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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 2022

The board of directors (the "**Board**") and the supervisory committee (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 2022 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 hereby presents the audited annual results of the Company and its subsidiaries (the **"Group"**) for the year ended 31 December 2022.

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. The People's Republic of China ("**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
Office of the Board
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

Website designated by HKSE to disclose information: http://www.hkexnews.hk

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: Office of the Board 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				
	2022	2021	2020	2019	2018
Total assets	71,200,517	64,052,447	61,091,195	62,069,378	60,904,715
Total liabilities	63,773,198	57,190,930	54,368,329	55,305,506	55,126,305
Equity attributable to owners of the Company	7,427,319	6,861,517	6,722,866	6,763,872	5,778,410
Net assets per share attributable to owners of the Company (RMB)	0.39	0.36	0.35	0.36	0.30
Equity ratio of owners	10.43%	10.71%	11.00%	10.90%	9.49%
Return on net assets	7.70%	2.05%	（0.53%）	14.59%	4.16%
	For the year ended 31 December				
	2022	2021	2020	2019	2018
Revenue	73,772,688	69,533,053	68,073,394	69,870,147	58,409,078
Profit/(Loss) before income tax	837,162	451,181	233,339	1,428,397	613,769
Income tax expense	265,547	310,731	269,076	441,524	373,581
Profit/(Loss) attributable to owners of the Company	571,615	140,450	（35,737）	986,873	240,188
Basic and diluted earnings/(loss) per share (RMB)	0.030	0.007	（0.002）	0.052	0.013

(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 2022	For the year ended 31 December 2021	Increase/ (Decrease) （%）	For the year ended 31 December 2020
Operating income	73,772,688	69,533,053	6.1	68,073,394
Operating profit	732,392	347,678	110.7	283,335
Profit before income tax	729,361	490,522	48.7	348,054
Net profit attributable to equity shareholders of the Company	463,814	179,791	158.0	78,978
Net profit deducted extraordinary gain and loss attributable to equity shareholders of the Company ("-" for losses)	377,363	-100,263	Not applicable	-266,915
Net cash inflow from operating activities	4,197,869	6,206,909	-32.4	4,471,820
	As at 31 December 2022	As at 31 December 2021	Year-on-year change（%）	As at 31 December 2020
Total equity attributable to equity shareholders of the Company	7,427,319	6,861,517	8.2	6,722,866
Total assets	71,200,517	64,052,447	11.2	61,091,195

2.2 Principal financial indicators

	For the year ended 31 December 2022	For the year ended 31 December 2021	Year-on-year change（%）	For the year ended 31 December 2020
Basic earnings per share (RMB/share)	0.024	0.009	166.7	0.004
Diluted earnings per share (RMB/share)	0.024	0.009	166.7	0.004
Basic earnings per share deducted extraordinary gain and loss (RMB/share) ("-" for losses)	0.020	-0.005	Not applicable	-0.014
Weighted average return on net assets (%)	6.54	2.64	increased by 3.90 percentage points	1.16
Weighted average return on net assets deducted extraordinary gain and loss (%)	5.32	-1.47	increased by 6.79 percentage points	-3.92

2.3 Extraordinary gain and loss items and amounts

Unit: RMB'000

Extraordinary gain and loss item	2022	2021	2020
Gain and loss on disposal of non-current assets	-6,205	88,723	5,961
Government grants recognised in profit or loss during the year	104,391	123,873	293,684
Gain and loss from debt restructuring	18,157	29,404	53,960
In addition to the company normal business related effective hedging business, holding transactional financial assets, derivative financial assets, transactional financial liabilities, the fair value of profits and losses, and the disposal of transactional financial assets, derivative financial assets, transactional financial liabilities, derivative financial liabilities and other creditor's rights investment of	798	-	-

investment income			
Other non-operating income and expenses excluding the aforesaid items	-7,642	107,666	64,719
Tax effect	-23,048	-69,612	-72,431
Total	86,451	280,054	345,893

(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 2022	For the year ended 31 December 2021	**For the year ended 31 December 2022**	For the year ended 31 December 2021
PRC ASBE	463,814	179,791	7,427,319	6,861,517
Adjustments under IFRS:				
Specific reserve (a)	107,801	-39,341	-	-
IFRS	571,615	140,450	7,427,319	6,861,517

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

In the reporting period, the total number of shares and share capital structure of the Company have not change.

(2) Information on shareholders

2.1 Number of shareholders

As at 31 December 2022, the number of shareholders of the Company was 117,845, including 117,511 holders of A shares and 334 registered holders of H shares. The 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 2023, the number of shareholders of the Company was 111,866, including 111,534 holders of A shares and 332 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	21,000	5,402,084,694	28.46	0	0
CITIC Corporation Limited	State-owned legal person	-90,343,400	584,813,200	3.08	0	0
Hong Kong Securities Clearing Company Limited[4]	Others	33,354,267	155,646,896	0.82	0	0
Agricultural Bank of China – China Securities 500 Trading Open Index Securities Investment Fund	Others	24,036,100	34,633,100	0.18	0	0
Anhui Yangguang Xintong Electronic Technology Corp., Ltd.	Non-state-owned legal person	19,500,000	22,500,000	0.12	0	0
Shanghai Tongneng Investment Holdings Co., Ltd.	Non-state-owned legal person	8,733,800	20,250,000	0.11	0	0
Li Feng	Domestic natural person	9,593,300	20,000,000	0.11	0	0
China Merchants Securities Co., Ltd. - Tianhong China Securities 500 Index Enhanced Securities Investment Fund	Others	17,422,900	17,422,900	0.09	0	0
Changjiang Pension Insurance Co.,Ltd.- Changjiang Shengshi Huazhang No.2 Community Pension Management	Others	0	11,574,427	0.06	0	0

Fund [5]						
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
HKSCC (Nominees) Limited					5,402,084,694	H Share
CITIC Corporation Limited					584,813,200	A Share
Hong Kong Securities Clearing Company Limited					155,646,896	A Share
Agricultural Bank of China – China Securities 500 Trading Open Index Securities Investment Fund					34,633,100	A Share
Anhui Yangguang Xintong Electronic Technology Corp., Ltd.					22,500,000	A Share
Shanghai Tongneng Investment Holdings Co., Ltd.					20,250,000	A Share
Li Feng					20,000,000	A Share
China Merchants Securities Co., Ltd. - Tianhong China Securities 500 Index Enhanced Securities Investment Fund					17,422,900	A Share
Changjiang Pension Insurance Co.,Ltd.-Changjiang Shengshi Huazhang No.2 Community Pension Management Fund					11,574,427	A Share
Statement on the related relationship or activities in concert among the above-mentioned shareholders	The Company is not aware of any related relationship or acting in concert among the above-mentioned shareholders.					

Note:
1. As compared with the number of shares held as of 31 December 2021.
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 of the Company through its wholly-owned subsidiary, Sinopec Century Bright Capital Investment Limited ("**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 nominee 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 for the management of the Company ("**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 2022, 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	-
China State-owned Enterprise Structural Adjustment Fund Co., Ltd.	719,174,495 （H Share）	3.79	Not Applicable	13.28	-

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 be interested in the H shares held by Century Bright Company.
2. China State-owned Enterprise Structural Adjustment Fund Co., Ltd. held 402,265,632 H shares of the Company through Yifangda Fund Management Co., Ltd., accounting for 7.43% of the total issued H shares of the Company, and 317,366,863 H shares of the Company through Huaxia Fund Management Co., Ltd., accounting for 5.86% of the total issued H shares of the 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 2022, 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

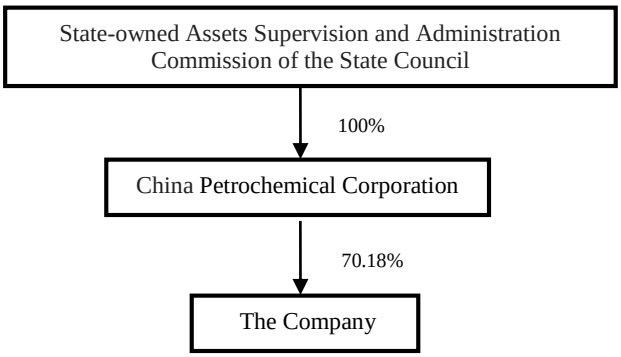
Name of the controlling shareholder: China Petrochemical Corporation, holding 70.18% of the Company's shares directly and indirectly
Legal representative: Ma Yongsheng
Date of establishment: 14 September 1983
Registered capital: RMB 326.547 billion
Principal activities: Upon the reorganisation in 2000, China Petrochemical Corporation injected its principal petroleum and petrochemical operations into China Petroleum & Chemical Corporation ("**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, water, electricity and other utility services and social services, etc.

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

(5) The de facto controller of the Company

The de facto controller of the Company remains to be China Petrochemical Corporation.

(6) The diagram of the property and control relationship between the Company and the de facto 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 of the Company through Century Bright Company. Therefore, China Petrochemical Corporation directly and indirectly held 13,323,683,351 shares of the Company, which represents 70.18% of the total issued 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 Excutive Director	male	58	19 December 2019 8 February 2018	1 February 2024	0	0	No Change	944,500	No
Yuan Jianqiang	General Manager Excutive Director	male	59	20 May 2019 26 June 2019	1 February 2024	0	0	No Change	944,500	No
Lu Baoping	Non-Excutive Director	male	61	8 February 2018	1 February 2024	0	0	No Change	35,000-	Yes
Fan Zhonghai	Non-Excutive Director	male	57	8 February 2018	1 February 2024	0	0	No Change	-	Yes
Wei Ran	Non-Excutive Director	male	55	20 June 2018	1 February 2024	0	0	No Change	-	No
Zhou	Non-Excutive	male	53	2	1	0	0	No	-	Yes

Meiyun	Director			February 2021	February 2024			Change		
Chen Weidong	Independent Non-Excutive Director	male	67	20 June 2018	1 February 2024	0	0	No Change	200,000	No
Dong Xiucheng	Independent Non-Excutive Director	male	61	20 June 2018	1 February 2024	0	0	No Change	200,000	No
Zheng Weijun	Independent Non-Excutive Director	male	56	2 February 2021	1 February 2024	0	0	No Change	200,000	No
Wang Jun	Chairman of the Supervisory Committee	male	55	26 May 2022	1 February 2024	0	0	No Change	458,675	No
Du Jiangbo	Supervisor	male	58	16 June 2015	1 February 2024	0	0	No Change	-	Yes
Zhang Qin	Supervisor	female	60	9 February 2015	1 February 2024	0	0	No Change	-	Yes
Sun Yongzhuang	Employee Representative Supervisor	male	57	2 February 2021	1 February 2024	0	0	No Change	873,200	No
Zhang Bailing	Employee Representative Supervisor	male	57	2 February 2021	1 February 2024	0	0	No Change	799,900	No
Du Guangyi	Employee Representative Supervisor	male	59	2 February 2021	1 February 2024	0	0	No Change	974,600	No
Zhang Yongjie	Deputy General Manager	male	59	9 February 2015	1 February 2024	0	0	No Change	949,500	No
Zhang Jinhong	Deputy General Manager	male	59	28 April 2015	1 February 2024	0	0	No Change	931,591	No
Cheng Zhongyi	Chief Financial Officer	male	46	27 April 2021	1 February 2024	0	0	No Change	799,591	No
	Secretary to the Board			3 August 2021						
Du Kun	Deputy General Manager	male	44	27 October 2022	1 February 2024	0	0	No Change	128,941	No
Sun	Deputy	male	51	3 August	1	50,300	50,300	No	787,591	No

Bingxiang	General Manager			2021	February 2024			Change		
Ma Xiang	Former Chairman of the Supervisory Committee	male	61	19 December 2019	29 March 2022	0	0	No Change	215,971	No
Zhang Jianbo	Former Supervisor	male	60	8 February 2018	13 February 2023	0	0	No Change	-	Yes
Zuo Yaojiu	Former Deputy General Manager	male	60	27 June 2017	21 December 2022	0	0	No Change	887,885	No
Zhang Jiankuo	Former Deputy General Manager	male	48	29 October 2020	28 June 2022	0	0	No Change	393,796	No

Note:
1.Mr. Chen Xikun, Mr. Yuan Jianqiang, Mr. Sun Yongzhuang, Mr. Zhang Bailing, Mr. Du Guangyi, Mr. Zhang Yongjie, Mr. Zhang Jinhong, Mr. Cheng Zhongyi, Mr. Sun Bingxiang and Mr. Zuo Yaojiu all received 12 months of salary in 2022. Mr. Lu Baoping received 7 months of subsidy in 2022. Mr. Wang Jun started to serve as chairman of the Supervisory Committee on 26 May 2022 and received 7 months of salary in 2022. Mr. Du Kun started to serve as deputy general manager of the Company on 27 October 2022 and received 2 months of salary in 2022.

2.Mr. Ma Xiang resigned as chairman of the Supervisory Committee on 29 March 2022 and received 3 months of salary in 2022. Mr. Zhang Jiankuo resigned as deputy general manager of the Company on 28 June 2022 and received 6 months of salary in 2022.

3.Mr. Chen Weidong, Mr. Dong Xiucheng and Mr. Zheng Weijun all received 12 months of directors' fee in 2022.

(2) 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 2021, a total of 11,574,427 A shares were sold through centralized bidding by Qi Xin Gong Ying Scheme, and 11,574,427 A shares were also held at the end of the reporting period.

In Qi Xin Gong Ying Scheme, the Company's Directors, Supervisors and senior management subscribed for a total of 5.15 million units, accounting for approximately 8.5% of the total unit 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 15 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 (unit)	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
Wang Jun	Chairman of Supervisory Committee	300,000	300,000	2.62	114,503
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
Zhang Jinhong	Deputy General Manager	350,000	350,000	2.62	133,587
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
Huang Songwei	Former Supervisor	350,000	350,000	2.62	133,587
Zhang Hongshan	Former Supervisor	350,000	350,000	2.62	133,587
Zuo Yaojiu	Former Deputy General Manager	350,000	350,000	2.62	133,587
Li Tian	Former Chief Financial Officer	350,000	350,000	2.62	133,587
Zhang Jiankuo	Former Deputy General Manager	300,000	300,000	2.62	114,503
Li Honghai	Former Secretary to the Board	300,000	300,000	2.62	114,503
Total	/	5,150,000	5,150,000	-	1,965,637

3. Changes in Directors, Supervisors and Senior Management

Name	Position	Change	Reasons for change
Ma Xiang	Chairman of the	Resigned	Age

	Supervisory Committee		
Wang Jun	Supervisor	Elected	Elected by the general meeting
Wang Jun	Chairman of the Supervisory Committee	Elected	Elected by the Supervisory Committee
Zhang Jiankuo	Deputy General Manager	Resigned	Change of work
Du Kun	Deputy General Manager	Appointment	Appointed by the Board
Zuo Yaojiu	Deputy General Manager	Resigned	Age
Zhang Jianbo	Supervisor	Resigned	Age

On 29 March 2022, Mr. Ma Xiang resigned as the chairman of the Supervisory Committee and Supervisor of the Company due to his age. Upon the election of the annual general meeting for the year 2021, Mr. Wang Jun was elected as non-employee representative Supervisor of the tenth session of the Supervisory Committee of the Company.

On 26 May 2022, the Company held the tenth meeting of the tenth session of the Supervisory Committee and Mr. Wang Jun was elected as the chairman of the tenth session of the Supervisory Committee, with a term of office commenced from 26 May 2022 to the date when the term of the tenth session of the Supervisory Committee expires.

On 28 June 2022, Mr. Zhang Jiankuo resigned as the Deputy General Manager of the Company due to change in his work position.

On 27 October 2022, the Company held the thirteenth meeting of the tenth session of the Board. The Board appointed Mr. Du Kun as the deputy general manager of the Company as nominated by the general manager, and his term of office commenced from 27 October 2022 to the date when the term of the tenth session of the Board expires.

Mr. Zuo Yaojiu resigned as the deputy general manager of the Company due to his age on 21 December 2022.

Mr. Zhang Jianbo resigned as the Supervisor of the Company due to his age on 13 February 2023.

The Company expresses its sincere gratitude to Mr. Ma Xiang, Mr. Zhang Jiankuo, Mr. Zuo Yaojiu and Mr. Zhang Jianbo for their hard work and important contributions during their tenure.

(4) Directors', Supervisors' and Chief Executive's interests in the shares of the Company

As at 31 December 2022, the Company's deputy general manager Mr. Sun Bingxiang held 50,300 A shares of the Company. Save as disclosed above and Qi Xin Gong Ying Scheme disclosed above, none of the Directors, Supervisors or other senior management of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO, as recorded in the registry by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the HKSE pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (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

In 2022, the Company actively grasped the favorable opportunities of oil and gas exploration and development investment increase, took the initiative to overcome adverse factors such as raw material prices increased and oilfield service prices had not yet recovered, insisted on cost reduction and efficiency management, promoted the development of science and technology innovation, intensified the market development and transformation of scientific research achievements, focused on optimal allocation of resources, clung to team ability building, to ensure safe production in a smooth and orderly manner, business performance to achieve greater grown, and profit foundation was further consolidated.

In 2022, the Company's consolidated revenue was RMB73.77 billion, representing a year-on-year increase of 6.1%, and net profit attributable to shareholders of the Company amounted to RMB460 million, representing a year-on-year increase of 158.0%. Basic earnings per share was RMB0.024, representing a year-on-year increase of RMB0.015.

1.2 Market review

In 2022, the global economic growth momentum declined, geopolitical fluctuations intensified, the Chinese economy resisted pressure, and the total economic volume reached a new level. The annual Gross Domestic Product (GDP) increased by 3.0% year on year, the international crude oil price showed a volatile upward trend, with the average spot price of Brent crude oil was $98.96/barrel, up 39.7% compared with 2021. Rising international oil prices have helped oil companies continue to increase investment in upstream exploration and development, and the oilfield service industry continues to recover. Benefiting from the continuous promotion of the "seven-year Action Plan" for increasing oil and gas storage and production, the domestic oil and gas production has increased steadily, and the domestic oilfield service market has maintained a good trend of recovery. Affected by this, the company's main professional workload and the team use rate has increased.

1.3 Operations review

In 2022, the Company seized the opportunities brought by high oil prices and market recovery and insisted on optimizing existing businesses and exploring incremental businesses. As a result, both quality and efficiency of the three major markets improved with complementary advantages. The total cumulative amount of newly signed contracts reached RMB81 billion, representing a year-on-year increase of 14.2%, the best level since the "13th Five-Year" Plan, of which the newly signed contracts in the China Petrochemical Corporation's market amounted to RMB50.4 billion, representing a year-on-year increase of 13.5%; the newly signed contracts in domestic external markets amounted to RMB15 billion, representing a year-on-year increase of 17.2%; the newly signed contracts in overseas markets amounted to RMB15.6 billion, a year-on-year increase of 13.9%. As the Company provided good and efficient engineering and technical services, we undertook 579 projects throughout the year, that is another new record, and successively made breakthroughs in a number of our core technologies. New progress was made in resource coordination and optimization, the construction of our project-based management system entered the stage of full implementation and generated preliminary results, and our legitimate and compliant corporate governance and reinforced management reached a new level. The quality, health, safety and environmental protection situation of the Company remained stable with steady progress, and the main production and operation indicators of the Company grew steadily.

1.3.1 Geophysical services

In 2022, the Company's operation revenue from the principal business of geophysical service was RMB4.76 billion, an increase of 2.0% from RMB4.66 billion in the same period of the previous year. The completed 2D seismic exploration accumulated for 4,936 kilometers in the year, an increase of 86.0% than the previous year; while the 3D seismic exploration accumulated for 15,790 square kilometers, a decrease of 5.3% than the previous year. The pass rate of 2D and 3D records was 100%, and the proportion of our seismic data acquired with first grade quality was 3.2 percent points higher than required by the contracts. Geophysical technologies such as single-point high-density acquisition, full-node acquisition and well-seismic joint excitation were fully applied, and the level of digitalization and intelligence continued to improve. Our high-efficiency acquisition technology for broadband vibroseis reached international advanced level. The domestic external seismic

exploration markets grew significantly, new businesses relating to fracturing monitoring, Beidou application, energy conservation and environmental protection developed rapidly, and the amount of newly signed contracts reached RMB490 million, representing a year-on-year increase of 38.7% and the best record in our history.

1.3.2 Drilling service

In 2022, the Company's operation revenue from the principal business of drilling service was RMB36.81 billion, an increase of 11.3% from RMB33.08 billion in the same period of the previous year. Our completed drilling footage reached 9,980 kilometers, representing a year-on-year increase of 9.1%. The Company coordinated and optimized the team and upgraded the core equipment, 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 8.6% and 29.5%, respectively. We completed drilling of 12 high-yield wells, including Shunbei 803X well and Shunbei 21X well, of daily production in thousand ton per well and a group of very potential oil or gas discovery wells, facilitated the implementation of 200 million-ton oil and gas enrichment zones, and all 8 single wells of Shengli shale oil produced more than 10,000 tons of cumulative production, which provided strong engineering technical support for China Petrochemical Corporation to achieve stable oil production, increase of gas production and cost reduction. Domestic market with external advantages became more concentrated. In the markets of China National Petroleum Corporation ("**CNPC**"), China National Offshore Oil Corporation ("**CNOOC**"), China Oil & Gas Pipeline Network Corporation ("**PipeChina**"), 112 professional teams were shortlisted, and wellbore professional team signed RMB8.35 billion new contracts, representing a year-on-year increase of 26.7%.

1.3.3 Logging/Mud logging service

In 2022, the Company's operation revenue from the principal business of logging and mud logging service was RMB3.26 billion, an increase of 1.6% from RMB3.21 billion in the same period of the previous year. Our completed logging projects had a total of 27,930 standard meters, an increase of 4.3% than the previous year. Our completed mud logging projects had a total of 8,400 kilometers, a decrease of 8.4% 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 97%. The Company consistently improved our logging and mud logging service capabilities, promoted logging and mud logging integration interpretation and the service capabilities of the full life cycle of oil reservoirs, and established an integrated standard team of directional drilling, logging and rotary steering to ensure the efficient operation of key projects such as the Deep Land Project and Shengli shale oil.

1.3.4 Downhole operation service

In 2022, the Company's operation revenue in downhole operation was RMB9.37 billion, a decrease of 0.2% from RMB9.83 billion in the same period of the previous year. It completed downhole operation for 6,868 wells, a decrease of 3.6% than the previous year. The pass rate of one-time downhole special operation was 99.7%. The Company continued to improve service support capabilities for downhole operation and reservoir operation. The fracturing construction efficiency in key regions in "Northwest China, North China, Northeast China and Sichuan" was improved by 15.6%. The electric drive factory fracturing process was promoted in the Fuling shale gas field and Shengli shale oil block. The Jiaoye 12 platform set 5 records including the largest number of fracturing wells on a single platform for shale gas development in China. We made multiple breakthroughs in the cooperative development of difficult-to-recover reserves, completed the production target of 18 wells with 7 wells in Xinchang West Sichuan, helping tight gas reservoirs achieve high production with few wells.

1.3.5 Engineering and construction service

In 2022, the Company's operation revenue in engineering and construction service was RMB17.44 billion, an increase of 4.3% from RMB16.71 billion in the same period of the previous year. In 2022, the cumulative value of newly signed contracts was RMB25.3 billion, an increase of 42.1% than the same period of the previous year. The Dongying crude oil depot relocation project undertaken by the Company has built the first green and low-carbon intelligent oil depot in China, and built a high-quality demonstration project. The Company completed high-quality key projects such as the south main line, the south section of the east main line of Shandong pipeline network, the inter-plant pipeline corridor of Tahe Refinery and the Binhai LNG supporting gas

transmission pipeline, demonstrating our ability and edges in increasing oil and gas production and reserves and constructing large-scale projects. Tremendous achievement was made in our EPC sector. We were awarded 39 EPC tender projects in the year, which is a new record, with contract value of RMB9.28 billion. We continued our expansion in PipeChina's market, forming a large-scale and efficient market base, with newly signed contracts amounting to RMB5.2 billion, and achieving steady progress.

1.3.6 International business

In 2022, the Company's operation revenue in international business service was RMB13.01 billion, an increase of 36.7% from RMB9.52 billion in the same period of the previous year. The revenue contributed by the international business accounted for 18.0% of the total revenue, with a year-on-year increase of 4 percentage points. In 2022, the Company resumed its growth momentum in overseas markets, and won bids and signed a number of new high-quality long-term projects in key markets such as Saudi Arabia, Kuwait, Uganda, Mexico and Ecuador. The oilfield comprehensive service projects are stable and improving. In the Saudi Arabia market, the Company signed contracts with Saudi Aramco again for six unconventional gas well drilling rigs, and won the bid for the Baker Hughes oil well drilling rig subcontracting project and the Saudi Aramco water well drilling project. In the Kuwait market, the Company won the bid for 14 developed well drilling and repair rigs of and 1 deep well drilling rig project of Kuwait Petroleum (KOC), with a contract period of 5+1 years, with a total amount of approximately US$830 million. In the Ecuadorian market, the Company signed a new contract for drilling and completion lump sum projects in SACHA oilfield, Halliburton drilling services and other projects. For the geophysical business, the Company won the bid for the 2D seismic acquisition and processing project of YPFB Company in Bolivia, which is the first geophysical project for external tender of the country since 2018. For engineering construction business, the Company and TOTALENERGIES EP Uganda Limited entered into a general contracting project for the oil & gas collection and transportation system of Uganda's TILENGA with a contract value of US$611 million. It is the largest single construction project contracted by the Company overseas.

1.3.7 Technology research and development

In 2022, the Company continued to increase its investment in scientific research and overcoming difficulties, won 29 science and technology awards at the provincial and ministerial level, applied for 979 patents, and was licensed 787 patents, hitting record highs over the years. Firstly, breakthroughs were achieved in key and core technologies. Type I rotary steering system reached the international advanced level as a whole, and high-temperature electrical imaging logging device and high-temperature MWD became mature and finalized, supporting the exploration and development of "deep engineering". Secondly, special technology updates were accelerated, such as Shunbei ultra-deep drilling and completion optimized the speed-up technology version 2.0, 22 deep wells drilled above 8,000 meters; Yuanshen No.1 well drilling and completion to 8,866 meters, vertical well in the Sichuan Basin with the deepest record and Jiaoye 18-S12HF well with a horizontal section of 4,286 meters making a record for the longest horizontal section of a shale gas well in China. Thirdly, the industrialization of products moved forward to a large scale. High-end equipment industrial base was completed and put into operation and the expansion of chemical additive production base was completed and put into production. Fourthly, the informalization construction was accelerated and expanded. The Company's integrated cloud platform was launched, and the integration and application of digital industries such as the well site integrated decision-making command center was deepened, enabling project-based management efficiency and decision-making quality to be greatly improved.

1.3.8 Internal reform and management

In 2022, the Company continued to deepen internal reform and empower high-quality development with high-quality reforms. Firstly, the project-based management system was basically established. The Project-based Management Measures of the Company and its supporting systems at all levels were formulated, and the construction of the project-based management system entered the stage of full implementation and achieved initial results. Secondly, the effective results in coordinating and optimizing the resource allocation were achieved with transferring of 75 drilling (repaired) machines among its subsidiaries successively completed and

more than 30 materials, equipment, and logistics bases optimized and shared. Thirdly, top-level design for the development of special business was completed, providing guidance for strengthening development of special business with scale economics and potentials. Fourthly, the quality of operation and management was constantly improved, strengthening the analysis of economic activities, enhancing the cost management in the whole process and for the whole chain and reducing cost and expenses of RMB530 million throughout the year.

1.3.9 Capital expenditures

In 2022, the Company had a capital expenditure of RMB5.23 billion. Focusing on the improvement of exploration and development service capabilities and market competitiveness in 2022, the Company increased investment in equipment, actively optimized the equipment structure. The Company increased the investment in drilling rig upgrades and electric fracturing equipment, continually promoted the standardized construction of drilling sites and downhole operation sites; and increased the investment in equipment required for overseas high-quality markets to further enhance our competitiveness in the high-end business market. Throughout the year, the investment was mainly made for transformation and modification of 53 drilling rigs, 32 sets of fracturing trucks (crowbars), 185,000 seismic acquisition equipment, 10 sets of automatic welding equipment, 10 sets of rotary steering devices, 6 sets of devices for high-temperature measurement and control while drilling, 2 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 RMB71,200,517,000, representing an increase of RMB7,148,070,000 from that at the end of 2021, of which: current assets were RMB36,587,579,000, representing an increase of RMB4,834,847,000 from that at the end of 2021. The increase was mainly due to an increase in accounts receivable of RMB2,386,198,000, an increase in contract assets of RMB2,090,961,000, and an increase of RMB851,235,000 in prepaid accounts and other receivables. Non-current assets were RMB34,612,938,000, representing an increase of RMB2,313,223,000 from that at the end of 2021, which was mainly due to the combined impact of the increase in the property, plant and equipment of RMB1,507,371,000, and the increase of RMB660,137,000 in other long-term assets due to the purchase of special tools for petroleum engineering.

Total liabilities were RMB63,773,198,000, representing an increase of RMB6,582,268,000 from that at the end of 2021, of which: current liabilities were RMB62,519,653,000, an increase of RMB7,498,772,000 as compared with the end of 2021, which was mainly due to comprehensive impact of an increase in notes and trade payables of RMB3,701,105,000, an increase in contract liabilities of RMB1,567,881,000, an increase in other payables of RMB564,221,000, and an increase in short-term borrowings of RMB1,624,362,000. Non-current liabilities were RMB1,253,545,000, a decrease of RMB916,504,000 compared with the end of 2021, which was mainly due to the decrease of long-term borrowings of RMB967,948,000.

Total equity attributable to owners of the Company was RMB7,427,319,000, an increase of RMB565,802,000 as compared with the end of 2021, mainly due to the gains attributable to equity holders of the Company in 2022 achieved RMB571,615,000.

As at 31 December 2022, the ratio of total liabilities to total assets was 89.6%, and 89.3% as at 31 December 2021.

1.4.2 Cash flow analysis

During the year ended 31 December 2022, the Group's net cash inflow from operating activities was RMB4,197,869,000, representing a decrease of cash inflow by RMB2,009,040,000 as compared with last year. This was mainly due to business owner's fund settlement was not in place.

During the year ended 31 December 2022, the Group's net cash outflow from investing activities was RMB3,951,162,000, an increase of cash outflow by RMB697,719,000 as compared with last year. It was mainly due to an increase in investment for equipment and share a stake in Sinopec Carbon Industy Technology Co., Ltd. ("**Carbon Technology Company**").

During the year ended 31 December 2022, the Group's net cash inflow from financing activities was RMB1,051,249,000, presenting an increase of cash inflow by RMB896,958,000 compared with last year. This was mainly due to cash flow from operating activities narrowed and loan scale increased year-on-year.

1.4.3 Bank and affiliated company borrowings

As at 31 December 2022, the Company's bank and affiliated borrowings were RMB19,403,765,000 (31 December 2021: RMB19,074,777,000). These borrowings included the short-term borrowings in RMB17,923,208,000, and the long-term borrowings due more than one year of RMB1,480,557,000; the fixed-rate loans were RMB1,000,000,000 and the floating rate loans were RMB18,403,765,000. As at 31 December 2022, the balance of RMB borrowings accounted for approximately 88.1% and the balance of US dollar borrowings accounted for 11.9%.

1.4.4 Assets pledge

As at year ended 31 December 2022, there was no pledge on the Group's assets.

1.4.5 Gearing ratio

As at 31 December 2022, the gearing ratio of the Group was 71.5% (31 December 2021: 71.6%). 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 2022 RMB'000	Operating cost for 2022 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	4,756,990	4,460,591	6.2	2.0	0.9	Inecreased by 1 percentage points
Drilling	36,814,540	34,576,025	6.1	11.3	9.4	Increased by 1.6 percentage points
Logging/Mud logging	3,257,608	2,688,410	17.5	1.6	3.8	Decreased by 1.8 percentage points
Downhole operation	9,366,492	8,727,331	6.8	-0.2	1.6	Decreased by 1.7 percentage points

Engineering and construction	17,436,238	15,917,549	8.7	4.3	3.9	Increased by 0.3 percentage points
Other	851,576	838,332	1.6	-26.8	-28.2	Increased by 1.9 percentage points
Total	72,483,444	67,208,238	7.3	6.3	5.5	Increased by 0.7 percentage points

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

Region	Operating income for 2022 RMB'000	Operating cost for 2022 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 (%)
Mainland China	59,469,940	55,708,205	6.3	1.3	1.3	-
Hong Kong, Macau, Taiwan, and overseas	13,013,504	11,500,033	11.6	36.7	32.2	Increased by 3 Percentage points

1.7 Major suppliers and customers

Aggregate purchase amounts from the top five largest suppliers	RMB 15,666,963,000	Percent of total purchases	26.8%
Aggregate sales amounts to the top five largest customers	RMB 61,279,205,000	Percent of total sales	83.1%

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

2.1 Competitive industry structure and development trend

Looking ahead to 2023, the downward risks of the world economy will increase, the unstable, uncertain and unpredictable external environment becomes normal, China's economy has strong resilience, great potential and sufficient vitality, the effect of various policies continues to show, the economic operation is expected to recover; the geopolitical risk premium is still high, the fundamental tension of oil supply and demand may continue, and the international oil prices will remain high throughout the year. Driven by high oil prices and oil and gas production, the global upstream exploration and development investment scale will increase, oilfield service market continues to recover, at the same time to ensure national energy security, domestic oil company will further increase production "seven years action plan", continue to increase the intensity of oil and gas resources exploration and development, will promote the domestic oilfield service market continue to grow.

2.2 Operation plans in 2023

In 2023, in the face of complex and changeable market situation, the Company will continue to play a comprehensive oil and gas service ability and characteristic technology advantage, carry out "high quality development action" activities, to improve engineering service ability to work as the main line, and make every effort to do a good job of service, extension, technology innovation, reform, optimization, strict management, safety, environmental protection and other key work, high quality development, speed up the construction of world-class technology leading oil service company. The Company plans to sign new contract to reach a yearly value of over RMB78 billion, in which RMB49 billion will be from China Petrochemical Corporation's internal

market, RMB14 billion from domestic external market, and RMB15 billion from overseas market. The Company puts emphasis on the following aspects:

2.2.1 Geophysical service

In 2023, the Company will boost efforts in R&D and update of key geophysical equipment, enrich information-based and intelligent quality control methods, improve the integrated capabilities of data collection, processing and interpretation, and promote oil companies conducting more geophysical exploration by using high-quality seismic data; vigorously develop its new business strengths such as surveying and mapping geographic information, wellbore seismic, pipeline detection, energy conservation and environmental protection, and strive to achieve rapid scale expansion; promote the three-year action plan for Beidou application, and accelerate the research and development of core technologies, application platforms, software and hardware devices, to promote the application of Beidou technology in a wider range and more scenarios, and continuously improve its voice and market share in the industry. The Company plans to complete annual acquisition of 2D seismic data of 5,090 kilometers and 3D of 16,000 sq. kilometers in 2023.

2.2.2 Drilling Service

In 2023, the Company will continue to increase investment in core equipment under the deployment and implementation plan for exploration and exploitation of China Petrolchemical Corporation, comprehensively improve service support capabilities, and make every effort to solve the bottleneck technical problems that restrict exploration and development work, to minimize complex failures, and strive to make the well drilling fast, drilling well, and more high-yield wells, further shorten the annual drilling cycle by 5%, further reduce the time on complicated failures by 10%, and achieve a team utilization rate of more than 85%. In the domestic external market, with the goal of improving quality and efficiency, the Company will vigorously expand high-quality markets such as CNPC, CNOOC and PipeChina, actively promote local coalbed methane and other unconventional and non-oil businesses to achieve growth amid stability. The Company plans to complete drilling footage accumulated for 10,000 kilometers in 2023.

2.2.3 Logging/Mud logging service

In 2023, the Company will continue to give full play to its integrated advantages, innovate service models, improve the "four mechanisms" of visits and feedbacks, market dynamic evaluation, key project tracking and hierarchical management to improve market expansion capabilities; refine the internal market of China Petrolchemical Corporation, catch up with its exploration and exploitation deployment, take full advantages of integration of measurement, recording and guidance, intervene in advance and actively cooperate to provide integrated solutions for exploration and exploitation; optimize domestic external markets, strengthen the whole project process management for pre-assessment, in-process supervision and post-event evaluation , and cultivate emerging markets in the fields of deep coalbed methane, geothermal, salinization, etc. The Company plans to complete logging footage accumulated for 267,200 kilometers in 2023, while the mud logging footage accumulated for 8,280 kilometers.

2.2.4 Downhole operation service

In 2023, the Company will continue to strengthen the protection for the exploration and development of oil and gas resources, strive to promote the three-dimensional development of shale gas in Sichuan Basin, and focus on ensuring the production capacity of "three high" oil and gas wells in the southwest and northwest industrial zones and expansion in tight oil and gas reserves and production in Ordos Basin. The fracturing construction efficiency will be further improved by 10%. We will continue to expand the oil, local shale gas and coalbed methane markets in China, and strive to achieve new bases for expansion in reserves and production; improve the cooperative development of difficult-to-use blocks such as eastern Shengli, western Sichuan tight gas, southern Sichuan shale gas and southern Hebei tight oil, and actively explore new cooperative development model of shale oil. The Company plans to complete downhole operation service of 6,070 well times.

2.2.5 Engineering and construction service

In 2023, the Company will take full advantage of specialization and integration, refine measures to overcome difficulties, improve risk prevention and control mechanism, comprehensively increase its market share, maintain a high-quality market, and ensure efficiency at the source. In the internal market of China Petrochemical Corporation, it will improve the service quality, and focus on the development and construction of Leikoupo group gas reservoir in the Western Sichuan Gas Field, and the acidic moisture boosting project in the main body of the Puguang Gas Field, natural gas processing station in Shunbei Second Zone and other project construction; leverage the EPC advantages of long-distance pipelines to expand the domestic long-distance pipeline engineering market, and focus on the second phase of Sichuan-Eastern China Natural Gas Transmission Pipeline, west section of the four line of Western-Eastern China Natural Gas Transmission Pipeline, and Sino-Russian Far East Natural Gas Transmission Pipeline; seize the opportunity of new energy development and strengthen market expansion of large LNG storage tanks, CCUS, green power hydrogen production, maritime wind power and hydrogen transmission. In 2023, the Company plans to sign new contracts valued RMB22.5 billion and complete contracts valued RMB17.5 billion.

2.2.6 International business

In 2023, the Company will focus on economic benefits, continue to increase the deployment and development of target markets such as Saudi Arabia, Kuwait, Ecuador, Mexico, and Uganda, and strive to achieve new breakthroughs in fracturing, heavy oil large package, general contracting projects and high-end technical service, and closely follow up to the progress control and management of key projects and operation and management of oil reservoir projects. In the Saudi market, it will follow up the upstream and midstream cooperation opportunities for unconventional gas fields, expand ground business such as long-distance transmission pipelines, municipal roads and bridges, and pay attention to engineering construction opportunities related to energy transformation such as CCUS, hydrogen energy, photovoltaics, and wind power. In the Kuwait market, it will focus on bidding work for drilling rigs tendering project, organize start-up of 14 drilling and repair projects of developed wells, supporting equipment, delivery and start-up of 90D deep well drilling rigs, pay attention to the bidding information of lump sum projects in the southern oil area. In the Ecuador market, it will do a good job in operation and management of drilling and completion contract project, promote the development of professional technical services such as solids control, well logging, well mud logging, and drilling fluid with lump sum services, follow up extension of SACHA drilling and completion general contract project, and promote renewal of contract. In the Uganda market, it will implement operation for oil and gas gathering and transmission project and drilling rig service project, track and develop the follow-up projects. In 2023, the Company plans to sign new contracts valued US dollar 2.14 billion and complete contracts valued US dollar 1.89 billion.

2.2.7 Technology development

In 2023, the Company will continue to increase investment in scientific research, optimize research and development layout, innovate management mechanism, build a strong scientific research team, and systematically improve ability of scientific research and development as well as innovation and efficiency. Concentrated on the battle of core technology, it will strengthen the research and development of high-temperature and high-deflection rotary steering, accelerate localization of high-end equipment such as 200℃ high-temperature MWD, and support exploration and development toward "deep engineering" and "deep sea engineering"; iteratively upgrade integrated and supporting technologies for ultra-deep drilling and shale oil and gas, accelerate breakthrough of cutting-edge technologies such as intelligent drilling and completion, and solve core engineering technical problems; focus on improving the level of technological efficiency, continue to expand application scale of self-developed technologies such as rotary guidance and pipe string automation equipment, and accelerate commercial application of self-research products; focus on promoting informatization construction, consolidate and expand the SICP platform achievements under the direction of smart oilfield services, iteratively upgrade the well site integrated decision-making command center, and strive to create new kinetic energy and new advantages of digital economy that support the current and lead the future.

2.2.8 Internal reform and management

In 2023, the Company will continue to optimize its systems and mechanisms to open a new horizon for development with new breakthroughs in reform. Firstly, it will fully implement a project-based management system supported by "two pools, two banks and one platform" to further break down management barriers, flatten management hierarchy, promote the concentration of core resources such as talents, funds, equipment, materials and information on projects, and comprehensively enhance its ability to control and deploy core elements and resources in a centralized manner. Secondly, it will deepen the integration and optimization of internal resources by optimizing the layout of project departments in key regions in "Northwest China, North China, Northeast China and Sichuan" and continually promoting homogeneous integration of technical services with living logistics business in key regions in Northwest China and Southwest China, to improve support effectiveness of regional resources. Thirdly, it will implement classified and graded management of project departments and project managers, strictly assess projects, give uncapped rewards for over-paid profits on a pro rata basis, and deduct achievement in case of losses on a pro rata basis without a minimum guarantee, thus fully inspiring the vitality to create benefits at all levels. Fourthly, it will promote the development of featured businesses by leveraging its comparative advantages to support better and stronger businesses, accelerating the cultivation of "strong, fine, unique, superior and professional" businesses with development potential and economies of scale that focuses on businesses such as fine pressure control and pressurized operations, and constantly improving the concentration of featured and advantageous businesses.

2.2.9 Capital expenditures

In 2023, the Company plans to arrange capital expenditure of RMB5.1 billion. The Company will continue to promote the renewal and upgrading of electrification, automation and networking of drilling rigs with 26 drilling rigs to be renewed and reconstructed; optimize the structure of fracturing equipment, and promote the renewal and deployment of high-power, large-displacement and high-pressure conventional fracturing equipment and electric fracturing equipment with 20 fracturing trucks (skids) to be purchased; promote the upgrading and iteration of rotary guidance instruments, strengthen the deployment of high-temperature and high-pressure drilling instruments and integrated loggers; and promote the extension of wired and land geophysical prospecting equipment towards wireless and shallow sea operations as well as the enhancement of equipment level; promote the configuration of automation equipment for engineering construction with 5 sets of automatic welding equipment to be purchased; and purchase construction equipment that meets project needs based on the bidding of conventional and unconventional gas well drilling, deep well drilling and workovers, geophysical prospecting acquisition and other projects in Saudi Arabia, Kuwait and other markets.

(3) Profit distribution plan

In 2022, after the audit by BDO China Shu Lun Pan Certified Public Accountants LLP and prepared in accordance with the PRC ASBE, the net profit attributable to shareholders of the Company is RMB463,814,000 (in accordance with the IFRS, the net profit attributable to shareholders of the Company is RMB571,615,000), and the parent company's undistributed profit at the end of 2022 is RMB-1,946,364,000. 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 for the financial year 2022, nor the capital reserve conversion to share capital. The proposal is subject to consideration at the general meeting.

6 SIGNIFICANT EVENTS

(1) During this reporting period, the Company had no material litigation, arbitration and common doubts in the media.

(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, there were no material acquisition or disposals of assets and merger and acquisitions activities of the Company.

(4) Information on connected transactions

The Company's significant connected transactions entered into during the year ended 31 December 2022 are as follows:

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

The nature of the transaction	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	12,181,320	32.3
Providing engineering services	China Petrochemical Corporation and its subsidiaries and/or associates	46,775,846	64.6
Providing engineering services	PipeChina	3,768,371	5.1
Receiving community services	China Petrochemical Corporation and its subsidiaries	41,602	100
Receiving integrated services	China Petrochemical Corporation and its subsidiaries	751,563	20.1
Providing of technology development services	China Petrochemical Corporation and its subsidiaries	278,469	92.7
Land and property lease expenses	China Petrochemical Corporation and its subsidiaries	607,928	52.1
Equipment rental expenses	China Petrochemical Corporation and its subsidiaries	422,645	40.2
Interest expenses	China Petrochemical Corporation and its associates	594,984	98.1
Loan obtained	China Petrochemical Corporation and its subsidiaries	44,571,010	100
Loan repaid	China Petrochemical Corporation and its subsidiaries	44,368,880	99.7
Safety production insurance fund expenses	China Petrochemical Corporation	80,200	100
Safety production insurance fund refund	China Petrochemical Corporation	112,657	100

On 16 September 2021, the Company entered into the Connected Transactions Framework Agreements with China Petrochemical Corporation in relation to the above continuing connected transaction, and will continue to conduct the continuing connected transactions above with China Petrochemical Corporation 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 necessary for the above connected transactions and selection of connected parties for transactions and the above transactions would continue to occur. The agreements of connected transaction are based on the needs of the Company's operation and production 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

constitutes the Company's main business income source. The loan borrowed 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 continuing connected transactions, and concluded that the transactions were entered into (i) in the ordinary and usual course of business of the Company; (2) 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) in accordance with the relevant agreements govering them in terms that are fair and reasonable, and 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 related transactions conducted by the Company during the Reporting Period. Among them, the significant related party transactions with China Petrochemical Corporation and its associates also fall under the definition of connected transactions under Chapter 14A of the Hong Kong Listing Rules. During the reporting period, the connected transactions between the Company and China Petrochemical Corporation and its associates 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	8,255,885	3,258,610	11,514,495	15,477,629	-8,380,201	7,097,428
Sinopec Finance Company Limited	-	-	-	4,550,000	11,545,000	16,095,000
Sinopec Century Bright Capital Investment Limited	-	-	-	1,970,091	-141,883	1,828,208
Total	8,255,885	3,258,610	11,514,495	21,997,720	3,022,916	25,020,636
Causes of connected claims and debts	Normal production and operation					
Influence of connected claims and debts on the Company	No material adverse effect					

(c) Material connected transactions of joint external investment

On 28 July 2022, Sinopec Oil Engineering and Construction Corporation ("**Sinopec OEC**"), a wholly-owned subsidiary of the Company, entered into the Promoter Agreement and the Articles of Association of Carbon Technology Company with Sinopec, Sinopec Nanjing Chemical Industries Corporation ("**Nanjing Chemical Company**"), China International United Petroleum & Chemicals Co., Ltd. ("**UNIPEC**"), Sinopec Nanjing Engineering Co., Ltd. ("**Nanjing Engineering**") and Sinopec Shanghai Engineering Co., Ltd. ("**Shanghai Engineering**"). Pursuant to the Promoter Agreement, the parties will jointly promote and establish Carbon Technology Company by way of capital contribution. The registered capital of Carbon Technology Company will be RMB2.5 billion, for which, each of Sinopec and Nanjing Chemical Company shall contribute RMB1.15 billion and RMB850 million in cash, accounting for 46% and 34% of the registered capital of Carbon Technology Company, respectively; and each of Sinopec OEC, UNIPEC, Nanjing Engineering and Shanghai Engineering shall contribute RMB125 million in cash, each accounting for 5% of the registered capital of Carbon Technology Company. Sinopec OEC will pay the consideration for the transaction with its own funds. For details, please refer to the "Announcement on the related transaction formation of a joint venture" (P.2022-023) disclosed in "China Securities Journal", "Shanghai Securities News", "Securities Times", and on www.sse.com.cn on 29 July 2022, and the Announcement on "Connected Transaction Formation of a Joint Venture" on www.hkexnews.hk on 28 July 2022.

(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) Guarantee of the Company during the reporting period

Unit: RMB '000

External Guarantee provided by the Company (excluding Guarantees for Subsidiaries)													
Guarantor	Guaranteed person	Amount of guarantee	Date of guarantee (Agreement signing date)	The starting day	End date	Type of guarantee	Pledged thing	Whether the guarantee has been fulfilled	Whether the guarantee is overdue	Overdue amount	Counter-guarantee	Whether to guarantee the related party	Related relationship
The Company	Mexico DS Company	1,914,917	17 June 2022	17 June 2022	The end time of annual meeting of shareholders for the year 2022	Parent company guarantee	No	No	No	Not Applicable	Yes	Yes	Joint venture
Total Amount of Guarantees during the Reporting Period (excluding Guarantees for Subsidiaries)													1,914,917
Total Balance of Guarantees at the end of the Reporting Period (A) (excluding Guarantees for Subsidiaries)													1,914,917
The Guarantee provided by the Company and its Subsidiaries to the Subsidiaries													
Total Amount of Guarantees paid to Subsidiaries during the Reporting Period													7,196,502
Total Balance of Guarantees to Subsidiaries at the end of the Reporting Period (B)													24,978,188
Total Company Guarantee (including Guarantee for Subsidiaries)													
Total Guarantees（A+B）													26,893,105
Total Amount of Guarantees as a Percentage of the Company's Net Asset (%)													362.1
Among them:													

Amount of Guarantees provided to Shareholders, Actual Controllers and their related Parties (C)	0
Debt Guarantees Amount directly or indirectly for the guaranteed Object whose asset-liability Ratio exceeds 70% (D)	9,356,190
The Amount of the total Guarantee exceeds 50% of the Net Assets (E)	23,179,446
Sum of the three Guarantees above (C+D+E)	32,535,636
Statement of Unexpired Guarantees as potential subject to Joint Liability	No
Guarantee Statement	The guarantees provided by the Company are all 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 2021.

On 29 March 2022, the eighth meeting of the tenth session of the Board of the Company considered and approved the resolution on provision of guarantee for wholly-owned subsidiaries and joint venture, and approved the Company to provide guarantee for wholly-owned subsidiaries and Mexico DS Company, a joint venture of the Company. Such resolution was considered and approved at the the general meeting for 2021 of the Company. For details, please refer to the “Announcement on provision of guarantee for wholly-owned subsidiaries and joint venture” (P.2022-014) dislosed in China Securities Journal, Shanghai Securities News, Securities Times and on www.sse.com.cn on 30 March 2022, and on www.hkexnews.hk on 29 March 2022.

On 17 June 2022, the Company, as guarantor, entered into the Guarantee Agreement with Mexican National Hydrocarbons Commission, as beneficiary, pursuant to which the Company has agreed to provide guarantee under the Production Sharing Contract for Mexico DS Company, to ensure that when Mexico DS Company loses contract performance capabilities, the Company will perform the contracts on its behalf to Mexican National Hydrocarbons Commission. The maximum amount of the joint and several guarantee liabilities undertaken by the Company during the guarantee period shall not exceed US$ 274,950,000, and the guarantee period commences from the date of approval by the shareholders at the 2021 annual general meeting until the conclusion of the 2022 annual general meeting of the Company. For details, please refer to the “Announcement on provision of guarantee for wholly-owned subsidiaries and joint venture” (P.2022-021) dislosed in China Securities Journal, Shanghai Securities News, Securities Times and on www.sse.com.cn on 20 June 2022, and on www.hkexnews.hk on 19 June 2022.

The Company expects that it will continue to use the credit line granted by China Construction Bank Corporation to China Petrochemical Corporation after 5 November 2021 and China Petrochemical Corporation will continue to undertake the joint guarantee liability for the RMB300 million credit line jointly and severally. 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 China Petrochemical Corporation 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 2022, the balance of the counter-guarantee provided by the Company to China Petrochemical Corporation was RMB84 million.

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

	Currently hired
The name of the domestic accounting firm	BDO China Shu Lun Pan Certified Public Accou

	ntants LLP
The audit period for the domestic accounting firm	2 years
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	2 years
The internal control accounting firm	BDO China Shu Lun Pan Certified Public Accountants LLP
The remuneration of the internal control accounting firm	RMB 1,300,000

The description for the appointment and dismissal of the auditor:
In 2021, the Company changed its domestic auditor and the international auditor from Grant Thornton (Special General Partnership) and Grant Thornton Hong Kong Limited to BDO China Shu Lun Pan Certified Public Accountants LLP and BDO Limited.

After recommended by the eighth meeting of the tenth session of the board and approved by the annual general meeting for the year 2021, the Compang re-appointed BDO China Shu Lun Pan Certified Public Accountants LLP and BDO Limited as the domestic auditor and the international auditor of the Company for 2022. BDO China Shu Lun Pan Certified Public Accountants LLP was appointed as the internal control accounting firm of the Company for 2022 again at the same time.

(8) 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 2022:

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	China Petrochemical Corporation	The Non-Competition Undertaking 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	Date of undertaking: 12 September 2014 Duration: long term	No	During the reporting period, China Petrochemical Corporation did not act contrary to the undertaking.

		Corporation intends to transfer, sell, lease, license or otherwise transfer or permit to use any of the above business which would result in the competition with the Company's main business, priorities of the above-mentioned opportunity will be given 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	China Petrochemical Corporation	The Undertaking of Regulating the connected transaction: China Petrochemical Corporation and its other controlling companies will regulate its/their connected transactions with the Company. For the connected transactions with reasonable grounds, China Petrochemical Corporation and its controlling Company's will sign the standard agreement of connected transactions, and will fulfill the obligations of the program approval and information disclosure, in accordance with the provisions of relevant laws and regulations, and the Company's Articles of Association. The confirmation price related to the connected transaction will follow the principle of fair, reasonable and impartial.	Date of undertaking: 12 September 2014 Duration:long term	No	During the reporting period, China Petrochemical Corporation did not act contrary to the promise.
Undertaking regarding the Material Assets Reorganization	China Petrochemical Corporation	Issued "The China Petrochemical Corporation 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	Date of undertaking: 12 September 2014 Duration: long term	No	During the reporting period, China Petrochemical Corporation did not act contrary to the promise.

		losses caused to the Company.			

7. FINANCIAL REPORT

7.1 Audit Opinion

The financial statements of the Group for the year ended 31 December 2022, 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 28 March 2023. Also, the financial statements of the Group for the year ended 31 December 2022, prepared in accordance with IFRS have been audited by BDO Limited, which has issued unmodified opinion on 28 March 2023.

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 2022, which were prepared in accordance with the IFRS.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Revenue	4	73,772,688	69,533,053
Cost of sales and taxes and surcharges		(68,186,777)	(64,798,287)
Gross profit		5,585,911	4,734,766
Selling expenses		(75,044)	(80,463)
General and administrative expenses		(2,303,286)	(2,184,739)
Research expenses		(1,838,968)	(1,669,706)
Finance expenses, net	5	(627,596)	(864,135)
Expected credit loss	6	(21,924)	(19,666)
Write down of inventories to net realisable value		(2,429)	-
Expected credit loss and write-down of inventories to net realisable value		(24,353)	(19,666)
Investment income	7	500	1,577
Share of profit from joint ventures		890	1,467
Share of profit from associates		6,614	5,813
Other income	8	266,592	552,120
Other expenses, net	9	(154,098)	(25,853)
Profit before income tax	10	837,162	451,181
Income tax expense	11	(265,547)	(310,731)
Profit for the year		571,615	140,450
Other comprehensive income 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 (non-recycling) ("FVTOCI")		(5,813)	(1,799)
Total comprehensive income for the year		565,802	138,651
Earnings per share for profit attributable to owners of the Company (presented in RMB per share)		**RMB**	**RMB**
Basic and diluted	12	0.030	0.007

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Assets			
Non-current assets			
Property, plant and equipment		26,432,082	24,924,711
Other non-current assets		7,255,439	6,595,302
Intangible assets		378,240	400,130
Interests in joint ventures		23,340	24,122
Interests in associates		26,875	22,926
Financial assets at FVTOCI		134,492	21,760
Deferred tax assets		362,470	310,764
Total non-current assets		34,612,938	32,299,715
Current assets			
Inventories		1,013,245	1,009,166
Financial assets at FVTOCI		1,468,340	1,295,971
Trade receivables	14	10,537,217	8,151,019
Prepayments and other receivables		6,013,554	5,162,319
Contract assets and cost to fulfil contracts		15,716,994	13,626,033
Restricted cash		37,079	32,917
Cash and cash equivalents		1,801,150	2,475,307
Total current assets		36,587,579	31,752,732
Total assets		71,200,517	64,052,447

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Equity			
Share capital		18,984,340	18,984,340
Reserves		(11,557,021)	(12,122,823)
Total equity		7,427,319	6,861,517
Liabilities			
Non-current liabilities			
Long-term borrowings		977,602	1,945,552
Deferred income		11,576	9,288
Deferred tax liabilities		63,367	9,438
Provisions		200,998	205,771
Total non-current liabilities		1,253,543	2,170,049
Current liabilities			
Notes and trade payables	15	33,591,453	29,890,348
Other payables		4,119,259	3,555,046
Contract liabilities		5,115,819	3,547,938
Short-term borrowings		19,440,398	17,816,036
Current income tax payable		252,726	211,513
Total current liabilities		62,519,655	55,020,881
Total liabilities		63,773,198	57,190,930
Total equity and liabilities		71,200,517	64,052,447
Net current liabilities		(25,932,076)	(23,268,149)
Total assets less current liabilities		8,680,862	9,031,566

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

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 28 March 2023.

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. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are set out in Note 4.

As at 31 December 2022, the Group had net current liabilities of approximately RMB25,932,076,000 and capital commitments of approximately RMB15,905,000 (Note 36(a)). 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 2022, the Group obtained a line of credit of RMB22 billion and USD0.51 billion (Total: approximately RMB25.5 billion), and a line of credit promissory note of RMB11.8 billion from the Sinopec Group's subsidiaries;

(ii) As disclosued in Note 34, the Group's borrowings amounted to approximately RMB18.9 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 2022:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 (early adopted)
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018-2020

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.

3 NEW AND AMENDED IFRSs (CONTINUTE)

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.

Amendments to IAS 16, Property, Plant and Equipment – Proceeds before Intended Use

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

Amendments to IAS 37, Onerous Contracts – Cost of Fulfilling a Contract

The amendments state that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Those costs include both incremental costs and an allocation of other costs so long as they relate directly to fulfilling contracts. Examples of incremental costs are direct labor and direct materials.

Amendments to IFRS 3, Reference to the Conceptual Framework

The amendment prohibits entities from deducting from thecost of an item of property, plant and equipment (PPE), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

3 NEW AND AMENDED IFRSs (CONTINUTE)

3.2 New or amended IFRSs that have been issued but are not yet effective and not early adopted

The new and amended accounting standards issued but not yet effective for the accounting period ended 31 December 2022 which are relevant to the Group but the Group has not early adopted are set out below:

IFRS 17 and amendments to IFRS 17	Insurance Contracts and related amendments[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to IAS 1	Non-current Liabilities with Covenants[2]

[1] Effective for annual periods beginning on or after 1 January 2023

[2] Effective for annual periods beginning on or after 1 January 2024

[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:

	2022 RMB'000	2021 RMB'000
Geophysics	4,756,990	4,663,346
Drilling engineering	36,814,540	33,081,850
Logging and mud logging	3,257,608	3,207,549
Special downhole operations	9,366,492	9,384,197
Engineering construction	17,436,238	16,714,720
Others	2,140,820	2,481,391
	73,772,688	69,533,053

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.

Five reportable operating segments are as follows:

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

4 REVENUE AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

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

All assets are allocated to reportable segments other than certain property, plant and equipment, certain intangible assets, certain other non-current assets, certain inventories, certain contract assets and cost to fulfil contracts, 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.

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

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 2022 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 2022								
Segment revenue and results								
Revenue from external customers	4,756,990	36,814,540	3,257,608	9,366,492	17,436,238	2,140,820	-	73,772,688
Inter-segment revenue	111,765	2,741,580	2,810,395	598,371	103,722	7,045,592	(13,411,425)	-
Segment revenue	4,868,755	39,556,120	6,068,003	9,964,863	17,539,960	9,186,412	(13,411,425)	73,772,688
Reportable segment profit/(loss)	33,329	608,255	321,038	332,297	316,388	(886,639)	-	724,668
Other income	19,936	81,225	11,337	6,554	99,721	47,819	-	266,592
Other expenses	(44,865)	(49,730)	(4,785)	(4,280)	(39,830)	(10,608)	-	(154,098)
Profit/(loss) before income tax	8,400	639,750	327,590	334,571	376,279	(849,428)	-	837,162
Income tax expense								(265,547)
Profit for the year								571,615
Supplementary information								
Depreciation and amortisation								
- Property, plant and equipment	345,261	1,960,365	197,647	529,509	287,390	313,618	-	3,633,790
- Other non-current assets	119,152	1,780,771	142,358	203,453	9,842	14,722	-	2,270,298
- Intangible assets	190	1,171	1,495	10,112	13,130	131,906	-	158,004

4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information (Continued)

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

For the year ended 31 December 2022 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 2022								
Capital expenditure								
- Property, plant and equipment	585,413	2,259,002	195,919	714,069	596,172	617,128	-	4,967,703
- Intangible assets	3,189	80,694	-	1,166	5,561	45,504	-	136,114
- Equity investment	-	-	-	-	125,000	-	-	125,000
(Reversal of provision for)/ Provision for ECL on trade receivables, net	(26,011)	16,921	2,898	(25,273)	(81,936)	30,886	-	(82,515)
(Reversal of provision for)/ Provision for ECL on other receivables, net	(1,639)	11,091	951	695	(2,857)	(1,256)	-	6,985
Provision for ECL on contract assets	1,797	(1,315)	650	(64)	1,705	94,681	-	97,454
Written down of inventories to net realisable value	-	-	-	-	2,429	-	-	2,429
As at 31 December 2022								
Assets								
Segment assets	5,709,085	30,373,430	4,636,423	7,743,455	22,352,376	37,584,884	(37,199,136)	71,200,517
Liabilities								
Segment liabilities	4,680,689	24,488,460	3,359,394	4,850,991	21,672,974	41,919,826	(37,199,136)	63,773,198

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:

	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 revenue	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)
Profit for the year								140,450
Supplementary information								
Depreciation and amortisation								
- Property, plant and equipment	361,919	1,871,291	232,520	497,354	269,981	243,520	-	3,476,585
- 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

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								
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 for/(Reversal of provision for) ECL on trade receivables, net	1,636	21,093	7,976	(31,501)	(1,183)	3,321	-	1,342
Provision for/(Reversal of provision for) ECL on other receivables, net	389	2,766	(85)	(167)	22,322	(4,075)	-	21,150
Provision for ECL on contract assets	1,556	4,758	911	541	1,252	(11,844)	-	(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

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

	Revenue from external customers	
	2022	**2021**
	RMB'000	**RMB'000**
The PRC	60,654,155	59,869,980
Middle East	9,399,935	6,804,288
Other countries	3,718,598	2,858,785
	73,772,688	69,533,053

	Specified non-current assets	
	2022	**2021**
	RMB'000	**RMB'000**
The PRC	28,874,064	26,965,860
Other countries	5,786,384	5,001,331
	34,660,448	31,967,191

(c) Major customer

For the years ended 31 December 2022 and 2021, revenue from customers which individually contributed over 10% of the Group's revenue is as follows:

	2022	**2021**
	RMB'000	**RMB'000**
Customer A	47,105,168	46,922,348

Revenue from this customer was derived from the operating segments of geophysics, drilling engineering, logging and mud logging, special downhole operations and engineering construction accounted for 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 2022 and 2021, the Group derives revenue from the transfer of goods and service at a point in time and over time in the following customers' segment for geophysics, drilling engineering, logging and mud logging, special downhole operations and engineering construction service:

	Geophysics RMB'000	Drilling engineering RMB'000	Logging and mud logging RMB'000	Special downhole operations RMB'000	Engineering construction RMB'000	Unallocated RMB'000	Total RMB'000
During the year ended 31 December 2022							
Timing of revenue recognition:							
- At a point in time	-	3,999	-	1,833	13,015	970,380	989,227
- Over time	4,756,990	36,810,541	3,257,608	9,364,659	17,423,223	1,170,440	72,783,461
Total	4,756,990	36,814,540	3,257,608	9,366,492	17,436,238	2,140,820	73,772,688
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	33,079,369	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

(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

	2022 RMB'000	2021 RMB'000
Finance income		
Interest income		
- Sinopec Group's subsidiaries	1,145	1,008
- Third-parties and other financial institutions	14,263	37,172
	15,408	38,180
Finance expenses		
Interest expenses on loans wholly repayable within 5 years		
- Sinopec Group and its subsidiaries	(594,984)	(597,814)
- Third-party and other financial institutions	(49,261)	(72,475)
Interest expenses on lease liabilities		
- Sinopec Group and its subsidiaries	(26,516)	(21,752)
- Associates and joint ventures of Sinopec Group	(13,698)	(20,410)
- Third-parties	(19,845)	(14,309)
Exchange gain/(losses), net	98,667	(127,419)
Bank and other charges	(37,367)	(48,136)
	(643,004)	(902,315)
	(627,596)	(864,135)

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

	2022 RMB'000	2021 RMB'000
(Reversal of ECL)/ECL on trade and other receivables, net	(75,530)	22,492
ECL/(reversal of ECL) on contract assets, net	97,454	(2,826)
Write-down of inventories to net realisable value	2,429	-
	24,353	19,666

7 INVESTMENT INCOME

	2022 RMB'000	2021 RMB'000
Investment income from financial assets at FVTOCI	500	1,577

8 OTHER INCOME

	2022 RMB'000	2021 RMB'000
Gain on disposal of property, plant and equipment, net	13,525	84,972
Gain on disposal of other non-current assets, net	12,363	3,751
Gain on debt restructuring	18,157	29,404
Government grants (Note)	107,386	300,474
Waived payables	14,711	31,145
Penalty income	4,290	2,313
Compensation received	8,201	7,790
Insurance claims	1,455	6,959
Asset surplus	41,648	38,440
Others	44,856	46,872
	266,592	552,120

Note:
For the years ended 31 December 2022 and 2021, 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

	2022 RMB'000	2021 RMB'000
Loss on scarps of assets	71,538	24,762
Penalty	2,265	6,376
Donation	1,764	830
Compensation	9,016	5,683
Reversal of provision for expected loss on pending litigations	-	(79)
Reversal of expected loss on judicial reorganization (Note 38)	-	(69,049)
Others	69,515	57,330
	154,098	25,853

10 PROFIT BEFORE INCOME TAX

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

	2022 RMB'000	2021 RMB'000
Staff costs, including directors and supervisors emoluments (Note 16)	17,968,202	16,999,677
Retirement benefit plan contribution (including in the above mentioned staff costs)		
—Municipal retirement scheme costs	1,374,355	1,329,452
—Supplementary retirement scheme costs	695,202	675,163
Changes in inventories of finished goods and work in progress	2,044	(32,567)
Raw materials and consumables used	30,508,153	29,033,824
Depreciation and amortisation		
—Property, plant and equipment	3,633,790	3,476,585
—Other non-current assets	2,270,298	2,150,492
—Intangible assets	158,004	112,164
Short-term leases and leases with lease term of 12 months or less	1,504,664	1,055,154
ECL, net		
—Trade and other receivables	(75,530)	22,492
—Contract assets	97,454	(2,826)
Impairment of assets		
—Write down of inventories to net realisable value	2,429	-
Rental income from property, plant and equipment after relevant expenses	(13,794)	(13,915)
Gain on disposal of property, plant and equipment, net	(13,525)	(84,972)
Gain on disposal of other non-current assets, net	(12,363)	(3,751)
Auditors' remuneration	7,200	7,200
Exchange (gain)/loss, net	(98,667)	127,419
COVID-19 related rent concessions	-	460

11 INCOME TAX EXPENSE

	2022 RMB'000	2021 RMB'000
Current tax		
PRC enterprise income tax	193,683	98,907
Overseas enterprise income tax	71,367	130,444
	265,050	229,351
Deferred tax		
Origination and reversal of temporary difference (Note 35)	497	81,380
Income tax expense	265,547	310,731

According to the Corporate Income Tax Law of the PRC, the applicable income tax of the years ended 31 December 2022 and 2021 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 years ended 31 December 2022 and 2021, 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.

Reconciliation between income tax expenses and profit before income tax calculated at the statutory tax rate is as follows:

	2022 RMB'000	2021 RMB'000
Profit before income tax	837,162	451,181
Taxation calculated at the statutory tax rate	209,291	112,795
Income tax effects of:		
Difference in overseas profits tax rates	48,104	90,528
Non-deductible expenses	44,081	82,639
Effect of utilization of unrecognized tax losses and deductible temporary differences	(72,744)	(23,741)
Effect of unrecognized tax losses and deductible temporary differences	193,632	178,256
Adjustment of current tax in previous years	(4,102)	(747)
Equity method accounting for the joint ventures and associates' profit or loss	(1,268)	(1,278)
Effect on opening deferred tax balances arising from change in tax rates during the year	-	-
Tax effect on research and development expenses	(151,447)	(127,721)
Income tax expense	265,547	310,731

12 EARNINGS/(LOSS) PER SHARE

(a) Basic

For the years ended 31 December 2022 and 2021, the basic earnings per share is calculated by dividing the profit attributable to owners of the Company.

	2022	2021
Profit for the year attributable to owners of the Company (RMB'000)	571,615	140,450
Weighted average number of ordinary shares in issue (Shares)	18,984,340,033	18,984,340,033
Basic earnings per share (RMB)	0.030	0.007

(b) Diluted

For the years ended 31 December 2022 and 2021, the diluted earnings per share was the same as the basic earnings per share as the exercise price of those share options is higher than the average market price for shares in the both years.

13 DIVIDENDS

The Board of Directors of the Company did not recommend the payment of any dividends for the years ended 31 December 2022 and 2021.

14 TRADE RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables		
- Sinopec Group and its subsidiaries	4,362,460	2,361,677
- Joint ventures of the Group	11,341	31,673
- Joint ventures and associates of Sinopec Group	20,031	31,943
- Third parties	8,541,180	8,141,221
	12,935,012	10,566,514
Less: ECL allowance	(2,397,795)	(2,415,495)
Trade receivables - net	10,537,217	8,151,019

As at 31 December 2022 and 2021, the Group's trade receivables were approximately their fair values.

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

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

	2022 RMB'000	2021 RMB'000
Within 1 year	9,942,031	7,356,037
1 to 2 years	380,380	455,345
2 to 3 years	93,954	185,164
Over 3 years	120,852	154,473
	10,537,217	8,151,019

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

	2022 RMB'000	2021 RMB'000
Balance at beginning of the year	2,415,495	2,474,538
ECL allowance	46,630	93,248
Reversal	(129,145)	(91,906)
Others	139,507	(31,649)
Receivables written-off as uncollectible	(74,692)	(28,736)
At 31 December	2,397,795	2,415,495

15 NOTES AND TRADE PAYABLES

	2022 RMB'000	2021 RMB'000
Trade payables		
- Sinopec Group and its subsidiaries	2,406,778	1,242,579
- Joint ventures	107,009	52,175
- Sinopec Group's joint ventures and associates	16,074	12,054
- Third parties	23,071,367	20,249,454
	25,601,228	21,556,262
Notes payables	7,990,225	8,334,086
	33,591,453	**29,890,348**

As at 31 December 2022 and 2021, the carrying amounts of Group's notes and trade payables were approximately their fair values.

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

	2022 RMB'000	2021 RMB'000
Within 1 year	32,987,429	29,450,316
1 and 2 years	370,450	161,590
2 and 3 years	63,688	87,803
Over 3 years	169,886	190,639
	33,591,453	**29,890,348**

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 December2022.

Consolidated Balance sheet

(Expressed in thousands of Renminbi Yuan)

Assets	31 December 2022	31 December 2021
Current assets:		
Cash at bank and on hand	1,838,229	2,508,224
Bills receivable		
Accounts receivable	10,537,217	8,151,019
Accounts receivable financing	1,468,340	1,295,971
Advances to suppliers	406,578	338,555
Other receivables	3,196,602	2,552,292
Inventories	1,116,341	1,088,304
Contract assets	15,613,899	13,546,895
Non-current assets due within one year		
Other current assets	2,362,863	2,238,006
Total current assets	36,540,069	31,719,266
Non-current assets:		
Long-term equity investments	50,215	47,048
Other equity instrument investments	134,492	21,760
Fixed assets	24,896,607	23,461,781
Construction in progress	467,385	668,364
Right-of-use assets	1,012,350	720,938
Intangible assets	481,490	506,596
Long-term prepaid expenses	7,255,439	6,595,930
Deferred tax assets	362,470	310,764
Total non-current assets	34,660,448	32,333,181
Total assets	71,200,517	64,052,447

Consolidated Balance sheets (continued)

(Expressed in thousands of renminbi yuan)

Liabilities and shareholders' equity	31 December 2022	31 December 2021
Current liabilities:		
Short-term loans	17,923,208	17,520,091
Bills payable	7,990,225	8,334,086
Accounts payable	25,601,228	21,556,262
Contract liabilities	5,115,819	3,547,938
Employee benefits payable	570,290	644,026
Taxes payable	998,894	737,725
Other payables	2,728,144	2,355,823
Non-current liabilities due within one year	1,517,190	296,045
Other current liabilities	-	–
Total current liabilities	62,444,998	54,991,996
Non-current liabilities:		
Long-term loans	480,557	1,554,686
Lease liabilities	497,045	390,866
Long-term payables	74,657	28,885
Provisions	200,998	205,771
Deferred income	11,576	9,288
Deferred income tax liabilities	63,367	9,438
Total non-current liabilities	1,328,200	2,198,934
Total liabilities	63,773,198	57,190,930
Shareholders' equity:		
Share capital	18,984,340	18,984,340
Capital reserve	11,717,773	11,717,773
Other comprehensive income	5,232	-3,823
Specific reserve	326,983	219,182
Surplus reserve	200,383	200,383
Retained earnings	-23,807,392	-24,256,338
Equity attributable to the owners of the Company	7,427,319	6,861,517
Minority interests		-
Total shareholders' equity	7,427,319	6,861,517
Total liabilities and shareholders' equity	71,200,517	64,052,447

***Consolidated* Income statements**
(Expressed in thousands of RenminbiYuan)

	2022	2021
1.Revenue	73,772,688	69,533,053
2.Less:Cost of sales	68,003,487	64,520,925
Business taxes and surcharges	291,091	238,021
Selling and distribution expenses	75,044	80,463
General and administrative expenses	2,303,286	2,184,739
Research and development expenses	1,838,968	1,669,706
Financial costs	627,596	864,135
Including: Interest expense	704,304	726,760
Interest income	15,408	38,180
Add: Other income	70,682	265,296
Investment income	26,959	38,261
Including: Investment income from investment in association and joint venture	7,504	7,280
Credit impairment losses (loss in "-")	75,530	-22,492
Impairment losses on assets (loss in "-")	-99,883	2,826
Gains from disposal of non-current assets (loss in "-")	25,888	88,723
3.Operating profit (loss in "-")	732,392	347,678
Add: Non-operating income	151,067	168,697
Less: Non-operating expenses	154,098	25,853
4. Profit before income tax (loss in "-")	729,361	490,522
Less: Income tax expenses	265,547	310,731
5.Net profit for the year (loss in "-")	463,814	179,791
Classified by business sustainability:		
-Profit from continuing operations	463,814	179,791
-Profit from discontinued operations		-
Classified by ownership :		
- The owners' of the Company	463,814	179,791
- Minority interests		–
6.Earnings per share:		
(1) Basic earnings per share (in RMB)	0.024	0.009
(2) Diluted earnings per share (in RMB)	0.024	0.009
7.Other comprehensive income for the year	-5,813	-1,799
Other comprehensive income (net of tax) attributable to shareholders of the company	-5,813	-1,799
8.Total comprehensive income for the year	458,001	177,992
Total comprehensive income for the year/period attributable to:		
- The owners' of the Company	458,001	177,992
- Minority shareholders	-	-

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

	2022	2021
1. Cash flows from operating activities:		
Cash received from sale of goods	72,986,961	63,641,759
Refund of taxes	310,072	194,673
Cash received from other operating activities	4,884,147	3,794,244
	-	
Sub-total of cash inflows	78,181,180	67,630,676
	-	
Cash paid for goods and services	51,600,991	41,549,293
Cash paid to and for employees	17,956,468	15,106,616
Cash paid for all types of taxes	512,866	1,324,248
Cash paid relating to other operating activities	3,912,986	3,443,610
	-	
Sub-total of cash outflows	73,983,311	61,423,767
	-	
Net cash inflow from operating activities	4,197,869	6,206,909
	-	
2. Cash flows from investing activities:	-	
Cash received from disposal of investment	-	10
Cash received from the investment income	4,845	3,732
Net cash received from disposal of fixed assets	61,990	83,497
Cash received relating to other investing activities	-	-
	-	
Sub-total of cash inflows	66,835	87,239
	-	
Cash paid for acquisition of fixed assets and intangible assets	3,892,997	3,340,682
Cash paid for investment in a joint venture	-	
Net cash paid for acquisition of subsidiaries and other business units	-	-
Cash paid for other investing activities	-	-
	-	
Sub-total of cash outflows	4,017,997	3,340,682
	-	
Net cash outflow from investing activities	-3,951,162	-3,253,443

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

	2022	2021
3.Cash flows from financing activities:		
Cash received from the acquisition of investments	-	-
Cash received from borrowings	44,571,010	60,848,383
Cash received for other financing activities	-	
	-	
Sub-total of cash inflows	44,571,010	60,848,383
	-	
Cash paid for repayments of borrowings	44,491,653	61,666,957
Cash paid for distribution of dividend, profit or payments of interests	604,287	611,439
Cash paid for other financing activities	526,319	518,194
	-	
Sub-total of cash outflows	45,622,259	62,796,590
	-	
Net cash outflow from financing activities	-1,051,249	-1,948,207
	-	
4. Effect of foreign exchange rate changes on cash and cash equivalents	130,386	-53,305
	-	
5.Net decrease in cash and cash equivalents	-674,156	951,954
Add: Cash and cash equivalents at the beginning of the year	2,475,306	1,523,352
	-	
6.Cash and cash equivalents at the end of the year	1,801,150	2,475,306

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:

Item	2022	2021
Net profit	463,814	179,791
Add: Impairment loss on assets	99,883	-2,826
Impairment of credit losses	-75,530	22,492
Depreciation of fixed assets and right-of use assets	3,630,574	3,473,480
Amortisation of intangible assets	161,220	115,269
Amortisation of long-term prepaid expenses	2,292,581	2,151,839
Losses/(gains) from disposal of fixed assets	-25,888	-88,723
Losses/(gains)on retirement of fixed assets	32,093	-10,181
Financial expenses	568,686	837,280
Investment losses	-26,959	-38,261
Decrease/(Increase) in deferred tax assets	-51,706	85,070
Increase/(Decrease) in deferred tax liabilities	52,203	-4,033
Decrease in gross inventories	-30,350	-40,410
Decrease in operating receivables	-5,522,350	-147,664
Increase in operating payables	2,521,797	-286,873
Safety costs	107,801	-39,341
Unexercised share-based payment		
Net cash inflow from operating activities	4,197,869	6,206,909

(b) Changes in cash and cash equivalents:

Item	2022	2021
Cash at the end of the year	1,801,150	2,475,306
Less: Cash at the beginning of the year	2,475,306	1,523,352
Net decrease in cash and cash equivalents	-674,156	951,954

(2) Details of cash and cash equivalents

Item	2022	2021
Cash on hand	2,992	5,230
Bank deposits available on demand	1,797,634	2,469,601
Other monetary funds available on demand	524	475
Closing balance of cash	1,801,150	2,475,306
Add: Restricted cash	37,079	32,918
Closing balance of cash and cash equivalents	1,838,229	2,508,224

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

	2022							
	Share capital	Capital reserve	Other comprehensive income	Specific reserve	Surplus reserve	Retained earnings	Minority interests	Total shareholders' equity
1.Balance at 31 December 2021	18,984,340	11,717,773	-3,823	219,182	200,383	-24,256,338	-	6,861,517
Adjustment for the acquisition of the acquired group	-	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-	-
2. Balance at 1 January 2022	18,984,340	11,717,773	-3,823	219,182	200,383	-24,256,338	-	6,861,517
3Changes in equity for the year ("-" for decreases)	-	-	9,055	107,801	-	448,946	-	565,802
(1) Total comprehensive income	-	-	-5,813	-	-	463,814	-	458,001
(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	-	-	14,868	-	-	-14,868	-	-
(5) Specific reserve	-	-	-	107,801	-	-	-	107,801
(a)Accrued	-	-	-	1,321,549	-	-	-	1,321,549
(b)Utilised	-	-	-	-1,213,748	-	-	-	-1,213,748
(6)Others	-	-	-	-	-	-	-	-
4. Balance at 31 December 2022	18,984,340	11,717,773	5,232	326,983	200,383	-23,807,392	-	7,427,319

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

	2021							
	Share capital	Capital reserve	Other comprehensive income	Specific reserve	Surplus reserve	Retained earnings	Minority interests	Total shareholders' equity
1.Balance at 31 December 2020	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 2021	18,984,340	11,717,773	-2,014	258,523	200,383	-24,436,139	-	6,722,866
3Changes 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 2021	18,984,340	11,717,773	-3,823	219,182	200,383	-24,256,338	-	6,861,517

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	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts under PRC ASBE	463,814	179,791	7,427,319	6,861,517
Adjustments under IFRS:				
Specific reserve (a)	107,801	-39,341	-	-
Amounts under IFRS	571,615	140,450	7,427,319	6,861,517

(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 2022 Annual Report to its H shareholders in due course.

(2) Compliance with the Corporate Governance Codeand the Model Code

For the year ended on 31 December 2022, the Company has complied with all the code provisions under the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules.

The Company has adopted the Model Code as contained in Appendix 10 to the Hong Kong 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 2021 Financial Statements, Interim Report for 2022 and continuing connected transactions and formed its independent opinion.

The Audit Committee of the tenth session of the Board held the sixth meeting on 24 March 2023 and reviewed and passed the resolution regarding the 2022 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 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

(4) Annual results review

The annual results for the year ended 31 December 2022 have been reviewed by the Audit Committee of the Board of the Company, 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 (the first and last paragraphs included) of Appendix 16 to the Hong Kong 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

28 March 2023, 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*