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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 on Annual Results in 2021

The Board of Directors (**“the Board”**) and the Supervisory Committee of Sinopec Oilfield Service Corporation (**“the Company”**) 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. The content of the annual results is extracted from the 2021 annual report (the **“Annual Report”**). In order to understand the full content, the investors should read the Annual Report for more details.

The Board of the Company has pleasure in presenting the audited annual results of the Company and its subsidiaries (**“the Group”**) for the year ended 31 December 2021.

1. COMPANY PROFILE

- | | |
|-----------------------------------|--|
| (1). Legal name: | 中石化石油工程技術服務股份有限公司 |
| English name: | Sinopec Oilfield Service Corporation |
| Chinese abbreviation: | 石化油服 |
| Abbreviation: | SSC |
| (2). Legal representative: | Mr. Chen Xikun |
| (3). Registered address: | 22#, Chaoyangmen North Street, Chaoyang District, Beijing,
P.R. China |
| Office address: | 9#, Jishikou Road, Chaoyang District, Beijing, P.R. China |
| Postal code: | 100728 |
| Telephone: | 86-10-59965998 |
| Fax: | 86-10-59965997 |
| Internet website: | http://ssc.sinopec.com |
| E-mail: | ir.ssc@sinopec.com |

- (4). **Secretary to the Board:** Mr. Cheng Zhongyi
Company Secretary /
Securities affairs representative: Mr. Shen Zehong
Address: 9#, Jishikou Road, Chaoyang District, Beijing, P.R. China
The Office of the Board of Director
Telephone: 86-10-59965998
Fax: 86-10-59965997
E-mail: ir.ssc@sinopec.com
- (5). **Domestic newspapers to disclose information:** China Securities, Shanghai Securities News, and Securities Times
- Internet website designated by HKSE to disclose information:** <http://www.hkexnews.hk>
- Internet website designated by the China Securities Regulatory Commission ("CSRC") to publish the annual report:** <http://www.sse.com.cn>
- Place where the annual report available for inspection:** The Office of the Board of Director of the Company.
- (6). **Places of listing, names and codes of the stock:**
- | | |
|-------------|--|
| H share: | The Stock Exchange of Hong Kong Limited (“HKSE” or “Hong Kong Stock Exchange”) |
| Stock name: | SSC |
| Stock code: | 1033 |
| A Share: | Shanghai Stock Exchange (“SSE”) |
| Stock name: | SSC |
| Stock code: | 600871 |

2. PRINCIPAL FINANCIAL INFORMATION AND FINANCIAL INDICATORS

(1) Extracted from the financial statements prepared in accordance with International Financial Reporting Standards ("IFRS")

Unit: RMB'000

	As at 31 December				
	2021	2020	2019	2018	2017 (Restated)
Total assets	64,052,447	61,091,195	62,069,378	60,904,715	62,089,315
Total liabilities	57,190,930	54,368,329	55,305,506	55,126,305	64,190,633
Equity attributable to owners of the Company	6,861,517	6,722,866	6,763,872	5,778,410	(2,099,946)
Net assets per share attributable to owners of the Company (RMB)	0.36	0.35	0.36	0.30	(0.15)
Equity ratio of owners	10.71%	11.00%	10.90%	9.49%	(3.38%)
Return on net assets	2.05%	(0.53%)	14.59%	4.16%	(503.02%)
	For the year ended 31 December				
	2021	2020	2019	2018	2017 (Restated)
Revenue	69,533,053	68,073,394	69,870,147	58,409,078	48,593,948
Profit/(Loss) before income tax	451,181	233,339	1,428,397	613,769	(10,324,177)
Income tax expense	310,731	269,076	441,524	373,581	239,034
(Loss) / profit attributable to owners of the Company	140,450	(35,737)	986,873	240,188	(10,563,211)
Basic and diluted (loss)/ earnings per share(RMB)	0.007	(0.002)	0.052	0.013	(0.747)

(2) Extracted from the financial statements prepared in accordance with the PRC Accounting Standards for Business Enterprises (“PRC ASBE”)

2.1 Principal financial information

Unit: RMB'000

	For the year ended 31 December 2021	For the year ended 31 December 2020	Increase/ (Decrease) (%)	For the year ended 31 December 2019
Operating income	69,533,053	68,073,394	2.1	69,870,147
Operating profit	347,678	283,335	22.7	1,251,242
Profit before income tax	490,522	348,054	40.9	1,355,768
Net profit attributable to equity shareholders of the Company	179,791	78,978	127.6	914,244
Net profit deducted extraordinary gain and loss attributable to equity shareholders of the Company (“-” for losses)	-100,263	-266,915	-62.4	503,704
Net cash inflow from operating activities	6,206,909	4,471,820	38.8	1,377,053
	As at 31 December 2021	As at 31 December 2020	Year-on-year change (%)	As at 31 December 2019
Total equity attributable to equity shareholders of the Company	6,861,517	6,722,866	2.1	6,763,872
Total assets	64,052,447	61,091,195	4.8	62,069,378

2.2 Principal financial indicators

	For the year ended 31 December 2021	For the year ended 31 December 2020	Year-on-year change (%)	For the year ended 31 December 2019
Basic earnings per share (RMB/share)	0.009	0.004	125.0	0.048
Diluted earnings per share (RMB/share)	0.009	0.004	125.0	0.048
Basic earnings per share deducted extraordinary gain and loss (RMB/share) (“-” for losses)	-0.005	-0.014	Not applicable	0.027
Weighted average return on net assets (%)	2.64	1.16	increased by 1.48 percentage points	14.66
Weighted average return on net assets deducted extraordinary gain and loss (%)	-1.47	-3.92	increased by 2.45 percentage points	8.08

2.3 Extraordinary gain and loss items and amounts

Unit: RMB'000

Extraordinary gain and loss item	2021	2020	2019
Gain and loss on disposal of non-current assets	88,722	5,961	67,044
Government grants recognised in profit or loss during the year	123,873	293,684	170,446
Gain and loss from debt restructuring	29,404	53,960	154,539
Gains or losses on previously held equity interests re-measured at acquisition date	-	-	27,474
Other non-operating income and expenses excluding the aforesaid items	107,666	64,719	104,526

Other gains and losses that meet the definition of non-recurring profit and loss	-	-	-1,292
Tax effect	-69,612	-72,431	-112,197
Total	280,054	345,893	410,540

(3) Differences between the financial statements prepared in accordance with PRC ASBE and IFRS

Unit: RMB'000

	Net profit attributable to owners of the Company		Total equity attributable to owners of the Company	
	For the year ended 31 December 2021	For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ended 31 December 2020
PRC ASBE	179,791	78,978	6,861,517	6,722,866
Adjustments under IFRS:				
Specific reserve (a)	-39,341	-114,715	-	-
IFRS	140,450	-35,737	6,861,517	6,722,866

Explanation of differences between domestic and foreign accounting standards:

(a) Special reserve

In accordance with the PRC ASBE, the safety production expenses withdrawn in accordance with national regulations are recorded in the current profit and loss and separately reflected in the special reserve in the owner's equity. When expenses related to production safety are incurred, the special reserve is directly offset. When using fixed assets related to production safety, the special reserve shall be written off according to the cost of forming the fixed assets, and the accumulated depreciation of the same amount shall be confirmed, and the relevant assets will no longer be depreciated in future periods. In accordance with the IFRS, expense expenditures are included in profit or loss when incurred, capital expenditures are recognized as fixed assets when incurred, and depreciation is accrued according to the corresponding depreciation method.

3. INFORMATION ON CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

(1) Changes in the Company's share capital

	Before the change		The increase or decrease on the change (+ , -)					After the change	
	Amount	Percent age (%)	New shares issued	Bonus shares	Reserve transfer into shares	Others	Total	Amount	Percent age (%)
Shares with selling restrictions	4,122,504,543	21.7	-	-	-	-4,122,504,543	-4,122,504,543	-	-
1.State shareholding	-	-	-	-	-	-	-	-	-
2.State-owned legal person shareholding	1,503,568,702	7.9	-	-	-	-1,503,568,702	-1,503,568,702	-	-
3.Domestic capital shareholding	23,148,854	0.1	-	-	--	-23,148,854	-23,148,854	-	-
4.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
1.Ordinary shares in RMB	12,042,660,995	63.4	-	-	-	+1,526,717,556	+1,526,717,556	13,569,378,551	71.48
2.Domesticall y listed foreign shares	-	-	-	-	-	-	-	-	-
3.Overseas listed foreign shares	2,819,174,495	14.9	-	-	-	+2,595,786,987	+2,595,786,987	5,414,961,482	28.52
4.Others	-	-	-	-	-	-	-	-	-
Total of shares	18,984,340,033	100.0	-	-	-	-	-	18,984,340,033	100.0

Note for the changes in share capital of ordinary shares

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 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.

(2) Information on shareholders

2.1 Number of shareholders

As at 31 December 2021, the number of shareholders of the Company was 137,746, including 137,408 holders of A shares and 338 registered holders of H shares. The minimum public float of the Company satisfied the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”).

As at 28 February 2022, the number of shareholders of the Company was 138,806, including 138,470 holders of A shares and 336 registered holders of H shares.

2.2 The shareholdings of the top ten shareholders of the Company

Shareholdings of the top ten shareholders						
Names of shareholders	Nature of shareholders	Changes of shareholdings ¹ (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	91,000	5,402,063,694	28.46	0	0
CITIC Corporation Limited	State-owned legal person	-359,843,400	675,156,600	3.56	0	0
Hong Kong Securities Clearing Company Limited ⁴	Others	101,934,261	122,292,629	0.64	0	0
Zhou Guoqun	Domestic natural person	14,787,077	14,787,077	0.08	0	0
Changjiang Pension Insurance Co.,Ltd.- Changjiang Shengshi Huazhang No.2 Community Pension Management Fund ⁵	Others	-11,574,427	11,574,427	0.06	0	0
Shanghai Tongneng Investment Holdings Co., Ltd.	Others	0	11,516,200	0.06	0	0
Agricultural Bank of China – China Securities 500 Trading Open Index Securities Investment Fund	Others	10,597,000	10,597,000	0.06	0	0
Li Feng	Domestic natural person	10,406,700	10,406,700	0.05	0	0
Hu Xiao	Domestic natural person	9,920,000	9,920,000	0.05	0	0

Shareholdings of top ten tradable shareholders of shares without selling restrictions		
Name of shareholders	Number of shares without selling restrictions held at the end of the reporting period (shares)	Types of shares
China Petrochemical Corporation	10,727,896,364	A Share
Hong Kong Securities Clearing Company (Nominees) Limited (“HKSCC (Nominees) Limited”)	5,402,063,694	H Share
CITIC Corporation Limited	675,156,600	A Share
Hong Kong Securities Clearing Company Limited	122,292,629	A Share
Zhou Guoqun	14,787,077	A Share
Changjiang Pension Insurance Co.,Ltd.-Changjiang Shengshi Huazhang No.2 Community Pension Management Fund	11,574,427	A Share
Shanghai Tongneng Investment Holdings Co., Ltd.	11,516,200	A Share
Agricultural Bank of China – China Securities 500 Trading Open Index Securities Investment Fund	10,597,000	A Share
Li Feng	10,406,700	A Share
Hu Xiao	9,920,000	A Share
Statement on the connected relationship or activities in concert among the above-mentioned shareholders	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, acting as an agent to hold H shares of the Company on behalf of other companies or individual shareholders.
4. Hong Kong Securities Clearing Company Limited is a wholly-owned subsidiary of the Hong Kong Exchanges and Clearing Limited, acting 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.
5. Changjiang Pension Insurance Co., Ltd held it on behalf of Qi Xin Gong Ying Scheme.

(3) The interest or short position held by the substantial shareholders and other persons in the Company’s shares or underlying shares

As at 31 December 2021, so far as the Directors, Supervisors and senior management of the Company are aware of, each of the following persons, not being a Director, Supervisor or senior management of the Company, had an interest in the Company’s shares which is required to be disclosed to the Company and the HKSE under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (“SFO”).

Name of shareholder	Number of share held (shares)	Percent of shareholding in the Company’s total issued	Percent of shareholding in the Company’s total issued domestic shares	Percent of shareholding in the Company’s total issued H shares	Short position

		share capital (%)	(%)	(%)	
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	-

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 and so far as the Directors, Supervisors and senior management of the Company are aware of, as at 31 December 2021, no other person had an interest or short position in the Company's shares or underlying shares (as the case may be) which are required to be disclosed to the Company and the HKSE under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was otherwise a substantial shareholder (as such term is defined in the Hong Kong Listing Rules) of the Company.

(4) The controlling shareholder of the Company

Name of the controlling shareholder: China Petrochemical Corporation, holding 70.18% of the Company's shares directly and indirectly

Legal representative: Ma Yongsheng

Date of establishment: 14 September 1983

Registered capital: RMB 326.547 billion

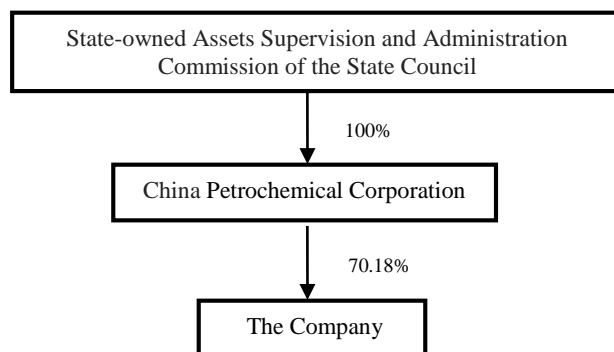
Principal activities: Upon the reorganisation in 2000, China Petrochemical Corporation injected its principal petroleum and petrochemical operations into Sinopec, and retained operations in certain smaller scale petrochemical facilities and refineries, provision of well drilling services, oil-testing services, in-well operation services, manufacture and maintenance of production equipment, engineering construction, utility services and social services.

During the reporting period, the controlling shareholder of the Company did not change.

(5) The actual controller of the Company

The actual controller of the Company is still China Petrochemical Corporation.

(6) The block diagram of the property and control relationship between the Company and the actual controller



Note: 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 Sinopec Century Bright Capital Investment Limited. Therefore, China Petrochemical Corporation directly and indirectly held 13,323,683,351 shares of the Company, which represents 70.18% of the total shares of the Company.

4. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(1) Information on interests in share and remuneration of directors, supervisors and senior management

Name	Position	Gender	Age	The beginning of the term	The end of the term	Number of shares at the beginning of the year	Number of shares at the end of the year	Reason for change	Salaries from the Company during reporting period (RMB) (before taxation)	Whether get payment from related party of the Company
Chen Xikun	Chairman	male	57	19 December 2019	1 February 2024	0	0	No Change	922,741	No
	Executive Director			8 February 2018						
Yuan Jianqiang	General Manager	male	58	20 May 2019	1 February 2024	0	0	No Change	922,741	No
	Executive Director			26 June 2019						
Lu Baoping	Non-Executive Director	male	60	8 February 2018	1 February 2024	0	0	No Change	-	Yes
Fan Zhonghai	Non-Executive Director	male	56	8 February 2018	1 February 2024	0	0	No Change	-	Yes
Wei Ran	Non-Executive Director	male	54	20 June 2018	1 February 2024	0	0	No Change	-	No
Zhou Meiyun	Non-Executive Director	male	52	2 February 2021	1 February 2024	0	0	No Change	-	Yes
Chen Weidong	Independent Non-Executive Director	male	66	20 June 2018	1 February 2024	0	0	No Change	200,000	No
Dong Xiucheng	Independent Non-Executive Director	male	60	20 June 2018	1 February 2024	0	0	No Change	200,000	No
Zheng Weijun	Independent Non-Executive Director	male	54	2 February 2021	1 February 2024	0	0	No Change	183,344	No
Ma Xiang	Chairman of the Supervisory Committee	male	60	19 December 2019	1 February 2024	0	0	No Change	842,171	No

Du Jiangbo	Supervisor	male	57	16 June 2015	1 February 2024	0	0	No Change	-	Yes
Zhang Jianbo	Supervisor	male	59	8 February 2018	1 February 2024	0	0	No Change	-	Yes
Zhang Qin	Supervisor	female	59	9 February 2015	1 February 2024	0	0	No Change	-	Yes
Sun Yongzhuan g	Employee Representative Supervisor	male	56	2 February 2021	1 February 2024	0	0	No Change	754,594	No
Zhang Bailing	Employee Representative Supervisor	male	56	2 February 2021	1 February 2024	0	0	No Change	723,848	No
Du Guangyi	Employee Representative Supervisor	male	58	2 February 2021	1 February 2024	0	0	No Change	765,163	No
Zhang Yongjie	Deputy General Manager	male	58	9 February 2015	1 February 2024	0	0	No Change	859,469	No
Zuo Yaojiu	Deputy General Manager	male	59	27 June 2017	1 February 2024	0	0	No Change	864,278	No
Zhang Jinhong	Deputy General Manager	male	58	28 April 2015	1 February 2024	0	0	No Change	894,294	No
Zhang Jiankuo	Deputy General Manager	male	47	29 October 2020	1 February 2024	0	0	No Change	739,938	No
Cheng Zhongyi	Chief Financial Officer	male	45	27 April 2021	1 February 2024	0	0	No Change	477.650	No
	Secretary to the Board			3 August 2021						
Sun Bingxiang	Deputy General Manager	male	50	3 August 2021	1 February 2024	50,300	50,300	No Change	232,847	No
Jiang Bo	Former Independent Non-Executive Director	female	66	9 February 2015	2 February 2021	0	0	No Change	16,666	No
Zhai Yalin	Former Supervisor	male	58	26 June 2019	2 February 2021	0	0	No Change	-	Yes

Zhang Hongshan	Former Employee Representative Supervisor	male	61	23 February 2017	2 February 2021	0	0	No Change	60,067	No
Xiao Yi	Former Chief Financial Officer	male	52	19 December 2019	27 April 2021	0	0	No Change	278,391	No
Li Honghai	Former Secretary to the Board	male	58	9 February 2015	3 August 2021	0	0	No Change	460,807	No

Note:

1.Mr. Chen Xikun, Mr. Yuan Jianqiang, Mr. Ma Xiang, Mr Zhang Yongjie, Mr. Zuo Yaojiu, Mr. Zhang Jinhong and Mr. Zhang Jiankuo all received 12 months of salary in 2021. Mr. Sun Yongzhuang, Mr. Zhang Bailing and Mr. Du Guangyi started to serve as employee representative supervisors on 2 February 2021 and received 11 months of salary in 2021. Mr. Cheng Zhongyi started to serve as chief financial officer on 27 April 2021 and received 8 months of salary in 2021. Mr. Sun Bingxiang started his position of deputy general manager of the Company on 3 August 2021 and received 4 months of salary in 2021.

2.Mr. Zhang Hongshan resigned as employee representative supervisor on 2 February 2021 and received 1 month of salary in 2021. Mr. Xiao Yi resigned as chief financial officer on 27 April 2021 and received 4 months of salary in 2021. Mr. Li Honghai resigned as secretary to the board of the Company on 3 August 2021 and received 8 months of salary in 2021.

3.Mr. Chen Weidong and Mr. Dong Xiucheng received 12 months of directors's fee in 2021; Mr. Zheng Weijun started to serve as the independent non-executive director on 2 February 2021 and received 11 months of director's fee in 2021. Ms. Jiang Bo resigned as the independent non-executive director on 2 February 2021 and received 1 month of director's fee in 2021.

(2) Information on share option held by current directors, supervisors and senior management

Unit: shares

Name	Position	Number of share options held at the beginning of 2021	Number of share options newly granted during the reporting period	Exercisable share options during the reporting period	Share options exercised during the reporting period	Exercise price of share options (RMB/share)	Number of share options by the end of reporting period	Stock price at the end of reporting period (RMB/share)
Sun Yongzhuang	Employee Representative Supervisor	60,000	0	0	-60,000	5.63	0	2.14
Zhang Yongjie	Deputy General Manager	76,000	0	0	-76,000	5.63	0	2.14
Zuo Yaojiu	Deputy General	72,000	0	0	-72,000	5.63	0	2.14

	Manager							
Zhang Jinhong	Deputy General Manager	72,000	0	0	-72,000	5.63	0	2.14
Zhang Jiankuo	Deputy General Manager	40,000	0	0	-40,000	5.63	0	2.14
Li Honghai	Secretary to the Board	56,000	0	0	-56,000	5.63	0	2.14
Total	/	376,000	0	0	-376,000	/	0	/

(3) Qi Xin Gong Ying Scheme participated by directors, supervisors and senior management

On 25 January 2018, the Company non-publicly issued 1,503,568,702 and 23,148,854 shares of restricted-sale A shares to the 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 certain directors, supervisors, senior management and other core management personnel of the Company. The number of subscribers shall not exceed 198, and the subscription amount is RMB 60.65 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, and 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 held by Qixin Gong Ying Scheme with limited selling conditions ended and was listed for trading.

In Qi Xin Gong Ying Scheme, the Company's directors, supervisors and senior management subscribed for a total of 4.85 million, accounting for approximately 8.0% of the total share of the scheme. The total number of directors, supervisors and senior management of the Company who subscribed for the Qi Xin Gong Ying Scheme was 14 persons. For details of the participation of the incumbent and former directors, supervisors and senior management of the Company in the Qi Xin Gong Ying Scheme, see the following table.

Name	Position	Subscription scheme amount under Qi Xin Gong Ying Scheme (RMB)	Subscription scheme shares under Qi Xin Gong Ying Scheme (share)	Subscription Price (RMB/A Share)	Subscription amount of A share (share)
Chen Xikun	Chairman, Secretary of 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	Secretary to the Board	300,000	300,000	2.62	114,503
Sun Qingde	Former Deputy Chairman、General Manager	400,000	400,000	2.62	152,671
Li Wei	Former Chairman of the 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

In the reporting period, Qi Xin Gong Ying Scheme reduced holding 11,574,427 shares of A share through centralized bidding. By the end of the reporting period, Qi Xin Gong Ying Scheme still holds 11,574,427 shares of A share.

4. Changes in Directors, Supervisors and Senior Management

Name	Position	Change	Reasons for change
Jiang Bo	Independent Non-Executive Director	Resigned	Expiration of term of office
Zhai Yalin	Supervisor	Resigned	Expiration of term of office
Zhang Hongshan	Employee Representative Supervisor	Resigned	Expiration of term of office
Zhou Meiyun	Non-executive Director	Elected	Elected by the general meeting
Zheng Weijun	Independent Non-executive Director	Elected	Elected by the general meeting
Sun Yongzhuang	Employee Representative Supervisor	Elected	Elected by the employee's representative meeting
Zhang Bailing	Employee Representative Supervisor	Elected	Elected by the employee's representative meeting
Du Guangyi	Employee Representative Supervisor	Elected	Elected by the employee's representative meeting
Xiao Yi	Chief Financial Officer	Resigned	Change of work
Cheng Zhongyi	Chief Financial Officer	Appointment	Appointed by the Board
Li Honghai	Secretary to the Board	Resigned	Personal Age
Cheng Zhongyi	Secretary to the Board	Appointment	Appointed by the Board

Sun Bingxiang	Deputy General Manager	Appointment	Appointed by the Board
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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 Mr. Chen Xikun was elected 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.

(5) Directors', Supervisors' and Chief Executive's rights to acquire shares and debentures and short position

As at 30 June 2021, the Company's deputy general manager Mr. Sun Bingxiang held 50,300 A shares of the Company. 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.

5 REPORT OF THE BOARD

Financial information, except where specifically noted, contained herein have been extracted from the financial statements prepared in accordance with the PRC ASBE.

(1) Discussion and analysis of operation during the reporting period

1.1 Annual results

During 2021, while sparing no effort to deal with the volatile epidemic, price increases of raw materials, divergence of oil and gas service income from its normal level and other unfavorable factors, the Company swiftly leveraged opportunities or situations such as economic recovery, rising oil prices, and picking up of the demand by striving to expand our market, reducing costs and expenses, exploring potentials, and enhancing efficiency. As such, our operating results recorded substantial growth and every subsidiary was making profits, signifying our resilience has been strengthened.

In 2021, the Company's consolidated revenue was RMB 69.53 billion representing a year-on-year increase of 2.1%, and net profit attributable to shareholders of the Company amounted to RMB 18 million representing a year-on-year increase of 127.6%. Basic earnings per share was RMB 0.009, representing a year-on-year increase of RMB 0.005. Through the increase in clearance of inventories and account receivable, the strict control of cost and expense and capital expenditure, the Company maintained sound cash flow conditions and the net cash flow in operating activities reached RMB 6.21 billion representing a year-on-year increase of RMB 1.74 billion.

1.2 Market review

While global economy was gradually recovering in 2021, economic activities in the PRC were steadily resumed with an annual gross domestic product (GDP) growth of 8.1% year-on-year, which was the best among the major developed economies. International crude oil prices fluctuated upwards. The average spot price of North Sea Brent crude oil during the year was US\$70.86 per barrel, an increase of 68.9% over 2020. Although international oil prices had increased, there was still a certain lag and prudence in investment from international oil companies in exploration and development and the oil service market size restored slowly. Meanwhile, because of lingering effects of the pandemic overseas, delays in the start of operation resulted in certain decline in equipment operation volume and utilization rate year-on-year. Due to the continuous running of "Seven-year Action Plan" for upstream expansion in reserves and production of domestic oil companies, we saw steady growth of oil and gas production and stable performance in oilfield service market in China.

1.3 Operations review

In 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 RMB 70.9 billion, representing a year-on-year increase of 1.6%, a new high since the "13th Five-Year" Plan, of which the newly signed contracts in the Sinopec Group market amounted to RMB 44.4 billion, representing a year-on-year increase of 7.3%; the newly signed contracts in domestic external markets amounted to RMB 12.8 billion, roughly the same as the previous year; the newly signed contracts in overseas markets amounted to RMB 13.7 billion, a year-on-year decrease of 12.2%. As the Company provided good and efficient engineering and technical services, we undertook 577 projects throughout the year, that is another new record, and successively made breakthroughs

in a number of our core technologies. Significant progress was also made in market configuration and resource optimization with relevant management continued to improve. It also strengthened its efforts in HSE, while maintaining stable running of the overall production and operation. HSE and drilling-well risks remained under control and the overall production and operation were running stable and smoothly.

1.3.1 Geophysical services

In 2021, the Company's operation revenue from the principal business of geophysical service was RMB 4.66 billion, an increase of 1.4% from RMB4.6 billion in the same period of the previous year. The completed 2D seismic accumulated for 2,654 kilometers in the year, a decrease of 68.5% than the previous year; while the 3D seismic accumulated for 16,680 square kilometers, a decrease of 19.3% than the previous year. The Company improved the quality of seismic data continuously, with 2D and 3D records reaching pass rate of 100%. The proportion of our seismic data acquired with first grade quality was 4.6 percent points higher than required by the contracts and the average daily efficiency increased by 9.0% as compared with last year. High-end acquisition technology and equipment such as full-node seismic exploration technology and high-efficiency vibroseis acquisition were introduced and source-driven excitation, UAV aerial survey, and Beidou technology were widely used. As a result, digital and smart-intelligent levels at our production sites were enhanced.

1.3.2 Drilling service

In 2021, the Company's operation revenue from the principal business of drilling service was RMB 33.08 billion, a decrease of 3.3% from RMB34.20 billion in the same period of the previous year. Our completed drilling footage reached 9,150 kilometers, representing a year-on-year decrease of 1.8%. The Company intensified the requirements on integrated geological engineering, facilitating China Petrochemical Corporation's high-efficient exploration and efficiency development in a high-quality and efficient manner, and we made every effort to promote the improvement of the quality, service speed, efficiency and production, i.e., the Four Improvements, in "Northwest China, North China, Northeast China and Sichuan", achieving the average drilling cycle and the time on complicated failures reducing by 12.4% and 60.8%, respectively. We completed drilling of 6 high-yield wells, including Shunbei 41X well and Shunbei 8X well, of daily production in thousand ton per well and a group of very potential oil or gas discovery wells, giving a strong support for the provision of 200 million-ton oil and gas reserves in Shunbei New Area and a tremendous breakthrough of a position replacement with 300 million-ton shale oil. By combining our resource advantage, we had 44 qualified drilling teams to work in southwestern market of CNPC. The first 19 teams were already in operation and signed RMB 4.1 billion new contracts.

1.3.3 Logging/Mud logging service

In 2021, the Company's operation revenue from the principal business of logging and mud logging service was RMB 3.21 billion, an increase of 17.5% from RMB2.73 billion in the same period of the previous year. Our completed logging projects had a total of 267,830,000 standard meters, a decrease of 2.5% than the previous year. Our completed mud logging projects had a total of 9,170 kilometers, a decrease of 2.6% than the previous year. The pass rate of logging and mud logging data was 100% and the one-time success rate of logging was above 95%. The Company consistently improved our logging and mud logging service capabilities, and spared no effort to meet domestic oil companies' requirement for stable oil supply, more gas provision and cost reduction in the market, providing high-quality and effective guarantee for stable and increasing production for China Petrochemical Corporation's key regions in "Northwest China, North China, Northeast China and Sichuan" and eastern old oil fields. In response to the steadily growing scale of domestic and foreign markets, including CNPC's southwest shale gas and local coal bed methane, we continued to strengthen our special capability in integration of directional drilling, logging and rotary steering, traction services, etc.

1.3.4 Downhole operation service

In 2021, the Company's operation revenue in downhole operation was RMB 9.38 billion, an increase of 9.2% from RMB8.60 billion in the same period of the previous year. It completed downhole operation for 7,123 wells, an increase of 14.4% than the previous year. The pass rate of one-time downhole special operation was 99.7%. The Company continued to improve the construction capability for large-scale fracturing in shale oil and gas well factories and acid fracturing testing of deep and ultra-deep wells. The fracturing construction efficiency in key regions in "Northwest China, North China, Northeast China and Sichuan" was improved by 24.5%. The

application of smart-intelligent and standardized electric drive fracturing in the Fuling shale gas field, as a demonstration, made remarkable results. After acid pressure testing, several high-yield oil wells with a daily output of thousand ton were discovered in Shunbei oil and gas fields, which helped to achieve a major breakthrough in shale oil exploration in the Shengli industrial areas. With increased efforts in the cooperative development of difficult-to-recover reserves, newly-built production capacity of hard-to-recover reserves in Shengli industrial areas was 362,000 ton and a new model of low-cost cooperation in shale gas was developed in Fuling Baima shale gas block with proven reserves of shale gas increased by 104.8 billion cubic meters.

1.3.5 Engineering and construction service

In 2021, the Company's operation revenue in engineering and construction service was RMB 16.71 billion, an increase of 6.6% from RMB 15.68 billion in the same period of the previous year. In 2021, the cumulative value of newly signed contracts was RMB 17.8 billion, an increase of 14.1% than the same period of the previous year. The Company completed key projects such as the Zhongyuan gas storage group and the Shunbei No. 5 Union Station and made safe and efficient progress in the construction of 71 key projects, demonstrating our ability and edges in increasing oil and gas production and reserves and supporting the construction of large-scale projects of CPC. Tremendous achievement was made in our EPC sector. We were awarded 14 EPC tender projects in the year, which is a new record, with contract value of RMB 6.39 billion. We continued our expansion in PipeChina's market, forming a large-scale and efficient market base, with newly signed contracts amounting to RMB 3.51 billion, and entering the first party of the market. Also, we were admitted into CNOOC large storage tank market, which can be a new growth engine, for the first time and the newly signed contracts amounted to RMB 1.1 billion in the year.

1.3.6 International business

In 2021, the Company's operation revenue in international business service was RMB 9.52 billion, a decrease of 16.0% from RMB 11.33 billion in the same period of the previous year. The revenue contributed by the international business accounted for 14.0% of the total revenue, with a year-on-year decrease of 2.9 percentage points. In 2021, in the face of the overall downturn in overseas markets, the Company overcame difficulties of the pandemic by consolidating traditional markets, striving to expand new business and opening up new markets, maintaining the stable development in Saudi Arabia, Kuwait and Ecuador, three large-scale markets, and making significant breakthroughs in potential markets such as Mexico and Uganda. In short, our market development was beyond expectations. In Saudi Arabia market, we signed the coiled tubing service subcontracting project and was awarded a well washout tender project for the first time, extending our business to a new technical service field. In Kuwait market, we won the bid for 10 workover rig contracts, renewed the contract for 30 drilling and workover rigs, and passed the qualification review of the drilling large contract. In Ecuadorian market, we made greater progress in the general contracting service project of drilling and completion, with the newly signed contract value reaching a record high. Our geophysical exploration business entered Petroleos Mexicanos market for the first time and the newly signed HUELITLI 3D seismic acquisition and processing project had a contract value of US\$ 0.357 billion which is the highest among all tender projects of seismic acquisition and processing we have been awarded overseas. Our engineering construction business won the bid for a general contracting project of oil and gas gathering and transportation in Uganda, with a contract amount of US\$ 0.61 billion, which is the largest single engineering construction project that the Company has won the bid overseas.

1.3.7 Research and development

In 2021, the Company deeply implemented the innovation-driven strategy and stepped up efforts in overcoming difficulties in scientific research. We achieved various new results and new progress and was granted 542 new domestic and overseas patents. Firstly, a number of important achievements were made in integrated supporting technologies. In terms of super-deep and ultra-deep well engineering ancillary technologies, we integrated and innovated technologies for drilling, completion, operation and oil and gas testing of ultra-deep wells. Leveraging tool and equipment innovation, we had ultra-deep wells which exceeded 9,000 meters. Shunbei 56X well and Tashen No.5 well reached depths of 9,300 meters and 9,017 meters, respectively, setting the

deepest records for onshore directional wells and vertical wells in Asia, respectively. In terms of shale oil and gas engineering technology, the application of ancillary technologies such as whole wellbore speed increase, rotational steering measurement and control, and fracture network fracturing became more mature. Their application in blocks in Fuling, Fuxing, and Baima substantially shortened the relevant average drilling cycles. Shengye 9-6HF well set a record for the longest horizontal section of Sinopec (3,601 meters). Secondly, our core technology research made successive breakthroughs. The core units and key modules of the Type I rotary steering system roughly finalized. We accomplished our first “one-kilometer drilling in one go”. Our ultra-deep high-temperature electrical imaging logging tool contributed to the completion of the construction of key wells such as Tashen 5 and Yuanfei 203H, successfully breaking the high temperature threshold of 200 °C. Research and development of technologies such as ultra-short radius horizontal wells, coiled tubing sidetracking, and efficient geophysical acquisition were in full swing.

1.3.8 Internal reform and management

In 2021, the Company continued to deepen internal reform and various reform measures were seen to be effective. Firstly, for shaping market landscape and optimization of resource allocation, important progress was achieved. We reasonably divided the market service area of our subsidiaries, optimized the allocation of drilling rigs, teams, materials, etc., and basically facilitated a new market pattern of orderly competition, regional resource sharing, and intensive and guaranteed services. Secondly, the construction of a new project-based management system acquired positive outcomes. We introduced guidelines for “project-based management”, “human pool”, “fund pool”, “material warehouse”, and “equipment warehouse”. Throughout the year, 18,000 person-times were utilized and more than 4,500 person-times were exported, generating revenue of RMB* billion. Eighteen material centres were set up while logistics bases were reduced to 44. Thirdly, we made a great leap in the internal professional reform. The Company accomplished the reorganization of testing, logging and locating operation and established Sinopec Jingwei Co., Ltd, and furthered consolidation of regional measurement and control companies. Fourthly, the industrialization of products made remarkable results Three industrialization bases for machinery and equipment, tools and instruments, and chemical additives, respectively, were built, and 21 product lines in seven series were developed. Fifthly, good results were seen in our strict and meticulous management. The Company comprehensively carried out benchmarking improvement, continued to enhance efficiency, low-cost competitiveness and risk prevention and control capabilities, strictly monitor the optimization of the whole process, and reduce costs and increase effectiveness in all fronts, reducing costs and expenses of RMB 0.56 billion throughout the year.

1.3.9 Capital expenditures

In 2021, the Company had a capital expenditure of RMB 4.34 billion. Focusing on the improvement of exploration and development service capabilities and competitive strength in 2021, the Company increased investment in equipment for the “Four Improvements”, actively promoted the standardization of drilling rig classification and matching, and optimize the structure of drilling rigs. Throughout the year, the investment was mainly made for transformation and modification of 33 drilling rigs, 18 sets of fracturing trucks (crowbars), 60,000 seismic acquisition equipment, 9 sets of automatic welding equipment, a 12000-horsepower multi-purpose vessel, 21 sets of rig network electrical equipment, 34 sets of top-drive guiding devices, 96 sets of mud pumps, 7 sets of rotary steering equipment, 5 sets of coiled tubing equipment, and investment projects such as safety hazard management and environmental protection.

1.4 Financial analysis (Prepared in accordance with IFRS)

The Group’s primary sources of funds are from operating activities, short-term and long-term borrowings, which are primarily used in operating activities, capital expenditures and repayment of short-term and long-term borrowings.

1.4.1 Assets, liabilities and equity analysis

Total assets were RMB 64,052,447,000, representing an increase of RMB 2,961,251,000 from that at the end of 2020, of which: current assets were RMB 31,752,732,000, representing an increase of RMB 1,950,445,000

from that at the end of 2020. The increase was mainly due to an increase in cash and cash equivalents of RMB 956,766,000, an increase in contract assets of RMB 2,007,432,000, an increase in other current assets of RMB 242,198,000 and a decrease in notes and trade receivables of RMB 1,234,820,000. Non-current assets were RMB 32,299,715,000, representing an increase of RMB 1,010,807,000 from that at the end of 2020, which was mainly due to the combined impact of the increase in the property, plant and equipment of RMB 906,015,000, the increase of RMB 740,787,000 in other long-term assets due to the purchase of special tools for petroleum engineering and the decrease of RMB 544,645,000 in right of use assets due to the lease expires.

Total liabilities were RMB 57,190,930,000, representing an increase of RMB 2,822,601,000 from that at the end of 2020, of which: current liabilities were RMB 55,020,881,000, an increase of RMB 2,547,640,000 as compared with the end of 2020, which was mainly due to comprehensive impact of an increase in notes and trade payables of RMB 3,087,611,000, an increase in contract liabilities of RMB 523,477,000, an increase in other payables of RMB 680,719,000, a decrease in short-term borrowings of RMB 1,911,131,000. Non-current liabilities were RMB 2,170,049,000, an increase of RMB 274,961,000 compared with the end of 2020, which was mainly due to the increase of long-term borrowings of RMB 460,767,000. Lease liabilities decreased RMB 513,203,000, mainly due to the decrease in projected liabilities of RMB 176,875,000.

Total equity attributable to owners of the Company was RMB 6,861,517,000, an increase of RMB 138,651,000 as compared with the end of 2020, mainly due to the gains attributable to equity holders of the Company in 2021 achieved RMB 140,450,000.

As at 31 December 2021, the ratio of total liabilities to total assets was 89.3%, and 89.0% as at 31 December 2020.

1.4.2 Cash flow analysis

During the year ended 31 December 2021, the Group's net cash inflow from operating activities was RMB 6,206,910,000, representing an increase of cash inflow by RMB 1,735,090,000 as compared with last year. This was mainly due the increase in collection of the account receivables and inventories and settlement of bills payable.

During the year ended 31 December 2021, the Group's net cash outflow from investing activities was RMB 3,253,443,000, an increase of cash outflow by RMB 1,653,571,000 as compared with last year. It was mainly due to the increase in "Four Improvement" equipment investment.

During the year ended 31 December 2021, the Group's net cash outflow from financing activities was RMB 1,948,207,000, presenting a decrease of cash inflow by RMB 931,895,000 compared with last year. This was mainly due to repayment of after-sales leaseback payments.

1.4.3 Bank and affiliated company borrowings

As at 31 December 2021, the Company's bank and affiliated borrowings were RMB 19,074,777,000 (31 December 2020: RMB 19,951,236,000). These borrowings included the short-term borrowings in RMB 17,520,091,000, and the long-term borrowings due more than one year of RMB 1,554,686,000; the fixed-rate loans were RMB 1,000,000,000 and the floating rate loans were RMB 18,074,777,000. As at 31 December 2021, the balance of RMB borrowings accounted for approximately 86.8% and the balance of US dollar borrowings accounted for 13.2%.

1.4.4 Assets pledge

As at year ended 31 December 2021, there was no pledge on the Group's assets.

1.4.5 Gearing ratio

As at 31 December 2021, the gearing ratio of the Group was 71.6% (2020: 74.6%). The gearing ratio is computed as the following formula: (liability with interest – cash & cash equivalents)/ (liability with interest – cash & cash equivalents + shareholders' equity)

1.5 Statement of the operations by industries (in accordance with PRC ASBE)

Industry	Operating income for 2021 RMB'000	Operating cost for 2021 RMB'000	Gross profit margin (%)	Increase or decrease in operating income as compared with last year (%)	Increase or decrease in operating cost as compared with last year (%)	Gross profit margin compared with last year
Geophysical	4,663,346	4,422,077	5.2	1.4	3.7	Decreased by 2.1 Percentage points
Drilling	33,081,850	31,597,108	4.5	-3.3	-1.6	Decreased by 1.6 Percentage points
Logging/Mud logging	3,207,549	2,589,402	19.3	17.5	15.8	Increased by 1.2 Percentage points
Downhole Operation	9,384,197	8,591,027	8.5	9.2	4.8	Increased by 3.9 Percentage points
Engineering and construction	16,714,720	15,318,511	8.4	6.6	6.0	Increased by 0.5 Percentage points
Other	1,163,354	1,166,970	-0.3	-7	-8.9	Increased by 2.2 Percentage points
Total	68,215,016	63,685,095	6.6	1.7	1.8	Decreased by 0.1 Percentage points

1.6 Operating income by regions (in accordance with PRC ASBE)

Region	Operating income for 2021 RMB'000	Operating cost for 2021 RMB'000	Gross profit margin (%)	Change in operating income as compared with last year (%)	Change in operating cost as compared with last year (%)	Gross profit margin compared with last year
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					year (%)	
Mainland China	58,694,320	54,984,258	6.3	5.3	4.9	Increased by 0.4 Percentage points
Hong Kong, Macau, Taiwan, and overseas	9,520,696	8,700,837	8.6	-16.0	-14.0	Decreased by 2.1 Percentage points

1.7 Major suppliers and customers

Aggregate purchase amounts from the top five largest suppliers	RMB 13,967,925,000	Percent of total purchases	25.0%
Aggregate sales amounts to the top five largest customers	RMB 58,280,597,000	Percent of total sales	83.8%

(2) Discussion and analysis on the Company's business in the future

2.1 Competitive industry structure and development trend

Looking ahead to 2022, it is expected global economy can manage to have a recovery growth but instability, uncertainty, and imbalance will characterize the process. Strong fundamentals of China will not be changed in the long run, but the development is subject to pressure from shrinking demand, supply shocks, and weakening expectations. Difficulty of stabilizing growth, adjusting structure, and preventing risks has increased significantly. International crude oil prices are expected to fluctuate at a high level. High oil prices are conducive to the recovery of capital investment by foreign oil and gas companies, and will help the overseas oil service market continue to recover. At the same time, domestic oil companies will continue to increase large-scale exploration and development to ensure energy security, thereby promoting the steady growth of the domestic oil service market. Due to the accelerated development trend of low-carbon development of the global energy industry, the development of traditional oil and gas industry is facing increasing challenges, which will propel oil service companies to provide higher quality, more efficient, and more cost-competitive service. In short, competition in the oil service market continues to be fierce.

2.2 Operation plans in 2022

Facing the complex and severe market situation in 2022, the Company will continue to leverage the advantages of complicated services and special technologies to carry out the activities of "Year of Comprehensive Improvement". The Company will focus on high-quality and large-scale markets, precisely optimize resource allocation, stabilize oil, increase gas output and reduce costs in a high-quality manner, strengthen market expansion and increase efficiency, and coordinate and optimize the market layout. The Company plans to sign new contract to reach a yearly value of over RMB 72 billion, in which RMB 45 billion will be from China Petrochemical Corporation's internal market, RMB 13.3 billion from domestic external market, and RMB 13.7 billion from overseas market. We will continue to deepen internal reform, optimize and integrate resources, promote technological innovation, strengthen cost control and improve management, accelerate the establishment of a technology-guided oil service company, and promote the overall improvement of the capability of the Company to serve and protect exploration and development. The Company puts emphasis on the following aspects:

2.2.1 Geophysical service

In 2022, the Company will continue to strengthen the coordination of equipment and protection capacity, continue to improve construction efficiency and data quality, advance the high-quality development of geophysical services, and facilitate major breakthroughs in exploration. It will efficiently serve the exploration and deployment of China Petrochemical Corporation, and do a good job in oil field and natural gas exploration

in the Tarim Basin, eastern old oil fields, Junggar Basin, Sichuan Basin and Ordos Basin. In the domestic and overseas markets, the Company will continue to leverage its advantages in geophysical technology, penetrate deeply into the markets of the China Geological Survey and the Chinese Academy of Geological Sciences, and fully develop integrated cooperation in acquisition, processing and interpretation; it will also meet the needs of national and local construction and develop new businesses such as mapping and geographic information, engineering geophysical exploration and non-seismic, in order to grow bigger and stronger. It plans to complete annual acquisition of 2D seismic data of 4,130 kilometers and 3D of 18,260 sq. kilometers.

2.2.2 Drilling Service

In 2022, the Company will vigorously satisfy the demands for efficient exploration and profitable development of China Petrochemical Corporation, leverage the technical advantages of the whole industry chain, provide high-quality and efficient services to ensure the construction of production capacity in key industrial areas such as the Shunbei ultra-deep oil and gas field, Southwest natural gas, Ordos tight oil and gas, Weirong deep shale gas and Fuling shale gas, helping China Petrochemical Corporation to stabilize oil, increase gas output and reduce costs; continue to consolidate the internal market share of China Petrochemical Corporation, improve the utilization rate of the team, shorten the annual drilling cycle by 6%, reduce the time on complicated failures by 10%, and achieve a rig utilization rate of 85%. In the domestic and foreign markets, it will continue to optimize the layout of external resources, consolidate and expand the market share in high-quality markets such as CNPC and CNOOC and strive to achieve greater breakthroughs in CNPC's Southwest shale gas, Northwest conventional oil and gas and other high-quality markets; actively expand local coalbed methane and other unconventional and non-oil businesses to achieve increase amid stability. The Company plans to complete drilling footage accumulated for 9,500 kilometers in 2022.

2.2.3 Logging/Mud logging service

In 2022, the Company will continue to adhere to the technology to expand the market unswervingly, and continue to improve its market competitiveness and overall efficiency level. The Company will follow closely the deployment of China Petrochemical Corporation in exploration and development, leverage the advantages of integration of logging and guidance, advance intervention, continue to optimize the market layout, enhance the ability to provide accurate services, and help make a big breakthrough in exploration, steady growth in crude oil and big development in natural gas. In the domestic and overseas markets, we are actively expanding into the Chinese oil market, following up on the progress of the drilling lump sum project in Chuanqing, paying close attention to the shale gas markets in Guizhou, Sichuan and Chongqing, and continuing to follow up on the China Geological Survey and the new energy sector to create a new position for sustainable development. The Company plans to complete logging footage accumulated for 279,100 kilometers in 2022, while the mud logging footage accumulated for 9,200 kilometers.

2.2.4 Downhole operation service

In 2022, the Company will continue to optimize downhole special operation resources, strengthen professional management, increase technology integration and equipment renewal, and continuously improve the service guarantee capacity of exploration and development. It will focus on safeguarding China Petrochemical Corporation's ultra-deep well exploration and test oil and gas projects in the Sichuan Basin and Tarim Basin, enhancing the scale development benefits of shale gas in Sichuan and Chongqing and shale oil in Shengli, and optimising the transformation of dense sandstone reservoirs in Ordos and western Sichuan. The fracturing construction efficiency will be further improved by 15%. We will continue to refine, strengthen and expand our high-end businesses such as continuous oil pipeline operations and high-pressure pressurised operations; continue to expand the shale gas market in CNPC's southwestern industrial zone and local shale gas markets to provide support for increased gas output; accelerate the extension of the industrial chain, continue to focus on the cooperative development of difficult-to-use reserves of shale gas in potential blocks such as eastern and southwest Shengli and western Sichuan, and actively explore new models of clients and vendors cooperation and sharing to strive for new breakthroughs. In 2022, the Company plans to complete downhole operation service of 7,180 well times.

2.2.5 Engineering and construction service

In 2022, the Company will boost efforts in overall deployment and coordination, promote the integrated operation of engineering projects, innovate development concepts, concentrate advantageous resources in the expansion of high-efficient and high-quality markets and effectively manage and control low-efficient markets. In the internal market of China Petrochemical Corporation, it will improve the quality of service, and focus on the construction of projects such as the Dongying crude oil depot relocation project, Shunbei natural gas processing station and Zhongyuan gas storage depot complex; leverage the EPC advantages of long-distance pipelines to expand the domestic long-distance pipeline engineering market, focusing on the development and construction of projects such as the Shandong pipeline network east main line, the Zaozhuang branch of the south main line, the Zhangqiu-Gaomi natural gas pipeline, and the Shandong pipeline network liaison line between Shandong, Henan and Anhui. It will seize the opportunity of new energy development and strengthen the market expansion of large LNG storage tanks, CCUS, green power hydrogen production, maritime wind power and hydrogen transmission, focusing on the carbon dioxide pipeline between Qilu Petrochemical and Shengli Oilfield, the green power hydrogen production project of ZTHC Energy and the large LNG storage tank project of Natural Gas Branch. In 2022, the Company plans to sign new contracts valued RMB 20.7 billion and complete contracts valued RMB 15.7 billion.

2.2.6 International business

In 2022, the Company will firmly expand its main market, focus on optimizing the structure of overseas specialties, business levels and regional layouts, strive to improve its ability to generate efficiency, and accelerate the high-quality development of its overseas business; in the Saudi market, it will focus on promoting the resumption of temporary suspension of pending rigs as soon as possible, vigorously promote the development of fracturing services business, actively seek subcontracting of rigs for lump sum projects, solidly promote the pre-qualification of technical services such as directional wells, offshore drilling and logging, and strive to expand its surface business such as pipelines and municipal roads and bridges. In the Kuwait market, it will closely follow up the drilling and repair projects of deep wells and developed wells, and the subcontracting lump sum projects of thick oil, accelerate the qualification of cementing and drilling fluid, and strive to win the bidding of conventional directional well service projects. In the Ecuadorian market, we took the oilfield drilling and completion lump sum project as an opportunity to accelerate the development of professional technical service business such as mud logging, logging and drilling fluids; made full use of the favorable opportunity of oil price recovery to strengthen the project management of two reservoirs, EBANO in Mexico and I-L-Y in Ecuador, rationalize the production plan and continuously improve the operating efficiency. In 2022, the Company plans to sign new contracts valued US\$ 2.15 billion and complete contracts valued US\$ 1.6 billion.

2.2.7 Technology development

In 2022, the Company will continue to step up efforts in overcoming technology difficulties, integrate scientific research resources, concentrate on making breakthroughs in key and core technologies and accelerate its progress towards a technology-guided oil service company. The Company will improve its engineering technology, improve nine integrated technologies for extra-deep and shale oil and gas, promote the application of a number of applicable technologies such as vertical drilling and fine pressure control, and strive to make strategic breakthroughs in key technologies such as 10,000-meter extra-deep wells, 5,000-meter ultra-long horizontal sections, 50-segment fracturing, ultra-deep oil and gas testing and deep shale gas horizontal wells. The Company will work hard to forge scientific and technological tools and continue to develop a series of key core technologies such as follow-on drilling and logging, high-temperature and high-pressure logging. The Type I rotary guidance system will achieve final mass production, and the Type II high slope-making rotary guidance system will accelerate field testing and application, promoting the overall technical level of the Company to become a domestic leader and more technologies to reach the international advanced level.

2.2.8 Internal reform and management

In 2022, the Company will deepen its reform and optimisation to achieve overall improvement in stimulating momentum and releasing vitality. The Company will complete the three-year action task of deepening reform with high quality, continue to promote the co-ordination of market layout and optimisation of resource allocation, strengthen the optimisation of resources such as institutions, teams, equipment and service support of subsidiaries, improve the matching of resource allocation with value creation, reduce operating costs and further enhance efficiency and effectiveness. It will promote the transformation of the institutional mechanism to project-based management, accelerate the construction of a project-based management system centered on project management and supported by "two pools, two banks and one platform", and promote the concentration of core resources such as talents, funds, equipment, materials and information on projects; vigorously promote the transformation of scientific and technological achievements and the industrialization of products, and continue to promote the construction of industrial bases for machinery and equipment, tools and instruments and oilfield chemicals. It will expand the scale of application of self-developed products such as drilling tubular column automation system, series of drilling speed-up tools, key drilling fluid chemicals and intelligent node acquisition instruments, and cultivate a number of individual products with an output value of over RMB10 million. It will continue to put more efforts on the performance evaluation, implement the performance evaluation of the entire staff, and promote income increase or decrease. It will also make joint efforts to reduce cost and fees by enhancing the cost control in all factors and the entire process. In 2022, the reduced cost and fees are expected to be RMB 500 million.

2.2.9 Capital expenditures

In 2022, the Company plans to arrange capital expenditure of RMB 4.5 billion on fixed assets. The Company will promote the standardization of technical equipment for "Four Improvements" and the standardization of drilling and downhole operation sites, continue to increase the deployment of automated and intelligent equipment, arrange for the renewal and reconstruction of 60 drilling rigs and the purchase of 32 fracturing trucks (skids) and other equipments to reduce the labor intensity of employees. The Company will insist on leading by innovation, focus on technology research and conversion, and increase investment in equipment such as rotary guidance equipment, high-temperature wireless drilling equipment, integrated loggers and seismic node acquisition equipment. The Company will adhere to the efficiency orientation, increase investment in the protection of key equipment in the external quality market, and purchase 10 sets of fully automatic welding equipment and construction equipment for 3D physical exploration in Mexico, in order to guide and promote the business structure towards the middle and high end of the value chain.

(3) Profit distribution plan

In 2021, after the audit by BDO (Special General Partnership) and prepared in accordance with the PRC ASBE, the net profit attributable to shareholders of the Company is RMB 179,791,000 (In accordance with the IFRS, the net profit attributable to shareholders of the Company is RMB 140,450,000), and the parent company's undistributed profit at the end of 2021 is RMB -1,529,605,000. Since the undistributed profit of the parent company at the end of the year is negative, the Board recommends that no cash dividend distribution be made in 2021, nor the capital reserve conversion to share capital. The proposal still needs to be submitted to the general meeting of shareholders for consideration.

6 SIGNIFICANT EVENTS

(1) During this reporting period, the major litigation or arbitration or events commonly disputable by the media of the Company.

On 22 February 2022, Ecuador Banya Duri Company (the "**Applicant**"), an indirectly whollyowned subsidiary of the Company received the following ruling on the disputes on the payments for increased oil production under the I-L-Y oilfield comprehensive service projects: 1. The arbitration tribunal required PAM to compensate the Applicant or pay accounts payable, tax, and fees for arbitration, experts and consultants, totaling approximately US\$64 million to the Applicant. 2. The arbitration tribunal did not support the arbitration request of the Applicant for PAM to pay for the service fees of increased oil production incurred by the YNEB

12 well in the Y oilfield of US\$ 7 million 3. The arbitration require PAM to pay the default interest as determined and calculated in accordance with the arbitration ruling and relevant provisions of the Civil Code of Ecuador. The arbitration location of the arbitration was Chile. In accordance with the relevant laws on arbitration in Chile, PAM may apply to the courts of Chile to revoke the arbitration ruling.

As the ruling has not yet been executed, there is uncertainty in its implementation As such, it is currently im possible to determine the impact of the Arbitration on the current or future profits of the Company. The Company has made a certain proportion of bad debt provision for the above accounts receivable according to their aging. The Company will make active response and safeguard the legitimate rights and interests of the Company. For details, please refer to the“Announcement on an Arbitration in relation to an Indirectly Wholly-owned Subsidiary” (P.2022-005) disclosed in “China Securities Journal”,“Shanghai Securities News”,“Securities Times”, and on www.sse.com.cn on 26 February 2022, and on www.hkexnews.hk on 25 February 2022.

(2) During this reporting period, there were no non-operational funds supplied by the Company to the controlling shareholders and its related parties.

(3) During this reporting period, the material acquisition or disposals of assets and merger and acquisitions activities of the Company.

On 3 August 2021, Shengli Oil Engineering Company, an indirect wholly-owned subsidiary of the Company, and Shengli Oilfield Branch Company entered into the Asset Transfer Agreement. Pursuant to which, Shengli Oil Engineering Company has agreed to dispose of and Shengli Oilfield Branch Company has agreed to acquire a set of drilling and exploration platform (including jackets) at a price of RMB55,792,342. The disposal price was determined based on the appraised value of the target asset as at the valuation date on 31 March 2021, and the appraised price of the target asset is RMB55,792,342. CPC is the controlling shareholder of the Company, Shengli Oilfield Branch Company is a subsidiary of CPC, therefore, Shengli Oilfield Branch Company is an associate of CPC under the Listing Rules, and hence it is also a connected person of the Company. For details, please refer to the“Announcement on connected transaction disposal of a set of drilling and exploration platform” (P.2021-027) disclosed in “China Securities Journal”,“Shanghai Securities News”,“Securities Times”, and on www.sse.com.cn on 4 August 2021, and on www.hkexnews.hk on 3 August 2021.

(4) Information on connected transactions

The Company’s significant connected transactions entered into during the year ended 31 December 2021 are as follows:

(a) The significant connected transactions relating to ordinary operation during the reporting period are as follow.

The nature of the transaction classification	Related parties	Amount of transaction RMB’000	Proportion of the same type of transaction (%)
Purchase of materials and equipments	China Petrochemical Corporation and its associates	11,678,864	28.6
Rendering engineering services	China Petrochemical Corporation and its subsidiaries and/or associates	47,143,537	68.2
Rendering engineering services	China Oil and Gas Pipeline Network Corporation	3,135,972	4.5

Receiving of community services	China Petrochemical Corporation and its subsidiaries	54,034	100
Receiving of integrated services	China Petrochemical Corporation and its subsidiaries	515,491	100
Rendering of technology development services	China Petrochemical Corporation and its subsidiaries	95,956	93.7
Land and property lease expenses	China Petrochemical Corporation and its subsidiaries	114,253	33.1
Equipment rental expenses	China Petrochemical Corporation and its subsidiaries	386,969	47.0
Interest expenses	China Petrochemical Corporation and its associates	597,814	82.3
Borrowings obtained	China Petrochemical Corporation and its subsidiaries	60,848,383	100
Borrowings repaid	China Petrochemical Corporation and its subsidiaries	63,519,135	100
Safety and insurance fund expenses	China Petrochemical Corporation	75,600	100
Safety and insurance fund refund	China Petrochemical Corporation	132,145	100

On 16 September 2021, the Company entered into the 2021 Connected Transactions Framework Agreements with China Petrochemical Corporation, and will continue to conduct the continuing connected transactions above with Sinopec Group and its subsidiaries. Relevant connected transactions and their annual caps for the three years ending 31 December 2024 have already been approved by independent shareholders of the Company.

The Company considers that it is important for the above connected transactions and selection of related parties for transactions and the above transactions would continue to occur. The agreements of connected transaction are based on the Company's operations needs and actual market situation. Purchasing materials and equipment from China Petrochemical Corporation and its subsidiaries will ensure the stable and safe supply of the Company's raw materials. Providing 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, which also constitute the Company's main business income source. The loan made from China Petrochemical Corporation can satisfy the financial needs of the Company under the situation of the fund shortage, which therefore is beneficial to the Company. The pricing of the above transactions was mainly based on the market price or contract price determined through open bidding or negotiation, reflecting the principal of fairness, justice and openness, which is beneficial to the development of Company's main business, and ensure the maximization of the

shareholder interests. The above connected transactions have no adverse effects on the profits of the Company or the independence of the Company.

The Company's independent non-executive directors have reviewed all the Company's continued connected transactions, and concluded that (1) the transactions were concluded in the ordinary and usual course of business of the Company; (2) the transactions were concluded based on the normal commercial terms, if there were no comparable items, no less favour than the terms provided to or received from an independent third party; (3) the transactions were in accordance with the relevant agreements, all the clauses of the agreements were fair and reasonable, and was in the interests of the Company's shareholders as a whole; (4) the annual transaction amount of the above connected transactions did not exceed the relevant annual cap of each kind of connected transactions as approved by the independent shareholders.

In accordance with Rule 14A.56 of the Hong Kong Listing Rules, the Company's auditor issued its unqualified opinion letter regarding the Company's disclosure of continuing connected transactions during the reporting period in which contained its findings and conclusions.

Please refer to Note 10 of this year's financial statements prepared in accordance with the PRC ASBE Standards for details of the connected transactions conducted by the Company during the reporting period. Among them, the significant related party transactions with China Petrochemical Corporation and its subsidiaries also fall under the definition of continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules. During the reporting period, the above-mentioned related party transactions between the Company and China Petrochemical Corporation and its subsidiaries have complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

- (b) The following is non-operational obligatory rights and debts with related parties during the reporting period:
Unit: RMB '000

Connected parties	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	7,381,309	874,576	8,255,885	14,816,339	661,290	15,477,629
Sinopec Finance Company Limited	-	-	-	6,400,000	-1,850,000	4,550,000
Sinopec Century Bright Capital Investment Limited	-	-	-	1,970,520	-429	1,970,091
Total	7,381,309	874,576	8,255,885	23,186,859	-1,189,139	21,997,720
Causes of connected claims and debts	Normal production and operation					
Influence of connected claims and debts on the Company	No material adverse effect					

(5) During the reporting period, there were no trusteeship and sub-contracting of properties of other companies by the Company which would contribute profit to the Company of 10% or more of its total profits for the current period.

(6) Leasing of the Company during the reporting period.

√Applicable □Not Applicable

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 Petroleum Bureau	Sinopec Shanghai Offshore Oil Engineering Company Limited *	Semi submersible drilling platform exploration No.4 (Exploration IV)	RMB 38.47 million	6 November 2019	31 December 2021	RMB -0.77 million (before renovation)	Calculated based on a fixed daily rental of RMB 48,140 per day	No significant impact	Yes	Shanghai Offshore Petroleum Bureau is a wholly-owned subsidiary of the controlling shareholder of the Company.

On 16 September 2021, the Company and CPC entered into Equipment Leasing Framework Agreement, which approved by the second extraordinary general meeting and effected from 1 January 2022 with three years validity period. Whereas, the Equipment Leasing Framework Agreement already includes the lease of the Exploration IV Drilling Rig by the Company and its subsidiaries from CPC, the Equipment Leasing Framework Agreement will replace the Lease Agreement on Exploration IV Drill Rig. On 16 September 2021, Ocean Petroleum Engineering and Shanghai Offshore Petroleum Bureau entered into the Termination Agreement of the Lease Agreement in relation to the “Exploration IV” Drill Rig, pursuant to which, the parties agreed to terminate the Lease Agreement on Exploration IV Drill Rig from 1 January 2022.

(7) Guarantee of the Company during the reporting period

Unit: RMB '000

External Guarantee of 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 of the Company and its Subsidiaries to the Subsidiaries	
Total Amount of Guarantees paid to Subsidiaries during the Reporting Period	-2,133,328
Total Balance of Guarantees to Subsidiaries at the end of the Reporting Period (B)	17,781,686
Total Company Guarantee (including Guarantee for Subsidiaries)	
Total guarantee (A+B)	17,781,686
Total Amount of Guarantees as a Percentage of the	259.2

Company's Net Assets (%)	
Among them:	
Amount of Guarantee provided to Shareholders, Actual Controllers and their related Parties (C)	0
Debt Guarantee Amount directly or indirectly for the guaranteed object whose asset-liability Ratio exceeds 70% (D)	1,079,154
The Amount of the total Guarantee exceeds 50% of the Net Assets (E)	14,350,928
Sum of the three Guarantee above (C+D+E)	15,430,082
Statement of Unexpired Guarantees as potential subject to Joint Liability	None
Guarantee Statement	The guarantees provided by the Company are all provided by the guarantees 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 of the Company for 2020.

On 27 August 2019, the 15th meeting of the ninth session of the Board of the Company considered and approved the Resolution on Provision of Counter-guarantee to China Petrochemical Corporation by the Company, and approved the Company to provide corresponding counter-guarantee in respect of joint guarantee liability under the financing credit line of no more than RMB500 million provided by China Petrochemical Corporation to the Company. Such resolution has been reviewed and approved by the the first extraordinary general meeting for 2019 of the Company. For details, please refer to the “Related party transaction announcement on provision of counter-guarantee to controlling shareholders by the Company” (P.2019-036) disclosed in China Securities Journal, Shanghai Securities News, Securities Times and on www.sse.com.cn on 28 August 2019, and on www.hkexnews.hk on 27 August 2019.

The Company expects that it will continue to use the credit line granted by China Construction Bank Corporation to CPC after 5 November 2021 and CPC will continue to undertake the joint guarantee liability for the RMB300 million credit line. On 16 September 2021, the sixth meeting of the tenth session of the board considered and approved Resolution on Provision of Counter-guarantee to China Petrochemical Corporation by the Company, which approved the Company to provide corresponding counter-guarantee in respect of the joint guarantee liability under the financing credit line of no more than RMB300 million provided by CPC to the Company. Such resolution has been reviewed and approved by the the second extraordinary general meeting for 2021 of the Company. For details, please refer to the “Related party transaction announcement on provision of counter-guarantee to controlling shareholders by the Company” (P.2021-037) disclosed in China Securities Journal, Shanghai Securities News, Securities Times and on www.sse.com.cn on 17 September 2021, and on www.hkexnews.hk on 16 September 2021.

On 31 December 2021, the balance of the counter-guarantee provided by the Company to China Petrochemical Corporation was RMB 262,764,000.

(8) The appointment and dismissal of the accounting firm during the reporting period.

	Currently hired
The name of the domestic accounting firm	BDO China (Special General Partnership)
The audit period for the domestic accounting firm	1
The remuneration of the domestic accounting firm	RMB 6,050,000

The name of the overseas accounting firm	BDO Limited
The remuneration of the overseas accounting firm	RMB 1,150,000
The audit period for the overseas accounting firm	1
The internal control accounting firm	BDO China (Special General Partnership)
The remuneration of the internal control accounting firm	RMB 1,300,000

The description for the appointment and dismissal of the auditor:

According to the relevant regulations of the Ministry of Finance and the State-owned Assets Supervision and Administration Commission of the People's Republic of China, there are certain restrictions in respect of the number of years for an accounting firm to continuously undertake the auditing services of the same state-owned enterprise and its subsidiaries. In view of such requirements, Grant Thornton (Special General Partnership) and Grant Thornton Hong Kong Limited respectively retired as domestic and international auditor of the Company with effect from the conclusion of the annual general meeting for the year 2020 of the Company.

On 24 March 2021, the Board of the directors of the Company proposed to appoint BDO China Shu Lun Pan Certified Public Accountants (Special General Partnership) and BDO Limited as the domestic auditor and the international auditor of the Company for 2021 respectively. The proposal was approved by shareholders of the Company on the annual general meeting for the year 2020 on 18 June 2021.

(9) The special undertakings made by the Company, the ultimate controller, shareholders, related parties, acquirer and other associated parties and the performance of such undertakings for the year ended 31 December 2021:

Undertaking Background	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	CPC	<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</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.

		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 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	CPC	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	CPC	Issued "The CPC commitment letter regarding to the regulating of connected transaction and maintaining the independence of the listed 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 violates 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.

(10) Company's share option incentive plan and its respective effect

In view of the relatively substantial difference between the Company's A Share price and the exercise price arising in the Third Exercise Period, under the relevant provisions of the Measures for the Administration of Share Incentive Plans of Listed Companies and Share Option Incentive Scheme for SSC's A Shares, the Company held the seventh meeting of the tenth session of the board and the seventh meeting of the tenth session of the supervisory on 28 October 2021 to pass the proposal about Cancellation of the Share Options of the Third Exercise Period under the First Grant of the A Share Option Incentive Scheme, cancelling a total of 17,084,000 Share Options, to be expired but unexercised at the Third Exercise Period, granted to 423 Participants.

For details, please refer to the "Announcement relating to Cancellation of the Share Options of the Third Exercise Period under the First Grant of the A Share Option Incentive Scheme" (P.2021-042) published in China Securities, Shanghai Securities News, Securities Times, and on www.sse.com.cn on 29 October 2021 and on www.hkexnews.hk on 28 October 2021.

By end of this reporting period, the Company has already completed the 4,905 A share option incentive scheme granted by the Company on 11 November 2016. For this time, all of the A share options for granted have not been exercised and have been cancelled. For other matters relating to the share option incentive scheme, please refer to the Company's 2020 annual report dated 26 April 2021.

(11) Other major issues

(1) After the settlement negotiation between the Brazilian Subsidiary and the Federal Tax Administration of Brazil, the two parties reached a settlement regarding the tax penalty on 22 December 2021 (Brazil time). The Federal Tax Administration of Brazil agreed to give a 67.2% discount on the total tax penalty amount (including tax, interest, penalty and tax legal service fee). The final tax penalty amounted to BRL 27,296,700 (equivalent to approximately RMB 30,985,200). On 29 December 2021 (Brazil time), the Brazilian Subsidiary paid the above-mentioned tax penalty to the Federal Tax Administration of Brazil with a total amount of BRL 27,296,700 (equivalent to approximately RMB 30,985,200). For details, please refer to the "Announcement on the Settlement of Tax Penalty of an Indirect Wholly owned Overseas Subsidiary" (P.2021-046) disclosed in China Securities Journal, Shanghai Securities News, Securities Times and on www.sse.com.cn on 31 December 2021, and on www.hkexnews.hk on 30 December 2021.

(2) The Company expected to continue to conduct the relevant continuing connected transactions with Sinopec Group after 31 December 2021. For the Continuing Connected Transactions commencing from 1 January 2022, the Company entered into a series of continuing connected transactions agreements with CPC on 16 September 2021, including Mutual Products Supply Framework Agreement, General Services Framework Agreement, Engineering and Construction Services Framework Agreement, Financial Services Framework Agreement, Technology R&D Framework Agreement, Land Use Rights and Property Leasing Framework Agreement, Equipment Leasing Framework Agreement, Trademark License Framework Agreement, and SPI Fund Document. Terms and conditions of the 2021 Connected Transactions Framework Agreements are basically identical to those of the agreements signed in 2018 and 2020. These continuing connected transactions agreements will replace the former agreements signed with CPC respectively after entry into force.

Based on the needs of the production and operation, the continuing connected transactions between the Company and PipeChina include long-distance pipeline construction, natural gas stations construction, pipeline operation, maintenance and protection and relevant technology services. As approved by the the second extraordinary general meeting for 2021, the annual cap for the continuing connected transactions between the Company and PipeChina from 1 January 2021 to 31 December 2021 is RMB4 billion.

The proposal of above continuing connected transactions agreements and their annual caps from 2022 to 2024, and the annual cap of continuing connected transactions with PipeChina in 2021 have been considered and approved by the sixth meeting of the tenth session of the board and the second extraordinary general meeting

(if applicable). For details, please refer to the “Continuing connected transactions announcement” (P.2021-036) and the announcement entitled “Continuing connected transactions and disclosable transactions with Sinopec Group and continuing related transactions with PipeChina” disclosed in China Securities Journal, Shanghai Securities News, Securities Times and on www.sse.com.cn on 17 September 2021, and on www.hkexnews.hk on 16 September 2021.

7. FINANCIAL REPORT

7.1 Audit Opinion

The financial statements of the Group for the year ended 31 December 2021, prepared in accordance with the PRC ASBE have been audited by Jin Chunhua and Miao Song of BDO China (Special General Partnership), which has issued unqualified opinion on 29 March 2022. Also, the financial statements of the Group for the year ended 31 December 2021, prepared in accordance with IFRS have been audited by BDO Limited, which has issued unmodified opinion on 29 March 2022.

7.2 Financial Statements prepared in accordance with IFRS

The following financial information were extracted from the audited consolidated financial statements of the Company and its subsidiaries (hereinafter referred to as the "Group") for the year ended 31 December 2021, which were prepared in accordance with the IFRS.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue	4	69,533,053	68,073,394
Cost of sales and taxes and surcharges		(64,798,287)	(62,957,850)
Gross profit		4,734,766	5,115,544
Selling expenses		(80,463)	(72,604)
General and administrative expenses		(2,184,739)	(2,781,058)
Research and development expenses		(1,669,706)	(1,369,501)
Finance expenses - net	5	(864,135)	(1,196,670)
Expected credit loss and write-down of inventories to net realisable value.	6	(19,666)	(109,093)
Investment income	7	1,577	500
Share of profit/(loss) from joint ventures		1,467	(94)
Share of profit from associates		5,813	5,561
Operating loss		(75,086)	(407,415)
Other income	8	552,120	684,440
Other expenses, net	9	(25,853)	(43,686)
Profit before income tax	10	451,181	233,339
Income tax expense	11	(310,731)	(269,076)
Profit / (Loss) for the year		140,450	(35,737)
Other comprehensive expense for the year, net of tax			
Items 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")		(1,799)	(8,461)
Total comprehensive income / (expense) for the year		138,651	(44,198)
		RMB	RMB
Earnings/(Loss) per share for profit/(loss) attributable to owners of the Company (presented in RMB per share)			
Basic and diluted	12	0.007	(0.002)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000
Assets			
Non-current assets			
Property, plant and equipment		24,924,711	24,575,668
Other non-current assets		6,595,302	5,854,914
Intangible assets		400,130	396,611
Interests in joint ventures		24,122	23,204
Interests in associates		22,926	19,842
Financial assets at FVTOCI		21,760	22,835
Deferred tax assets		310,764	395,834
Total non-current assets		32,299,715	31,288,908
Current assets			
Inventories		1,009,166	1,025,965
Financial assets at FVTOCI		1,295,971	1,323,425
Trade receivables	14	8,151,019	9,358,385
Prepayments and other receivables		5,162,319	4,924,453
Contract assets and cost to fulfil contracts		13,626,033	11,618,601
Restricted cash		32,917	28,106
Cash and cash equivalents		2,475,307	1,523,352
Total current assets		31,752,732	29,802,287
Total assets		64,052,447	61,091,195

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2021

	Note	As at 31 December 2021 RMB'000	As at 3 1 December 2020 RMB'000
Equity			
Share capital		18,984,340	18,984,340
Reserves		(12,122,823)	(12,261,474)
Total equity		6,861,517	6,722,866
Liabilities			
Non-current liabilities			
Long-term borrowings		1,945,552	1,484,785
Deferred income		9,288	14,186
Deferred tax liabilities		9,438	13,471
Provisions		205,771	382,646
Total non-current liabilities		2,170,049	1,895,088
Current liabilities			
Notes and trade payables	15	29,890,348	26,802,737
Other payables		3,555,046	2,652,248
Contract liabilities		3,547,938	3,024,461
Short-term borrowings		17,816,036	19,727,167
Current income tax payable		211,513	266,628
Total current liabilities		55,020,881	52,473,241
Total liabilities		57,190,930	54,368,329
Total equity and liabilities		64,052,447	61,091,195
Net current liabilities		(23,268,149)	(22,670,954)
Total assets less current liabilities		9,031,566	8,617,954

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1 GENERAL INFORMATION

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. 22, Chaoyangmen North Street, Chaoyang District, Beijing, the PRC and the headquarter address is No. 9, Jishikou Road, Chaoyang District, Beijing, the PRC.

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. The principal activities of the Group are 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.

These consolidation financial statements are presented in Renminbi (“RMB”), unless otherwise stated. These consolidation financial statements have been approved and authorised for issue by the Board of Directors on 29 March 2022.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The consolidation financial statements set out in this report have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”). These consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “Listing Rules”).

2 BASIS OF PREPARATION (Continued)

2.2 Basis of preparation of the consolidated financial statements and going concern assumption

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income, which are carried at fair value.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies of the Group

As at 31 December 2021, the Group had net current liabilities of approximately RMB23,268,149,000 and capital commitments of approximately RMB74,473,000. These conditions may cast significant doubt about the Group's ability to continue as a going concern. The directors of the Company have performed an assessment covering a period of 12 months from the year ended 31 December 2022, taking account of the following events and measures:

- (i) In December 2021, the Group obtained a line of credit of RMB16 billion and USD0.6 billion (Total: approximately RMB20.9 billion), and a line of credit promissory note and letter of guarantee of RMB11.8 billion from the Sinopec Group's subsidiaries;
- (ii) The Group's borrowings amounted to approximately RMB18.5 billion are sourced from Sinopec Group and its subsidiaries, where the Group maintains ongoing good relationship with these companies, which enables the Group to secure sufficient financial support from these companies;
- (iii) To obtain additional credits facilities, the Group will diversify its source of finance by exploring and developing good relationship with listed and state-owned financial institutions; and
- (iv) The Group is expected to generate operating cash inflows in the next twelve months.

The directors of the Company are in the opinion that the above measures are sufficient to meet with the expected liquidity, daily operation and capital requirements and considered that going concern basis is appropriate for the preparation of these consolidated financial statements.

3 NEW AND AMENDED IFRSs

The IASB has issued a number of amended IFRSs. The Group has adopted all these amended IFRSs, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the accounting period beginning on or after 1 January 2021:

Amendments to IFRS 9, IAS 39, IFRS 7, Interest Rate Benchmark Reform – Phase 2
IFRS 4 and IFRS 16

Amendments to IFRS 16
COVID-19-Related Rent Concessions beyond 30
June 2021 (early adopted)

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, Interest Rate Benchmark Reform – Phase 2

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate is replaced with an alternative nearly risk-free interest rate. The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

Amendment to IFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021

On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the COVID-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Group has not received COVID-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

3 NEW AND AMENDED IFRSs (CONTINUE)

The new and amended accounting standards issued but not yet effective for the accounting period ended 31 December 2021 which are relevant to the Group but the Group has not early adopted are set out below:

Amendments to IAS 16	Property, Plant and Equipment – Proceeds
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a
Amendments to IFRS 3	Reference to the Conceptual Framework ¹
Amendments to IFRSs	Annual Improvements to IFRS Standards
	2018-2020 ¹
IFRS 17 and amendments to IFRS 17	Insurance Contracts and related amendments ²
Amendments to IAS 1	Classification of Liabilities as Current or Non-
	current ²
Amendments to IAS 8	Definition of Accounting Estimates ²
Amendments to IAS 1 and IFRS Practice	Disclosure of Accounting Policies ²
Statement 2	
Amendments to IAS 12	Deferred Tax Related to Assets and Liabilities
	Arising from a Single Transaction ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an
	Investor and its Associate or Joint Venture

¹ Effective for annual periods beginning on or after 1 January 2022

² Effective for annual periods beginning on or after 1 January 2023

³ The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined

The directors of the Company anticipate that the application of these new and amended IFRSs will have no material impact on the results and the financial position of the Group.

4 REVENUE AND SEGMENT INFORMATION

The Group's revenue is as follows:

	2021 RMB'000	2020 RMB'000
Geophysics	4,663,346	4,599,371
Drilling engineering	33,081,850	34,199,657
Logging and mud logging	3,207,549	2,728,760
Special downhole operations	9,384,197	8,596,355
Engineering construction	16,714,720	15,683,065
Others	2,481,391	2,266,186
	69,533,053	68,073,394

Segment information

The Group identifies its operating segments based on the internal organisation structure, senior executive management requirements and internal reporting system. The Group 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.

- 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)

Five reportable operating segments are as follows:

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 prepaid land leases, certain intangible assets, certain other non-current assets, certain inventories, certain contract assets, certain notes and trade receivables, certain prepayment and other receivables, certain cash and cash equivalents, and certain deferred tax assets.

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 interest income, interest expenses, interests in joint ventures, interests in 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 consolidated 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 year ended 31 December 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
During the year ended 31 December 2021								
Segment revenue and results								
Revenue from external customers	4,663,346	33,081,850	3,207,549	9,384,197	16,714,720	2,481,391	–	69,533,053
Inter-segment income	42,777	3,757,636	2,329,444	533,246	27,104	6,814,586	(13,504,793)	–
Segment revenue	4,706,123	36,839,486	5,536,993	9,917,443	16,741,824	9,295,977	(13,504,793)	69,533,053
Reportable segment (loss)/profit	(28,969)	(222,536)	357,206	443,739	344,629	(969,155)	–	(75,086)
Other income	58,795	210,017	12,832	35,222	106,933	128,321	–	552,120
Other expenses	(12,685)	(36,792)	(5,706)	(9,316)	42,969	(4,323)	–	(25,853)
Profit/(Loss) before income tax	17,141	(49,311)	364,332	469,645	494,531	(845,157)	–	451,181
Income tax expense								(310,731)
Loss for the year								140,450

4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information (Continued)

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

For the year ended 31 December 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
During the year ended 31 December 2021								
Supplementary information								
Depreciation and amortisation								
-- Property, plant and equipment	361,919	1,871,291	232,520	497,354	269,981	243,520	—	3,76,585
-- Other non-current assets	112,955	1,614,113	143,835	253,542	11,737	14,310	—	2,150,492
-- Intangible assets	37	89,129	1,440	7,957	9,373	4,228	—	112,164
Capital expenditure								
-- Property, plant and equipment	262,098	2,602,257	151,087	357,807	433,975	415,114	—	4,222,338
-- Intangible assets	1,045	90,555	—	987	21,432	1,664	—	115,683
Provision /(Reversal of provision) for ECL on trade receivables, net	1,636	21,093	7,976	(31,501)	(1,183)	3,321	—	1,342
Provision /(Reversal of provision) for ECL on other receivables, net	389	2,766	(85)	(167)	22,322	(4,075)	—	21,150
Provision /(Reversal of provision) for ECL on contract assets	1,556	4,758	911	541	1,252	(11,845)	—	(2,826)
As at 31 December 2021								
Assets								
Segment assets	4,524,519	38,958,384	3,541,026	6,425,152	20,252,666	29,111,052	(38,760,352)	64,052,447
Liabilities								
Segment liabilities	3,427,097	28,862,019	2,978,969	3,475,883	19,867,388	37,339,926	(38,760,352)	57,190,930

4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information (Continued)

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

For the year ended 31 December 2020 and as at that date, the segment results, assets and liabilities were as follows:

	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	Eliminated RMB'000	Total RMB'000
During the year ended 31 December 2020								
Segment revenue and results								
Revenue from external customers	4,599,371	34,199,657	2,728,760	8,596,355	15,683,065	2,266,186	–	68,073,394
Inter-segment income	10,202	774,221	1,466,368	674,078	36,314	5,973,842	(8,935,025)	–
Segment revenue	4,609,573	34,973,878	4,195,128	9,270,433	15,719,379	8,240,028	(8,935,025)	68,073,394
Reportable segment (loss)/profit	(75,959)	12,542	161,833	(214,901)	9,107	(300,037)	–	(407,415)
Other income	58,964	456,066	7,679	35,275	67,926	58,530	–	684,440
Other expenses	(12,448)	(664)	(5,413)	(4,094)	(14,720)	(6,347)	–	(43,686)
Profit/(Loss) before income tax	(29,443)	467,944	164,099	(183,720)	62,313	(247,854)	–	233,339
Income tax expense								(269,076)
Loss for the year								(35,737)

4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information (Continued)

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

For the year ended 31 December 2020 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
During the year ended 31 December 2020								
Supplementary information								
Depreciation and amortisation								
-- Property, plant and equipment	383,106	1,826,826	202,039	570,515	244,119	259,717	–	3,486,322
-- Other non-current assets	99,623	1,671,571	84,163	311,492	10,869	3,437	–	2,181,155
-- Intangible assets	19	97,206	1,385	7,828	7,649	2,137	–	116,224
Capital expenditure								
-- Property, plant and equipment	225,407	1,576,109	112,015	497,805	259,047	172,964	–	2,843,347
-- Intangible assets	6	219,989	430	901	8,227	1,785	–	231,338
Provision /(Reversal of provision) for ECL on	11,772	(55,448)	(3,203)	27,674	(15,109)	(1,428)	–	(35,742)
(Reversal of provision)/ Provision for ECL on other receivables, net	(2,218)	(4,294)	437	883	76,682	2,602	–	74,092
Provision for ECL on contract assets	891	63,414	290	707	565	30	–	65,897
Write down of inventories to net realizable value	–	4,846	–	–	–	–	–	4,846
As at 31 December 2020								
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

Note: Capital expenditure includes additions resulting from an acquisition through business combination.

4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information (Continued)

(b) Geographical information

The following table sets out information about the geographical location. Revenue is based on the location in 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	
	2021 RMB'000	2020 RMB'000
The PRC	59,869,980	56,742,351
Middle East	6,804,288	8,636,854
Other countries	2,858,785	2,694,189
	69,533,053	68,073,394
	Specified non-current assets	
	2021 RMB'000	2020 RMB'000
The PRC	26,965,860	26,420,314
Other countries	5,001,331	4,449,925
	31,967,191	30,870,239

(c) Major customer

For the years ended 31 December 2021 and 2020, revenue from customers which individually contributed over 10% of the Group's revenue is as follows:

	2021 RMB'000	2020 RMB'000
Customer A	46,922,348	41,033,624

Revenue from this customer was derived from the operating segments of geophysics, drilling engineering, logging and mud logging, special downhole operations, engineering construction and accounted for more than 50% of the Group's revenue.

4 SEGMENT INFORMATION (CONTINUED)

Segment information (Continued)

(d) Analysis on revenue from contracts

For the years ended 31 December 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, 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
During the year ended 31 December 2021							
Timing of revenue recognition:							
– At a point in time	–	2,481	13,271	466	13,969	759,138	789,325
– Over time	4,663,346	33,079,3	3,194,278	9,383,731	16,700,751	1,722,253	68,743,728
Total	4,663,346	33,081,850	3,207,549	9,384,197	16,714,720	2,481,391	69,533,053
During the year ended 31 December 2020							
Timing of revenue recognition:							
– At a point in time	–	23,259	6,670	–	24,252	588,283	642,464
– Over time	4,599,371	34,176,398	2,722,090	8,596,355	15,658,813	1,677,903	67,430,930
Total	4,599,371	34,199,657	2,728,760	8,596,355	15,683,065	2,266,186	68,073,394

(e) Performance obligation of contracts with customers

The Group enters into petroleum engineering technical service contracts or construction contracts with customers to provide geophysical exploration, drilling, logging and mud logging, special downhole operations and surface engineering construction services of which rendering of services and construction contracts is completed according to the agreed schedule. When value of the completed work is confirmed and is certified, customers pay progress payments within 30-180 days after billing. Final billing and payment is made upon the completion and acceptance of the work.

In accordance with contracts and relevant legal requirement, the Group's engineering construction business provides quality assurance for the constructed assets. This type of quality assurance is an assurance-type warranty that ensures that the constructed assets fulfil the established quality standards, which does not constitute a single performance obligation.

5 FINANCE EXPENSES - NET

	2021 RMB'000	2020 RMB'000
Finance income		
Interest income		
- Sinopec Group's subsidiaries	1,008	1,407
- Third parties and other financial institutions	37,172	58,169
	<u>38,180</u>	<u>59,576</u>
Finance expenses		
Interest expenses on borrowings wholly repayable within 5 years		
- Sinopec Group and its subsidiaries	(597,814)	(753,965)
- Third parties and other financial institutions	(72,475)	(52,785)
Interest expenses on lease liabilities		
- Sinopec Group and its subsidiaries	(21,752)	(25,699)
- Sinopec Group's associates and joint ventures	(20,410)	(59,303)
- Third parties	(14,309)	(14,941)
Exchange loss, net	(127,419)	(289,068)
Bank and other charges	(48,136)	(60,485)
	<u>(902,315)</u>	<u>(1,256,246)</u>
	<u>(864,135)</u>	<u>(1,196,670)</u>

6 EXPECTED CREDIT LOSS ("ECL") AND WRITE-DOWN OF INVENTORIES TO NET REALISABLE VALUE

	2021 RMB'000	2020 RMB'000
ECL on trade and other receivables, net	22,492	38,350
ECL on contract assets, net	(2,826)	65,897
Write down of inventories to net realizable value	–	4,846
	<u>19,666</u>	<u>109,093</u>

7 INVESTMENT INCOME

	2021 RMB'000	2020 RMB'000
Investment income from financial assets at FVTOCI	<u>1,577</u>	<u>500</u>

8 OTHER INCOME

	2021 RMB'000	2020 RMB'000
Gain on disposal of property, plant and equipment, net	84,972	935
Gain on disposal of other non-current assets, net	3,751	5,026
Gain on debt restructuring	29,404	53,960
Government grants (Note)	300,474	511,210
Waived payables	31,145	81,208
Penalty income	2,313	2,779
Compensation received	7,790	3,059
Insurance claims	6,959	8,215
Asset surplus	38,440	4,327
Others	46,872	13,721
	<u>552,120</u>	<u>684,440</u>

Note:

For the years ended 31 December 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.

9 OTHER EXPENSES, NET

	2021 RMB'000	2020 RMB'000
Loss on scraps of assets	24,762	7,147
Penalty	6,376	8,220
Donation	830	5,623
Compensation	5,683	12,844
Reversal of provision for expected loss on pending litigations	(79)	(2,424)
Reversal of expected loss on judicial reorganisation	(69,049)	–
Others	57,330	12,276
	<u>25,853</u>	<u>43,686</u>

10 PROFIT BEFORE INCOME TAX

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

	2021 RMB'000	2020 RMB'000
Staff costs, including directors and supervisors emoluments	16,999,677	15,733,882
Retirement benefit plan contribution (included in the above mentioned staff costs)		
— Municipal retirement scheme costs	1,329,452	899,329
— Supplementary retirement scheme costs	675,163	645,597
Share options granted to directors and employees (included in the above mentioned staff costs)	—	3,192
Changes in inventories of finished goods and work in progress	(32,567)	72,575
Raw materials and consumables used	29,033,824	28,133,529
Depreciation and amortisation		
— Property, plant and equipment	3,476,585	3,486,322
— Other non-current assets	2,150,492	2,181,155
— Intangible assets	112,164	116,224
Short-term leases and leases with lease term of 12 months or less	1,055,154	996,480
ECL, net:		
— Trade and other receivables	22,492	38,350
— Contract assets	(2,826)	65,897
Impairment of assets:		
— Write down of inventories to net realizable value	—	4,846
Rental income from property, plant and equipment less relevant expenses	(13,915)	(20,704)
Gains on disposal of property, plant and equipment, net	(84,972)	(935)
Gains on disposal of other non-current assets, net	(3,751)	(5,026)
Auditors' remuneration	7,200	9,800
Exchange loss, net	127,419	289,068
COVID-19 related rent concessions	460	585

11 INCOME TAX EXPENSE

	2021 RMB'000	2020 RMB'000
Current tax		
PRC enterprise income tax	98,907	50,750
Overseas enterprise income tax	130,444	199,988
	<u>229,351</u>	<u>250,738</u>
Deferred tax		
Origination and reversal of temporary difference	81,380	18,338
Income tax expense	<u>310,731</u>	<u>269,076</u>

According to the Corporate Income Tax Law of the PRC, the applicable income tax of the years ended 31 December 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 period, for the years ended 31 December 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.

12 EARNINGS/(LOSS) PER SHARE

(a) Basic

For the years ended 31 December 2021 and 2020, the basic earnings/(loss) per share is calculated by dividing the profit /(loss) attributable to owners of the Company.

	2021	2020
Profit/(Loss) for the year attributable to owners of the Company (RMB'000)	140,450	(35,737)
Weighted average number of ordinary shares in issue (Shares)	18,984,340,033	18,984,340,033
Basic earnings /(loss) per share (RMB)	<u>0.007</u>	<u>(0.002)</u>

(a) Diluted

For the years ended 31 December 2021 and 2020, the diluted earnings/(loss) per share was the same as the basic earnings/(loss) per share as the exercise price of those share options is higher than the average market price for shares in the both years.

13 DIVIDENDS

The Board of Directors of the Company do not recommend the payment of any dividend for the years ended 31 December 2021 and 2020.

14 TRADE RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables		
- Sinopec Group and its subsidiaries	2,361,677	2,364,781
- Joint ventures	31,673	5,249
- Sinopec Group's joint ventures and associates	31,943	912,791
- Third parties	8,141,221	8,550,102
	<u>10,566,514</u>	<u>11,832,923</u>
Less: ECL allowance	(2,415,495)	(2,474,538)
Trade receivables - net	<u>8,151,019</u>	<u>9,358,385</u>

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

The Group usually provides customers with credit term in the range of 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 notes and trade receivables net of ECL allowance based on invoice date is as follows:

	2021 RMB'000	2020 RMB'000
Within 1 year	7,356,037	8,302,161
1 to 2 years	455,344	617,561
2 to 3 years	185,163	309,393
Over 3 years	154,475	129,270
	<u>8,151,019</u>	<u>9,358,385</u>

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

	2021 RMB'000	2020 RMB'000
Balance at the beginning of the year	2,474,538	2,513,990
ECL allowance	93,248	363,655
Reversal	(91,906)	(399,397)
Others	(31,649)	(1,976)
Receivables write-off as uncollectible	(28,736)	(1,734)
At 31 December	<u>2,415,495</u>	<u>2,474,538</u>

15 NOTES AND TRADE PAYABLES

	2021 RMB'000	2020 RMB'000
Trade payables		
- Sinopec Group and its subsidiaries	1,242,579	1,146,343
- Joint ventures	52,175	18,322
- Sinopec Group's joint ventures and associates	12,054	7,204
- Third parties	20,249,454	19,325,640
	<u>21,556,262</u>	<u>20,497,509</u>
Notes payables	8,334,086	6,305,228
	<u>29,890,348</u>	<u>26,802,737</u>

As at 31 December 2021 and 2020, the carrying amounts of the Group's notes and trade payables were approximately their fair value.

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

	2021 RMB'000	2020 RMB'000
Within 1 year	29,450,316	26,219,667
1 to 2 years	161,590	277,441
2 to 3 years	87,803	96,699
Over 3 years	190,639	208,930
	<u>29,890,348</u>	<u>26,802,737</u>

7.3 Financial statements prepared in accordance with PRC ASBE

The following financial information has been extracted from the Company's audited financial statements, prepared in accordance with PRC ASBE for the year ended 31 December 2021.

Consolidated Balance sheet

(Expressed in thousands of Renminbi Yuan)

Assets	<u>31 December 2021</u>	<u>31 December 2020</u>
Current assets:		
Cash at bank and on hand	2,508,224	1,551,458
Bills receivable		
Accounts receivable	8,151,019	9,358,385
Accounts receivable financing	1,295,971	1,323,425
Advances to suppliers	338,555	441,654
Other receivables	2,552,292	2,464,362
Inventories	1,088,304	1,033,678
Contract assets	13,546,895	11,610,888
Non-current assets due within one year		
Other current assets	2,238,006	1,995,808
Total current assets	31,719,266	29,779,658
Non-current assets:		
Long-term equity investments	47,048	43,046
Other equity instrument investments	21,760	22,835
Fixed assets	23,461,781	22,939,838
Construction in progress	668,364	284,292
Right-of-use assets	720,938	1,265,583
Intangible assets	506,596	504,966
Long-term prepaid expenses	6,595,930	5,855,143
Deferred tax assets	310,764	395,834
Total non-current assets	32,333,181	31,311,537
Total assets	64,052,447	61,091,195

Consolidated Balance sheets (continued)*(Expressed in thousands of renminbi yuan)*

Liabilities and shareholders' equity	<u>31 December 2021</u>	<u>31 December 2020</u>
Current liabilities :		
Short-term loans	17,520,091	19,370,520
Bills payable	8,334,086	6,305,228
Accounts payable	21,556,262	20,497,509
Contract liabilities	3,547,938	3,024,461
Employee benefits payable	644,026	498,071
Taxes payable	737,725	724,389
Other payables	2,355,823	1,675,104
Non-current liabilities due within one year	296,045	356,747
Other current liabilities	–	–
Total current liabilities	54,991,996	52,452,029
Non-current liabilities:		
Long-term loans	1,554,686	580,716
Lease liabilities	390,866	898,469
Long-term payables	28,885	26,812
Provisions	205,771	382,646
Deferred income	9,288	14,186
Deferred income tax liabilities	9,438	13,471
Total non-current liabilities	2,198,934	1,916,300
Total liabilities	57,190,930	54,368,329
Shareholders' equity :		
Share capital	18,984,340	18,984,340
Capital reserve	11,717,773	11,717,773
Other comprehensive income	-3,823	-2,014
Specific reserve	219,182	258,523
Surplus reserve	200,383	200,383
Retained earnings	-24,256,338	-24,436,139
Equity attributable to the owners of the Company	6,861,517	6,722,866
Minority interests	–	–
Total shareholders' equity	6,861,517	6,722,866
Total liabilities and shareholders' equity	64,052,447	61,091,195

Consolidated Income statements

(Expressed in thousands of RenminbiYuan)

	<u>2021</u>	<u>2020</u>
1.Revenue	69,533,053	68,073,394
2.Less:Cost of sales	64,520,925	62,605,007
Business taxes and surcharges	238,021	238,128
Selling and distribution expenses	80,463	72,604
General and administrative expenses	2,184,739	2,781,058
Research and development expenses	1,669,706	1,369,501
Financial costs	864,135	1,196,670
Including: Interest expense	726,760	906,693
Interest income	38,180	59,576
Add: Other income	265,296	516,114
Investment income	38,261	59,927
Including: Investment income from investment in association and joint venture	7,280	5,467
Gains from derecognition of financial assets measured at amortized cost	29,404	53,960
Credit impairment losses (loss in “-”)	-22,492	-38,350
Impairment losses on assets (loss in “-”)	2,826	-70,743
Gains from disposal of non-current assets (loss in “-”)	88,723	5,961
3.Operating profit (loss in “-”)	347,678	283,335
Add: Non-operating income	168,697	108,405
Less: Non-operating expenses	25,853	43,686
4. Profit before income tax (loss in “-”)	490,522	348,054
Less: Income tax expenses	310,731	269,076
5.Net profit for the year (loss in “-”)	179,791	78,978
Classified by business sustainability:	179,791	78,978
-Profit from continuing operations	-	-
-Profit from discontinued operations	-	-
Classified by ownership :	179,791	78,978
- The owners’ of the Company	-	-
- Minority interests	-	-
6.Earnings per share :		
(1) Basic earnings per share (in RMB)	0.009	0.004
(2) Diluted earnings per share (in RMB)	0.009	0.004
7.Other comprehensive income for the year	-1,799	-8,461
Other comprehensive income (net of tax) attributable to shareholders of the company	-1,799	-8,461
8.Total comprehensive income for the year	177,992	70,517
Total comprehensive income for the year/period attributable to:		
- The owners’ of the Company	177,992	70,517
- Minority shareholders	-	-

Consolidated Cash flow statement
(Expressed in thousands of renminbi yuan)

	<u>2021</u>	<u>2020</u>
1. Cash flows from operating activities:		
Cash received from sale of goods	63,641,759	63,737,397
Refund of taxes	194,673	351,304
Cash received from other operating activities	3,794,244	3,263,701
	<hr/>	<hr/>
Sub-total of cash inflows	67,630,676	67,352,402
	<hr/>	<hr/>
Cash paid for goods and services	41,549,293	42,039,015
Cash paid to and for employees	15,106,616	15,484,300
Cash paid for all types of taxes	1,324,248	1,470,849
Cash paid relating to other operating activities	3,443,610	3,886,418
	<hr/>	<hr/>
Sub-total of cash outflows	61,423,767	62,880,582
	<hr/>	<hr/>
Net cash inflow from operating activities	6,206,909	4,471,820
	<hr/>	<hr/>
2. Cash flows from investing activities :		
Cash received from disposal of investment	10	-
Cash received from the investment income	3,732	2,146
Net cash received from disposal of fixed assets	83,497	140,655
Cash received relating to other investing activities	-	-
	<hr/>	<hr/>
Sub-total of cash inflows	87,239	142,801
	<hr/>	<hr/>
Cash paid for acquisition of fixed assets and intangible assets	3,340,682	1,742,664
Cash paid for investment in a joint venture		9
Net cash paid for acquisition of subsidiaries and other business units	-	-
Cash paid for other investing activities	-	-
	<hr/>	<hr/>
Sub-total of cash outflows	3,340,682	1,742,673
	<hr/>	<hr/>
Net cash outflow from investing activities	-3,253,443	-1,599,872
	<hr/>	<hr/>

Consolidated Cash flow statement (continued)
(Expressed in thousands of renminbi yuan)

	<u>2021</u>	<u>2020</u>
3. Cash flows from financing activities :		
Cash received from the acquisition of investments	-	-
Cash received from borrowings	60,848,383	53,601,812
Cash received for other financing activities	<u>-</u>	<u>-</u>
Sub-total of cash inflows	<u>60,848,383</u>	<u>53,601,812</u>
Cash paid for repayments of borrowings	61,666,957	54,391,017
Cash paid for distribution of dividend, profit or payments of interests	611,439	827,362
Cash paid for other financing activities	<u>518,194</u>	<u>1,263,535</u>
Sub-total of cash outflows	<u>62,796,590</u>	<u>56,481,914</u>
Net cash outflow from financing activities	<u>-1,948,207</u>	<u>-2,880,102</u>
4. Effect of foreign exchange rate changes on cash and cash equivalents	<u>-53,305</u>	<u>-119,226</u>
5. Net decrease in cash and cash equivalents	951,954	-127,380
Add: Cash and cash equivalents at the beginning of the year	<u>1,523,352</u>	<u>1,650,732</u>
6. Cash and cash equivalents at the end of the year	<u>2,475,306</u>	<u>1,523,352</u>

Notes to cash flow statements*(Expressed in thousands of renminbi yuan)***(1) Supplement to cash flow statement****(a) Reconciliation of net profit to cash flows from operating activities:**

<u>Item</u>	<u>2021</u>	<u>2020</u>
Net profit	179,791	78,978
Add: Impairment loss on assets	-2,826	70,743
Impairment of credit losses	22,492	38,350
Depreciation of fixed assets and right-of use assets	3,473,480	3,483,227
Amortisation of intangible assets	115,269	119,319
Amortisation of long-term prepaid expenses	2,151,839	2,182,941
Losses/(gains) from disposal of fixed assets	-88,723	-5,961
Losses/(gains) on retirement of fixed assets	-10,181	7,147
Financial expenses	837,280	1,232,251
Investment losses	-38,261	-5,967
Decrease/(Increase) in deferred tax assets	85,070	22,332
Increase/(Decrease) in deferred tax liabilities	-4,033	-3,995
Decrease in gross inventories	-40,410	146,980
Decrease in operating receivables	-147,664	404,313
Increase in operating payables	-286,873	-3,187,316
Safety costs	-39,341	-114,714
Unexercised share-based payment		3,192
Net cash inflow from operating activities	<u>6,206,909</u>	<u>4,471,820</u>

(b) Changes in cash and cash equivalents:

<u>Item</u>	<u>2021</u>	<u>2020</u>
Cash at the end of the year	2,475,306	1,523,352
Less: Cash at the beginning of the year	<u>1,523,352</u>	<u>1,650,732</u>
Net decrease in cash and cash equivalents	<u>951,954</u>	<u>-127,380</u>

(2) Details of cash and cash equivalents

<u>Item</u>	<u>2021</u>	<u>2020</u>
Cash on hand	5,230	8,517
Bank deposits available on demand	2,469,601	1,511,398
Other monetary funds available on demand	475	3,437
Closing balance of cash	<u>2,475,306</u>	<u>1,523,352</u>
Add: Restricted cash	<u>32,918</u>	<u>28,106</u>
Closing balance of cash and cash equivalents	<u>2,508,224</u>	<u>1,551,458</u>

Statement of changes in shareholders' equity
(Expressed in thousands of Renminbi Yuan)

	<u>2021</u>							
	Share capital	Capital reserve	Other comprehensive income	Specific reserve	Surplus reserve	Retained earnings	Minority interests	Total shareholders' equity
1. Balance at 31 December 2019	18,984,340	11,717,773	-2,014	258,523	200,383	-24,436,139	-	6,722,866
Adjustment for the acquisition of the acquired group	-	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-	-
2. Balance at 1 January 2020	18,984,340	11,717,773	-2,014	258,523	200,383	-24,436,139	-	6,722,866
3. Changes in equity for the year ("-" for decreases)	-	-	-1,809	-39,341	-	179,801	-	138,651
(1) Total comprehensive income	-	-	-1,799	-	-	179,791	-	177,992
(2) Increase or decrease of capital	-	-	-	-	-	-	-	-
a. Original stock of surplus reserve	-	-	-	-	-	-	-	-
b. Share payments recognised in equity	-	-	-	-	-	-	-	-
c. Others	-	-	-	-	-	-	-	-
(3) Appropriation of profits	-	-	-	-	-	-	-	-
a. Appropriation for surplus reserve	-	-	-	-	-	-	-	-
b. Distributions to shareholders	-	-	-	-	-	-	-	-
(4) Transfer of equity	-	-	-10	-	-	10	-	-
(5) Specific reserve	-	-	-	-39,341	-	-	-	-39,341
(a) Accrued	-	-	-	1,468,981	-	-	-	1,468,981
(b) Utilised	-	-	-	-1,508,322	-	-	-	-1,508,322
(6) Others	-	-	-	-	-	-	-	-
4. Balance at 31 December 2020	18,984,340	11,717,773	-2,014	258,523	200,383	-24,436,139	-	6,722,866

Statement of changes in shareholders' equity
(Expressed in thousands of Renminbi Yuan)

	<u>2020</u>							
	Share capital	Capital reserve	Other comprehensive income	Specific reserve	Surplus reserve	Retained earnings	Minority interests	Total shareholders' equity
1. Balance at 31 December 2018	18,984,340	11,714,581	6,447	373,238	200,383	-24,515,117	-	6,763,872
Adjustment for the acquisition of the acquired group	-	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-	-
2. Balance at 1 January 2019	18,984,340	11,714,581	6,447	373,238	200,383	-24,515,117	-	6,763,872
3 Changes in equity for the year ("-" for decreases)	-	3,192	-8,461	-114,715	-	78,978	-	-41,006
(1) Total comprehensive income	-	-	-8,461	-	-	78,978	-	70,517
(2) Increase or decrease of capital	-	3,192	-	-	-	-	-	3,192
a. Original stock of surplus reserve	-	-	-	-	-	-	-	-
b. Share payments recognised in equity	-	3,192	-	-	-	-	-	3,192
c. Others	-	-	-	-	-	-	-	-
(3) Appropriation of profits	-	-	-	-	-	-	-	-
a. Appropriation for surplus reserve	-	-	-	-	-	-	-	-
b. Distributions to shareholders	-	-	-	-	-	-	-	-
(4) Transfer of equity	-	-	-	-	-	-	-	-
(5) Specific reserve	-	-	-	-114,715	-	-	-	-114,715
(a) Accrued	-	-	-	1,163,262	-	-	-	1,163,262
(b) Utilised	-	-	-	-1,277,977	-	-	-	-1,277,977
(6) Others	-	-	-	-	-	-	-	-
4. Balance at 31 December 2019	18,984,340	11,717,773	-2,014	258,523	200,383	-24,436,139	-	6,722,866

7.4 Reconciliation statement of differences in the financial statements prepared under different financial reporting standards

The differences between and the financial statements prepared under IFRS and PRC ASBE are as follows:

(Expressed in thousands of Renminbi Yuan)

	Net profit attributable to equity shareholders of the Company		Net assets attributable to the shareholders of the Company	
	For the year ended 31 December		At 31 December	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts under PRC ASBE	179,791	78,978	6,861,517	6,722,866
Adjustments under IFRS:				
Specific reserve (a)	-39,341	-114,715	-	-
Amounts under IFRS	140,450	-35,737	6,861,517	6,722,866

(a) Specific reserve

Under PRC ASBE, accrued production safety fund is recognised as expense 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. Under IFRS, these expenses are recognised in profit or loss as and when incurred. Relevant capital expenditure are recognised as property, plant and equipment and depreciated according to the relevant depreciation method.

8. OTHER ITEMS

(1) Annual Report

The Company will dispatch the 2021 Annual Report to its H shareholders in due course.

(2) Compliance with the Code of Corporate Governance Practices and the Model Code

For the year ended on 31 December 2021, the Company has complied with all the code provisions under the Code of Corporate Governance Practices set out in Appendix 14 to the Listing Rules, except that:

The Company has not set up a nomination committee as at the end of the reporting period. But the Articles of Association of the Company has stipulated clear rules for the nomination of the Director candidates. Pursuant to the Articles of Association of the Company, the candidates for independent directors may be nominated by the Board, the Supervisory Committee, or shareholders holding individually or collectively more than 1% of the issued shares of the Company. The candidates for other directors can be nominated by the Board, the Supervisory Committee, or shareholders holding individually or collectively more than 3% of the issued shares of the Company. All Directors should be elected by the shareholders' general meeting of the Company.

On 29 March 2022, the eighth meeting of the tenth session of the Board reviewed and approved the proposal of setting nomination committee under the tenth session of the Board and working rules for the Board's nomination committee. The company has set up the Nomination Committee, which consists of independent non-executive Director Mr. Dong Xiucheng as the Head, the chairman of the Board Mr. Chen Xikun, the independent non-executive directors Mr. Chen Weidong and Mr. Zheng Weijun as members. The nomination committee mainly provides suggestions on appointment standards and procedures, and candidates for the Board of directors, and reviews on the structure, numbers and diversity of members of the Board, ensuring the Board's composition in accordance with the Hong Kong Listing Rules.

The Company has adopted the Model Code as contained in Appendix 10 to the Listing Rules. Having specifically inquired all the Directors, Supervisors and Senior Management, the Company confirms that its Directors, Supervisors and Senior Management have fully complied with the Model Code.

During the reporting period, the Audit Committee under the Board held four meetings and reviewed the Company's 2020 Financial Statements, Interim Report for 2021 and continuing connected transactions and formed its independent opinion.

The Audit Committee of the tenth session of the Board held the sixth meeting on 25 March 2022 and reviewed and passed the resolution regarding the 2021 Financial Statements, proposed re-appointment of the auditors of the Company and performance report of the Audit Committee of the Company.

(3) Purchase, sale or redemption of the Company's listed securities

During the year ended at 31 December 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

(4) Annual performance review

The annual results for the year ended 31 December 2021 have been reviewed by the audit committee of the Company's board of directors, and the audit committee has no different opinions on the annual results.

(5) A detailed Annual Report of the Company containing all the information required by Paragraphs 6 to 36 of Appendix 16 to the Listing Rules will be published on the website of the HKSE in due course.

This announcement is published in both Chinese and English. Should there be any discrepancy between the English version and the Chinese version, the Chinese version shall prevail.

By Order of the Board
Shen Zehong
Company Secretary

29 March 2022, Beijing

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

+ Non-Executive Director

Executive Director

** Independent Non-Executive Director*