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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 of the interim results for the six months ended 30 June 2021

The Board of Directors (the **"Board"**) of Sinopec Oilfield Service Corporation (the **"Company"**) hereby presents the interim results of the Company and its subsidiaries (the **"Group"**) for the six months ended 30 June 2021.

1. IMPORTANT NOTES

1.1 The Board and the supervisory committee (the **"Supervisory Committee"**) and its directors, supervisors and senior management warrant that there are no false representations, misleading statements or material omissions in this announcement and individually and jointly accept full responsibility for the authenticity, accuracy and completeness of the information contained in this announcement.

1.2 The interim financial statements of the Company for 2021, which have been prepared in accordance with the PRC Accounting Standards for Business Enterprises (**"PRC ASBE"**) and International Financial Reporting Standards (**"IFRS"**), are unaudited. The interim financial statements of the Company for 2021, which have been prepared in accordance with the IFRS, have been reviewed by BDO Limited.

1.3 Mr. Chen Xikun, Chairman, Mr. Yuan Jianqiang, General Manager, Mr. Cheng Zhongyi, Chief Financial Officer, and Mr. Pei Defang, Manager of the Accounting Department of the Company, hereby warranted the authenticity and completeness of the interim financial statements contained in the announcement.

1.4 This announcement of interim results is a summary of the 2021 Interim Report of the Company. For more details, investors should carefully read the full version of the 2021 Interim Report, which is published on the websites of the Shanghai Stock Exchange (**"SSE"**) (website: <http://www.sse.com.cn>), The Stock Exchange of Hong Kong Limited (**"HKSE"**) (website: <http://www.hkex.com.hk>) and the Company (website: <http://ssc.sinopec.com>).

2. BASIC INFORMATION OF THE COMPANY

2.1 Company Profile

2.1.1 Places of listing, short names and codes of the stock:

Share Type	Place of listing of the shares	Stock abbreviation	Stock Code	Stock abbreviation before change
A Shares	SSE	SINOPEC SSC	600871	-
H Shares	HKSE	SINOPEC SSC	01033	-

2.1.2 Contact Persons and Contact Information

	Secretary to the Board	Company Secretary, Securities Affairs Representative
Name	Cheng Zhongyi	Shen Zehong
Address	Office of the Board of Directors, #9 Jishikou Road, Changyang District, Beijing, China.	
Telephone	86-10-59965998	
Fax	86-10-59965997	
E-mail	ir.ssc@sinopec.com	

2.2 Principal financial data and financial indicators

2.2.1 Extracted from the interim financial report prepared under IFRS (Unaudited)

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000	Increase/(Decrease) (%)
Total assets	63,979,713	61,091,195	4.7
Total liabilities	56,562,591	54,368,329	4.0
Total equity attributable to equity shareholders of the Company	7,417,122	6,722,866	10.3
Net assets per share attributable to equity shareholders of the Company (RMB)	0.39	0.35	11.4
	For the six months ended 30 June 2021 RMB '000	For the six months ended 30 June 2020 RMB '000	Increase/(Decrease) (%)
Profit attributable to equity shareholders of the Company	694,246	608,555	14.1
Basic and diluted earnings per share	RMB 0.037	RMB 0.032	15.6
Net cash generated from/(used in) operating activities	358,861	281,258	27.6
Return on net assets	9.36%	8.25%	Increased by 1.11 percentage points
Net cash generated from/(used in) operating activities per share	RMB 0.019	RMB 0.015	26.7

2.2.2 Extracted from the interim financial report prepared in accordance with the PRC ASBE (Unaudited)

(1) Key financial data

	For the six months ended 30 June 2021 RMB'000	For the six months ended 30 June 2020 RMB'000	Increase/(Decrease) (%)
Operating income	31,570,061	31,432,437	0.4
Operating profit	430,442	454,574	(5.3)
Profit before income tax	450,516	452,870	(0.5)

Net profit attributable to equity shareholders of the Company	368,558	298,277	23.6
Net profit deducted extraordinary gain and loss attributable to equity shareholders of the Company	310,618	227,701	36.4
Net cash inflow from operating activities (“-” for outflow)	358,861	281,258	27.6
	As at 30 June 2021 RMB’000	As at 31 December 2020 RMB’000	Increase/(Decrease) (%)
Total equity attributable to equity shareholders of the Company	7,417,122	6,722,866	10.3
Total assets	63,979,713	61,091,195	4.7

(2) Key financial indicators

	For the six months ended 30 June 2021	For the six months ended 30 June 2020	Increase/(Decrease) (%)
Basic earnings per share (RMB)	0.019	0.016	18.8
Diluted earnings per share (RMB)	0.019	0.016	18.8
Basic earnings per share deducted extraordinary gain and loss (RMB)	0.016	0.012	33.3
Weighted average return on net assets	5.34%	4.31%	Increased by 1.03 percentage points
Weighted average return on net assets deducted extraordinary gain and loss	4.50%	3.29%	Increased by 1.21 percentage points

2.2.3 Extraordinary gain and loss items and amount (figures are based on the interim financial report prepared in accordance with the PRC ASBE) (Unaudited)

Extraordinary gain and loss items	Amount (RMB’000)
Gain on disposal of non-current assets	5,500
Government grants recognized in profit or loss during the current period	31,358
Gains of debt restructuring	15,958
Other non-operating income and expenses excluding the aforesaid items	17,744
Effect of income tax	-12,620
Total	57,940

2.2.4 Differences between the interim financial report of the Company prepared in accordance with the PRC ASBE and IFRS (Unaudited)

	Net profit attributable to equity shareholders of the Company		Total equity attributable to equity shareholders of the Company	
	For the six months ended 30 June 2021 RMB’000	For the six months ended 30 June 2020 RMB’000	As at 30 June 2021 RMB’000	As at 1 January 2021 RMB’000
PRC ASBE	368,558	298,277	7,417,122	6,722,866
Adjusted items and amounts in accordance with IFRS:				
Specific reserve (a)	325,688	310,278	-	-
IFRS	694,246	608,555	7,417,122	6,722,866
Explanations for	Please refer to the section 7. 3 of the financial report in this interim results			

difference	announcement
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3. CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF MAJOR SHAREHOLDERS

3.1 Changes in share capital

	Before the change		The increase or decrease on the change (+, -)					After the change	
	Amount	Percentage (%)	New shares issued	Bonus shares	Reserve transfer into shares	Others	Total	Amount	Percentage (%)
Shares with selling restrictions	4,122,504,543	21.7	-	-	-	-4,122,504,543	-4,122,504,543	-	-
State shareholding	-	-	-	-	-	-	-	-	-
State-owned legal person shareholding	1,503,568,702	7.9	-	-	-	-1,503,568,702	-1,503,568,702	-	-
Domestic capital shareholding	23,148,854	0.1	-	-	-	-23,148,854	-23,148,854	-	-
Foreign capital shareholding	2,595,786,987	13.7	-	-	-	-2,595,786,987	-2,595,786,987	-	-
Shares without selling restrictions	14,861,835,490	78.3	-	-	-	+4,122,504,543	+4,122,504,543	18,984,340,033	100.0
Ordinary shares in RMB	12,042,660,995	63.4	-	-	-	+1,526,717,556	+1,526,717,556	13,569,378,551	71.48
Domestically listed foreign shares	-	-	-	-	-	-	-	-	-
Overseas listed foreign shares	2,819,174,495	14.9	-	-	-	+2,595,786,987	+2,595,786,987	5,414,961,482	28.52
Others	-	-	-	-	-	-	-	-	-
Total of shares	18,984,340,033	100.0	-	-	-	-	-	18,984,340,033	100.0

During the reporting period, there was no change in the total number of shares of the Company, but the share structure had changed. On 25 January 2021, the lock-up period of the 1,503,568,702 shares and 23,148,854 A shares held by China Petrochemical Corporation and Qi Xin Gong Ying Scheme have ended and were listed for trading. For details, please refer to the “Announcement on the Listing and Circulation of Non-public A-share Restricted Shares” disclosed in China Securities Journal, Shanghai Securities News, Securities Times, and on www.sse.com.cn on 19 January 2021.(P.2021-001). The lock-up period for 2,595,786,987 new H shares held by Sinopec Century Bright Capital Investment Company Limited (“**Century Bright Company**”) expired on 23 January 2021. For details, please refer to the announcement “End of the Lock-up Period for Shares issued under the Non-public Placement” disclosed on www.hkexnews.hk on 18 January 2021.

3.2 As at 30 June 2021, the number of shareholders of the Company was 116,013, including 115,676 shareholders of A shares and 337 registered holders of H shares.

3.3 As at 30 June 2021, the shareholdings of the top ten shareholders of the Company are as follows:

Shareholdings of the top ten shareholders						
Names of shareholders	Nature of shareholders	Changes of shareholdings¹ (shares)	Number of shares held at the end of the reporting period (shares)	Percentage to total share capital (%)	Number of shares with selling restrictions (shares)	Number of shares pledged or frozen
China Petrochemical Corporation ²	State-owned legal person	0	10,727,896,364	56.51	0	0
Hong Kong Securities Clearing Company (Nominees) Limited (“HKSCC (Nominees) Limited”) ³	Overseas legal person	87,000	5,402,059,694	28.46	0	0
CITIC Corporation Limited ⁴	State-owned legal person	189,843,400	845,156,600	4.45	0	0
Hong Kong Securities Clearing Company Limited ⁵	Others	56,379,116	76,737,484	0.40	0	0
Donghai Fund-Industrial Bank-Huaxin Trust-Huizhi Investment No.47 Trust Plan	Others	0	66,666,666	0.35	0	0
Donghai Fund-Industrial Bank-Huaxin Trust-Huizhi Investment No.49 Trust Plan	Others	0	66,666,666	0.35	0	0
China Minsheng Bank Corp., Ltd. Hohhot Branch	Domestic non-state legal person	-9,466,600	30,679,299	0.16	0	0
Changjiang Pension Insurance Co.,Ltd.-Changjiang Shengshi Huazhang No.2 Community Pension Management Fund ⁶	Others	0	23,148,854	0.12	0	0
Shanghai Tongneng Investment Holdings Co., Ltd.	Others	0	11,516,200	0.06	0	0
Li Feng	Domestic natural person	10,406,700	10,406,700	0.05	0	0
Shareholdings of top ten shareholders of shares without selling restrictions						
Name of shareholders					Number of shares without selling restrictions held at the end of the reporting	Types of shares

	period (shares)	
China Petrochemical Corporation	10,727,896,364	A Share
Hong Kong Securities Clearing Company (Nominees) Limited (“HKSCC (Nominees) Limited”)	5,402,059,694	H Share
CITIC Corporation Limited	845,156,600	A Share
Hong Kong Securities Clearing Company Limited	76,737,484	A Share
Donghai Fund-Industrial Bank-Huaxin Trust- Huizhi Investment No.49 Trust Plan	66,666,666	A Share
Donghai Fund-Industrial Bank-Huaxin Trust- Huizhi Investment No.47 Trust Plan	66,666,666	A Share
China Minsheng Bank Corp., Ltd. Hohhot Branch	30,679,299	A Share
Changjiang Pension Insurance Co.,Ltd.-Changjiang Shengshi Huazhang No.2 Community Pension Management Fund	23,148,854	A Share
Shanghai Tongneng Investment Holdings Co., Ltd.	11,516,200	A Share
Li Feng	10,406,700	A Share
Statement on the connected relationship or activities in concert among the above-mentioned shareholders	Except that Donghai Fund-Industrial Bank-Huaxin Trust - Huizhi Investment No.49 Trust Plan and Donghai Fund-Industrial Bank-Huaxin Trust - Huizhi Investment No.47 Trust Plan belong to Donghai Fund Management Limited Company, the Company is not aware of any connected relationship or acting in concert among the above-mentioned shareholders.	

Note:

1. As compared with the number of shares held as of 31 December 2020.
2. Apart from directly holding 10,727,896,364 A-shares of the Company, China Petrochemical Corporation also held 2,595,786,987 H-shares through its wholly-owned subsidiary, Century Bright Company. Therefore, China Petrochemical Corporation directly and indirectly holds 13,323,683,351 shares of the Company, which represents 70.18% of the total shares of the Company.
3. HKSCC (Nominees) Limited is a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited, acts as an agent to hold H shares of the Company on behalf of other companies or individual shareholders.
4. CITIC Corporation Limited reduced 189,843,400 shares in aggregate of 1% of the total number of shares of the Company by way of centralised bidding from 22 April 2021 to 15 June 2021. CITIC Corporation Limited ceased to be a shareholder holding more than 5% of the total shares of the Company.
5. Hong Kong Securities Clearing Company Limited is a wholly-owned subsidiary of the Hong Kong Exchanges and Clearing Limited, acts as a nominal holder to hold A shares of the Company in the Shanghai Stock Exchange on behalf of the investors of the Hong Kong Stock Exchange.
6. Changjiang Pension Insurance Co., Ltd held it on behalf of Qi Xin Gong Ying Scheme.

3.4 Substantial Shareholder's Interests in Shares or Short Position of the Company

To the Directors' knowledge, as at 30 June 2021, the following persons (other than director, supervisor or senior management of the Company) had an interest or short positions in the shares and underlying shares of the Company which shall be disclosed under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (“SFO”) were as follows:

Name of shareholder	Number of share held (shares)	Per cent of shareholding in the Company's total issued share capital (%)	Per cent of shareholding in the Company's total issued domestic shares (%)	Per cent of shareholding in the Company's total issued H shares (%)	Short position (shares)
China Petrochemical Corporation	10,727,896,364 (A share)	56.51	79.06	Not Applicable	-

	2,595,786,987 (H share) ¹	13.67	Not Applicable	47.94	-
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Note: 1. China Petrochemical Corporation held 2,595,786,987 H shares of the Company through its wholly-owned subsidiary Century Bright Company. China Petrochemical Corporation is deemed to have H shares held by Century Bright Company.

Save as disclosed above, as at 30 June 2021, as far as known to the Directors, no other person (other than director, supervisor or senior management of the Company) had an interest or short position in the shares and underlying shares of the Company which would as recorded in the register kept by the Company under Section 336 of the SFO.

4. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

4.1 Changes in Directors, Supervisors and Senior Management

The Company's independent non-executive director Ms. Jiang Bo, supervisor Mr. Zhai Yalin and employee representative supervisor Mr. Zhang Hongshan resigned as independent non-executive director, supervisor and employee representative supervisor of the Company, respectively, due to the expiry of their terms of office with immediate effect from 2 February 2021. After the election by the shareholders at the Company's first extraordinary general meeting for 2021 held on 2 February 2021, 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 were appointed or re-elected as directors of the tenth session of the Board, with a term of office commencing from 2 February 2021 to the date when the term of the tenth session of the Board expires (February 2024). Mr. Ma Xiang, Mr. Du Jiangbo, Mr. Zhang Jianbo and Ms. Zhang Qin were re-elected as supervisors of the tenth session of the Supervisory Committee, with a term of office commencing from 2 February 2021 to the date when the term of the tenth session of the Supervisory Committee expires (February 2024). The employee's representative meeting of the Company was held on 2 February 2021, at which Mr. Sun Yongzhuang, Mr. Zhang Bailing and Mr. Du Guangyi were elected as the employee representative supervisors of the tenth session of the Supervisory Committee, with a term of office commencing from 2 February 2021 to the date when the term of the tenth session of the Supervisory Committee expires (February 2024).

On 2 February 2021, the Company held the first meeting of the tenth session of the Board and elected Mr. Chen Xikun as the chairman of the tenth session of the Board. According to the nomination of the chairman, the Board continued to appoint Mr. Yuan Jianqiang as the general manager of the Company, and his term of office shall commence from 2 February 2021 to the date when the term of the tenth session of the Board expires (February 2024); according to the nomination of the general manager, the Board continued to appoint Mr. Zhang Yongjie, Mr. Zuo Yaojiu, Mr. Zhang Jinhong, and Mr. Zhang Jiankuo as deputy general managers of the Company and continued to appoint Mr. Xiao Yi as the Chief Financial Officer of the Company, and their terms of office shall commence from 2 February 2021 to the date when the term of the tenth session of the Board expires (February 2024). According to the nomination of the chairman, the Board continued to appoint Mr. Li Honghai as the secretary to the Board of the Company, with a term of office commencing from 2 February 2021 to the date when the term of the tenth session of the Board expires (February 2024).

On 2 February 2021, the Company held the first meeting of the tenth session of the Supervisor Committee and Mr. Ma Xiang was elected as the chairman of the tenth session of the Supervisor Committee.

Mr. Xiao Yi resigned as the Chief Financial Officer of the Company due to change in his work position. According to the nomination of the general manager, the Board resolved to appoint Mr. Cheng Zhongyi as the Chief Financial Officer of the Company, with a term of office commencing from 27 April 2021 to the date when the term of the tenth session of the Board expires.

Mr. Li Honghai resigned as the secretary to the Board of the Company due to his age. According to the nomination of the chairman, the Board resolved to appoint Mr. Cheng Zhongyi as the secretary to the Board, with a term of office commencing from 3 August 2021 to the date when the term of the tenth session of the

Board expires. Meanwhile, according to the nomination of the general manager, the Board resolved to appoint Mr. Sun Bingxiang as the deputy general manager of the Company, with a term of office commencing from 3 August 2021 to the date when the term of the tenth session of the Board expires.

The Company expresses its heartfelt thanks to Ms. Jiang Bo, Mr. Zhai Yalin, Mr. Zhang Hongshan, Mr. Xiao Yi and Mr. Li Honghai for their hard work and important contributions during their tenure.

4.2 Directors', Supervisors' and Senior Management's Interests and Short Positions in Shares, Underlying Shares and Debentures

At the date of this announcement, the Company's deputy general manager Mr. Sun Bingxiang held 50,300 A shares of the Company.

As at 30 June 2021, save as disclosed above and the Share Option Incentive Scheme and Qi Xin Gong Ying Scheme disclosed below, none of the Directors, Supervisors or other senior management of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the registry by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the HKSE pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”).

Share Options Granted to Directors, Supervisors and Senior Management

Unit: Shares

Name	Position	Number of share options held at the beginning of the reporting period	Number of share options newly granted during the reporting period	Exercisable share options during the reporting period	Share options exercised during the reporting period	Number of share options by the end of reporting period
Sun Yongzhuang	Employee Representative Supervisor	60,000	0	0	0	60,000
Zhang Yongjie	Deputy General Manager	76,000	0	0	0	76,000
Zuo Yaojiu	Deputy General Manager	72,000	0	0	0	72,000
Zhang Jinhong	Deputy General Manager	72,000	0	0	0	72,000
Zhang Jiankuo	Deputy General Manager	40,000	0	0	0	40,000
Li Honghai	Former secretary to the Board	56,000	0	0	0	56,000
Total	/	376,000	0	0	0	376,000

Directors, Supervisors and Senior Management Participate in Qi Xin Gong Ying Scheme

On 25 January 2018, the Company non-publicly issued 1,503,568,702 and 23,148,854 shares of restricted-sale A shares to China Petrochemical Corporation and the Qi Xin Gong Ying Scheme respectively. Qi Xin Gong Ying Scheme is managed by Changjiang Pension Insurance Co., Ltd., and its shares shall be subscribed by the certain directors, supervisors, senior management and other core management personnel of the Company. The

number of subscribers is 198, and the subscription amount is RMB60.65 million in total. The subscription price for each scheme share under Qi Xin Gong Ying Scheme is RMB 1.00. The duration of Qi Xin Gong Ying Scheme is 48 months commencing from 25 January 2018. The first 36 months shall be the lock-up period and the last 12 months shall be the unlocking period. On 25 January 2021, the lock-up period of 23,148,854 A shares with selling restrictions held by Qi Xin Gong Ying Scheme have ended and were listed for trading.

In Qi Xin Gong Ying Scheme, directors, supervisors and senior management of the Company have subscribed 4.85 million scheme shares in total, accounting for approximately 8.0% of the total scheme shares of Qi Xin Gong Ying Scheme. There are 14 directors, supervisors and senior management of the Company in total who have subscribed for Qi Xin Gong Ying Scheme, the subscription by the directors, supervisors and senior management of the Company under Qi Xin Gong Ying Scheme are as follows:

Name	Position	Subscription amount under Qi Xin Gong Ying Scheme (RMB)	Subscription scheme shares under Qi Xin Gong Ying Scheme (shares)	Subscription Price (RMB/A Share)	Subscription of A share (share)
Chen Xikun	Chairman, Secretary of the Party Committee	400,000	400,000	2.62	152,671
Sun Yongzhuang	Employee Representative Supervisor	300,000	300,000	2.62	114,503
Zhang Bailing	Employee Representative Supervisor	350,000	350,000	2.62	133,587
Du Guangyi	Employee Representative Supervisor	350,000	350,000	2.62	133,587
Zhang Yongjie	Deputy General Manager	350,000	350,000	2.62	133,587
Zuo Yaojiu	Deputy General Manager	350,000	350,000	2.62	133,587
Zhang Jinhong	Deputy General Manager	350,000	350,000	2.62	133,587
Zhang Jiankuo	Deputy General Manager	300,000	300,000	2.62	114,503
Li Honghai	Former secretary to the Board	300,000	300,000	2.62	114,503
Sun Qingde	Former Vice Chairman, General Manager	400,000	400,000	2.62	152,671
Li Wei	Former Chairman of Supervisory Committee	350,000	350,000	2.62	133,587
Li Tian	Former Chief Financial Officer	350,000	350,000	2.62	133,587
Huang Songwei	Former Supervisor	350,000	350,000	2.62	133,587
Zhang Hongshan	Former Supervisor	350,000	350,000	2.62	133,587
Total	/	4,850,000	4,850,000	-	1,851,134

4.3 Independent Non-Executive Director and Audit Committee

As at 30 June 2021, the Company has three independent non-executive directors, one of whom is professional in the accounting field and has experience in financial management.

The Audit Committee of the Board of the Company has been founded. The members of the Audit Committee include Mr. Zheng Weijun, Mr. Zhou Meiyun, Mr. Chen Weidong and Mr. Dong Xiucheng. The main responsibilities of the Audit Committee are to review and supervise the Company's financial reporting procedures and internal control system, and to provide advice to the Board. The Audit Committee has reviewed and confirmed the interim results of the Company for the six-months ended 30 June 2021.

5. MANAGEMENT DISCUSSION & ANALYSIS

The following financial figures, except where specifically noted, are extracted from the Company's unaudited interim financial report prepared in accordance with the PRC ASBE.

In the first half of 2021, leveraging on the favorable opportunities of rising international oil prices and the sustained recovery of the domestic oil service market, the Company carried out normalized initiatives in efficiency enhancement, while sparing no efforts in market expansion, production and operation improvement, cost and expense reduction, deepened reform and innovation and optimized allocation of resources. The Company has achieved stable growth in the total cumulative amount of newly signed contracts and turnover, the effective control of key costs and expenses, and the steady growth in net profit over the same period of the previous year. During the first half of 2021, the consolidated revenue of the Company was RMB 31,570,061,000, representing an increase of 0.4% over RMB 31,432,437,000 in the same period of the previous year; net profit attributable to shareholders of the Company was RMB 368,558,000, representing an increase of 23.6% over RMB 298,277,000 in same period of the previous year; basic earnings per share was RMB 0.019, representing an increase of RMB 0.003 over the same period of the previous year; net cash flow from operating activities was RMB 358,861,000, representing an increase of 27.6% as compared with RMB 281,258,000 in the same period last year.

5.1 Market review

In the first half of 2021, amid the rebound of international crude oil prices, the average spot price of North Sea Brent Crude reached US\$64.95 per barrel, representing an increase of 61.4% over the same period of the previous year. The oil service market started to recover, and the domestic oil service market delivered a stronger recovery than the international market. As China's economy recovered steadily, the economic development showed strengthen and improvement while maintaining steady growth, and the gross domestic product (GDP) expanded by 12.7% over the same period of the previous year; when domestic oil companies have been implementing the "seven-year action plan" and continued to increase exploration and development efforts, the oil and gas exploration and development have continuously made new breakthroughs, and crude oil and natural gas output has achieved steady growth. Meanwhile, amid the persisting severe and complex global pandemic, the international market has encountered difficulties such as cancellation of tender bid or postponement of tender opening by project owners, and hindered shift arrangement of employees. Affected by the differentiated recovery of the oil service market, the Company witnesses valuable development opportunities but is also subject to greater challenges in the aspect of production and operation.

In the first half of 2021, the Company proactively seized the favorable opportunity for domestic oil companies to expand reserves and production, vigorously improved its support capability in engineering and technical services, strengthened cooperation with oil companies for win-win outcomes, while steadily advancing its market development. The total cumulative amount of newly signed contracts reached RMB43.79 billion, representing a year-on-year increase of 1.9%, of which, the newly signed contracts in the Sinopec Group market amounted to RMB27.15 billion, representing a year-on-year increase of 24.3%; the newly signed contracts in domestic external markets amounted to RMB7.77 billion, a year-on-year decrease of 13.4%; the newly signed contracts in overseas markets amounted to RMB8.87 billion, a year-on-year decrease of 27.0%. The Company also successfully guaranteed high-quality and highly efficient service support, and created new records in terms of a hundred of technical indicators. It made breakthrough in a number of technological difficulties and key core technologies. Market layout and resource optimization was promoted in an effective manner, and management have been improved contiguously. It also strengthened its efforts in HSE, while maintaining stable running of the overall production and operation.

5.2 Operation Review

5.2.1 Geophysical service

In the first half of 2021, the Company's geophysical services business recorded a revenue from principal business of RMB1,800,634,000, representing a decrease of 0.4% from RMB 1,808,761,000 in the same period of the previous year. The completed 2D seismic exploration accumulated for 611 kilometers, representing a year-on-year decrease of 90.6%; while the completed 3D seismic exploration accumulated for 7,917 square kilometers, representing a year-on-year decrease of 30.4%. In the first half of the year, the Company vigorously promoted advanced technologies such as high-density seismic exploration, broadband and high-efficiency controllable seismic source exploration, high-precision seismic exploration in complex mountainous areas and nodal seismic acquisition system to comprehensively enhance its oil and gas exploration capabilities. It actively served oil and gas exploration of Sinopec in Junggar, Tarim, southeast Sichuan and other regions. In terms of overseas markets, it continued to focus on the efficient operation of the Saudi S84 project, and entered the geophysical service market of Petroleos Mexicanos by securing newly signed contract for 2D seismic exploration project in the amount of US\$31.7 million; a service lease contract in the amount of RMB 120 million was entered into in associate with the geophysical survey vessel Discovery No.6.

5.2.2 Drilling service

In the first half of 2021, the Company's drilling services business recorded a revenue from principal business of RMB 15,712,885,000, representing a decrease of 7.1% from RMB 16,917,552,000 for the corresponding period of last year. The completed drilling footage reached 4,720 kilometers, representing a year-on-year decrease of 3.3%. The average utilization rate of domestic drilling teams reached 83.6%, a year-on-year increase of 3.6 percentage points. The Company continued to optimize the team and market layout, enhanced the production operation and organization, strengthened technical breakthroughs, optimized construction techniques, improved construction quality and operation efficiency of drilling rigs and achieved remarkable results in improvement of the quality, service speed and efficiency. In the first half of the year, on the basis of an increase in the average drilling depth of oil wells by 135 meters "Northwest China, North China, Northeast China and Sichuan" and eastern old oil fields, the drilling cycle has been shortened by 16.0% year-on-year, and the time on complicated failures decreased by 54.6% year on year. The Shunbei 56X well achieved a drilling depth of 9,300 meters, breaking a number of construction records, including the deepest down of the directed well drilling, well testing and drilling-completed well test string. A number of high-quality and high-yield wells were established. Key wells such as Shunbei 41X well and Shunbei 42X well achieved daily output of over 1,000 tons of commercial oil and gas flow, while the Jiaoye 11-S6HF and JPH-489 wells produced over one million cubic meters of high-yield commercial oil and gas flow during well testing, which effectively supported the production capacity development of oil and gas fields such as Shunbei, Fuling and Hangjinqi. The pilot running and promotion of "factory-based mode" drilling in Shengli, Southwest and other industrial areas delivered satisfactory results.

5.2.3 Logging and mud logging service

In the first half of 2021, the Company's logging and mud logging services business recorded a revenue from principal business of RMB 1,150,738,000, representing an increase of 1.1% from RMB 1,138,241,000 for the corresponding period of last year. The completed logging projects accumulated for 136,940,000 standard meters, representing a year-on-year increase of 0.7%. The completed mud logging projects accumulated for 4,840,000 meters, representing a year-on-year increase of 0.2%. The various quality and technical indicators of logging and mud logging services were maintained well and the pass rate of logging and mud logging data was 100%. In Sinopec's "Northwest China, North China, Northeast China and Sichuan" and eastern old oil fields, the Company's logging and mud logging services business, with a focus on the needs of its clients, carried out technical promotion and maintained stable workload for logging and mud logging service. Meanwhile, the Sichuan basin shale gas of PetroChina and other domestic external markets also supported the logging and mud logging services business of the Group; Focusing on overcoming the difficulties in respect of improvement of the quality, service speed, efficiency and production, the Company continued to improve its technologies, making a number of new records in multiple indicators such as testing, logging and locating, providing technical

support for exploration and development and support for key markets.

5.2.4 Downhole operation service

In the first half of 2021, the Company's downhole operation services business recorded a revenue from principal business of RMB 3,941,443,000, representing an increase of 4.2% as compared with RMB 3,782,642,000 for the corresponding period of last year. The Company has completed downhole operation for 3,306 wells/times, with a year-on-year increase of 6.4%. The shale gas fracturing timeliness was improved by 29.2% year on year. The Company gave full play to the advantages of professionalism and integration in horizontal well subdivided fracturing, large-scale acid fracturing, acid gas testing, high-pressure and high temperature well testing and horizontal well repairment, continued to enhance the support for high-quality exploration and profitable development of Sinopec, providing strong technical support in respect of expansion of reserve and output for the Fuling shale gas field, the Weirong deep shale gas field, the Shunbei ultra-deep oil and gas field, and stable production for the eastern old oil fields. In addition, the Company strengthened the cooperative development of difficult-to-use reserves with other oil company, as a result, an output of 1.5 million tons has been achieved since the commencement of cooperation.

5.2.5 Engineering and construction service

In the first half of 2021, the Company's engineering and construction service delivered a revenue from its principal business of RMB 7,868,764,000, representing an increase of 15.8% from RMB 6,792,317,000 in the same period last year. In the first half of 2021, the Company has completed projects with contract values of RMB7.89 billion, representing a year-on-year increase of 10.0%; the new contract value amounted to RMB14.46 billion, representing a year-on-year increase of 62.3%. The Company was dedicated to advancing the construction of a variety of key projects, including South Main Gas Pipeline of Shandong Pipeline of China Petrochemical Corporation, Sinopec Shunbei No. 5 Joint Station, gas storage facility, eastern Sino-Russian pipeline section of PipeChina, LNG project at Binghai, Jiangsu, and MIP16 and 17 pipelines in Saudi Arabia; we successively won the bid for projects with contract value amounting to approximately RMB1.85 billion, including South Main Gas Pipeline of Shandong Pipeline of China Petrochemical Corporation, general contracting for construction of Northeast Anhui Natural Gas Pipeline, Guangxi branch lines of Xinjiang coal-based gas transmission pipeline project of PipeChina, LNG project at Binghai, Jiangsu and Guangdong pipeline project; the Company also won the bid for several local road and bridge projects including the roadbed construction of Jianhu-Xinghua section of the Funing-Liyang Expressway and JHX-YC2 section of a bridge engineering construction project.

5.2.6 International business

In the first half of 2021, the Company's international business achieved a revenue from principal business of RMB 4,356,273,000, representing a decrease of 29.7% from RMB 6,195,560,000 in the same period of last year, accounting for 14.0% of the revenue from principal business in the first half of the year. In the first half of the year, amid the general sluggish overseas market, the Company kept a close eye on the project owner's investment plan, continued to solidify its presence in the traditional market, and strived to expand new business and open up new markets. Despite the insufficient workload in connection with SAUDI ARABIAN OIL COMPANY, our Saudi market team has been actively engaged with Halliburton and successfully entered into a coiled tubing service subcontract project with a contract value of US\$16 million; the Company participated in the tender for well-flushing project of SAUDI ARABIAN OIL COMPANY for the first time and won the tender with a contract value of US\$15 million, marking the Company's access to a new technical service field; in terms of the Kuwait market, the Company won the tender for 10 workover rigs service contract for a term of 5 years with one-year extension option of US\$360 million with Kuwait Oil Company, successfully renewed one drilling rig contract for an extended term of one year and it's expected the Company will manage to renew contracts regarding 30 drilling rigs; in terms of the Ecuadorian market, the Company entered into five new drilling rig contracts with a value of US\$30 million, maintaining its market share of 30% in the drilling rig market, the first among all contractors; a major breakthrough was achieved in the engineering and construction business as we won the tender for the general contracting of Uganda oil and gas transmission project with a contract value of US\$610 million.

5.2.7 Technology Research & development

In the first half of 2021, the Company persistently improved its R&D system, integrated the R&D efforts in respect of logging and mud logging and measurement while drilling technologies, established a geological measurement and control technology research institute; the Company made utmost efforts to break through technologies confronting difficulties and key core technologies. Also, the Company set up a number of key programs at China Petrochemical Corporation, such as “research and application of rotary geosteering core technology” and “research and application of branch hole drilling technology”. In addition, we also reinforced the testing and application of rotary steering devices for drilling, and completed 16 oil wells with a drilling footage of 8,171 meters; research on high-end technologies was making progress in an orderly manner, including high-temperature and high-pressure electrical imaging logging tools, coiled tubing side drilling, full node seismic acquisition, fully automatic pipeline welding. It made more efforts in promoting the application of transformation of scientific and technological achievements, strengthening the construction of product line. In the first half of the year, the Company applied for 369 new patents at home and abroad, of which, 315 patents were granted authorization. Our “one logging method” patent received the Silver Prize of the 22nd China Patent Award.

5.2.8 Internal reform and management

In the first half of 2021, the Company effectively promoted the market layout planning and resource optimization, optimized and shared the materials, equipment, and logistics bases in the Northern, Northwest, and Southwest industrial areas in China, and proactively facilitated the establishment of a collective storage and unified distribution information platform for the Southwest industrial area; the Company developed and implemented guidelines on construction of project-based management system, organized project-based management promotion meetings, proactively built a “two pools, two repositories and one platform” project support and guarantee system, thus making a new step forward in the promotion of project-based management systems; as the Company continued to enhance its professional management, professional reorganization of testing, logging and locating businesses was smoothly carried out, and the establishment, commencement of business, and the transfer business, assets, teams, and equipment of Sinopec Jingwei Co., Ltd. (“**Jingwei Company**”) were completed, thereby achieving the steady transition of the production and operation of testing, logging and locating businesses and maintaining the stability of our workforces; due to efforts in reduction and optimization of workforce in line with workload, the Company achieved real reduction in operating expenses of management agency, wage payment during idle time and expense of project department and service assurance, reducing the major costs and expenses of the abovementioned three items by RMB170 million year on year; the Company continued to improve its financing conditions, strengthen cash flow management, promoted settlement of account receivables and inventories and reduced capital expenditure. In the first half of the year, the Company reduced its comprehensive financing costs to less than 3%, saved interest expenses by RMB126 million and recorded a decline of finance expenses by 16.2% year-on-year.

5.2.9 Capital Expenditure

In the first half of 2021, capital expenditure of the Company reached RMB 420 million. The Company adhered to the “proactive and prudent” investment principle, optimized investment structure, strengthened resource coordination, and continued to play the leading and supporting role of investment, mainly for the procurement of 6 sets of fully automatic welding standard unit main equipment, 13 sets of rig network electrical equipment, 4 cementing trucks used in oil wells, 1 set of coiled tubing equipment and 6 sets of comprehensive logging instruments, etc.

5.3 Assets, liabilities, equity and cash flow analysis (Prepared in accordance with International Financial Reporting Standards (“IFRS”))

As at 30 June 2021, the Group’s total assets were RMB 63,979,713,000 and total liabilities were RMB 56,562,591,000. The total equity attributable to shareholders of the Company was RMB 7,417,122,000. Compared with the consolidated statement of financial position as at 31 December 2020 (“Compared with that

at the end of last year”), the changes and its main reasons were as follow:

Total assets were RMB 63,979,713,000, increased by RMB 2,888,518,000 compared with that of the end of last year, including that (i) current assets were RMB 34,743,746,000, increased by RMB 4,941,459,000 compared with that of the end of last year, mainly due to the increase in completed and not yet billed projects in the first half of the year, resulting in an increase of RMB 6,229,780,000 in contract assets. (ii) non-current assets were RMB 29,235,967,000, arising from a decrease of RMB 2,052,941,000 from the end of the previous year, mainly due to the normal depreciation and amortization of fixed assets and long-term deferred expenses of the Group in the first half of the year.

The total liabilities were RMB 56,562,591,000, increased by RMB 2,194,262,000 compared with that of the end of last year, including that (i) current liabilities were RMB 54,829,227,000, increased by RMB 2,355,986,000 compared with that of the end of last year, mainly due to an increase of RMB 2,460,916,000 of bills and accounts payable and an increase of RMB 526,201,000 of short-term loans in the first half of the year. (ii) non-current liabilities were RMB 1,733,364,000, decreased by RMB 161,724,000 compared with that of the end of last year which is mainly due to the decrease of RMB 134,552,000 in lease liabilities in the first half of the year.

Total equity attributable to shareholders of the Company was RMB 7,417,122,000, increased by RMB 694,256,000 compared with that of the end of last year. It mainly due to profit attributable to shareholders of the Company for the first half of 2021 was RMB 694,246,000.

As at 30 June 2021, the ratio of total liabilities to assets was 88.4%, comparing with 89.0% as at 31 December 2020.

In the first half of 2021, the Group’s net cash inflow from operating activities was RMB 358,861,000, representing an increase of cash inflow by RMB 77,603,000 as compared with the corresponding period of last year. This was mainly due to the increase in clearance of inventories and account receivable and settlement in bill payable.

In first half of 2021, the Group’s net cash outflow from investing activities was RMB 390,632,000, an decrease of cash outflow by RMB 48,635,000 as compared with the corresponding period of last year. It was mainly due to the change of purchasing process in company and reduction of equipment purchase expenses.

In the first half of 2021, the Group’s net cash inflow from financing activities was RMB 9,267,000, a decrease of cash inflow by RMB 514,287,000 compared with the corresponding period of last year. It was mainly due to the decrease in volume of credit in the first half year.

As at 30 June 2021, the Group’s borrowings from bank and related companies were RMB 20,431,918,000 (as at 31 December 2020: RMB 19,951,236,000). These borrowings include the short-term borrowings of RMB 19,856,969,000 and the long-term borrowings due more than one year of RMB 574,949,000. As at 30 June 2021, approximately 88% of the borrowings were denominated in Renminbi (as at 31 December 2020: 87.2%) and approximately 12% were denominated in US Dollars (as at 31 December 2020: 12.8%).

As at 30 June 2021, the gearing ratio of the Group was 73 % (as at 31 December 2020: 74.5%). The gearing ratio = (liability with interest – cash & cash equivalents)/ (liability with interest – cash & cash equivalents + shareholders' equity).

5.4 Statement of operation by industry

Industry	Operating Income for the first half of 2021 RMB ‘000	Operating cost for the first half of 2021 RMB ‘000	Gross Profit Margin (%)	Increase/ (Decrease) in operating	Increase/ (Decrease) in operating cost	Gross profit margin
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				income as compared with last year (%)	as compared with last year (%)	compared with last year
Geophysical	1,800,634	1,740,778	3.3	-0.4	3.2	decreased by 3.5 percentage points
Drilling	15,712,885	14,684,925	6.5	-7.1	-4.5	decreased by 2.6 percentage points
Logging/Mud logging	1,150,738	936,586	18.6	1.1	4.2	decreased by 2.4 percentage points
Downhole operation	3,941,443	3,716,244	5.7	4.2	6.1	decreased by 1.7 percentage points
Engineering and Construction	7,868,764	7,414,853	5.8	15.8	17.1	decreased by 1.0 percentage points
Other	653,553	740,151	-13.3	4.1	12.8	decreased by 8.8 percentage points
Total	31,128,017	29,233,537	6.1	0.2	2.7	decreased by 2.3 percentage points

5.5 Statement of operation by regions

Region	Operating income for the first half of 2021 RMB '000	Increase/ (Decrease) as compared with the corresponding period of last year (%)
Mainland China	26,771,744	7.6
Hong Kong, Macau, Taiwan and overseas	4,356,273	(29.7)

5.6 Business prospects

Looking forward to the second half of 2021, opportunities and challenges will coexist in the oil service industry, and we expect to face challenging and complicated overall operating conditions. At present, amid the generally improving global economic recovery and the expected steady recovery of China's economy, the international crude oil prices show a trend of fluctuating at high levels with significantly greater volatility. Further, domestic petroleum companies are deepening the "seven-year action plan", and upstream exploration and development investment continues to increase. All will create a positive environment for the sustained recovery of the

domestic oil service market. However, we also see that the next wave of the global pandemic and its derivative effects are still relatively complex, risks in the international political and economic fields continue to accumulate, and there are many external instability and uncertain factors. The recovery of the oil service market will continue to diverge, and the risks and challenges of the stable development of the overseas oil service market will increase significantly.

Operation Plans for the Second Half of 2021

In the second half of 2021, the Company will continue to enhance its capabilities in support for the exploration and development, leverage the advantages of complicated services and special technologies to support exploration and development of Sinopec and continue to optimize the market layout and fully expand the market. The Company expects to achieve a newly signed contract value of RMB26.2 billion, in which RMB17.7 billion will be from China Petrochemical Corporation's internal market, RMB4.8 billion from domestic external market, and RMB3.7 billion from overseas market. In addition, focusing on efficiency improvement, the Company will optimize and integrate internal resources, strengthen technological innovation and application, further strengthen cost control, strive to expand operating results and improve the quality of corporate development.

5.6.1 Geophysical service

In the second half of 2021, the Company will effectively serve the exploration and development of oil companies, continue to strengthen the efficient exploration with project management as the core, and improve the operation efficiency of projects. It will explore the establishment of a new cooperation model of sharing risks and interests with oil companies and promote the standardized, mechanized, informationalized and intelligent geophysical construction and jointly solve the difficulties in exploration technology. The Company will increase the tracking and development of the market in the Qiangtang Basin in Tibet. It will make more efforts in the expansion of markets such as Saudi Arabia, Algeria, Ecuador, Bangladesh and Bolivia, and strive to secure more quality seismic acquisition projects. In new business markets such as non-seismic, surveying and mapping, measurement, etc., it will actively expand and cultivate business growth points. In the second half of the year, the Company plans to complete the 2D seismic acquisition of 1,059 kilometers and the 3D seismic acquisition of 13,083 square kilometers.

5.6.2 Drilling service

In the second half of 2021, the Company will adhere to the efficient operation coordination mechanism featuring the integration of clients and vendors, geological engineering integration, plan and design integration, production and management integration, and strengthen efforts in making breakthroughs in engineering technologies in respect of continental shale oil and gas, deep and atmospheric shale gas, ultra-deep oil and gas field, speed up the upgrade of drilling rigs in key operation areas such as the "Northwest China, North China, Northeast China and Sichuan". It will further enhance its engineering and technical service support capabilities, and facilitate the efficient exploration and profitable development of the second phase of Weirong shale gas of Sinopec Group, Shunbei ultra-deep oil and gas field, as well as Ordos tight gas field, deep marine gas field in western Sichuan and eastern old oil fields. The Company will also continue to expand the coverage of both domestic and overseas markets such as PetroChina and CNOOC and expand the market share of domestic shale gas, conventional oil and gas, coalbed methane, etc. In the second half of the year, a drilling footage of 4,780,000 meters is planned to be completed.

5.6.3 Logging and mud logging service

In the second half of 2021, the Company will continue to improve the professional technology system for logging and mud logging service, expand the application of various new technologies for logging and mud logging, and continue to improve the support capacity of exploration and development services. While maintaining the stable China Petrochemical Corporation market, the Company will actively expand domestic external markets and the overseas service business and accelerate the expansion of scale and effective market. The Company will also promote featured technologies to clients, such as drilling rotation guidance with high build-rate, safe and efficient ultra-deep well logging and smart early warning for engineering, while continuing to break through technologies confronting difficulties, and build technical reserves. In the second half of the

year, the Company plans to complete a logging of 142,060,000 standard meters, and a mud logging footage of 4,660,000 meters.

5.6.4 Downhole operation service

In the second half of 2021, the Company will continue to improve its capabilities in technical services and support for exploration and development, focus on improving the comprehensive service level of oil reservoirs, and promote the cooperative exploitation of oil reservoirs in eastern old oil fields, Xujiache tight gas reservoirs in western Sichuan, and difficult-to-use reserves of shale gas in southeastern Sichuan, make dedicated efforts in developing and expanding the market of fracturing for shale gas in Sichuan and Chongqing, tight gas in North China and ultra-deep oil and gas in Northwest China, accelerate the development and application of testing tools for ultra-deep, ultra-high-pressure and ultra-high-temperature oil and gas reservoirs; we continue to expand and strengthen the overseas high-end business market for coiled tubing business in Saudi Arabia. In the second half of the year, the Company plans to complete 3,151 downhole operations.

5.6.5 Engineering and construction service

In the second half of 2021, the Company will continue to increase the efforts in the expansion of Sinopec Group's oil and gas pipeline market, ensure the smooth operation of the ground engineering of gas storage facility, and consolidate and increase our market share. It will continue to increase its efforts in the growth of various segments, such as the PipeChina, local gas pipeline, oil and gas commercial reserve and local roads and bridges, with a focus on the tank farm and long-distance pipelines of oil storage and transportation project under PipeChina and local port-and-expressway connection projects and other roads and bridges projects; in addition, it will vigorously promote its matured technologies in carbon dioxide capture, professional maritime engineering, wind power projects and full automatic welding for pipeline in particular topographies, and cultivate new market growth points. In the second half of the year, the Company plans to sign new contract valued at RMB4.7 billion and complete contracts valued at RMB7.61 billion.

5.6.6 International Business

In the second half of 2021, the Company will, as always, vigorously implement the "internationalization" business strategy. As per the general requirements of "strict control of risks, supporting excellent and strong players and improving quality and efficiency" of international business, we will be devoted to the renewal of extension contracts in key markets such as Saudi Arabia and Kuwait, and strive to resume the operation of inactive drilling rigs; the Company will accelerate the full resumption of work and production in Mexico and endeavor to realize higher yield with less wells in I-L-Y oilfield comprehensive service project in Ecuador; we will try our best to secure the contract of general contracting of Ecuador drilling and completion turnkey project in Ecuador as soon as possible; the Company will closely follow a batch of potential projects, including the fracturing general contracting project of SAUDI ARABIAN OIL COMPANY, directional wells of Kuwait Petroleum Company and the 3D seismic project of Petroleos Mexicanos, and enhance and optimize the industrial chain and value chain of overseas business; we will, on one hand, further exploit our potential and enhance our efficiency, and on the other hand, implement risk prevention and control, normalize pandemic prevention and control, and strengthen public safety and HSE management.

5.6.7 Technology Research & development

In the second half of 2021, the Company will be committed to the implementation of the "14th Five-Year" science and technology development plan and overcoming the difficulties of key core technologies. In line with the demand for increase in oil and gas reserves and production capability in Tarim Basin, the Sichuan Basin and the Junggar Basin, the Company will be dedicated to improve the integrated supporting technologies of petroleum engineering projects designed for deep, ultra-deep layer and shale gas. More efforts will be made to improve speed and efficiency, quality and production and enhance the ability to assure exploration and development services. We will carry out application research in respect of new fields and new types of petroleum engineering integration projects, such as continental shale gas and shale oil, continue to endeavor to overcome high-end technologies which face bottlenecks, such as measurement and control, logging, and testing, facilitate

the research on the development path of petroleum engineering under the goal of carbon peak and carbon neutrality and deploy our resources in research on new energy technologies such as CCUS, underground in-situ mining and use of hydrogen energy. We will fully implement the product industrialization plan, develop an assessment and incentive mechanism based on performance associated with product industrialization, enhance coordination and supervision, and promote the large-scale application of superior technology products. The Company will optimize our technological innovation platform, improve key laboratories covering technologies of measurement and control while drilling, deep and ultra-deep wells and CCUS, and the construct technology centers in respect of shale gas and acid gas, fully enhance our independent innovation capabilities and strive to build up a technology-leading petroleum service company.

5.6.8 Internal Reform and Management

In the second half of 2021, the Company will persistently deepen its reform initiatives, devote to accelerating and coordinating its market layout and optimizing resource allocation, continue to integrate internal resources, coordinate market layout, and improve the overall efficiency and effectiveness; the Company will continue to make in-depth and practical efforts to promote professional management, demand its subsidiaries to complete the goal of streamlining workforce on basis of regional integration, steadily promote internal integration and restructuring of testing, logging and locating businesses based on different areas, innovate the operating and management system and scientific research mechanism of Jingwei Company, thus leading the Company to develop in a high-end way; we will comprehensively deepen the operation of project-based management system, accelerate the building-up of project-based management system taking project management as the center and “two pools, two repositories and one platform” as the pillar, establish a project-based management platform, promote the in-depth optimization of talents, materials, equipment, funds and other resources, and realize unified procurement, unified warehousing, unified inspection and centralized distribution and delivery of regional materials to reduce the operating costs continuously; the Company will promote the reform of “three systems” in an in-depth manner, improve comprehensively the tenure system and contract-based management at manager level; we will make concrete efforts in exploiting potential of cost reduction, management cost reduction and technological cost reduction, to ensure the smooth realization of the cost reduction target set at the beginning of the year.

5.6.9 Capital expenditure

In the second half of 2021, the capital expenditure is expected to be RMB3.08 billion. The Company will focus on economic benefits, continue to enhance its exploration and development service capabilities, strengthen resource integration and coordination, mainly guarantee the satisfaction of urgent production needs, enhance technical service capabilities, upgrade and transform of equipment with potential safety and environmental protection risks. Specifically, the Company will acquire 7 sets of new drilling rigs, upgrade and transform 12 sets of drilling rigs, 4 sets of new high-temperature MWD instruments, 5 sets of 750 HP workover rigs and the develop the integrated cloud platforms for petroleum engineering projects; investments will be made to boost the transformation of development mode and adjust the market structure, with a view to cultivating the Company’s core competitiveness.

6. SIGNIFICANT EVENTS

6.1 Interim dividends for 2021 and proposal on issue of shares by capitalizing the common reserves

In accordance with the Articles of Association of the Company, the Board resolved that no interim dividend would be distributed for the year ended 31 December 2021, and no issue of bonus shares by way of capitalization of common reserves.

6.2 During the reporting period, the Company was not involved in material litigation or arbitration.

6.3 During the reporting period, there was no bankruptcy restructuring related matter.

6.4 During the reporting period, the Company had no major acquisition or disposals of assets, nor any merger and acquisitions activities.

6.5 Information on material connected transactions

The Company's material connected transactions entered into during the six months ended 30 June 2021 were as follows:

(a) The following are the material connected transactions relating to ordinary operation during the reporting period:

The nature of the transaction classification	Connected parties	Amount of transaction RMB '000	Proportion of the same type of transaction (%)
Purchase of materials and equipment	China Petrochemical Corporation and its associates	4,245,572	24.6
Rendering engineering services	China Petrochemical Corporation and its associates	22,041,448	72.4
Other comprehensive service expenditure	China Petrochemical Corporation and its subsidiaries	306,605	100.0
Technology R&D Income	China Petrochemical Corporation and its subsidiaries	31,870	96.1
Land and property rental expenses	China Petrochemical Corporation and its subsidiaries	99,673	39.0
Equipment leasing expenses	China Petrochemical Corporation and its subsidiaries	161,654	34.7
Loan interest expense	China Petrochemical Corporation and its associates	278,688	79.5
Borrowings obtained	China Petrochemical Corporation and its subsidiaries	29,118,868	100.0
Borrowings repaid	China Petrochemical Corporation and its subsidiaries	28,632,419	100.0
Safety and insurance fund expenses	China Petrochemical Corporation	37,800	100.0
Safety and insurance fund expenses refund	China Petrochemical Corporation	52,118	100.0

The Company considers that it is necessary to enter into the above connected transactions with the selected connected parties and they will continue to occur. The agreements of connected transactions were based on the needs of the Group's operations and actual market situation. Purchasing materials and equipment from China Petrochemical Corporation and its subsidiaries will ensure the stable and safe supply of the Group's materials. The provision of engineering service to China Petrochemical Corporation and its subsidiaries is decided by the history of the operating system of China's petroleum development and by the history of China Petrochemical Corporation's development, the China Petrochemical Corporation and its subsidiaries constitute the Company's main business income source, and the borrowed funds from China Petrochemical Corporation can satisfy the Group's capital needs under the situation of the fund shortage, so it is beneficial to the Company. The above transactions were mainly based on the market price or the price decided by open bidding or negotiation, which were fair, equal and open, beneficial to the development of Company's main business, and ensure the maximization of the shareholders' interests. The above connected transactions have no adverse effects on the profits of the Company or the independence of the Company.

(b) During the reporting period, there were no material connected transactions related to the acquisition or disposal of assets or equities of the Company.

(c) The following is connected obligatory rights and debts during the reporting period:

Unit: RMB'000

Connected parties	Connected relation	Funds provided to connected party			Funds provided to the Company by connected party		
		Opening balance	Occurrence amount	Closing balance	Opening balance	Occurrence amount	Closing balance
China Petrochemical Corporation and its subsidiaries	Controlling shareholders and its subsidiaries	7,381,309	2,877,513	10,258,822	14,816,339	431,178	15,247,517
Sinopec Finance Company Limited	Subsidiary companies of the controlling shareholders	-	-	-	6,400,000	-10,000	6,390,000
Sinopec Century Bright Capital Investment Limited	Subsidiary companies of the controlling shareholders	-	-	-	1,970,520	-103,551	1,866,969
Total		7,381,309	2,877,513	10,258,822	23,186,859	317,627	23,504,486
Causes of related claims and debts		Normal production and operation					
Influence of connected claims and debts on the Company's performance and financial situation		No material adverse effects					

During the reporting period, there were no occupancy of fund for non-operating purpose by the controlling shareholders and its subsidiaries.

The Board is of the view that the above connected transactions were entered into in the ordinary course of business and in normal commercial terms and in accordance with the terms of agreements governing these transactions. The terms are fair, reasonable and in accordance with the interests of shareholders as a whole. The above connected transactions are fully in compliance with the relevant rules and regulations of HKSE and the SSE.

6.6 Material contracts and performance

(a) During the reporting period, there were no trusteeship and subcontracting other companies by the Company which would contribute profit to the Company of 10 percent or more of its total profits for the current period.

(b) Leasing Matters

Unit: RMB

Lessor	Lessee	Leased Assets	The amount of money involved	Lease commencement date	Lease termination date	Rental Income	The basis for determining the rental income	The impact of leasing proceeds on the company	Is it a connected transaction	Connected relation
Shanghai Offshore	Sinopec Shanghai	Semi submersible	RMB 38.47	6 November 2019	5 November 2022	RMB -5.65 million	Calculated based on a	No significant	Yes	Shanghai Offshore

Petroleum Bureau	Offshore Oil Engineering Company Limited *	drilling platform exploration No.4 (Exploration IV)	million			(before renovation)	fixed daily rental of RMB 15,500 per day	impact		Petroleum Bureau is a wholly-owned subsidiary of the controlling shareholder of the Company.
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(c) Guarantees of the company during the reporting period

Unit: Thousand RMB

External Guarantee provided by the Company (excluding Guarantees for Subsidiaries)	
Total Amount of Guarantees during the Reporting Period (excluding Guarantees for Subsidiaries)	0
Total Balance of Guarantees at the end of the Reporting Period (A) (excluding Guarantees for Subsidiaries)	0
The Guarantee provided by the Company and its Subsidiaries to the Subsidiaries	
Total Amount of Guarantees paid to Subsidiaries during the Reporting Period	6,756,857
Total Balance of Guarantees to Subsidiaries at the end of the Reporting Period (B)	26,671,871
Total Company Guarantee (including Guarantee for Subsidiaries)	
Total Guarantees (A+B)	26,671,871
Total Amount of Guarantees as a Percentage of the Company's Net Asset (%)	359.6
Among them:	
Amount of Guarantees provided to Shareholders, Actual Controllers and their related Parties (C)	0
Debt Guarantees Amount directly or indirectly for the guaranteed Object whose asset-liability Ratio exceeds 70% (D)	11,171,400
The Amount of the total Guarantee exceeds 50% of the Net Assets (E)	22,963,311
Sum of the three Guarantees above (C+D+E)	34,134,711
Statement of Unexpired Guarantees as potential subject to Joint Liability	None
Guarantee Statement	The guarantees provided by the Company are all provided for the performance of the performance guarantee letters issued by the subsidiaries in the domestic and foreign contracts. The guarantee amount is within the amount approved by the annual general meeting for 2020 of the Company.

(d) Save as disclosed in the interim report, during the reporting period, the Company did not enter into any material contract which requires disclosure.

6.7 Analysis of investment situation

(a) Investment in securities

During the reporting period, there was no investment in securities.

(b) Interest in other listed securities held by the Company

During the reporting period, the Company did not hold any shares of other listed companies.

(c) Equities of financial institutions held by the Company

During the reporting period, the Company did not hold any shares of financial institutions such as commercial banks, securities companies, insurance companies, trust companies and future companies.

(d) Shareholding interests of the Company in non-listed financial institutions

During the reporting period, the Company did not hold any shares of non-listed financial institutions.

(e) Entrusted asset management and derivatives investment

During the reporting period, no entrusted asset management, no other investment or asset management and derivatives investment items of the Company.

6.8 The special undertakings made by the Company and its shareholders holdings more than 5% and the performance of the undertakings as of 30 June 2021:

Undertaking Background	Undertaking Type	Undertaking-party	Undertaking	Date and duration of the Undertaking	Whether there is a performance period	Whether the undertaking has been strictly fulfilled
Undertaking regarding the material assets reorganization	To solve horizontal competition	China Petrochemical Corporation	<p>The Non-Competition Undertaking</p> <p>1. China Petrochemical Corporation undertook that it would not engage with the Company's production and business activities in competition, and will ensure its subsidiaries not to engage with the Company's production and business activities in competition through exercise of its shareholder rights. 2. After the material assets reorganization, if Sinopec Star's new business opportunity has any direct or indirect competition with the Company's main business, priorities of the above-mentioned opportunity will be given to the Company. 3. After the material assets reorganization, if China Petrochemical Corporation and its subsidiaries' new business opportunity has any direct or indirect competition with the Company's main business, priorities of the above-mentioned opportunity will be given to the Company. If China Petrochemical Corporation intends to transfer, sell, lease, license or otherwise transfer or permit to use any of the above business which would result in the competition with the Company's main business, priorities of the above-mentioned opportunity will be given</p>	<p>Date of undertaking: 12 September 2014</p> <p>Duration: long term</p>	No	During the reporting period, China Petrochemical Corporation did not act contrary to the undertaking.

			to the Company for avoiding the competition. 4. China Petrochemical Corporation consent that it will bear and pay damages to the listed companies caused by its violation of the commitment.			
Undertaking regarding the Material Assets Reorganization	To solve connected transactions	China Petrochemical Corporation	The Undertaking of Regulating the connected transaction: China Petrochemical Corporation and its other controlling companies will regulate its/their connected transactions with the Company. For the connected transactions with reasonable grounds, China Petrochemical Corporation and its controlling Company's will sign the standard agreement of connected transactions, and will fulfill the obligations of the program approval and information disclosure, in accordance with the provisions of relevant laws and regulations, and the Company's Articles of Association. The confirmation price related to the connected transaction will follow the principle of fair, reasonable and impartial.	Date of undertaking: 12 September 2014 Duration: long term	No	During the reporting period, China Petrochemical Corporation did not act contrary to the promise.
Undertaking regarding the Material Assets Reorganization	Others	China Petrochemical Corporation	Issued "The commitment letter regarding to the regulating of connected transaction and maintaining the independence of the Company": 1. China Petrochemical Corporation and its controlling companies guarantee the maintaining of the separation from the Company's asset, personnel, finance, organization and business, strictly comply with the relevant provisions regarding to the listed Company's independency of CSRC. China Chemical Corporation will not utilize, control or violate the Standardized operation program of the listed company, not intervene the Company's operating decisions, and not jeopardize the legitimate rights and interests of the Company and its shareholders. 2. China Petrochemical Corporation and its controlling companies guarantee not to illegally use the funds of the Company and its holding Company. 3. If China Petrochemical Corporation violate the above commitment, it would undertake the law and compensate the losses caused to the Company.	Date of undertaking: 12 September 2014 Duration: long term	No	During the reporting period, China Petrochemical Corporation did not act contrary to the promise.

6.9 During the reporting period, none of the Company or its Directors, Supervisors, senior management, shareholders who hold more than five percent of the Company's shares or de facto controller was subject to any investigation by relevant authorities or enforcement by judicial or disciplinary departments or subject to criminal liability, or subject to investigation or administrative penalty by the CSRC, nor any restriction of participation in the securities market or deemed unsuitability to act as directors thereby by other administrative authorities or any public censured made by a stock exchange.

7. INTERIM FINANCIAL REPORT

7.1 Interim financial report prepared in accordance with IFRS

The following financial information has been extracted from the Company's unaudited interim financial report, prepared in accordance with IFRS, for the six months ended 30 June 2021.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Notes	For the six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	4	31,570,061	31,432,437
Cost of sales and taxes and surcharges		(29,277,815)	(28,449,551)
Gross profit		2,292,246	2,982,886
Selling expenses		(34,037)	(28,878)
General and administrative expenses		(888,531)	(1,150,692)
Research and development expenses		(349,034)	(619,803)
Finance expenses – net	5	(408,182)	(487,147)
Reversal of/(Provision for) expected credit loss ("ECL") – net	6	40,642	(78,454)
Share of profit/(loss) from joint ventures		47	(1,016)
Share of profit from associates		3,290	4,036
Operating profit		656,441	620,932
Other income	7	135,457	162,146
Other expenses	8	(15,694)	(19,930)
Profit before income tax	9	776,204	763,148
Income tax expense	10	(81,958)	(154,593)
Profit for the period		694,246	608,555
Other comprehensive income for the period, net of tax			
Item that will not be reclassified subsequently to profit or loss:			
Net movement in fair value of financial assets at fair value through other comprehensive income ("FVTOCI")		10	-
Total comprehensive income for the period		694,256	608,555
Earnings per share for profit attributable to owners of the Company (presented in RMB per share)			
Basic and diluted	11	RMB 0.037	RMB 0.032

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	14	23,178,269	24,575,668
Other non-current assets		5,247,369	5,854,914
Intangible assets		345,732	396,611
Interests in joint ventures		23,251	23,204
Interests in associates		22,945	19,842
Financial assets at FVTOCI	15	22,835	22,835
Deferred tax assets		395,566	395,834
Total non-current assets		29,235,967	31,288,908
Current assets			
Inventories	19	884,832	1,025,965
Financial assets at FVTOCI	15	1,204,205	1,323,425
Trade receivables	16	7,857,774	9,358,385
Prepayments and other receivables	17	5,446,390	4,924,453
Contract assets	18	17,848,381	11,618,601
Restricted cash		8,020	28,106
Cash and cash equivalents		1,494,144	1,523,352
Total current assets		34,743,746	29,802,287
Total assets		63,979,713	61,091,195

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2021

	Notes	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Equity			
Share capital	20	18,984,340	18,984,340
Reserves		(11,567,218)	(12,261,474)
Total equity		7,417,122	6,722,866
Liabilities			
Non-current liabilities			
Long-term borrowings	24	1,344,466	1,484,785
Deferred income		13,618	14,186
Deferred tax liabilities		10,696	13,471
Provisions		364,584	382,646
Total non-current liabilities		1,733,364	1,895,088
Current liabilities			
Notes and trade payables	22	29,263,653	26,802,737
Other payables	23	3,104,021	2,652,248
Contract liabilities	18	1,964,150	3,024,461
Short-term borrowings	24	20,253,368	19,727,167
Current income tax payable		244,035	266,628
Total current liabilities		54,829,227	52,473,241
Total liabilities		56,562,591	54,368,329
Total equity and liabilities		63,979,713	61,091,195
Net current liabilities		(20,085,481)	(22,670,954)
Total assets less current liabilities		9,150,486	8,617,954

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the Company							
	Share capital RMB'000 (Note 20)	Share premium RMB'000	Other capital reserve RMB'000	Surplus reserve RMB'000	Specific reserve RMB'000	Other comprehensive income reserve (non-recycling) RMB'000	Accumulated losses RMB'000	Total equity RMB'000
At 1 January 2021	18,984,340	11,622,283	95,490	200,383	258,523	(2,014)	(24,436,139)	6,722,866
Profit for the period	-	-	-	-	-	-	694,246	694,246
Other comprehensive income for the period: Net movement in fair value of financial assets at FVTOCI	-	-	-	-	-	10	-	10
Total comprehensive income for the period	-	-	-	-	-	10	694,246	694,256
Transactions with owners:								
Appropriation of specific reserve	-	-	-	-	568,834	-	(568,834)	-
Utilisation of specific reserve	-	-	-	-	(243,146)	-	243,146	-
Transfer of other comprehensive income reserve	-	-	-	-	-	(10)	10	-
Total transactions with owners	-	-	-	-	325,688	(10)	(325,678)	-
At 30 June 2021 (Unaudited)	18,984,340	11,622,283	95,490	200,383	584,211	(2,014)	(24,067,571)	7,417,122

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2020

	Attributable to owners of the Company							
	Share capital RMB'000 (Note 20)	Share premium RMB'000	Other capital reserve RMB'000	Surplus reserve RMB'000	Specific reserve RMB'000	Other comprehensive income reserve (non-recycling) RMB'000	Accumulated losses RMB'000	Total equity RMB'000
At 1 January 2020	18,984,340	11,622,283	92,298	200,383	373,238	6,447	(24,515,117)	6,763,872
Profit and total comprehensive income for the period	-	-	-	-	-	-	608,555	608,555
Transactions with owners:								
Appropriation of specific reserve	-	-	-	-	551,604	-	(551,604)	-
Utilisation of specific reserve	-	-	-	-	(241,326)	-	241,326	-
Equity settled share-based transaction (Note 21)	-	-	2,299	-	-	-	-	2,299
Total transactions with owners	-	-	2,299	-	310,278	-	(310,278)	2,299
At 30 June 2020 (Unaudited)	18,984,340	11,622,283	94,597	200,383	683,516	6,447	(24,216,840)	7,374,726

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Cash flows from operating activities		
Cash flows generated from operations	441,299	388,093
Interest received	24,620	19,405
Income tax paid	(107,058)	(126,240)
Net cash generated from operating activities	358,861	281,258
Cash flows from investing activities		
Purchases of property, plant and equipment	(178,761)	(458,057)
Purchases of intangible assets	(1,434)	-
Purchases of other non-current assets	(228,321)	-
Proceeds from disposal of property, plant and equipment	11,500	11,915
Proceeds from disposal of other non-current assets	5,684	5,237
Increase in interests in a joint venture	-	(8)
Proceeds from financial assets at FVTOCI	10	-
Dividends received from associates	690	1,646
Net cash used in investing activities	(390,632)	(439,267)
Cash flows from financing activities		
Proceeds from borrowings	29,118,868	26,840,429
Repayments of borrowings	(28,611,789)	(25,660,652)
Payment of lease liabilities	(186,822)	(190,079)
Interests paid	(310,990)	(466,144)
Net cash generated from financing activities	9,267	523,554
Net (decrease)/increase in cash and cash equivalents	(22,504)	365,545
Effect of foreign exchange rate changes on cash and cash equivalents	(6,704)	(18,107)
Cash and cash equivalents at the beginning of the period	1,523,352	1,650,732
Cash and cash equivalents at the end of the period	1,494,144	1,998,170

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

1 GENERAL INFORMATION AND THE REORGANISATION

Sinopec Oilfield Service Corporation (the “Company”) is a joint stock company with limited liability established in the People’s Republic of China (the “PRC”). The registered office is No. 9, Jishikou Road, Chaoyang District, Beijing, the PRC and the headquarter address is No. 22, Chaoyangmen North Street, Chaoyang District, Beijing, the PRC. The name of the Company was changed from Sinopec Yizheng Chemical Fibre Company Limited to Sinopec Oilfield Service Corporation with effect from 20 March 2015.

The immediate and ultimate holding company of the Company is China Petrochemical Corporation (hereinafter referred to as the “Sinopec Group”) which is a state wholly-owned enterprise established in the PRC.

Originally, the Company and its subsidiaries (hereinafter referred to as the “Group”) were principally engaged in the production and sale of chemical fiber and chemical fiber raw materials in the PRC.

At the end of December 2014, the Company completed the material assets reorganisation by using of all its assets and liabilities at that time as consideration, to repurchase and then cancel the shares held by China Petroleum & Chemical Corporation. At the same time, the Company acquired 100% equity interest of 中石油工程技术服务有限公司 from Sinopec Group, which was satisfied by the issuance of shares to Sinopec Group (hereinafter collectively referred to as the “Reorganisation”).

Upon completion of the Reorganisation, the principal activities of the Group changed to the provision of onshore and offshore oil, natural gas and other mineral prospecting, exploration, drilling and exploitation and provision of general contracting, design and construction services for the oil and gas and other types of construction projects.

This interim financial information is presented in RMB, unless otherwise stated. This interim financial information has been approved and authorised for issue by the Board of Directors on 25 August 2021.

2 BASIS OF PRESENTATION AND PREPARATION

2.1 Basis of presentation

As at 30 June 2021, the Group had net current liabilities of approximately RMB20,085,481,000 (31 December 2020: RMB22,670,954,000) and capital commitments of approximately RMB144,565,000; and it had a net profit of RMB694,246,000 for the period then ended. The directors of the Company have performed an assessment that operating cash inflows in the next twelve months is expected, and most of the Group's borrowings are sourced from Sinopec Group and its subsidiaries, where the directors of the Company, based on past experience, expected that these borrowings can be renewed upon maturity. In December 2020, the Group had also obtained lines of credit of RMB16 billion and USD0.6 billion (in aggregate of approximately RMB20.9 billion), and line of credit promissory note of RMB10 billion from the Sinopec Group's subsidiaries. To further secure the source of finance, the Group will explore and develop relationship with listed and state-owned financial institutions. The directors of the Company are in the opinion that the above measures are sufficient to enable the Group to obtain sufficient financial resources to meet with the expected liquidity, daily operation and capital requirements, and thus consider that going concern basis is appropriate for the preparation of this interim financial information.

2.2 Basis of preparation

This interim financial information for the six months ended 30 June 2021 has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The interim financial information have been prepared under the historical cost convention, as modified by the revaluation of financial assets at FVTOCI, which are carried at fair value.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

3.1 Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs which are mandatory effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group's interim financial information:

Amendments to HKAS 39,
HKFRS 4, HKFRS 7,
HKFRS 9 and HKFRS 16

Interest Rate Benchmark Reform - Phase 2

The adoption of the new and amended IFRSs had no material impact on the Group's results and financial position.

3.2 Significant accounting policies

The interim financial information have been prepared in accordance with the accounting policies adopted in the Group's most recent annual financial statements for the year ended 31 December 2020.

4 REVENUE AND SEGMENT INFORMATION

The Group's revenue is as follows:

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Geophysics	1,800,634	1,829,604
Drilling engineering	15,712,885	16,999,910
Logging and mud logging	1,150,738	1,144,021
Special downhole operations	3,941,443	3,784,880
Engineering construction	7,868,764	6,826,902
Others	1,095,597	847,120
	31,570,061	31,432,437

Segment information

The Group identifies operating segments based on the internal organisation structure, senior executive management requirements and internal reporting system. The Group's has identified five operating segments including geophysics, drilling engineering, logging and mud logging, special downhole operations and engineering construction. These operating segments are identified based on the regular internal financial information reported to the senior executive management. Senior executive management of the Company regularly reviews the segment information for their decision about the resources allocation and performance assessment.

Five reportable operating segments are as follows:

- Geophysics, which provides terrestrial and marine geophysical exploration, development and technical services;
- Drilling engineering, which provides customers with land and ocean drilling design, construction, technical services and drilling instrumentation;
- Logging and mud logging, which provides land and ocean project contracting and technical services for collection, monitoring, transmission, processing and interpretation and evaluation of wellbore oil and gas, geology and engineering information;
- Special downhole operations, which provides oil engineering technical and construction, including oil (gas) testing, well repair, lateral drilling, fracturing, acidising and oil assignments; and
- Engineering construction, which provides a package of services, including feasibility studies, design, procurement, construction for projects of onshore and offshore oil and gas fields, long-distance pipeline projects, oil and gas transporting process projects, storage and transportation projects, petrochemical supporting projects, building construction, water resources and hydropower, ports and waterways, electricity transmission and distribution projects, manufacturing of pressure vessels, LNG projects, coal chemical engineering, geothermal utilisation, energy saving and municipal roads and bridges.

4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information (Continued)

Inter-segment transfers are measured by reference to market price. The assets are allocated based on the operations of the segment and the physical location of the asset.

All assets are allocated to reportable segments other than certain property, plant and equipment, certain intangible assets, certain other non-current assets, certain inventories, certain contract assets, certain trade receivables, certain prepayments and other receivables, certain cash and cash equivalents, certain deferred tax assets, certain financial assets at FVTOCI and interests in joint ventures and associates.

All liabilities are allocated to reportable segments other than certain borrowings, certain deferred income, certain deferred tax liabilities, certain notes and trade payables, certain other payables, certain contract liabilities and certain current income tax payable.

The resources related to certain interest income, certain interest expenses, interests in joint ventures and associates, gain on investment, income tax expense as well as shared assets of all segments are centrally managed and accounted for by the Company, and thus are not allocated among segments.

Segment information of each reportable segment were reported and disclosed to the senior executive management in accordance with the accounting policies and the respective measurement bases. These accounting policies and measurement bases were the same as those used in for the preparation of the financial statements.

4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information (Continued)

Information regarding each reportable segment provided to the senior executive management was as follows:

- (a) Segment results, assets and liabilities

For the six months ended 30 June 2021 and as at that date, the segment results, assets and liabilities were as follows:

	Geophysics	Drilling engineering	Logging and mud logging	Special downhole operations	Engineering construction	Unallocated	Eliminated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the six months ended 30 June 2021 (Unaudited)								
Segment revenue and results								
Revenue from external customers	1,800,634	15,712,885	1,150,738	3,941,443	7,868,764	1,095,597	-	31,570,061
Inter-segment revenue	12,744	1,728,725	563,716	172,445	7,589	2,008,098	(4,493,317)	-
Reportable segment revenue	1,813,378	17,441,610	1,714,454	4,113,888	7,876,353	3,103,695	(4,493,317)	31,570,061
Reportable segment (loss)/profit	(19,982)	460,512	246,599	121,776	153,944	(306,408)	-	656,441
Other income	24,240	48,886	1,294	8,577	27,973	24,487	-	135,457
Other expenses	(2,795)	(1,270)	(2,991)	(1,202)	(7,334)	(102)	-	(15,694)
Profit/(Loss) before income tax	1,463	508,128	244,902	129,151	174,583	(282,023)	-	776,204
Income tax expense								(81,958)
Profit for the period								694,246

4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information (Continued)

(a) Segment results, assets and liabilities (Continued)

For the six months ended 30 June 2021 and as at that date, the segment results, assets and liabilities were as follows: (Continued)

	Geophysics	Drilling engineering	Logging and mud logging	Special downhole operations	Engineering construction	Unallocated	Eliminated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the six months ended 30 June 2021 (Unaudited)								
Supplementary information								
Depreciation and amortisation								
-- Property, plant and equipment	179,636	930,661	106,521	249,437	126,067	131,813	-	1,724,135
-- Other non-current assets	47,018	783,879	75,083	125,846	6,028	15,268	-	1,053,122
-- Intangible assets	9	40,701	720	3,755	4,454	2,674	-	52,313
Capital expenditure								
-- Property, plant and equipment	8,926	112,879	65,637	21,365	117,512	88,818	-	415,137
-- Intangible assets	-	-	-	-	-	1,434	-	1,434
(Reversal of)/Provision for ECL on trade receivables, net	(266)	(21,643)	294	8,389	(54,807)	3,863	-	(64,170)
Provision for/(Reversal of) ECL on other receivables, net	1,036	1,916	62	2,699	3,289	(2,927)	-	6,075
(Reversal of)/Provision for ECL on contract assets	(521)	4,358	4,385	2,007	6,933	291	-	17,453
As at 30 June 2021 (Unaudited)								
Assets								
Segment assets	3,723,539	39,221,203	3,779,683	6,533,605	21,629,673	30,042,031	(40,950,021)	63,979,713
Liabilities								
Segment liabilities	2,580,199	30,026,255	3,155,322	3,828,237	21,291,996	36,630,603	(40,950,021)	56,562,591

4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information (Continued)

(a) Segment results, assets and liabilities (Continued)

As at 31 December 2020 and for the six months ended 30 June 2020, the segment results, assets and liabilities were as follows:

	Geophysics	Drilling engineering	Logging and mud logging	Special downhole operations	Engineering construction	Unallocated	Eliminated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the six months ended 30 June 2020 (Unaudited)								
Segment revenue and results								
Revenue from external customers	1,829,604	16,999,910	1,144,021	3,784,880	6,826,902	847,120	-	31,432,437
Inter-segment revenue	2,034	867,745	468,092	144,207	20,759	713,140	(2,215,977)	-
Reportable segment revenue	1,831,638	17,867,655	1,612,113	3,929,087	6,847,661	1,560,260	(2,215,977)	31,432,437
Reportable segment (loss)/profit	(24,220)	881,502	135,169	130,755	19,681	(521,955)	-	620,932
Other income	4,255	93,177	2,396	6,141	38,022	18,155	-	162,146
Other expenses	(1,322)	(14,803)	(1,606)	(613)	(1,520)	(66)	-	(19,930)
(Loss)/Profit before income tax	(21,287)	959,876	135,959	136,283	56,183	(503,866)	-	763,148
Income tax expense								(154,593)
Profit for the period								608,555

4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information (Continued)

(a) Segment results, assets and liabilities (Continued)

As at 31 December 2020 and for the six months ended 30 June 2020, the segment results, assets and liabilities were as follows: (Continued)

	Geophysics	Drilling engineering	Logging and mud logging	Special downhole operations	Engineering construction	Unallocated	Eliminated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the six months ended 30 June 2020 (Unaudited)								
Supplementary information								
Depreciation and amortisation								
-- Property, plant and equipment	192,078	906,010	100,299	293,245	122,449	132,198	-	1,746,279
-- Other non-current assets	54,224	805,469	37,001	69,500	5,395	1,849	-	973,438
-- Intangible assets	9	41,187	678	3,989	3,714	1,694	-	51,271
Capital expenditure								
-- Property, plant and equipment	52,057	392,067	34,965	69,570	44,582	16,592	-	609,833
-- Long-term equity investments	-	-	-	8	-	-	-	8
Provision for/(Reversal of) ECL on trade receivables, net	4,453	22,802	286	12,547	(1,110)	(832)	-	38,146
Provision for/(Reversal of) ECL on other receivables, net	1,198	(2,001)	330	792	30,381	3,298	-	33,998
Provision for ECL on contract assets	169	364	1,050	2,334	2,192	201	-	6,310
As at 31 December 2020 (Audited)								
Assets								
Segment assets	4,354,278	39,531,252	2,551,384	6,437,288	20,325,162	27,486,627	(39,594,796)	61,091,195
Liabilities								
Segment liabilities	3,185,765	30,373,664	1,918,995	3,634,310	20,110,692	34,739,699	(39,594,796)	54,368,329

4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information (Continued)

(b) Geographical information

The following table presents the geographical information. Revenue is based on the location at which revenue were derived. Specified non-current assets include property, plant and equipment, other non-current assets, intangible assets, interests in joint ventures and interests in associates, which are based on the physical location of the assets.

	Revenue from external customers For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
The PRC	27,175,580	25,225,924
Middle East	3,369,391	4,270,277
Other countries	1,025,090	1,936,236
	31,570,061	31,432,437

	Specified non-current assets	
	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
The PRC	23,967,246	26,420,314
Other countries	4,850,320	4,449,925
	28,817,566	30,870,239

(c) Major customer

For the six months ended 30 June 2021 and 2020, revenue from customers which individually contributed over 10% of the Group's revenue is as follows:

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Customer A	20,581,901	18,434,828

Revenue from this customer was derived from the operating segments of geophysics, drilling engineering, logging and mud logging, special downhole operations and engineering construction accounted for 65% (2020: 59%) of the Group's revenue.

4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information (Continued)

(d) Analysis on revenue from contracts

For the six months ended 30 June 2021 and 2020, the Group derives revenue from the transfer of goods and service at a point in time and over time in the following customers' segment for geophysics, drilling engineering, logging and mud logging, special downhole operations and engineering construction service:

	Geophysics RMB'000	Drilling engineering RMB'000	Logging and mud logging RMB'000	Special downhole operations RMB'000	Engineering construction RMB'000	Unallocated RMB'000	Total RMB'000
For the six months ended 30 June 2021							
Timing of revenue recognition:							
– At a point in time	-	2,248	4,270	176	3,815	54,912	65,421
– Over time	1,800,634	15,710,637	1,146,468	3,941,267	7,864,949	1,040,685	31,504,640
Total	1,800,634	15,712,885	1,150,738	3,941,443	7,868,764	1,095,597	31,570,061
For the six months ended 30 June 2020							
Timing of revenue recognition:							
– At a point in time	169	10,442	5,919	235	21,122	269,596	307,483
– Over time	1,829,435	16,989,468	1,138,102	3,784,645	6,805,780	577,524	31,124,954
Total	1,829,604	16,999,910	1,144,021	3,784,880	6,826,902	847,120	31,432,437

5 FINANCE EXPENSES - NET

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Finance income		
Interest income		
- Sinopec Group's subsidiaries	560	778
- Third parties and other financial institutions	24,060	18,627
	<u>24,620</u>	<u>19,405</u>
Finance expenses		
Interest expenses on loans wholly repayable within 5 years		
- Sinopec Group and its subsidiaries	(278,688)	(404,381)
- Third parties and other financial institutions	(40,830)	(18,578)
Interest expenses on lease liabilities		
- Sinopec Group and its subsidiaries	(12,173)	(14,452)
- Associates and joint ventures of Sinopec Group	(10,073)	(31,909)
- Third parties	(8,928)	(7,530)
Exchange losses, net	(56,379)	(3,211)
Bank and other charges	(25,731)	(26,491)
	<u>(432,802)</u>	<u>(506,552)</u>
	<u>(408,182)</u>	<u>(487,147)</u>

6 REVERSAL OF/(PROVISION FOR) "ECL" – NET

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Reversal of/(Provision for) ECL on trade and other receivables, net	58,095	(72,144)
Provision for ECL on contract assets	(17,453)	(6,310)
	<u>40,642</u>	<u>(78,454)</u>

7 OTHER INCOME

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Gain on disposal of property, plant and equipment, net	4,420	2,906
Gain on disposal of other non-current assets, net	1,080	933
Government grants (Note)	74,824	99,239
Waived payables	14,511	5,873
Penalty income	494	1,149
Compensation received	6,055	6,053
Gain on debt restructuring	15,958	37,298
Others	18,115	8,695
	135,457	162,146

Note:

For the six months ended 30 June 2021 and 2020, government grants primarily represent financial appropriation income and non-income tax refunds received from respective government agencies without conditions or other contingencies attached to the receipts of the grants.

8 OTHER EXPENSES

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss on scraps of assets	-	751
Penalty	1,591	4,485
Compensation	2,689	3,909
Others	11,414	10,785
	15,694	19,930

9 PROFIT BEFORE INCOME TAX

Profit before income tax is stated after (crediting)/charging the followings:

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Staff costs, including directors and supervisors emoluments	6,914,213	6,754,339
Retirement benefit plan contribution (including in the above mentioned staff costs)		
— Municipal retirement scheme costs	699,978	372,719
— Supplementary retirement scheme costs	335,335	311,265
Share options granted to directors and employees (including in the above mentioned staff costs)	-	2,299
Changes in inventories of finished goods and work in progress	(54,505)	27,236
Raw materials and consumables used	8,873,355	12,654,392
Depreciation and amortisation		
— Property, plant and equipment	1,724,135	1,746,279
— Other non-current assets	1,053,122	973,438
— Intangible assets	52,313	51,271
Operating lease expenses		
— Short-term leases and leases with lease term shorter than 12 months	783,557	528,707
(Reversal of)/Provision for ECL - net		
— Trade and other receivables	(58,095)	72,144
— Contract assets	17,453	6,310
Rental income from property, plant and equipment after relevant expenses	(4,992)	(6,078)
Gain on disposal/write-off of property, plant and equipment, net	(4,420)	(2,906)
Gain on disposal/write-off of other non-current assets, net	(1,080)	(933)
Exchange losses, net	56,379	3,211
COVID-19 related rent concessions	174	-

10 INCOME TAX EXPENSE

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Current tax		
PRC enterprise income tax	68,550	19,502
Overseas enterprise income tax	15,915	136,961
	84,465	156,463
Deferred tax		
Reversal of temporary difference	(2,507)	(1,870)
Income tax expense	81,958	154,593

According to the Corporate Income Tax Law of the PRC, the applicable income tax of the six months ended 30 June 2021 and 2020 is 25%.

According to the normal statutory PRC corporate income tax and relevant rules, apart from a certain subsidiaries of the Company subjected to the relevant development zone policy or participation in technology development and the PRC's western development project can enjoy 15% preferential tax rate during the six months ended 30 June 2021 and 2020, the majority of the companies of the Group are subject to 25% income tax rate.

Taxes in other countries are calculated according to the tax laws where the related companies of the Group operate.

11 EARNINGS PER SHARE

(a) Basic

For the six months ended 30 June 2021 and 2020, the basic earnings per share is calculated by dividing the profit attributable to owners of the Company.

	For the six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Profit for the period attributable to owners of the Company (RMB'000)	694,246	608,555
Weighted average number of ordinary shares in issue (Shares)	18,984,340,033	18,984,340,033
Basic earnings per share (RMB)	0.037	0.032

(b) Diluted

For the six months ended 30 June 2021 and 2020, the diluted earnings per share was the same as the basic earnings per share as the exercise price of those share options is higher than the average market price for shares during the periods.

12 DIVIDENDS

The Board of Directors of the Company did not recommend the payment of any interim dividends for the six months ended 30 June 2021 (2020: Nil).

13 EMPLOYMENT BENEFITS

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Salaries, wages and other benefits	5,908,880	6,068,056
Retirement benefit plan contribution (note)		
— Municipal retirement scheme costs	669,978	372,719
— Supplementary retirement scheme costs	335,355	311,265
Share options granted to directors and employees (note 21)	-	2,299
	6,914,213	6,754,339

Note:

Retirement benefits

As stipulated by the regulations of the PRC, the Group participates in basic defined contribution retirement schemes organised by respective municipal government under which it is governed. As at 30 June 2021, the Group and the employees pay 16% and 8% (31 December 2020: 16% and 8%) of salary respectively to basic defined contribution plan.

In addition, the Group provides a supplementary defined contribution retirement plan for its staff at rates not exceeding 8% (31 December 2020: 8%) of the salaries. Employees who have served the Group for one year or more are entitled to participating in this plan. The funds of this plan are held separately from the Group in an independent fund administered by a committee consisting of representatives from the employees and the Group.

Those employees who involved supplementary retirement scheme are entitled to receive the pension in accordance with a certain percentage of the pre-retirement salary after retirement. The Group has no other material obligation for the payment of retirement benefits associated with these plans beyond Municipal retirement scheme and Supplementary retirement scheme.

14 PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 June 2021

	Buildings	Oil engineering equipment and others	Land	Prepaid land leases	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost						
Balance at 1 January 2021	2,574,128	63,146,900	229,773	136,660	356,026	66,443,487
Additions	48,846	71,585	55,291	-	175,391	351,113
Remeasurement of leases	52,374	2,670	8,980	-	-	64,024
Disposals/ Write-off	(125,565)	(347,742)	(17,762)	-	-	(491,069)
Transferred from construction in progress	-	195,228	-	-	(195,228)	-
At 30 June 2021	2,549,783	63,068,641	276,282	136,660	336,189	66,367,555
Accumulated depreciation						
Balance at 1 January 2021	978,471	39,361,809	99,134	28,305	-	40,467,719
Depreciation	144,536	1,553,992	24,060	1,547	-	1,724,135
Disposals/ Write-off	(57,182)	(334,336)	(10,311)	-	-	(401,829)
At 30 June 2021	1,065,825	40,581,465	112,883	29,852	-	41,790,025
Accumulated impairment loss						
Balance at 1 January 2021	8,436	1,319,930	-	-	71,734	1,400,100
Disposals/ Write-off	-	(839)	-	-	-	(839)
At 30 June 2021	8,436	1,319,091	-	-	71,734	1,399,261
Carrying amounts						
At 30 June 2021 (Unaudited)	1,475,522	21,168,085	163,399	106,808	264,455	23,178,269
At 31 December 2020 (Audited)	1,587,221	22,465,161	130,639	108,355	284,292	24,575,668

Note:

As at 30 June 2021, right-of-use assets with carrying amounts of RMB1,276,432,000 are included in property, plant and equipment (31 December 2020: RMB1,394,653,000).

	Carrying amounts		Depreciation
	As at 30 June 2021	As at 1 January 2021	During the six months ended 30 June 2021
	RMB'000	RMB'000	RMB'000
Buildings	476,223	561,175	117,569
Oil engineering equipment and others	530,002	594,484	113,564
Land	163,399	130,639	24,060
Prepaid land leases	106,808	108,355	1,547
	1,276,432	1,394,653	256,740

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

For the six months ended 30 June 2020

	Buildings	Oil engineering equipment and others	Land	Prepa id land leases	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost						
Balance at 1 January 2020	2,410,301	61,847,590	211,535	136,660	285,553	64,891,639
Additions	100,225	187,441	12,708	-	338,479	638,853
Remeasurement of leases	-	(29,020)	-	-	-	(29,020)
Disposals/ Write-off	(373)	(178,318)	-	-	-	(178,691)
Transferred from construction in progress	-	45,776	-	-	(45,776)	-
Reclassification	486	1,127	-	-	-	1,613
At 30 June 2020	<u>2,510,639</u>	<u>61,874,596</u>	<u>224,243</u>	<u>136,660</u>	<u>578,256</u>	<u>65,324,394</u>
Accumulated depreciation						
Balance at 1 January 2020	723,997	37,286,864	46,447	25,210	-	38,082,518
Depreciation	135,142	1,582,427	27,163	1,547	-	1,746,279
Disposals/ Write-off	(362)	(152,387)	-	-	-	(152,749)
At 30 June 2020	<u>858,777</u>	<u>38,716,904</u>	<u>73,610</u>	<u>26,757</u>	<u>-</u>	<u>39,676,048</u>
Accumulated impairment loss						
Balance at 1 January 2020	8,436	1,353,320	-	-	71,734	1,433,490
Disposals/ Write-off	-	(16,933)	-	-	-	(16,933)
At 30 June 2020	<u>8,436</u>	<u>1,336,387</u>	<u>-</u>	<u>-</u>	<u>71,734</u>	<u>1,416,557</u>
Carrying amounts						
At 30 June 2020 (Unaudited)	<u>1,643,426</u>	<u>21,821,305</u>	<u>150,633</u>	<u>109,903</u>	<u>506,522</u>	<u>24,231,789</u>

15 FINANCIAL ASSETS AT FVTOCI

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Financial assets at FVTOCI (non-recycling)		
Non-current asset:		
Equity securities – the PRC	<u>22,835</u>	<u>22,835</u>
Current assets:		
Notes receivables	<u>1,204,205</u>	<u>1,323,425</u>

Note:

- (a) Unlisted investments represent the Groups' equity interests in the unlisted entities in the PRC. They are mainly engaged in drilling and technical services operations.

The Group designated its investment in unlisted investment as financial assets at FVTOCI (non-recycling), as the investment is held for strategic purpose.

- (b) As at 30 June 2021, note receivables were classified as financial assets at FVTOCI, as the Group's business model is achieved both by collecting contractual cash flows and by selling of these assets.

All notes receivables of the Group are banks' acceptance notes and commercial acceptance bills usually collected within six months from the date of issue.

As at 30 June 2021 and 31 December 2020, none of the Group's notes receivables were pledged as collateral or overdue.

- (c) All financial assets at FVTOCI are denominated in RMB.

16 TRADE RECEIVABLES

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Trade receivables		
- Sinopec Group and its subsidiaries	2,603,413	2,364,781
- Joint ventures of the Group	3,712	5,249
- Joint ventures and associates of Sinopec Group	416,459	912,791
- Third parties	7,234,125	8,550,102
	<u>10,257,709</u>	<u>11,832,923</u>
Less: ECL allowance	(2,399,935)	(2,474,538)
Trade receivables - net	<u>7,857,774</u>	<u>9,358,385</u>

As at 30 June 2021 and 31 December 2020, the Group's trade receivables were approximately their fair values.

The Group usually provides customers with a credit term between 90 to 180 days. For the settlement of trade receivables from provision of services, the Group usually reaches an agreement on the term of each payment with the customer by taking into account factors such as, among other things, the credit history of the customer, its liquidity position and the Group's working capital needs, which varies on a case-by-case basis that requires the judgment and experience of the management. The Group does not hold any collateral as security.

Ageing analysis of trade receivables net of ECL allowance based on invoice date is as follows:

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Within 1 year	6,953,836	8,302,161
1 to 2 years	546,834	617,561
2 to 3 years	229,923	309,393
Over 3 years	127,181	129,270
	<u>7,857,774</u>	<u>9,358,385</u>

The movements of ECL allowance on trade receivables are as follows:

	2021 RMB'000	2020 RMB'000
At 1 January	2,474,538	2,513,990
ECL allowance	66,739	213,945
Reversal	(130,909)	(175,799)
Others	(10,433)	5,373
Receivables write-off as uncollectable	-	(153,900)
At 30 June (Unaudited)	<u>2,399,935</u>	<u>2,403,609</u>

17 PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Prepayments (note (a))	443,592	445,518
Other receivables (note (b))		
Petty cash funds	63,100	11,907
Guarantee deposits	1,366,589	1,326,522
Disbursement of funds	844,725	833,797
Temporary payment	829,357	622,405
Escrow payments	4,701	4,688
Deposits	35,346	44,539
Export tax refund receivables	10,389	22,213
Excess value-added tax paid	1,236,837	981,684
Value added tax to be certified	19,753	247,610
Prepaid value-added tax	853,051	761,948
Prepaid income tax	4,232	4,566
Others	501,135	378,069
	6,212,807	5,685,466
Less: ECL allowance	(766,417)	(761,013)
Prepayments and other receivables – net	5,446,390	4,924,453

Note:

- (a) As at 30 June 2021, the prepayments include related party balances: Sinopec Group and its subsidiaries amounting at RMB175,831,000 (31 December 2020: RMB136,002,000), the associates and joint ventures of Sinopec Group amounting to RMB2,000 (31 December 2020: Nil).
- (b) As at 30 June 2021, the other receivables include related party balances: Sinopec Group and its subsidiaries amounting at RMB220,497,000 (31 December 2020: RMB82,176,000), the joint ventures of the Group amounting at RMB301,000 (31 December 2020: RMB189,000) and the associates and joint ventures of Sinopec Group amounting to RMB536,135,000 (31 December 2020: RMB294,411,000).
- (c) The amounts due from related parties are unsecured, interest free and repayable on demand.
- (d) The carrying amounts of the Group's other receivables as at 30 June 2021 and 31 December 2020 approximately their fair values.

The movements of ECL allowance on prepayments and other receivables are as follows:

	2021 RMB'000	2020 RMB'000
At 1 January	761,013	710,685
ECL allowance	48,450	110,377
Reversal	(42,375)	(76,379)
Others	(671)	-
At 30 June (Unaudited)	766,417	744,683

18 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Contract assets arising from construction and service contracts	17,969,835	11,723,048
Less: ECL allowance	(121,454)	(104,447)
	17,848,381	11,618,601

Typical payment terms which impact on the amount of contract assets recognised are as follows:

The Group's construction and service contracts include payment schedules which require progress payments over the construction period once certain specified milestones are reached. Approximate 5% of progress billings of engineering construction service would be retained as quality guarantee. This amount is included in contract assets and the Group's entitlement to this final payment until the end of guarantee period.

The amount of contract assets that is expected to be recovered after more than one year is RMB404,822,000 (31 December 2020: RMB185,358,000).

(b) Contract liabilities

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Contract liabilities arising from construction and service contracts	1,964,150	3,024,461

The balance of contract liabilities as at 1 January 2021 is RMB3,024,461,000, in which RMB2,222,292,000 was recognised as revenue during the period.

Unsatisfied performance obligation:

The group has signed engineering service contracts with several customers to provide petroleum engineering and technical service and construction engineering contracts, which will be completed within the agreed period and regarded as a single performance obligation as a whole. As at 30 June 2021, part of the Group's petroleum engineering and technical service and construction engineering contracts were still in the process, and the total transaction price apportioned to the unsatisfied performance obligation was RMB30.6 billion (31 December 2020: RMB21.53 billion), the amount of which was related to the progress of the performance of each contract, and will be recognised as revenue in accordance with the percentage of work performed in the future, which is expected to be completed in the coming 60 months.

19 INVENTORIES

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Raw materials	829,598	916,767
Finished goods	63,303	68,039
Work in progress	16,807	66,577
Turnover materials	15,043	15,079
	924,751	1,066,462
Less: Provision for impairment/write off	(39,919)	(40,497)
	884,832	1,025,965

For the periods ended 30 June 2021 and 2020, cost of inventories recognised as expenses and included in “cost of sales” amounting to RMB8,818,850,000 and RMB12,681,628,000 respectively. For the six months ended 30 June 2021, no provision for inventories (for the six months ended 30 June 2020: Nil) was made to write down inventories to their net realisable values and the inventories were written off of RMB578,000 (31 December 2020: RMB19,124,000).

20 SHARE CAPITAL

	As at 30 June 2021		As at 31 December 2020	
	Number of shares (Share)	Share capital RMB'000 (Unaudited)	Number of shares (Share)	Share capital RMB'000 (Audited)
Registered, issued and paid:				
- Domestic non-public legal person shares of RMB1.00 each	11,786,045,218	11,786,046	11,786,045,218	11,786,046
- Social public A shares of RMB1.00 each	1,783,333,333	1,783,333	1,783,333,333	1,783,333
- H shares of RMB1.00 each	5,414,961,482	5,414,961	5,414,961,482	5,414,961
	18,984,340,033	18,984,340	18,984,340,033	18,984,340

21 SHARE-BASED PAYMENTS

Pursuant to the resolution of the fourteen meeting of the eighth session of the Board of Directors of the Company on 1 November 2016, the proposal regarding “the Adjustment of the List of Participants and the Number of the Share Options under the Proposed Grant of the Share Option Incentive Scheme” and the proposal regarding “the Proposed Grant under Share Option Incentive Scheme” was approved.

According to the Company’s share option incentive scheme, the grant date of share options was 1 November 2016, and there were a total of 49,050,000 share options granted to 477 participants (0.3469% of the total ordinary share capital issued). Each share option has a right to purchase an ordinary A share listed in PRC on vesting date at an exercise price of RMB5.63 under vesting conditions. The options are exercisable starting two years from the grant date, subject to the following vesting conditions:

- (i) achieving compound annual growth rate of no less than 6% in profit before income tax for 2017, 2018 and 2019, respectively based on the profit before income tax of 2015;
- (ii) ratio of earnings before interest, tax, depreciation and amortisation to net asset of the Group should be no less than 32% for 2017, 2018 and 2019 in respect to the three vesting periods;
- (iii) the above (i) and (ii) conditions should be no lower than the 75% level of peer companies; and
- (iv) the performance of the indicator for economic value added has reached the target set by the Sinopec Group for 2017, 2018 and 2019, and the changes of economic value added should be large than zero.

As at 30 June 2021, the outstanding share options which will expire in twelve months after the vesting dates and their exercise prices are as follows:

Vesting date	Exercise price (per share in RMB)	Outstanding shares options
1 November 2020	5.63	17,084,000

The total fair value of share options at the grant date was RMB54,229,200 for 49,050,000 share options, which has been valued by an external valuation expert using Black-Scholes valuation model. At 30 June 2021, 17,084,000 share options with a total fair value of RMB22,067,000 at the grant date have not been exercised.

The movement of share options are as follows:

	No. of share options
Outstanding shares at 31 December 2019, 1 January 2020, 31 December 2020, 1 January 2021 and 30 June 2021	17,084,000

21 SHARE-BASED PAYMENTS (CONTINUED)

The significant inputs into the model were as follows:

	Granting date
Spot share price	RMB3.96
Exercise price	RMB5.63
Expected volatility	46.17%
Maturity (years)	3-5 years
Risk-free interest rate	2.34% - 2.45%
Expected dividend yield	0%

No share-based payment have been recognised in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2021 (For the six months ended 30 June 2020: RMB2,299,000). For the six months ended 30 June 2021, no share option had been exercised.

As at 30 June 2021, under the current capital structure, fully exercise of the outstanding shares will lead to issue of 17,084,000 (31 December 2020: 17,084,000) extra ordinary A share and increase in share capital of RMB17,084,000 (31 December 2020: RMB17,084,000), before issue expenses.

22 NOTES AND TRADE PAYABLES

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Trade payables		
- Sinopec Group and its subsidiaries	1,920,895	1,146,343
- Joint ventures of the Group	89,493	18,322
- Joint ventures and associates of Sinopec Group	610	7,204
- Third parties	17,476,649	19,325,640
	19,487,647	20,497,509
Notes payables	9,776,006	6,305,228
	29,263,653	26,802,737

As at 30 June 2021 and 31 December 2020, the carrying amount of Group's notes and trade payables were approximately their fair values.

Ageing analysis of notes and trade payables based on invoice date is as follows:

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Within 1 year	28,694,253	26,219,667
1 and 2 years	265,117	277,441
2 and 3 years	102,885	96,699
Over 3 years	201,398	208,930
	29,263,653	26,802,737

23 OTHER PAYABLES

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Salaries payables	486,711	498,071
Other tax payables	200,884	457,761
Interest payables (note (a))	3,543	17,458
Other payables (note (b))		
Guarantee deposits	556,346	489,083
Deposits	165,125	126,570
Disbursement of funds	835,974	558,073
Temporary receipts	291,190	117,080
Escrow payments	61,738	43,776
Withheld payments	93,550	54,411
Others	408,960	289,965
	3,104,021	2,652,248

Notes:

- (a) As at 30 June 2021, the interest payables include related party balances with Sinopec Group and its subsidiaries amounting at RMB14,947,000 (31 December 2020: RMB16,594,000).
- (b) As at 30 June 2021, the other payables include related party balances with Sinopec Group and its subsidiaries amounting at RMB12,682,000 (31 December 2020: RMB26,233,000), associates of the Group amounting to RMB470,000 (31 December 2020: 2,688,000).
- (c) The above amounts due to related parties are unsecured, interest free and repayable on demand.

24 BORROWINGS

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Current liabilities		
Loans from Sinopec Finance Company Limited (note (a))	6,390,000	6,400,000
Loans from Sinopec Century Bright Capital Investment Limited (note (a))	1,866,969	1,970,520
Loans from Sinopec Group (note (a))	11,600,000	11,000,000
Lease liabilities (note (b))	396,399	356,647
	20,253,368	19,727,167
Non-current liabilities		
Bank borrowings (note (a))	574,949	580,716
Lease liabilities (note (b))	769,517	904,069
	1,344,466	1,484,785
	21,597,834	21,211,952

Notes:

(a) The borrowings of the Group are repayable as follows:

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Within 1 year	19,856,969	19,370,520
1 to 2 years	574,949	580,716
	20,431,918	19,951,236

As at 30 June 2021, annual interest rates of credit loans from related parties and bank ranged from 1.43% to 3.92% (31 December 2020: 1.42% to 3.92%).

24 BORROWINGS (CONTINUED)

(b) Lease liabilities

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Total minimum lease payments		
- Within 1 year	413,771	372,436
- 1 to 2 years	377,244	177,417
- 2 to 5 years	425,724	637,027
- Over 5 years	50,589	331,542
	1,267,328	1,518,422
Future finance charges on lease liabilities	(101,412)	(257,706)
Present value of lease liabilities	1,165,916	1,260,716

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Present value of minimum lease payments:		
- Within 1 year	396,399	356,647
- 1 to 2 years	350,933	161,987
- 2 to 5 years	387,015	530,767
- Over 5 years	31,569	211,315
	1,165,916	1,260,716
Less: Portion due within one year included under current liabilities	(396,399)	(356,647)
Portion due after one year included under non-current liabilities	769,517	904,069

As at 30 June 2021, the Group leases various residential properties, office and equipment. The leases run for an initial period of 1 to 30 years (31 December 2020: 1 to 29 years), with an option to renew the leases and renegotiate the terms at the expiry date or at dates mutually agreed between the Group and respective landlords/lessors.

For the six months ended 30 June 2021, total cash outflow for the lease payment is RMB1,288,228,000 (30 June 2020: RMB757,471,000).

25 COMMITMENTS

(a) Capital commitments

Capital commitments for the purchase of property, plant and equipment outstanding as at 30 June 2021 and 31 December 2020 are as follows:

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Contracted but not provided for	144,565	180,023

(b) Lease commitments

The lease commitments for short-term leases as at 30 June 2021 and 31 December 2020 are as follows:

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Within 1 year	208,959	337,451

As at 30 June 2021 and 31 December 2020, the Group leases various residential properties, office and equipment with a lease period of 6 to 12 months, which are qualified to be accounted for under short-term lease exemption under IFRS 16.

(c) Investment commitments

As at 30 June 2021, the Group has outstanding commitments of RMB129,625,000 (31 December 2020: RMB129,625,000) in respect of its investment in joint ventures.

(d) Fulfillment of commitments for the previous period

The Group has fulfilled the capital and operating lease commitments as at 30 June 2021.

26 CONTINGENCIES

In preparing this interim financial information, except for described below, there were no further developments of those contingencies as at 30 June 2021, which were disclosed in the 2020 annual report.

Foreign tax penalties

On 7 February 2014, Federal Tax Administration of Rio de Janeiro conducted a tax audit on Sinopec (Brazil) Co., Ltd., an indirectly wholly-owned overseas subsidiary of the Company (the “Brazilian Subsidiary”). On 11 February 2014, the Brazilian subsidiary received a notice of the tax payments and penalties from Federal Tax Administration of Rio de Janeiro with total amount of BRL80,459,100, including tax of BRL36,467,100, interest of BRL13,929,800 and tax penalties of BRL30,062,200. According to the legal opinion of the Brazilian subsidiary, on 10 March 2014, the Brazilian subsidiary has administratively replied to such tax penalties and no final results can be predicted. Even if Federal Tax Administration of Rio de Janeiro has made unfavorable decision against the Brazilian subsidiary, the Brazilian subsidiary still has the right for the administrative legal proceedings to the local court.

On 30 December 2019, the Brazilian subsidiary received an administrative second-level review notice, which approved some project expenditures, and the tax penalty had been revised to BRL73,195,500. On 13 January 2020, the Brazilian subsidiary had filed a new administrative review. Later, due to Federal Tax Administration of Rio de Janeiro failure to implement legal procedures and the consideration of COVID-19, the time for filing a three-level administrative review was changed to 29 August 2020.

At the end of March 2021, the Brazilian subsidiary received a three-level tax review notice, which maintained the result of second-level review. After the three-level administrative review, the Brazilian subsidiary can resolve the dispute through filing an administrative lawsuit in the local court.

In March 2021, the Federal Tax Administration of Rio de Janeiro issued a special policy for companies under judicial reorganisation to handle tax payment. The maximum exemption amount is 70% of the total tax amounts, which can be paid in multiple instalments. The deadline for application is 30 September 2021. Up to now, there is no latest development after the three-level administrative review. Since the total tax amounts are not predictable, the Group did not provide the provision of such incident.

27 SIGNIFICANT RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. The Group is subject to the control of the PRC government which also controls a significant portion of the productive assets and entities in the PRC (collectively known as the “state-owned enterprises”).

In accordance with IAS 24 “Related party disclosures”, other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC government are regarded as related parties of the Group (“other state-owned enterprises”). For the purpose of related party disclosures, the Group has in place procedures to identify the immediate ownership structure of its customers and suppliers to determine whether they are state-owned enterprises. Many state-owned enterprises have multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatisation programs. Nevertheless, management believes that meaningful information relating to related party transaction has been adequately disclosed.

In addition to the related party transactions and balances shown elsewhere in this interim financial information, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, including other state-owned enterprises, for the six months ended 30 June 2021 and 2020.

The transactions with related parties are carried out on normal commercial terms or relevant agreements with counter parties in the ordinary course of business.

The majority of these significant related party transactions with Sinopec Group and its fellow subsidiaries also constitute continuing connected transactions as defined under Chapter 14A of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

27 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

- (a) Significant related party transactions arising with Sinopec Group and its subsidiaries and fellow subsidiaries:

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Purchases of materials		
- Sinopec Group and its subsidiaries	<u>4,141,305</u>	<u>4,648,267</u>
Sales of products		
- Sinopec Group and its subsidiaries	<u>11,013</u>	<u>46,813</u>
Rendering of engineering services		
- Sinopec Group and its subsidiaries	<u>20,537,866</u>	<u>18,343,386</u>
Receiving of community services		
- Sinopec Group and its subsidiaries	<u>5</u>	<u>218,937</u>
Receiving of integrated services		
- Sinopec Group and its subsidiaries	<u>235,969</u>	<u>86,542</u>
Rendering of integrated services		
- Sinopec Group and its subsidiaries	<u>-</u>	<u>407</u>
Rendering of technology research and development services		
- Sinopec Group and its subsidiaries	<u>31,870</u>	<u>43,936</u>
Rental income – Buildings		
- Sinopec Group and its subsidiaries	<u>918</u>	<u>286</u>
Rental income – Equipment		
- Sinopec Group and its subsidiaries	<u>234</u>	<u>-</u>
Lease payment – Lands and buildings		
- Sinopec Group and its subsidiaries	<u>99,673</u>	<u>90,292</u>
Lease payment – Equipment		
- Sinopec Group and its subsidiaries	<u>96,943</u>	<u>-</u>
Deposits interest income		
- Sinopec Group's subsidiaries	<u>560</u>	<u>778</u>
Loans interest expenses		
- Sinopec Group and its subsidiaries	<u>278,688</u>	<u>404,381</u>
Interest expenses on lease liabilities		
- Sinopec Group and its subsidiaries	<u>12,173</u>	<u>14,452</u>
Borrowings obtained		
- Sinopec Group and its subsidiaries	<u>29,118,868</u>	<u>26,309,046</u>

27 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

- (a) Significant related party transactions arising with Sinopec Group and its subsidiaries and fellow subsidiaries: (Continued)

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Borrowings repaid		
- Sinopec Group and its subsidiaries	28,632,419	25,660,652
Safety and insurance fund expenses		
- Sinopec Group	37,800	38,080
Safety and insurance fund refund		
- Sinopec Group	52,118	61,178

- (b) Significant related party transactions arising with the associates and joint ventures of the Group:

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Rendering of engineering services		
- Associates and joint ventures of the Group	172	78,222
Receiving of engineering services		
- Associates and joint ventures of the Group	954,509	807,212
Lease payment – Lands and buildings		
- Associates and joint ventures of the Group	780	-

27 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

- (c) Significant related party transactions arising with the associates and joint ventures of Sinopec Group:

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Purchases of materials		
- Associates and joint ventures of Sinopec Group	104,267	91,438
Rendering of engineering services		
- Associates and joint ventures of Sinopec Group	1,503,582	50,054
Receiving of integrated services		
- Associates and joint ventures of Sinopec Group	70,631	74,566
Lease payment – Equipment		
- Associates and joint ventures of Sinopec Group	64,711	-
Interest expenses on lease liabilities		
- Associates and joint ventures of Sinopec Group	10,073	31,909

- (d) Remuneration of key management personnel

Key management includes directors, supervisors, president, vice presidents, chief financial officer and secretary to the Board of Directors. The compensation paid or payable to key management form employee services is shown below:

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Fee	300	350
Salaries, allowances and bonus	6,599	5,332
Contributions to pension plans	283	210
Share-based payments	-	37
	7,182	5,929

- (e) Provision for counter guarantee

As at 30 June 2021, the Group has provided the counter guarantee to Sinopec Group, amounting to RMB500,000,000 (30 June 2020: RMB500,000,000). The counter guarantee will be ended in November 2021.

28 FAIR VALUE

Other than noted as below, the carrying value of the Group's financial assets and liabilities stated at the consolidated statement of financial position are not materially different from their fair values.

Fair value is the price that would be received to sell assets or paid to transfer liabilities in an orderly transaction between market participants at the measurement date. The Group discloses fair value measurements of financial instruments by level of the following fair value measurement hierarchy:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

- (a) Recurring fair value measurement of the Group's financial assets measured at fair value
The financial assets measured at fair value in the consolidated statement of financial position on a recurring basis are grouped into their fair value hierarchy as follows:

	Level 3	
	As at	As at
	30 June 2021	31 December
	RMB'000	2020
	(Unaudited)	(Audited)
Financial assets at FVTOCI		
(non-recycling)		
- Unlisted equity investments	22,835	22,835
Financial assets at FVTOCI		
- Notes receivables	1,204,205	1,323,425
	<u>1,227,040</u>	<u>1,346,260</u>

28 FAIR VALUE (CONTINUED)

- (a) Recurring fair value measurement of the Group's financial assets measured at fair value (Continued)

The reconciliation of the carrying amounts of assets classified within Level 3 of the fair value hierarchy is as follows:

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Opening balance	1,346,260	1,479,236
Addition/(settlement), net	(119,230)	(122,964)
Movement in fair value recognised in other comprehensive income	10	(10,012)
Closing balance	<u>1,227,040</u>	<u>1,346,260</u>

The fair value of the unlisted equity investment and notes receivables is measured using valuation techniques with reference to the net asset value, asset-based valuation and discounted cash flow, where appropriate. The Directors believe that the change in fair value (which is included in other comprehensive income) derived from the valuation technique is reasonable and is the most appropriate value at the end of the reporting period. There have been no transfers into or out of Level 3 during the six months period ended 30 June 2021 (2020: Nil):

- (b) Fair values of financial assets and liabilities carried at other than fair value
- The carrying value of the Group's financial instruments carried at amortised cost are not materially different from fair value as at 30 June 2021 and 31 December 2020.

7.2 Interim financial report prepared in accordance with the PRC ASBE

The following financial information has been extracted from the Company's unaudited interim financial report, prepared in accordance with the PRC ASBE, for the six months ended 30 June 2021.

Consolidated balance sheets

(Expressed in thousands of Renminbi Yuan)

	30 June 2021	31 December 2020
Assets		
Current assets:		
Cash at bank and on hand	1,502,164	1,551,458
Accounts receivable	7,857,774	9,358,385
Receivable at FVTOCI	1,204,205	1,323,425
Prepayments	439,728	441,654
Other receivables	2,876,495	2,464,362
Inventories	1,315,159	1,033,678
Contract assets	17,418,054	11,610,888
Other current assets	2,113,873	1,995,808
Total current assets	34,727,452	29,779,658
Non-current assets:		
Long-term equity investments	46,196	43,046
Other equity instrument investments	22,835	22,835
Fixed assets	21,651,937	22,939,838
Construction in progress	264,455	284,292
Right-of-use assets	1,169,624	1,265,583
Intangible assets	452,540	504,966
Long-term prepaid expenses	5,249,108	5,855,143
Deferred tax assets	395,566	395,834
Total non-current assets	29,252,261	31,311,537
Total assets	63,979,713	61,091,195

Consolidated balance sheets (continued)
(Expressed in thousands of Renminbi Yuan)

Liabilities and shareholders' equity

	30 June 2021	31 December 2020
Current liabilities:		
Short-term loans	19,856,969	19,370,520
Bills payable	9,776,006	6,305,228
Accounts payable	19,487,647	20,497,509
Contract liabilities	1,964,150	3,024,461
Employee benefits payable	486,711	498,071
Taxes payable	444,919	724,389
Other payables	2,366,480	1,675,104
Non-current liabilities due within one year	396,399	356,747
Total current liabilities	54,779,281	52,452,029
Non-current liabilities:		
Long-term loans	574,949	580,716
Lease liabilities	766,717	898,469
Long-term payables	52,746	26,812
Provisions	364,584	382,646
Deferred income	13,618	14,186
Deferred income tax liabilities	10,696	13,471
Total non-current liabilities	1,783,310	1,866,300
Total liabilities	56,562,591	54,368,329
Equity:		
Share capital	18,984,340	18,984,340
Capital reserve	11,717,773	11,717,773
Other comprehensive income	-2,014	-2,014
Specific reserve	584,211	258,523
Surplus reserve	200,383	200,383
Retained earnings	-24,067,571	-24,436,139
Total equity attributable to owners of the Company	7,417,122	6,722,866
Non-controlling interests	-	-
Total equity	7,417,122	6,722,866
Total liabilities and equity	63,979,713	61,091,195

Consolidated income statements*(Expressed in thousands of Renminbi Yuan)*

	For the six months ended	
	30 June	
	2021	2020
1.Revenue	31,570,061	31,432,437
Less: Cost of sales	29,497,628	28,654,955
Taxes and surcharges	105,875	104,874
Selling and distribution expenses	34,037	28,878
General and administrative expenses	888,531	1,150,692
Research and development expenses	349,034	619,803
Finance costs	408,182	487,147
Including: Interest expense	350,692	476,850
Interest income	24,620	19,405
Add: Other income	78,231	102,783
Investment income (“-” for losses)	19,295	40,318
Including: Share of profit of associates and joint ventures	3,337	3,020
Credit impairment losses (“-” for losses)	40,642	-78,454
Gains from disposal of non-current asset (“-” for losses)	5,500	3,839
2.Operating profit (“-” for losses)	430,442	454,574
Add: Non-operating income	35,768	18,226
Less: Non-operating expenses	15,694	19,930
3.Profit before income tax (“-” for losses)	450,516	452,870
Less: Income tax expenses	81,958	154,593
4.Net profit for the period (“-” for losses)	368,558	298,277
Profit for the period attributable to:		
- Owners of the company	368,558	298,277
- Non-controlling interests	-	-
5.Earnings per share(“-” for losses):		
Basic earnings per share (in RMB)	0.019	0.016
Diluted earnings per share (in RMB)	0.019	0.016
6.Other comprehensive income for the period	10	-
7.Total comprehensive income for the period	368,568	298,277
Total comprehensive income for the period attributable to:		
- Owners of the Company	368,568	298,277
- Non-controlling shareholders	-	-

Consolidated cash flow statement
(Expressed in thousands of Renminbi Yuan)

	For the six months ended	
	30 June	
	2021	2020
1. Cash flows from operating activities:		
Cash received from sale of goods and rendering of services	26,379,564	24,396,686
Refund of taxes	61,071	123,463
Cash received from other operating activities	746,831	1,188,900
Sub-total of cash inflows	27,187,466	25,709,049
Cash paid for goods and services	18,391,038	16,720,151
Cash paid to and for employees	6,990,261	6,375,609
Cash paid for all types of taxes	570,397	581,865
Cash paid relating to other operating activities	876,909	1,750,166
Sub-total of cash outflows	26,828,605	25,427,791
Net cash inflow from operating activities	358,861	281,258
2. Cash flows from investing activities:		
Cash received from investment	10	-
Cash received from the investment income	690	1,646
Net cash received from disposal of fixed assets	17,184	17,152
Sub-total of cash inflows	17,884	18,798
Cash paid for acquisition of fixed assets, intangible assets and other long term assets	408,516	458,057
Cash paid for the investments	-	8
Sub-total of cash outflows	408,516	458,065
Net cash inflow from investing activities (“-” for outflow)	-390,632	-439,267
3. Cash flows from financing activities:		
Cash received from borrowings	29,118,868	26,840,429
Sub-total of cash inflows	29,118,868	26,840,429
Cash paid for repayments of borrowings	28,611,789	25,660,652
Cash paid for distribution of dividend, profit or payments of interests	299,675	456,468
Cash paid for other financing activities	198,137	199,755
Sub-total of cash outflows	29,109,601	26,316,875
Net cash inflow from financing activities	9,267	523,554
4. Effect of foreign exchange rate changes on cash and cash equivalents	-6,704	-18,107
5. Net (decrease)/increase in cash and cash equivalents	-29,208	347,438
Add: Cash and cash equivalents at the beginning of the period	1,523,352	1,650,732
6. Cash and cash equivalents at the end of the period	1,494,144	1,998,170

Consolidated Statement of changes in equity
(Expressed in thousands of Renminbi Yuan)

Items	Share capital	Capital reserve	Other comprehensive income	Specific reserve	Surplus reserve	(Accumulated losses)/Retained earnings	Non-controlling interests	Total equity
Balance at 31 December 2020	18,984,340	11,717,773	-2,014	258,523	200,383	-24,436,139	-	6,722,866
Add: Changes in accounting policies	-	-	-	-	-	-	-	-
Adjustment for the business combination under common control	-	-	-	-	-	-	-	-
Balance at 1 January 2021	18,984,340	11,717,773	-2,014	258,523	200,383	-24,436,139	-	6,722,866
Changes during the period (decrease in "-")	-	-	-	325,688	-	368,568	-	694,256
Total comprehensive income	-	-	10	-	-	368,558	-	368,568
Increase or decrease of capital	-	-	-	-	-	-	-	-
Transfer of equity	-	-	-	-	-	-	-	-
Transfer of other comprehensive income reserve	-	-	-10	-	-	10	-	-
Net loss	-	-	-	-	-	-	-	-
Distribution of profits	-	-	-	-	-	-	-	-
Specific reserve-provided during the period	-	-	-	568,834	-	-	-	568,834
Specific reserve-used during the period (expressed in "-")	-	-	-	-243,146	-	-	-	-243,146
Balance at 30 June 2021	18,984,340	11,717,773	-2,014	584,211	200,383	-24,067,571	-	7,417,122
Balance at 31 December 2019	18,984,340	11,714,581	6,447	373,238	200,383	-24,515,117	-	6,763,872
Adjustment for the business combination under common control	-	-	-	-	-	-	-	-
Balance at 1 January 2020	18,984,340	11,714,581	6,447	373,238	200,383	-24,515,117	-	6,763,872
Changes during the period (decrease in "-")	-	2,299	-	310,278	-	298,277	-	610,854
Total comprehensive income	-	-	-	-	-	298,277	-	298,277
Increase or decrease of capital	-	2,299	-	-	-	-	-	2,299
Transfer of equity	-	-	-	-	-	-	-	-
Net loss	-	-	-	-	-	-	-	-
Distribution of profits	-	-	-	-	-	-	-	-
Specific reserve-provided during the period	-	-	-	551,604	-	-	-	551,604
Specific reserve-used during the period (expressed in "-")	-	-	-	-241,326	-	-	-	-241,326
Balance at 30 June 2020	18,984,340	11,716,880	6,447	683,516	200,383	-24,216,840	-	7,374,726

7.3 Reconciliation statement of differences in the financial statements prepared under different GAAPs

The difference between the financial statements prepared under the IFRS and PRC ASBE on net profit and net assets are as follows:

	Net profit attributable to equity shareholders of the Company		Net assets attributable to equity shareholders of the Company	
	For the six months ended 30 June		At 30 June 2021	At 1 January 2021
	2021	2020		
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts under PRC ASBE	368,558	298,277	7,417,122	6,722,866
Adjustments under IFRS:	-	-	-	-
Specific reserve (a)	325,688	310,278	-	-
Amounts under IFRS	694,246	608,555	7,417,122	6,722,866

a. Specific reserve

Under PRC ASBE, accrued production safety fund is recognised as expenses in profit or loss and separately recorded as a specific reserve in shareholders' equity according to the national regulation. As using production safety fund, if it is profit or loss related, the cost of expenditure is directly charged against the specific reserves. While if it is capital expenditure related, the cost of fixed asset is offset against the specific reserves and the same amount of accumulated depreciation is recognised, then the fixed asset is no longer depreciated in its useful life.

8. OTHER EVENTS

8.1 Compliance with the Corporate Governance Code

For the six months ended 30 June 2021, the Company has complied with all the code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules, except that:

Pursuant to the Code provision A.5.1, a listed issuer should establish a nomination committee. As at the end of reporting period, the Company has not set up a nomination committee. Nonetheless, the requirements for nomination of directors are set out in detail in the Articles of Association of the Company. Pursuant to the Articles of Association, the candidates for independent directors may be nominated by the Board, the Supervisory Committee, or shareholders holding individually or collectively more than one per cent of the issued shares of the Company. The candidates for the remaining directors shall be nominated by the Board, the Supervisory Committee, or shareholders holding individually or collectively more than three per cent of the issued shares of the Company. The Company is of the view that such nomination procedures of the candidates for directorship will better serve the operation needs of the Company. Directors of the Company shall be elected at general meeting of the Company for a term of office of not more than three years. Upon expiration of his term, each Director shall be entitled to be re-elected.

8.2 Compliance with the Model Code

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. Upon specifically inquires of all the Directors, Supervisors and Senior Management, the Company confirms that its Directors, Supervisors and Senior Management have fully complied with the standards as set out in the Model Code during the reporting period.

8.3 Purchase, sale or redemption of the Company's listed securities

During the reporting period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

By order of the Board
Shen Zehong
Company Secretary

25 August 2021
Beijing, The PRC

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 Director

+ Non-Executive Director

** Independent Non-Executive Director*