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## **Sinopec Oilfield Service Corporation**

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

**(Stock code: 1033)**

### **Announcement relating to Non-fulfillment of Exercise Conditions for the First Exercise Period and Adjustment to the List of Participants and the Number of Share Options under the First Grant of the A Share Option Incentive Scheme**

#### **I. Overview of the Share Option Incentive Scheme**

References are made to the circular dated 26 September 2016 relating to the adoption of the A share option scheme (the “**Circular**”), the announcement dated 1 November 2016 relating to the grant of A Share Options (the “**First Grant**”) and the announcement dated 22 December 2016 relating to the registration of the First Grant of A Share Options published by Sinopec Oilfield Service Corporation (the “**Company**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as defined in the Circular.

The Share Option Scheme, the Administrative Measures on The A Share Option Incentive Scheme and the Administrative Measures for Appraisal Under the A Share Option Incentive Scheme were reviewed and approved by the 2016 first EGM, the 2016 first A Shareholders Class Meeting and the 2016 first H Share Class Meeting of the Company (the “**Relevant Shareholders Meetings**”) on 25 October 2016.

In accordance with the Share Option Scheme and as authorised by the shareholders at the Relevant Shareholders Meetings, the board of directors of the Company (the “**Board**”) has determined that 1 November 2016 as the Grant Date and granted 49,050,000 A Share Options to 477 Participants, and the Exercise Price of each A Share Option was RMB5.63.

## II. Explanation on non-fulfilment of exercise conditions for the Exercise Period of Share Options Scheme

### (1) Arrangement for exercise of the Share Options

According to the Share Option Scheme, the Share Options under the First Grant are valid for five years from the Grant Date of the Share Options. The Share Options granted under the First Grant are subject to a vesting period of two years from the Grant Date, and are exercised in three stages during the next three years of exercise. 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 fulfilment of the conditions for exercise of Share Options.

<b>Stage</b>	<b>Timing Arrangement</b>	<b>Exercise Ratio Cap</b>
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%

## (II) Conditions for exercise of Share Options

According to the Share Option Scheme, the exercise of the Share Options granted to the Participants shall be subject to the following conditions.

1. The Company has fulfilled the performance conditions and other conditions for the exercise of options;

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

<b>Exercise Period</b>	<b>Conditions for Exercise of Share Options</b>
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 (" <b>China Petrochemical Corporation</b> "), with $\Delta$ 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 $\Delta$ 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 $\Delta$ EVA greater than zero.

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. 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 enterprises during the year end appraisal.

2. No occurrence of any of the following conditions to the Participants during the validity period of the Share Option Scheme up to the current exercise period:
  - (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.
3. In accordance with the Administrative Measures for Appraisal Under the A Share Option Incentive Scheme, the Participants has been graded as competent or above in the performance appraisal of the preceding year.

### **(III) Circumstances where conditions for exercise of options are not fulfilled**

Pursuant to Audit Report No. 110ZA1394 (Zhi Tong Shen Zi (2016)) and Audit Report No. 110ZA3833 (Zhi Tong Shen Zi (2018)) issued by Grant Thornton Certified Public Accountants (Special General Partnership), the total profit of the Company for 2017 was RMB-10,344,082,000, which has not fulfilled the performance appraisal indicates of the first exercise period, namely “the compound growth rate of total profit for 2017 shall not be less than 6% (based on the Company’s total profit for 2015).

Therefore, the Company has not fulfilled the performance condition for the 1st Exercise Period under the First Grant of the Share Option Scheme, and the Participants cannot exercise the options.

### **III. Share Options that do not fulfilled exercise conditions**

The performance of the Company has not fulfilled the exercise conditions for exercise of Option during the 1st exercise period under the First Grant of the A Share Option Incentive Scheme, and according to provisions of the Share Option Scheme, “Options not exercisable as a result of the Company’s non-fulfillment of performance conditions or options not exercisable due to sub-standard performance appraisal of the Participant will lapse at the end of the exercise period with immediate effect and will be recovered and cancelled by the Company with no compensation.”

Pursuant to the authorization granted to the Board by the Relevant Shareholders Meetings, on 29 October 2018, the Company convened the 7th meeting of the 9th session of the Board at which the “Resolution relating to non-fulfillment of the exercise conditions for the 1st exercise period under the First Grant of the A Share Option Incentive Scheme” was considered and approved. The Directors Mr. Sun Qingde and Mr. Lu Baoping, as Participants under the First Grant of the A Share Option Incentive Scheme, are related Directors and have abstained from voting on the resolution. After consideration and approval, the Board will cancel the 14,715,000 Share Options corresponding to the 1st exercise period which have been granted but not yet been exercised under the First Grant of the A Share Option Incentive Scheme.

#### IV. Adjustment to the Participants and the number of Share Options under the First Grant of Share Options

On 29 October 2018, the Company convened the 7th meeting of the 9th session of the Board at which the “Resolution relating to Adjustment to the List of Participants and the Number of Share Options under the First Grant of the A Share Option Incentive Scheme” was considered and approved. The Directors Mr. Sun Qingde and Mr. Lu Baoping, as Participants under the First Grant of the A Share Option Incentive Scheme, are related Directors and have abstained from voting on the resolution. In view of a total of 24 Participants of the Company’s A Share Option Incentive Scheme came across matters such as retirement, change in job positions, resignation and death, etc., according to the Share Incentive Plan Measures and the relevant provisions of the Share Option Scheme, as the above Participants have not meet the qualifications, the Company proposes to cancel a total of 2,163,000 Share Options that have been granted to but not yet been exercised by the above-mentioned personnel. After this adjustment, the Participants of the Company’s A Share Option Incentives were adjusted from 477 to 453, and the number of A Share Options which have been granted but not yet been exercised were adjusted from 34,335,000 to 3,172,000.

Name of personnel under the First Grant	Position	Number of Share Options granted under the First Grant (10,000)	Number of Share Options Cancelled due to sub-standard performance of the Company (10,000)	Number of options cancelled due to reasons such as retirement and job change (10,000)	Status of adjustment	Number of Share Options granted and not yet exercised under the First Grant (10,000)
<b>1. Directors and senior management</b>						
Sun Qingde	Vice Chairman and General Manager	21	6.3	0	—	14.7
Zhang Yongjie	Deputy General Manager	19	5.7	0	—	13.3
Lu Baoping	Former Deputy General Manager	19	5.7	13.3	Transferred to the position of non-executive Director of the Company	0
Liu Rushan	Deputy Secretary of CPC Committee	19	5.7	0	—	13.3
Zuo Yaojiu	Deputy General Manager	18	5.4	0	—	12.6
Zhang Jinhong	Deputy General Manager	18	5.4	0	—	12.6

Name of personnel under the First Grant	Position	Number of Share Options granted under the First Grant (10,000)	Number of Share Options Cancelled due to sub-standard performance of the Company (10,000)	Number of options cancelled due to reasons such as retirement and job change (10,000)	Status of adjustment	Number of Share Options granted and not yet exercised under the First Grant (10,000)
Huang Songwei	Former Deputy General Manager	18	5.4	12.6	Transferred to the position of Supervisor of the Company	0
Li Honghai	Secretary of the Board	14	4.2	0	—	9.8
Zhou Shiliang	Former Director and Deputy General Manager	21	6.3	14.7	Retirement	0
Wang Chunjiang	Former Secretary of CPC Committee, chairman of trade union	19	5.7	13.3	Retirement	0
Wang Hongchen	Former Chief Accountant	18	5.4	12.6	Change in job position	0
Sub-total	11	204	61.2	66.5	6	76.3
<b>2. Key business and management personnel of other core positions</b>						
Sub-total	466	4,701	1,410.3	149.8	448	3,140.9
Total	477	4,905	1,471.5	216.3	453	3,217.2

## V. The impact of cancellation of part of the A Share Options on the Company

The current cancellation of the Company of part of the Share Options under the First Grant will not have a material impact on the financial status and operating results of the Company, nor will it affect the implementation of the Company's Share Option Scheme and the diligence of the Company's management team. The management team of the Company will continue to work diligently and strive to create value for Shareholders.

## VI. Independent opinions of independent non-executive Directors

Pursuant to relevant provisions of laws and regulations and nominative documents such as the Share Incentive Plan Measures, the Guiding Opinions on Establishing Independent Director System in Listed Companies, the Shanghai Listing Rules and the Articles of Association, the independent non-executive Directors of the Company expressed their opinions on matters relating to the 1st exercise period of and the adjustment to the list of Participants and the number of Share Options under the First Grant of the A Share Option Incentive Scheme as follows:

- (1) We are of the view that according to the relevant provisions of the Share Option Scheme, as the Company's performance has not fulfilled the condition for exercise of Share Options during the 1st exercise period under the First Grant of the A Share Option Incentive Scheme, the 14,715,000 Share Options corresponding to the 1st exercise period of the A Share Option Incentive Scheme which have been granted to but not yet been exercised by the Participants of the Company cannot be exercised and shall be cancelled. The Company has fulfilled the necessary review procedures for the 14,715,000 Share Options corresponding to the 1st exercise period of the A Share Option Incentive Scheme, and has complied with laws and regulations and nominative documents such as the Company Law, the Securities Law, the Share Incentive Plan Measures and relevant provisions of the Share Option Scheme. We agree that the Company to cancel the 14,715,000 Share Options corresponding to the 1st exercise period which have been granted to but not yet been exercised by the Participants of the A Share Option Incentive Scheme.
- (2) The independent non-executive Directors are of the view that the adjustment to the list of Participants of the A Share Options and the number of Share Options have complied with provisions of the Share Incentive Plan Measures and relevant documents such as the Share Option Scheme, and the adjustments are within the scope of authorization granted to Directors by the shareholders at the general meetings. The decision in relation to the adjustment has fulfilled the necessary procedures, the adjustment was legal and effective and the Company has agreed to cancel of all of the 2,163,000 Share Options that have been granted to but not yet been exercised by the above-mentioned personnel. After this adjustment, the number of Participants of A Share Options Incentive Scheme will be adjusted from 477 to 453, and the number of A Share Options which have been granted but not yet been exercised will be adjusted from 34,335,000 to 32,172,000.

## **VII. Audit opinion of the Board of Supervisors**

As the performance of the Company has not fulfilled the condition for exercise of the options during the 1st exercise period under the First Grant of the A Share Option Incentive Scheme, the Participants can not exercise the Options and we agreed to cancel the 14,715,000 Share Options corresponding to the 1st exercise period which have been granted to but not yet been exercised by the Participants of the A Share Option Incentive Scheme. The matter has complied with the provisions of the Share Incentive Plan Measures and the Share Option Scheme.

The Board of Supervisors considers that: the adjustment and cancellation have complied with the relevant provisions of the Share Incentive Plan Measures and



the Share Option Scheme, and there is no damage to the interests of Shareholders. The Board of Supervisors has agreed to cancel a total of 2,163,000 Share Options that have been granted to but not yet been exercised by the above-mentioned personnel. All Participants after the adjustment meet the qualifications of Participants as stipulated in the Share Option Scheme and relevant normative documents, and they are legal and effective Participants of the Scheme. After the adjustment, the number of Participants of the Company's A Share Options Incentive Scheme will be adjusted from 477 to 453, and the number of Share Options which have been granted but not yet been exercised will be adjusted from 34,335,000 to 32,172,000.

### **VIII. Conclusion in the legal opinion**

The lawyers of Beijing Haiwen & Partners are of the opinion that the Company has fulfilled the necessary procedures for the adjustment and cancellation of the Share Options, and has complied with the relevant provisions of the Articles of Association, the Share Incentive Plan Measures and the Share Option Scheme.

By Order of the Board  
**Mr. Li Honghai**  
*Company Secretary*

Beijing, PRC, 29 October 2018

*As at the date of this announcement, the Board of Directors comprises Mr. Sun Qingde<sup>#</sup>, Mr. Chen Xikun<sup>#</sup>, Mr. Lu Baoping<sup>+</sup>, Mr. Fan Zhonghai<sup>+</sup>, Mr. Wei Ran<sup>+</sup>, Ms. Jiang Bo<sup>\*</sup>, Mr. Pan Ying<sup>\*</sup>, Mr. Chen Weidong<sup>\*</sup> and Mr. Dong Xiucheng<sup>\*</sup>.*

<sup>+</sup> *Non-Executive Director*

<sup>#</sup> *Executive Director*

<sup>\*</sup> *Independent Non-Executive Director*