Where the exercisable period for a batch of share options has ended, any share option which has not yet been exercised due to a failure in fulfilling the exercise conditions as provided for in the Scheme shall be forfeited without compensation and cancelled by the Company.

Article 20 Should any of the events set out in the Scheme occurs to a participant during the vesting period, the Company shall conduct the exercise or termination of the exercise, and forfeiture and cancellation of the share options in a timely manner.

When a participant resigns or within two days from the date on which the Company notifies him/her of a termination of exercise, the participant shall, as required by the Company, sign a power of attorney necessary for the cancellation of the share options, and shall cooperate with the Company in completing notarisation.

CHAPTER VI HANDLING SPECIAL EVENTS

Article 21 Where any termination event as set out in the Scheme occurs, the Board of Directors shall propose the termination of the Scheme to the shareholders within thirty (30) days of the event (except as otherwise provided for in the laws, regulations, rules, listing rules and so on). During the period commencing from the said proposal up to the review and approval of the termination of the Scheme at the shareholders' meeting, the Company shall not grant further share options to any participant, nor shall the participants exercise any share option which have been granted but are not yet exercised.

Article 22 Where it is resolved to terminate the Scheme at the shareholders' meeting, the Company shall complete the procedures for termination of the Scheme within thirty (30) days following the effective date of such resolution (except as otherwise provided for in the laws, regulations, rules, listing rules and so on).

Sinopec Oilfield Service Corporation

30 August 2016

This Appendix sets out the English translation of the Chinese version of the Administrative Measures for Appraisal under The A Share Option Incentive Scheme. Should there be any inconsistencies or conflicts between the English and Chinese versions, the Chinese version shall prevail.

PREAMBLE

Sinopec Oilfield Service Corporation (hereinafter “SSC” or the “Company”) proposes to implement the A share option incentive scheme (hereinafter the “Incentive Scheme”), in order to further improve its corporate governance structure and incentive mechanism, encourage its senior management as well as core management, technical and skillful personnel to work diligently, ensure the long-term development of the Company and maximise the interest of shareholders.

In order to ensure the smooth implementation of the Incentive Scheme, the alignment of the grant and exercise of options to and by participants with the practical needs of SSC, and the fairness and effectiveness of the protective proposal, these measures are hereby formulated in accordance with the requirements of the relevant laws and regulations, including the *Company Law of the People’s Republic of China* (中華人民共和國公司法), the *Securities Law of the People’s Republic of China* (中華人民共和國證券法), the *Measures for the Administration of Share Incentive Plans of Listed Companies (Trial)* (上市公司股權激勵管理辦法(試行)), *Trial Measures for Implementation of Share Incentive Schemes by (Domestic) Listed State Holding Companies* (國有控股上市公司(境內)實施股權激勵試行辦法) and the Articles of Association (公司章程) of SSC, and with respect to the Company’s actual circumstances.

I. Working Principles

1. Division by tiers and categories. Appraisal by tiers is implemented based on management levels and management authorities. Appraisal by categories is implemented based on the categorization of participants.
2. Objective and impartial. The appraisal indicators for various categories of participants are reasonably determined in accordance with the development strategies and operating targets of the Company to reflect the results performance of the participants objectively.
3. Effective incentive. By linking performance appraisal with the arrangement to exercise the options, the interests of the Company, shareholders and incentive targets are aligned together and the active participation of incentive targets are fully motivated.

II. Scope of Participants

The scope of the participants under these rules includes:

1. Executive directors, senior management members, leadership team members of the affiliated units of the Company;

2. Current mid-level management members and holders of mid-level full-time positions of the affiliated units of the Company;
3. Core technical and skillful personnel of the Company and the affiliated units.

III. Organization and Responsibilities of Appraisal Team

1. The Board of Directors shall be responsible for the review and approval of these measures.
2. The Remuneration Committee under the Board of Directors shall be responsible for leading, organising and reviewing all appraisal tasks stipulated under these measures, and shall be responsible to carry out research on the appraisal matters in respect of executive directors and senior management members and recommend proposals.
3. The Company's performance appraisal leadership team shall be responsible for considering the performance appraisal proposal for leadership team members of the affiliated units and carry out research and deployment planning for important tasks and matters relating to performance appraisal.
4. The Company and the relevant departments, such as human resources, corporate management and finance, of the affiliated units shall be responsible for the actual organization and implementation of performance appraisal tasks in accordance with their management authorities.

IV. Appraisal Indicators

Different appraisal indicators are reasonably determined according to different categories of participants by combining quantitative indicators with qualitative indicators, combining financial indicators with non-financial indicators, and combining short-term operating results with long-term development, and the performance appraisal indicators will be revised continuously pursuant to corporate strategies for guiding the behavior of participants to align with corporate strategies.

1. For executive directors and senior management members of the Company, appraisal will mainly focus on the Company's efficiency targets, corporate value preservation and appreciation, operation in compliance with the laws, performance of duties of their positions, safety and environmental protection, anti-corruption and self-discipline, etc.
2. For members of the leadership team of the affiliated units, appraisal will mainly focus on the profit and operating targets, revenue from assets, performance of duties of their positions, production safety and anti-corruption practice of the appraised unit.
3. For current mid-level management members of the Company and holders of mid-level full-time positions in the affiliated units, appraisal will mainly focus on work performance, performance of duties of their positions, diligence and dedication, anti-corruption practice, etc.

4. For core technical personnel, appraisal will mainly focus on solving problems in projects and technical innovations, transformation of scientific research results, technical diagnosis service, nurturing talents, diligence and dedication, etc. For core skillful personnel, appraisal will mainly focus on technical reforms, solutions for on-site production problems, teaching, assistance and guidance, diligence and dedication, etc.

V. Appraisal Period and Procedures

(1) Appraisal Period

The appraisal period for participants under these measures shall be one complete accounting year.

(2) Appraisal Procedures

1. Determination of appraisal targets. At the beginning of the year, the Board of Directors of the Company shall decide on the overall profit target and indicators such as EOE, EVA, etc. as well as the annual performance appraisal targets of executive directors and senior management members. The performance appraisal leadership team of the Company will determine the profit and operating targets of each affiliated unit and the annual performance appraisal targets of the team members for each of the affiliated units. The Company and all affiliated units shall determine the performance appraisal targets and implementation proposals for all categories of personnel according to the personnel management authority. The performance responsibility targets will be expressly communicated by sending letters of performance appraisal tasks and signing letters of performance responsibility, etc.
2. Interim appraisal tracking. During the process of implementing performance appraisal, timely tracking and analysis on the performance target achievement status for units and individuals will be carried out to enhance communication on performance, provide feedback guidance and make reasonable adjustment and revision according to practical circumstances.
3. Organising year-end appraisal. Before the end of the year, the Company and affiliated units will have division of work according to management authority and appraisal responsibilities to conduct appraisal assessments on the participants based on the self-evaluation and self-assessment reports of the participants and determine the distribution of performance grades according to the appraisal assessment results.
4. Application of appraisal results. The Office of the Board of Directors and the Human Resources Department of the Company will summarise the annual appraisal results and formulate the annual option exercise proposal for the relevant participants of the Incentive Scheme, which will be implemented after being submitted to the Board of Directors for consideration.

All results of appraisal grades shall be converted into the corresponding annual individual performance assessment coefficient. The number of share options to be exercised under each batch by participants shall be equal to the maximum exercisable share options of each batch multiplied by the corresponding annual individual performance assessment coefficient. For those with annual individual performance appraisal result of “Competent” and above, their annual individual performance assessment coefficient shall be 1.0. For those with annual individual performance appraisal result of “Incompetent”, their annual individual performance assessment coefficient shall be 0.

VI. Others

All affiliated units shall formulate specific performance appraisal implementation rules according to practical circumstances of the respective unit.

Sinopec Oilfield Service Corporation

29 March 2016