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## **Sinopec Oilfield Service Corporation**

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

**(Stock code: 1033)**

### **CONNECTED TRANSACTION DISPOSAL OF TARGET ASSET**

#### **THE DISPOSAL**

The Board announces that on 3 August 2021, Shengli Oil Engineering Company, a wholly-owned subsidiary of the Company, and Shengli Oilfield Branch Company entered into the Asset Transfer Agreement, pursuant to which, Shengli Oil Engineering Company has agreed to dispose of and Shengli Oilfield Branch Company has agreed to acquire the Target Asset at a price of RMB55,792,342 (tax exclusive). The consideration for the Disposal was determined based on the appraised value of the Target Asset as at the Valuation Date and shall be paid in cash.

#### **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, CPC is the controlling shareholder of the Company (holding 70.18% of the total issued share capital of the Company), and Shengli Oilfield Branch Company is a subsidiary of CPC, accordingly, Shengli Oilfield Branch Company is an associate of CPC under Chapter 14A of the Listing Rules, and hence it is a connected person of the Company. According to Chapter 14A of the Listing Rules, the transaction contemplated under the Asset Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more applicable percentage ratios in respect of the transaction calculated pursuant to the Listing Rules exceed 0.1% but all applicable percentage ratios are less than 5%, the transaction is therefore subject to reporting and announcement requirements but is exempted from the requirement of independent Shareholders' approval under Chapter 14A of the Listing Rules.

#### **I. INTRODUCTION**

The Board announces that on 3 August 2021, Shengli Oil Engineering Company, a wholly-owned subsidiary of the Company, and Shengli Oilfield Branch Company entered into the Asset Transfer Agreement, pursuant to which, Shengli Oil Engineering Company has agreed to dispose of and Shengli Oilfield Branch Company has agreed to acquire the Target Asset at a price of RMB55,792,342 (tax

exclusive). The consideration for the Disposal was determined based on the appraised value of the Target Asset as at the Valuation Date and shall be paid in cash.

## **II. THE PRINCIPAL TERMS OF THE ASSET TRANSFER AGREEMENT**

**Date:** 3 August 2021

**Parties:** (1) Shengli Oil Engineering Company (as the Seller)  
(2) Shengli Oilfield Branch Company (as the Purchaser)

**Target Asset:** A set of drilling and exploration platform (including jackets)

**Consideration and payment:** Pursuant to the Asset Transfer Agreement, the consideration for the Disposal is RMB55,792,342 (tax exclusive). The consideration was determined based on the appraised value of the Target Asset as at the Valuation Date. Based on the valuation report prepared by the Valuer using the asset-based method, the appraised value of the Target Asset is RMB55,792,342. The final consideration for the transaction shall be paid in cash in lump sum. The tax on the Disposal shall be borne by the Purchaser.

Considering that (i) the consideration for the Disposal is equal to the appraised value of the Target Asset; (ii) the current condition and carrying amount of the Target Asset; (iii) the specific purpose of the Target Asset, the Directors are of the view that the consideration for the Disposal is fair and reasonable, and is in the interests of the Company and the Shareholders as a whole.

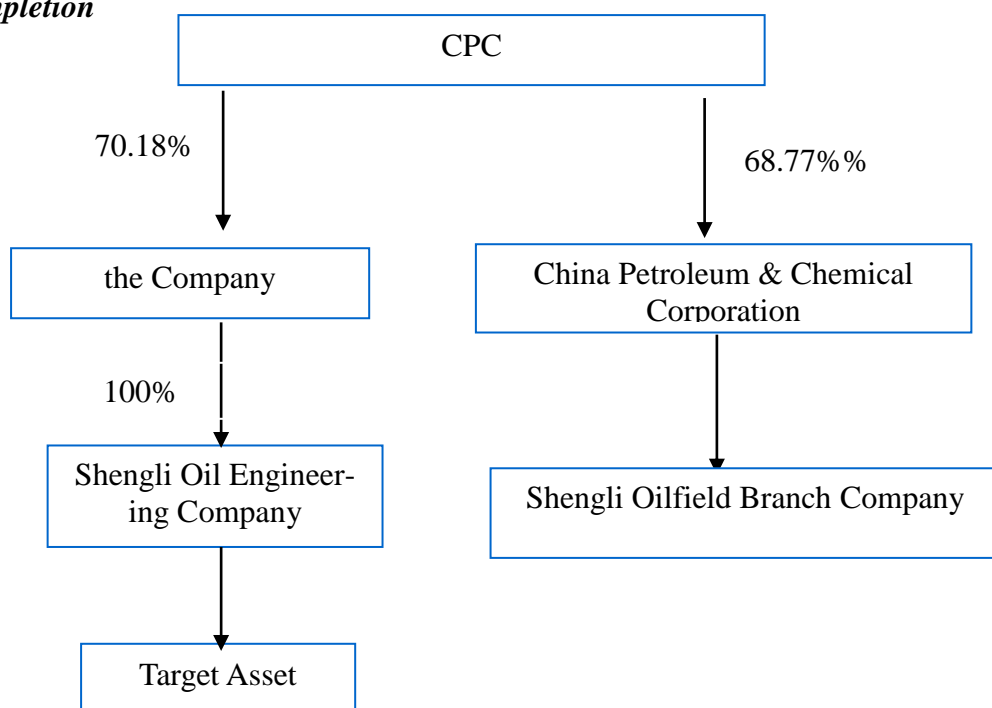
**Effective conditions:** The Asset Transfer Agreement shall come into effect after it is properly signed by the parties thereto and stamped with the official seals upon the approval by the Board.

**Completion** The completion of the Target Asset shall take place within 5 working days after the effective date of the Asset Transfer Agreement.

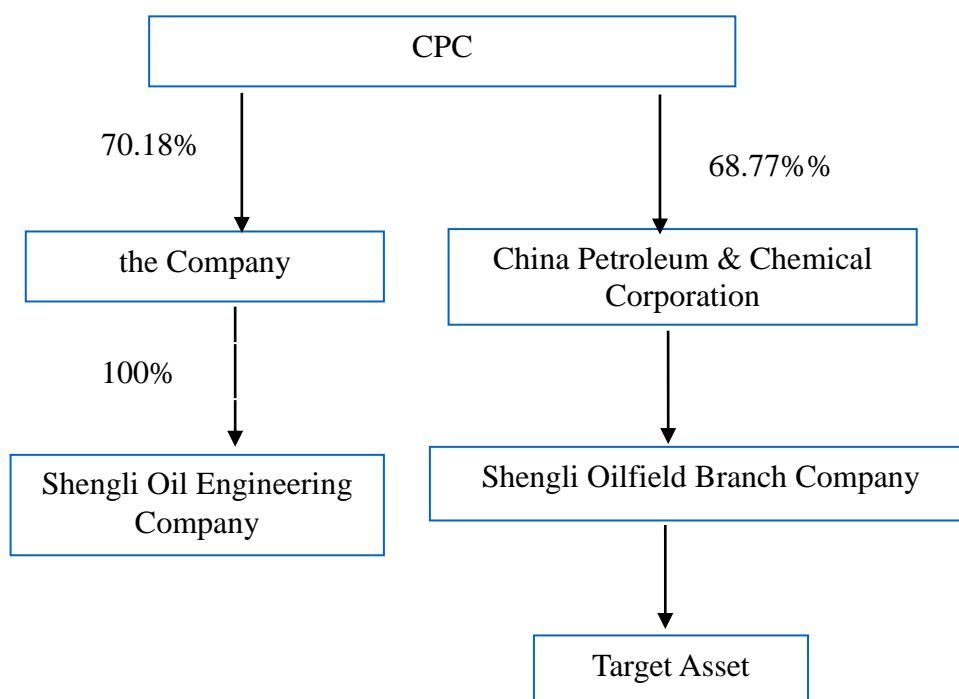
## **III.ASSET STRUCTURES**

The asset structures immediately before and after the completion of the Disposal are set out below:

#### *Before completion*



#### *After completion*



#### **IV. INFORMATION ON THE TARGET ASSET**

The Target Asset is a set of assembled drilling and exploration platform (including jackets) owned by Shengli Oil Engineering Company. The drilling platform was built by Shengli oilfield in 1992 and was completed in October 1994. The operating water depth of the platform is 8 meters. According to the valuation report, as of the Valuation Date, the total assets and carrying amount of the Target Asset were RMB0. The appraised value was RMB55,792,342, and the premium was RMB55,792,342. For the two fiscal years ended 31 December 2019 and 31 December 2020, each of the net profits (before and after deduction of taxes and non-recurring items) related to the Target Asset was RMB0.

## **V. FINANCIAL IMPACT OF THE DISPOSAL**

When CPC implemented the petroleum engineering related reorganization in 2012, the Target Asset was allocated to the offshore drilling company of Shengli Oil Engineering Company, hence, the Company has no acquisition cost of the Target Asset. As at 31 March 2021, the carrying amount of the Target Asset in the unaudited financial report of the Company was RMB0. The Company expected to record a gain of RMB55,792,342 from the disposal of the Target Asset, which was calculated based on the consideration received by the Company for the Disposal minus the carrying amount of the Target Asset as at 31 March 2021 (before deduction of any related expenses).

The proceeds from the Disposal will be used as general working capital of the Group.

## **VI. REASONS FOR AND BENEFITS OF ENTERING INTO THE ASSET TRANSFER AGREEMENT**

The drilling and exploration platform has been used for 26 years, and the operating water depth of the platform is limited. Shengli Oil Engineering Company is unlikely to put it into drilling in the future. After transferred to Shengli Oilfield Branch Company, the platform will be used as an oil mining platform, which will not constitute a competition between the China Petroleum & Chemical Corporation and the Company. Besides, entering into the Asset Transfer Agreement to transfer the Target Asset can effectively revitalize the relevant asset and increase the cash flow and current profit of the Group. Meanwhile, the transfer price is fair and reasonable and will not harm the interests of the listed company.

## **VII. OPINIONS OF THE DIRECTORS**

The Assets Transfer Agreement and the Disposal were considered and approved at the 4th meeting of the tenth session of the Board convened by the Company on 3 August 2021. Connected Directors, Mr. Lu Baoping, Mr. Fan Zhonghai and Mr. Zhou Meiyun have abstained from voting.

The Directors (including independent non-executive Directors) are of the view that, although the Asset Transfer Agreement and the transaction thereunder are not conducted in the ordinary and usual course of business of the Company, the Asset Transfer Agreement has been entered into on normal commercial terms after arm's length negotiations between the parties, and the terms and conditions are fair and reasonable and in the interests of the Company and shareholders as a whole.

## **VIII. IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, CPC is the controlling shareholder of the Company (holding 70.18% of the total issued share capital of the Company), and Shengli Oilfield Branch Company is a subsidiary of CPC, therefore, Shengli Oilfield Branch Company is an associate of CPC under Chapter 14A of the Listing Rules, and hence it is also a connected person of the Company. According to Chapter 14A of the Listing Rules, the transaction contemplated under the Asset Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more applicable percentage ratios in respect of the transaction calculated pursuant to the Listing Rules exceed 0.1% but all applicable percentage ratios are less than 5%, the transaction is therefore subject to reporting and announcement requirements but is exempted from the requirement of independent Shareholders' approval under Chapter 14A of the Listing Rules.

## **IX. GENERAL INFORMATION**

### *The Company*

The Company is a joint stock limited company established in the PRC and a leading provider of petroleum and gas engineering and technical services in the PRC. The Group is in possession of engineering equipment and technologies such as geophysics, drilling, logging, mud logging, cementing, special downhole operations, oilfield ground surface construction, and petroleum and natural gas pipeline construction, and can provide comprehensive engineering and technical services covering the entire life cycle of oil and gas fields. The Group has more than 60 years of solid operating results and has successively provided oil and gas engineering services in 76 basins in the PRC, with its businesses covering over 14 provinces in China.

### *CPC*

CPC is a company established under the laws of the PRC with limited liability and a state-authorized investment organization and a state holding company. Its main businesses include: exploration, exploitation, storage and transportation (including pipeline transportation), sales and comprehensive utilization of petroleum and natural gas; petroleum refining; wholesale and retail of refined oil; production, sales, storage and transportation of petrochemicals and other chemical products; industrial investment and investment management; exploration and design, construction and installation of petroleum and petrochemical engineering; repairing and maintenance of petroleum and petrochemical equipment; mechanical and electrical equipment manufacturing; research and development, application and consulting services of technology and information, and alternative energy products; import and export business.

### *China Petroleum & Chemical Corporation*

China Petroleum & Chemical Corporation is a joint stock company established in the PRC. It mainly engaged in petroleum and natural gas exploration and exploitation, pipeline transportation and sales; petroleum refining, petrochemical, coal chemical, chemical fiber and other chemical production and product sales, storage and transportation; petroleum, natural gas, petroleum products, petrochemical and other chemical products and other commodities and technology import and export, as well as agent import and export business; technology and information research and development and application.

### *Shengli Oil Engineering Company*

Shengli Oil Engineering Company is a limited company incorporated under the PRC laws and a wholly-owned subsidiary of the Company. It mainly engages in drilling, well repair, well completion, mud logging, testing, logging, underground downhole operations, data processing, interpretation,

reservoir reconstruction; wellbore engineering design, construction, project management, technical services; road freight operations; terminal and other port facility services; cargo handling and storage services (excluding hazardous chemicals); ship port services, etc.

### *Shengli Oilfield Branch Company*

Shengli Oilfield Company is a branch company of a joint stock limited company incorporated under the laws of the PRC and a branch company of China Petroleum & Chemical Corporation. It mainly engages in the exploration, exploitation, storage, pipeline transportation, land transportation and sales of petroleum and natural gas; petroleum refining; production, sales, storage and land transportation of chemical products (excluding dangerous goods); the procurement and sales of raw and auxiliary materials, equipment and spare parts of petroleum and petrochemicals, ; self-operation and agency for the import and export of various commodities and technologies (except for import and export items prohibited or restricted by the state), etc..

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Asset Transfer Agreement”	the Agreement on the Transfer of Drilling and Exploration Platform (Including Jackets) entered into by Shengli Oil Engineering Company and Shengli Oilfield Branch Company on 3 August 2021
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of directors of the Company
“Company”	Sinopec Oilfield Service Corporation, a joint stock limited liability company incorporated in the PRC, whose A shares and H shares are listed on the Shanghai Stock Exchange and the main board of the Stock Exchange, respectively
“Director(s)”	all directors of the Company
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules

“CPC”	China Petrochemical Corporation, a wholly state-owned company incorporated in the PRC and a controlling shareholder of the Company, which holds 70.18% of the total issued share capital of the Company
“Group”	the Company and its subsidiaries
“Shengli Oil Engineering Company”	Sinopec Shengli Oil Engineering Company Limited (中石化勝利石油工程有限公司), a subsidiary of the Company
“Shengli Oilfield Branch Company”	Shengli Oilfield Branch Company of China Petroleum & Chemical Corporation
“Valuer”	Beijing Guorongxinghua Assets Appraisal Co, Ltd.
“Target Asset”	a set of assembled drilling and exploration platform (including jackets)
“Disposal”	the disposal of the Target Asset pursuant to the Asset Transfer Agreement by Shengli Oil Engineering Company
“Valuation Date”	31 March 2021
“Shareholder(s)”	the registered holder(s) of the Shares of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“RMB”	the lawful currency of the PRC

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

3 August 2021, Beijing

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

*# Executive Directors*

*+ Non-executive Directors*

*\* Independent Non-executive Directors*