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Sinopec Oilfield Service Corporation

(a joint stock limited company established in the People's Republic of China)
(Stock code: 1033)

Announcement of the interim results for the six months ended 30 June 2023

The board of directors (the “**Board**”) of Sinopec Oilfield Service Corporation (the “**Company**”) hereby presents the interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2023.

1. IMPORTANT NOTES

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

1.2 The interim financial statements of the Company for 2023, which have been prepared in accordance with the PRC Accounting Standards for Business Enterprises (“**PRC ASBE**”) and International Financial Reporting Standards (“**IFRS**”), are unaudited. The interim financial statements of the Company for 2023, which have been prepared in accordance with the IFRS, have been reviewed by BDO Limited.

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

1.4 This announcement of interim results is a summary of the 2023 Interim Report of the Company. For more details, investors should carefully read the full version of the 2023 Interim Report, which will be published on the websites of the Shanghai Stock Exchange (“**SSE**”) (website: <http://www.sse.com.cn>), The Stock Exchange of Hong Kong Limited (“**HKSE**”) (website: <http://www.hkexnews.hk>) and the Company (website: <http://ssc.sinopec.com>).

2. BASIC INFORMATION OF THE COMPANY

2.1 Company Profile

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

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

2.1.2 Contact Persons and Contact Information

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

2.2 Principal financial data and financial indicators

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

	As at 30 June 2023 <i>RMB '000</i>	As at 31 December 2022 <i>RMB '000</i>	Increase/ (Decrease) from last year (%)
Total assets	72,830,971	71,208,061	2.3
Total Liabilities	64,752,117	63,778,327	1.5
Total equity attributable to equity shareholders of the Company	8,078,854	7,429,734	8.7
Net assets per share attributable to equity shareholders of the Company (<i>RMB</i>)	0.43	0.39	10.3
	For the six months ended 30 June 2023 <i>RMB '000</i>	For the six months ended 30 June 2022 <i>RMB '000</i>	Increase/ (Decrease) from corresponding period of last year (%)
Profit attributable to equity shareholders of the Company	649,120	561,684	15.6
Basic and diluted earnings per share	RMB 0.034	RMB 0.030	13.3
Net cash generated from/(used in) operating activities	421,612	-537,926	Not Applicable
Return on net assets	8.03%	7.56%	Increased by 0.47 percentage points

Net cash generated from/(used in) operating activities per share	RMB 0.022	RMB -0.028	Not Applicable
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2.2.2 Extracted from the interim financial report prepared in accordance with the PRC ASBE (Unaudited)

(1) Key financial data

	For the six months ended 30 June 2023 RMB'000	For the six months ended 30 June 2022 RMB'000		Increase/(Decrease) (%)
		After adjustment	Before adjustment	
Operating income	37,133,528	33,148,652	33,148,652	12.0
Operating profit	534,827	363,318	363,318	47.2
Profit before income tax	541,574	377,377	377,377	43.5
Net profit attributable to equity shareholders of the Company	325,904	206,310	200,268	58.0
Net profit deducted extraordinary gain and loss attributable to equity shareholders of the Company	285,044	150,044	144,002	90.0
Net cash inflow from operating activities (“-” for outflow)	421,612	-537,926	-537,926	Not Applicable
	As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000		Increase/(Decrease) (%)
		After adjustment	Before adjustment	
Total equity attributable to equity shareholders of the Company	8,078,854	7,429,734	7,427,319	8.7
Total assets	72,830,971	71,208,061	71,200,517	2.3

(2) Key financial indicators

	For the six months ended 30 June 2023	For the six months ended 30 June 2022		Increase/(Decrease) (%)
		After adjustment	Before adjustment	
Basic earnings per share (RMB/share)	0.017	0.011	0.011	54.5
Diluted earnings per share (RMB/share)	0.017	0.011	0.011	54.5
Basic earnings per share deducted extraordinary gain and loss (RMB/share)	0.015	0.008	0.008	87.5

Weighted average return on net assets	4.29%	2.96%	2.88%	Increased by 1.33 percentage points
Weighted average return on net assets deducted extraordinary gain and loss	3.75%	2.15%	2.07%	Increased by 1.60 percentage points

The Ministry of Finance of the People's Republic of China issued the Notice on Issuing the Interpretation of Accounting Standards for Business Enterprises No.16 (“**Interpretation No.16**”) in 2022, and the deferred income tax related to assets and liabilities arising from a single transaction in the Interpretation No.16 shall not be subject to the accounting treatment of initial recognition exemption since 1 January 2023. The cumulative effect is adjusted to the opening retained earnings and other relevant financial statement items of the earliest period for which the financial statements are presented. For the single transaction in accordance with Interpretation No.16 existing between 1 January 2022 and the implementation date, the Company has made retrospective adjustments, and the comparative financial statements for 2022 have been restated accordingly. Other than the impact described above, the above amendments have had no material impact on the Company's financial statements.

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

Extraordinary gain and loss items	Amount (RMB'000)
Gain on disposal of non-current assets	31,642
Government grants recognized in profit or loss during the current period	51,265
Gains of debt restructuring	14,649
Except for the effective hedging business related to the normal business of the company, the fair value change gains and losses arising from the holding of trading financial assets, derivative financial assets, trading financial liabilities and derivative financial liabilities, as well as the investment income from the disposal of trading financial assets, derivative financial assets and derivative financial liabilities and other creditor's rights investment	-1,020
Other non-operating income and expenses excluding the aforesaid items	-44,377
Effect of income tax	-11,299
Total	40,860

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

	Net profit attributable to equity shareholders of the Company		Total equity attributable to equity shareholders of the Company	
	For the six months ended 30 June 2023 RMB'000	For the six months ended 30 June 2022 RMB'000	As at 30 June 2023 RMB'000	As at 1 January 2023 RMB'000

PRC ASBE	325,904	206,310	8,078,854	7,429,734
Adjustment of items and amount in accordance with the IFRS::				
Specific reserve (a)	323,216	355,374	-	-
IFRS	649,120	561,684	8,078,854	7,429,734
Description of differences	Please refer to section 7.3 of financial report of this interim performance announcement.			

3. CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF MAJOR SHAREHOLDERS

3.1 Changes in share capital

During the reporting period, there was no change in the total number of shares and the share structure of the Company.

3.2 As at 30 June 2023, the number of shareholders of the Company was 113,975, including 113,644 shareholders of A shares and 331 registered shareholders of H shares.

3.3 As at 30 June 2023, the shareholdings of the top ten shareholders of the Company are as follows:

Shareholdings of the top ten shareholders						
Names of shareholders	Nature of shareholders	Changes of 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	151,000	5,402,235,694	28.46	0	0
CITIC Corporation Limited	State-owned legal person	-196,343,400	388,469,800	2.05	0	0
Hong Kong Securities Clearing Company Limited ⁴	Others	34,527,073	190,173,969	1.00	0	0
Shanghai Tongneng Investment Holdings Co., Ltd.	Domestic non-state-owned legal person	21,713,454	41,963,454	0.22	0	0
Anhui Yangguang Xintong Electronic Technology Corp., Ltd	Domestic non-state-owned legal person	12,238,800	34,738,800	0.18	0	0
Li Feng	Domestic natural person	4,382,800	24,382,800	0.13	0	0
Agricultural Bank of China – China Securities 500 Trading Open Index Securities Investment Fund	Others	-12,257,100	22,376,000	0.12	0	0
CITIC Securities Company Limited	State-owned legal person	6,961,310	17,521,831	0.09	0	0
CITIC Securities Company Limited - CCB CSI 500 Index	Others	3,995,900	16,836,300	0.09	0	0

Enhanced Securities Investment Fund					
Shareholdings of top ten shareholders of shares without selling restrictions					
Name of shareholders			Number of shares without selling restrictions held at the end of the reporting period (shares)	Types of shares	
China Petrochemical Corporation			10,727,896,364	A Share	
Hong Kong Securities Clearing Company (Nominees) Limited (“ HKSCC (Nominees) Limited ”)			5,402,235,694	H Share	
CITIC Corporation Limited			388,469,800	A Share	
Hong Kong Securities Clearing Company Limited			190,173,969	A Share	
Shanghai Tongneng Investment Holdings Co., Ltd.			41,963,454	A Share	
Anhui Yangguang Xintong Electronic Technology Corp., Ltd			34,738,800	A Share	
Li Feng			24,382,800	A Share	
Agricultural Bank of China – China Securities 500 Trading Open Index Securities Investment Fund			22,376,000	A Share	
CITIC Securities Company Limited			17,521,831	A Share	
CITIC Securities Company Limited — CCB CSI 500 Index Enhanced Securities Investment Fund			16,836,300	A Share	
Statement on the connected relationship or activities in concert among the above-mentioned shareholders		The Company is not aware of any connected relationship or acting in concert among the above-mentioned shareholders.			
Description of the repurchase accounts of the top ten shareholders		Not applicable			
Explanation on the voting right entrusted, voting right entrusted and waiver of voting right by the aforesaid shareholders		Not applicable			

Note:

- As compared with the number of shares held as of 31 December 2022.
- Apart from directly holding 10,727,896,364 A-shares of the Company, China Petrochemical Corporation also held 2,595,786,987 H-shares through its wholly-owned subsidiary, Century Bright Company. Therefore, China Petrochemical Corporation directly and indirectly holds 13,323,683,351 shares of the Company, which represents 70.18% of the total shares of the Company.
- HKSCC (Nominees) Limited is a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited, acts as an agent to hold H shares of the Company on behalf of other companies or individual shareholders.
- Hong Kong Securities Clearing Company Limited is a wholly-owned subsidiary of the Hong Kong Exchanges and Clearing Limited, and acts as a nominal holder to hold A shares of the Company in SSE on behalf of the investors of the HKSE.

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

To the directors' knowledge, as at 30 June 2023, the following persons (other than director, supervisor or senior management of the Company) had an interest or short positions in the shares and underlying shares of the Company which shall be disclosed under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (“SFO”) were as follows:

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

		(%)	domestic shares (%)	(%)	
China Petrochemical Corporation	10,727,896,364 (A share)	56.51	79.06	Not Applicable	-
	2,595,786,987 (H share) ¹	13.67	Not Applicable	47.94	-
China State-owned Enterprise Structural Adjustment Fund Co., Ltd.	719,174,495 (H share) ²	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 have H shares held by Sinopec Century Bright Capital Investment, Ltd.

2. China State-owned Enterprise Structural Adjustment Fund Co., Ltd. held 401,807,632 H shares of the Company through Yifangda Fund Management Co., Ltd., accounting for 7.42% 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, as at 30 June 2023, as far as known to the directors, no other person (other than director, supervisor or senior management of the Company) had an interest or short position in the shares and underlying shares of the Company which would as recorded in the register kept by the Company under Section 336 of the SFO.

4. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

4.1 Changes in Directors, Supervisors and Senior Management

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

Mr. Zhang Jinhong resigned as the deputy general manager of the Company due to his age on 29 May 2023.

Mr. Lu Baoping resigned as a non-executive director of the Company and a member of the strategy committee of the Board due to his age on 27 July 2023.

The Company expresses its heartfelt thanks to Mr. Zhang Jianbo, Mr. Zhang Jinhong and Mr. Lu Baoping for their hard work and important contributions during their tenure.

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

At the date of this announcement, the Company's deputy general manager Mr. Sun Bingxiang as a beneficial owner held 50,300 A shares of the Company, representing 0.00037% of the A shares in issue of the Company and 0.00026% of shares in issue of the Company.

As at 30 June 2023, save as disclosed above and Qi Xin Gong Ying Scheme disclosed below, none of the directors, supervisors or other senior management of the Company had any interest or short position in any share, underlying share or debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and HKSE pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors, supervisors and senior management of the Company are taken or deemed to have under such provisions of the SFO), or as recorded in the registry by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and

the HKSE pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”).

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

On 25 January 2018, the Company non-publicly issued 1,503,568,702 and 23,148,854 shares of restricted-sale A shares to China Petrochemical Corporation and the Qi Xin Gong Ying Scheme respectively. Qi Xin Gong Ying Scheme is managed by Changjiang Pension Insurance Co., Ltd., and its shares shall be subscribed by the certain directors, supervisors, senior management and other core management personnel of the Company. The number of subscribers is 198, and the subscription amount is RMB60.65 million in total. The subscription price for each scheme share under Qi Xin Gong Ying Scheme is RMB 1.00. The duration of Qi Xin Gong Ying Scheme is 48 months commencing from 25 January 2018. The first 36 months shall be the lock-up period and the last 12 months shall be the unlocking period. On 25 January 2021, the lock-up period of 23,148,854 A shares with selling restrictions held by Qi Xin Gong Ying Scheme have ended and were listed for trading. In 2021, Qi Xin Gong Ying Scheme reduced holding 11,574,427 shares of A share through centralized bidding. By the end of the reporting period, Qi Xin Gong Ying Scheme still holds 11,574,427 shares of A share.

In Qi Xin Gong Ying Scheme, directors, supervisors and senior management of the Company have subscribed 5.15 million scheme shares in total, accounting for approximately 8.5% of the total scheme shares of Qi Xin Gong Ying Scheme. There are 15 directors, supervisors and senior management of the Company in total who have subscribed for Qi Xin Gong Ying Scheme. The subscriptions by the directors, supervisors and senior management of the Company under Qi Xin Gong Ying Scheme are as follows:

Name	Position	Subscription amount under Qi Xin Gong Ying Scheme (RMB)	Subscription scheme shares under Qi Xin Gong Ying Scheme (shares)	Subscription Price (RMB/A Share)	Subscription of A share (share)
Chen Xikun	Chairman, Secretary of the Party Committee	400,000	400,000	2.62	152,671
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
Sun Qingde	Former Vice Chairman, General Manager	400,000	400,000	2.62	152,671

Li Wei	Former Chairman of Supervisory Committee	350,000	350,000	2.62	133,587
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
Zhang Jinhong	Former Deputy General Manager	350,000	350,000	2.62	133,587
Zhang Jiankuo	Former Deputy General Manager	300,000	300,000	2.62	114,503
Li Tian	Former Chief Financial Officer	350,000	350,000	2.62	133,587
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

4.3 Independent Non-Executive Director and Audit Committee

As at 30 June 2023, the Company has three independent non-executive directors, one of whom is professional in the accounting field and has experience in financial management.

The Audit Committee of the Board of the Company has been founded. The members of the Audit Committee include Mr. Zheng Weijun, Mr. Zhou Meiyun, Mr. Chen Weidong and Mr. Dong Xiucheng. The main responsibilities of the Audit Committee are to review and supervise the Company's financial reporting procedures and internal control system, and to provide advice to the Board. The Audit Committee has reviewed and confirmed the interim results of the Company for the six-months ended 30 June 2023 and the 2023 Interim Report.

5. MANAGEMENT DISCUSSION & ANALYSIS

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

In the first half of 2023, the Company seized the favorable opportunities arising from the continuous recovery of the oilfield service industry, continued to optimize the production operation and market layout, accurately matched equipment resources and production capacity, continued to strengthen market development, strived to create integrated service value for customers, strictly controlled investment and costs, and made stable and efficient production and operation. Despite the year-on-year decline in international oil prices, business performance maintained good growth, with a good start in the first quarter and continued growth in the second quarter. During the first half of 2023, the consolidated revenue of the Company was RMB 37,133,528,000, representing an increase of 12% over RMB 33,148,652,000 in the same period of the previous year, and reached the best level in the same period since the "13th Five-Year Plan". Net profit attributable to shareholders of the

Company amounted to RMB 325,904,000, representing an increase of 58% from RMB 206,310,000 in the same period of the previous year. Basic earnings per share was RMB 0.017, representing an increase of RMB 0.006 over the same period of the previous year.

5.1 Market review

In the first half of 2023, the oilfield service industry continued to recover. From a macro perspective, the world economy continues to recover slowly, China's economy has stabilized and rebounded, market expectations have improved significantly, and the gross domestic product (GDP) has increased by 5.5% year-on-year, which has strongly promoted the sustained growth of domestic market demand for refined oil and natural gas. From the perspective of the industry, although the international oil price fluctuated downward, it remained at a relatively high level as a whole. The average spot price of Brent crude oil in the North Sea was 79.8 US dollars per barrel, down 25.6% from the same period in 2022, and the domestic production of crude oil and natural gas increased steadily. From the perspective of the Company itself, driven by the national energy security strategy and the "seven-year action plan" for increasing reserves and production, the Company's main professional workload and team utilization rate have increased to varying degrees.

In the first half of 2023, the Company further promoted high-quality development actions, and continuously strengthened the awareness of market competition, business efficiency, risk prevention and control and quality service. Supported by optimizing production operation and project management, the Company focused on changes in domestic and foreign market situations, fully strengthened market development, and achieved a more optimized market structure and a more controlled risk management. Production and operation indicators grew well. In the first half of the year, the amount of newly signed contracts reached the best level in the same period since the "13th Five-Year Plan", and our accumulated value of newly signed contracts amounted to RMB53.44 billion, representing a year-on-year growth of 1.0%. Among which, the value of our newly signed contracts in the market of China Petrochemical Corporation reached RMB31.4 billion, representing a year-on-year decrease of 0.7%; the value of our newly signed contracts in the domestic external markets reached RMB10.47 billion, representing a year-on-year growth of 10.8%; and the value of our newly signed contracts in the overseas markets reached RMB11.57 billion, representing a year-on-year decrease of 2.1%.

5.2 Operation Review

5.2.1 Geophysical service

In the first half of 2023, the Company's operation revenue from the principal business of geophysical service was RMB 2,019,633,000, representing an increase of 33.6% from RMB 1,512,225,000 in the same period of the previous year. The completed 2D seismic exploration accumulated for 2,215 kilometers, representing a year-on-year decrease of 18.5%; while the completed 3D seismic exploration accumulated for 4,920 square kilometers, representing a year-on-year decrease of 29.3%. In the first half of the year, the Company regarded service exploration and development as its core responsibility, always insisted that "creating value for Party A is our greatest value", and focused on improving technical support capabilities, equipment support capabilities, team management level, and basic management level, our seismic data acquired with first grade quality reached 91.3%, representing a year-on-year increase of 3.8 percentage points. We actively participated in oil and gas exploration in key domestic regions, including Sichuan Basin, Junggar Basin and Tarim Basin. In 2023, we have signed with Sinopec Northwest Oilfield Branch Company a new 3D seismic exploration data acquisition project for the middle section of Shunbei No. 10 belt in the Shuntuogole Area of Tarim Basin with a contract value of RMB 260 million, and signed a new 3D seismic exploration data acquisition project in Chengdao of Shengli Oilfield in 2023 with a contract value of RMB 280 million.

5.2.2 Drilling service

In the first half of 2023, the Company's operation revenue from the principal business of drilling service was RMB 18,867,989,000, representing an increase of 13.4% from RMB 16,635,798,000 in the same period of the previous year. Our completed drilling footage reached 5,610 kilometers, representing a year-on-year increase

of 15.2%, which completed 56.1% of the annual plan and exceeded the planned progress of operation. The Company continued to optimize team size, and the team layout became more reasonable. Through comprehensively deepening the integrated operation of Party A and Party B, focusing on organizational support, operation management and technical support of key wells and demonstration wells, the quality and efficiency of service assurance continued to improve. In the first half of the year, with an increase of 121.4 meters in average well depth, the average drilling cycle of wells completed in China Petrochemical Corporation decreased by 6.7% year-on-year, the time efficiency of complicated failures in drilling decreased by 7.5% year-on-year, and the utilization rate of the drilling team was 90.1%, good results have been achieved in the “Four Improvements” tasks. In the Shunbei industrial zone. The vertical depth of Shunbei 84X well was 8,956.25 meters, it became the “thousand-ton well” with deepest vertical depth on land in Asia. After reported by all media including China Central Television, drilling of 3-3XC well started with rapid progress, the expected drilling depth of the well was 9,472 meters, which will set a new record on the deepest oil and gas well in Asia.

5.2.3 Logging and mud logging service

In the first half of 2023, the Company’s operation revenue from the principal business of logging and mud logging service was RMB 1,564,589,000, representing an increase of 30.1% from RMB 1,202,466,000 in the same period of the previous year. Our completed logging projects accumulated for 156,990,000 standard meters, representing a year-on-year increase of 17.3%, whereas our completed mud logging projects accumulated for 4,600 kilometers, representing a year-on-year increase of 13.0%. The index was kept in good condition, and the qualified rate of data was 100%. Technical indicators such as one-time success rate of logging and excellent rate of logging data have been improved, key technologies such as high temperature logging and complex reservoir processing and interpretation have made significant progress, and the ability of oil and gas exploration and development has been continuously improved.

5.2.4 Downhole operation service

In the first half of 2023, the Company’s operation revenue from the principal business of downhole operation service was RMB 4,699,568,000, representing a year-on-year increase of 9.5% as compared with RMB 4,292,870,000 in the same period of the previous year. We completed downhole operation for 3,574 wells times, with a year-on-year increase of 3.2%, where the fracturing construction efficiency in key industrial zones in “Northwest China, North China, Northeast China and Sichuan” was improved by 12.6% year-on-year. The Company assisted Sinopec in the test acquisition of a number of wells with daily production capacity of 1,000 tons in the Shunbei industrial zone, and the tested daily output of 426,000 cubic meters of Leiye 1 Well in Sichuan Basin achieved a breakthrough in the exploration of Permian deep marine shale gas, and the tested daily output of 1,056,000 cubic meters of Xinshen 105 Well made significant progress in the exploration of natural gas in the Leikoupo Formation in Xinchang, and the efficient operation of large-platform dual-electrical driven fracturing units was realized in the Shengli Jiyang Shale Oil National Demonstration Area. The oil reservoir business of the Company realized the 2.0 cooperative development model in the cooperative development of Shengli difficult-to-recover reserves, cooperation on the development of difficult-to-recover reserves was further promoted.

5.2.5 Engineering and construction service

In the first half of 2023, the Company’s operation revenue from the principal business of engineering and construction service was RMB 8,830,866,000, representing a year-on-year growth of 6.1% from RMB 8,326,149,000 in the same period of the previous year. We completed projects with an accumulated contract value of RMB 9.03 billion, representing a year-on-year improvement of 5.9%, where the accumulated value of our newly signed contracts amounted to RMB 14.9 billion, representing a year-on-year decrease of 35.7%. The transportation pipeline of the "Qilu Petrochemical-Shengli Oilfield Million-ton CCUS" project constructed by the Company was fully connected and successfully commenced operation in one go, this supported the realization of long-distance dense-phase pipeline transportation of liquefied carbon dioxide for the first time in China, and complemented the shortcomings in the scale development of the whole chain of CCUS in China, and had great significance on reducing the transportation cost of carbon dioxide, increasing the competitiveness of the entire industrial chain of CCUS projects, and achieving the goal of "double carbon". Five pipeline projects

were newly signed under the National Pipeline Network Group's West-to-East Natural Gas Pipeline Project (Turpan-Zhongwei) project, with a contract value of RMB 1.58 billion; and the pipeline project of the Sichuan-Chongqing-Hubei Section for the Second Line of the Sichuan-to-East China Natural Gas Pipeline Project was newly signed with a contract value of RMB 520 million.

5.2.6 International business

In the first half of 2023, the Company's operation revenue from the principal business of international business was RMB 7,795,859,000, representing a year-on-year growth of 38.0% from RMB 5,650,053,000 in the same period of the previous year, accounting for 21.2% of the revenue from our principal business in the first half of the year. During the first half of the year, the overseas business of the Company as a whole showed a positive and upward favorable trend. We newly signed a contract of US\$540 million in relation to rig drilling (workover) projects and renewed the contract for the US\$60 million 3D seismic data acquisition project with Saudi Aramco, we renewed the contract of US\$400 million in relation to rig drilling (workover) project with Kuwait Petroleum Corporation, and we successfully renewed the Ecuador SACHA general contracting project with further works on 11 wells in addition to the original contract basis amounted to US\$60 million in contract value. The annual drilling plan of the EBANO oilfield in Mexico was initiated in advance, research studies on the deployment of 2 deep-level KTS reservoir evaluation wells were conducted. Long-term ground operation projects, such as Uganda, were progressing well.

5.2.7 Technology Research & development

In the first half of 2023, the Company continued to stimulate innovation vitality and improve innovation efficiency. Efforts were intensified on problem-solving and application of key technologies for increasing deep and ultra-deep drilling speed, and multiple self-developed technologies, such as high temperature and high pressure measurement while drilling, strong suppression and strong plugging of drilling fluids, were integrated and demonstrated their application in the Shunbei 10 inclined well. The field test application of high temperature and high pressure series logging instruments created many construction records, which effectively guaranteed the construction of "deep level works". We made rapid breakthroughs in key core technologies. Since the beginning of this year, our self-developed rotary geosteering system has been applied in 68 wells with a footage of 97,000 meters, which has undertaken 65% of the works on the horizontal section of Shengli shale oil, and the system stability and adaptability to complicated working conditions were improved continuously. The National Petroleum Drilling Instrumentation Industry Metrology and Testing Center was officially approved for establishment and construction. In the first half of the year, the Company applied for 431 patents, including 217 invention patents.

5.2.8 Internal reform and management

In the first half of 2023, the Company continued to consolidate the foundation for high-quality development by focusing on the building of project-based management system and the development of businesses with characteristics. The "talent pool, fund pool, equipment warehouse and material warehouse" with project-based management as the core have been operating effectively on the Sinopec Integrated Cloud Platform. The ancillary operational management system continued updating and improving, the regional project division was further consolidated and optimized, the profitability of projects continued to improve, and the efficiency of coordination, optimization and allocation of resources was significantly improved. For the five major industrial chains of geophysical prospecting, drilling, downhole, surveying and logging, and engineering construction, the Company prepared characteristic business development implementation plans, focusing on market, manpower, equipment, technology and investment aspects to improve the ancillary and assurance measures, concentration of the characteristic businesses and the efficacy of economies of scale continued to improve. Sinopec Jingwei Co., Ltd., a wholly-owned subsidiary of the Company, was selected into the list of the State-owned Assets Supervision and Administration Commission of the State Council for "the creation of a world-class, specialized, refined and new model enterprise" and "a scientifically and technologically reformed enterprise". In the first half of the year, the Company completed a cost reduction of RMB 314 million.

5.2.9 Capital Expenditure

In the first half of 2023, the Company had a capital expenditure of RMB 350 million, with a year-on-year decrease of 65.2%. The Company adhered to the “proactive and prudent” investment principle, optimized investment structure, strengthened resource coordination, and continued to play the leading and supporting role of investment, mainly for the purchase of 11 new drilling rigs and the upgrading and transformation of 1 drilling rig, purchasing 6 drilling rig top drives, 11 high-pressure mud pumps, 37 sets of power catwalks, 9 cementing cement trucks, 6 fracturing trucks, 2 sets of pressure operation equipment, 8 electric workover rigs, 6 sets of high temperature measurement while drilling instruments, 6,100 underwater node acquisition instruments, etc.

5.3 Assets, liabilities, equity and cash flow analysis (Prepared in accordance with IFRS)

As at 30 June 2023, the Group’s total assets were RMB 72,830,971,000 and total liabilities were RMB 64,752,117,000. The total equity attributable to shareholders of the Company was RMB 8,078,854,000. Compared with the consolidated statement of financial position as at 31 December 2022 (“**compared with that at the end of last year**”), the changes and its main reasons were as follow:

Total assets were RMB 72,830,971,000, increased by RMB 1,622,910,000 compared with that of the end of last year, including that (i) current assets were RMB 40,830,346,000, increased by RMB 4,242,767,000 compared with that of the end of last year, mainly due to the increase in contract assets of RMB 4,248,994,000 as a result of the increase in completed but unsettled projects in the first half of the year. (ii) non-current assets were RMB 32,000,625,000, decreased by RMB 2,619,857,000 compared with that of the end of last year, mainly due to depreciation and amortization of the Group’s fixed assets and long-term prepaid expenses were normally accrued in the first half year.

The total liabilities were RMB 64,752,117,000, increased by RMB 973,790,000 compared with that of the end of last year, including that (i) current liabilities were RMB 63,675,068,000, increased by RMB 1,155,413,000 compared with that of the end of last year, mainly due to an increase of RMB 1,745,462,000 of short-term borrowings in the first half of the year; and (ii) non-current liabilities were RMB 1,077,049,000, decreased by RMB 181,623,000 compared with that of the end of last year, which is mainly due to a decrease in lease liabilities of RMB 130,284,000.

Total equity attributable to shareholders of the Company was RMB 8,078,854,000, increased by RMB 649,120,000 compared with that of the end of last year. It was mainly due to the fact that profit attributable to shareholders of the Company for the first half of 2023 was RMB 649,120,000.

As at 30 June 2023, the ratio of total liabilities to assets was 88.9%, comparing with 89.6% as at 31 December 2022.

In the first half of 2023, the Group’s net cash inflow from operating activities was RMB 421,612,000, representing an increase of cash outflow by RMB 959,538,000 as compared with the corresponding period of last year. It was mainly due to the fact that Party A paid the unsettled project payment of the previous year in the first half of 2023.

In first half of 2023, the Group’s net cash outflow from investing activities was RMB 1,633,442,000, an increase of cash outflow by RMB 1,140,851,000 as compared with the corresponding period of last year. It was mainly due to the expenditure on the acquisition of equipment increasing year-on-year.

In the first half of 2023, the Group’s net cash inflow from financing activities was RMB 1,100,090,000, an increase of cash inflow by RMB 794,247,000 compared with the corresponding period of last year. It was mainly due to the increase in volume of loans in the first half year.

As at 30 June 2023, the Group’s borrowings were RMB 21,157,644,000 (as at 31 December 2022: RMB 19,403,765,000). These borrowings include the short-term borrowings of RMB 19,716,870,000, the long-term borrowings due more than one year of RMB 440,774,000 and the long-term borrowings due within one year of RMB 1,000,000,000. As at 30 June 2023, approximately 90.7% of the borrowings were denominated in

Renminbi (as at 31 December 2022: 88.1%) and approximately 9.3% were denominated in US dollars (as at 31 December 2022: 11.9%).

As at 30 June 2023, the gearing ratio of the Group was 71.5% (as at 31 December 2022: 71.5%). The gearing ratio = (liability with interest – cash & cash equivalents)/(liability with interest – cash & cash equivalents + shareholders' equity).

5.4 Statement of operation by industry

Industry	Operating Income for the first half of 2023 <i>RMB '000</i>	Operating cost for the first half of 2023 <i>RMB '000</i>	Gross Profit Margin (%)	Increase/ (decrease) in operating income as compared with last year (%)	Increase/ (decrease) in operating cost as compared with last year (%)	Gross profit margin compared with last year
Geophysical	2,019,633	2,014,142	0.3	33.6	33.9	decreased by 0.3 percentage points
Drilling	18,867,989	17,471,751	7.4	13.4	13.0	increased by 0.3 percentage points
Logging/Mud logging	1,564,589	1,270,447	18.8	30.1	30.0	increased by 0.1 percentage points
Downhole operation	4,699,568	4,389,224	6.6	9.5	9.3	increased by 0.1 percentage points
Engineering and Construction	8,830,866	8,159,679	7.6	6.1	6.1	-
Other	805,822	927,351	-15.1	6.4	17.5	decreased by 10.9 percentage points
Total	36,788,467	34,232,594	6.9	12.4	12.5	decreased by 0.1 percentage points

5.5 Statement of operation by regions

Region	Operating income for the first half of 2023 <i>RMB '000</i>	Increase/ (decrease) as compared with the corresponding period of last year (%)
Mainland China	28,992,608	7.1
Hong Kong, Macau, Taiwan and overseas	7,795,859	38.0

5.6 Business prospects

Looking forward to the second half of 2023, the oilfield service industry will continue to recover, but there are still many unstable, uncertain and unpredictable factors. Due to geopolitical conflicts, OPEC production cuts and other factors. International oil prices are expected to fluctuate in a wide range of medium and high levels. The "Seven-Year Action Plan" for increasing domestic oil and gas reserves and production has been promoted in depth, oil companies will continue to increase investment in oil and gas exploration and development, and increase oil and gas reserves, production and efficiency will remain the main theme of the petroleum and petrochemical industry. The overall workload of the oilfield service market and the demand for drilling rigs will remain stable and rising. However, we also see that the international political and economic situation is complex, the recovery of the world economy is weak, the sustained recovery of economy in China still needs to be strengthened, the trend of oil prices is uncertain, and domestic and foreign oil companies will have stricter requirements on engineering costs, technical level, service quality, safety and environmental protection at the same time.

Operation Plans for the Second Half of 2023

In the second half of 2023, in the face of a more complex and severe operating environment, the Company will fully seize the opportunity of market demand recovery, continue to enhance its engineering and technical service capabilities, efficiently coordinate and optimize market layout and resource allocation, give full play to its comprehensive oil and gas service capabilities and unique technological advantages, and spare no effort to develop the external market while ensuring the exploration and development of China Petrochemical Corporation. The Company will insist on taking efficiency as the center, strengthen scientific and technological innovation and application, promote the continuous improvement of management level, grasp all kinds of risk prevention, and strive to improve the quality of the company's development. The Company expects to achieve a newly signed contract value more than RMB 24.6 billion, among which more than RMB 17.7 billion will be from the China Petrochemical Corporation market, more than RMB 3.5 billion from domestic external market, and more than RMB 3.4 billion from overseas market. The Company expects to achieve a newly signed contract value more than RMB 78 billion for the whole year.

5.6.1 Geophysical service

In the second half of 2023, the Company will support high-quality exploration with high-quality geophysical prospecting, strengthen coordination and linkage with oil companies, accelerate the release of workload and organize the operation of key projects, and increase the research on geophysical prospecting technology in key areas such as the eastern old area, the piedmont zone, the southeastern Sichuan and shale oil and gas. We will be a pioneer and vanguard in increasing oil and gas reserves and production; continue to increase the upgrading of geophysical prospecting equipment, accelerate the mechanization and intelligent level of core equipment such as high-density node instrument acquisition, and deepen the benchmarking improvement and the retrospective evaluation of seismic data in key work areas. We will improve the quality and efficiency of geophysical prospecting in all aspects, and make every effort to be a good geologist's "eyes". In the second half of the year, it is planned to complete geophysical prospecting of 1,600 kilometers for 2D seismic and 11,100 square kilometers for 3D seismic prospecting.

5.6.2 Drilling service

In the second half of 2023, the Company will adhere to the operation coordination mechanism of Party A and Party B, actively and effectively communicate and coordinate to improve the operation quality and efficiency; further enhance the team's ability to create efficiency, strengthen the "Four Improvements", and maintain high utilization rate of the team; and steadily expand the "factory-based" construction model for well drilling; vigorously promoted the pilot operation of the professional "daily fee system" for drilling and fracturing of demonstration wells and risk exploration wells to improve service quality and efficiency. Focusing on the management of key wells, we will vigorously promote the application of new technologies and new processes, and tackled typical construction technical difficulties in major work areas to form a construction template for speeding up and improving efficiency. We will accelerate breakthroughs in problem-solving of key technologies and equipment for "10,000-meter deep wells" to promote the speed and efficiency of deep wells and exploratory wells. In the second half of the year, it is planned to complete the drilling footage of 5.05 million meters.

5.6.3 Logging and mud logging service

In the second half of 2023, the Company will adhere to demand-oriented, problem-oriented and goal-oriented principles, aiming at first-class technology, first-class equipment, first-class management and first-class team, to strengthen technology and improve efficiency, striving to build a technology-oriented and specialized and refined new model enterprise, and continue to promote integration and high-quality development of the logging and mud logging profession ; while stabilizing the market of China Petrochemical Corporation, we actively expanded domestic and external markets and overseas service businesses to accelerate the development of large-scale and effective markets. In the second half of the year, we plan to complete logging footage of 149,000,000 standard meters and mud logging footage of 4,300,000 meters.

5.6.4 Downhole operation service

In the second half of 2023, the Company will continue to improve the ability of the technical service and assurance capacity of our downhole operation service. We will continue to enhance the standard of our integrated reservoir services, focus on the improving the speed and efficiency of fracturing for shale gas in Sichuan and Chongqing, efficient fracturing for shale oil in Shengli Jiyang and northern Jiangsu, engineering technical services for acid fracturing testing of ultra-deep wells in Sichuan Basin and oil and gas testing of Shunbei ultra-deep formations, continue to promote electrical driven fracturing for shale oil and gas, accelerate the research and testing of ultra-high temperature and high pressure well completion test packer technology, and assist Sinopec's "deep ground engineering" to advance smoothly. We will establish technical reserves, cultivate professional teams, accelerate the construction of production capacity in key areas, such as Shengli, Zhongyuan and Southwest Xinchang, which are difficult to use in cooperation, and strive to achieve major breakthroughs and major developments to create a new economic growth area for the Company. In the second half of the year, we plan to complete downhole operation service of 3,326 wells times.

5.6.5 Engineering and construction service

In the second half of 2023, the Company will continue to focus on the key engineering projects of exploration and development of ground construction, focus on the application and optimization of the achievements of the "five modernizations" in terms of system, design, construction, procurement and management, and further promote the comprehensive progress of standardized design and factory prefabrication capabilities. The R&D and application of integrated devices and the development and promotion of multi-project platforms for intelligent construction sites will accelerate the normal operation of "five modernizations" in ground projects and ensure high-quality start-up of projects; continue to consolidate traditional advantageous markets, and make every effort to strengthen new businesses such as new energy, reduction of carbon emission, digitalization and intelligence businesses to create low-cost advantages, and achieved leading positions in high-quality external markets such as national pipeline network and local gas market, water conservancy, and highway sectors. In the second half of the year, we plan to sign new contracts with value of RMB 7.6 billion and complete contracts with value of RMB 8.5 billion.

5.6.6 International Business

In the second half of 2023, the Company will focus on economic benefits, continue to increase the layout and development of target markets such as Saudi Arabia, Kuwait, Ecuador, Mexico and Uganda, pay close attention to the management and control on the progress of key projects and the operation and management of oil reservoir projects, and create a high profit and efficiency for the Company. We will continue to pay attention to the progress of key projects such as Saudi Aramco's unconventional drilling, 3D seismic data acquisition and processing in Mexico, surface construction in Uganda, and pipelines in Thailand to ensure project compliance and efficient operation. We will also give full play to the leading role of advantageous professions, accelerate the pace of "go global" in special technologies and products such as drilling fluid, fracturing, and cementing, to strengthen and optimize the overseas industrial chain and value chain.

5.6.7 Technology Research & development

In the second half of 2023, the Company will closely tackle with the bottleneck technical problems that restrict oil and gas exploration and development, and focus on project selection, technical research, achievement transformation and industrial application, and information development, so as to accelerate the improvement of core competitiveness. We will concentrate on tackling key and core technology issues, strengthen coordination and joint innovation among all staff, systematically conduct research on technologies for 10,000-meter deep wells, and ensure that Sinopec advances to 10,000-meter deep wells with high quality; ensure further progress in the "rotary geosteering core technology research and application". We will vigorously promote the development of product industrialization, strengthen standardized construction and management and control on product quality, accelerate the construction of industrialization bases and upgrading and transformation of product lines, expand the application scale of independent technologies such as rotary steering, automation equipment for pipelines and poles, and drilling fluid treatment agents, to promote enhancement in both scale and benefits of industrialization.

5.6.8 Internal Reform and Management

In the second half of 2023, the Company will continue to intensify reforms, promote the optimization of resource allocation in full swing, maintain the integration of internal resources, and improve the overall efficiency of the Company. We will comprehensively intensify the building of project-based management systems, select and display typical project management cases, and complete the implementation of building and supporting the operation mechanisms of "two pools, two warehouses and one platform". We will continue to promote the development of characteristic businesses, promote the efficient aggregation of characteristic businesses according to the principles of assisting the excellent and strong ones to increase differentiation competitiveness and enhance the Company's ability to expand markets and generate efficiency. We will strengthen the cost target management of all employees, implement measures to reduce costs and expenses across the business chain by taking measures such as resources coordination and optimization, logistics base integration, reduction of management institutions, transformation of scientific research results, preferential fiscal and tax policies, and collection of bad and doubtful debts, so as to ensure utilization of potential and increase in benefits will achieve RMB 540 million for the whole year.

5.6.9 Capital expenditure

In the second half of 2023, the planned capital expenditure is RMB 3.75 billion. The Company will focus on economic benefits, continue to improve its exploration and exploitation service capabilities, expand resource integration and enhance overall planning, and focus on ensuring the renewal and transformation of urgent production needs, technical service capabilities, and equipment with potential safety and environmental protection hazards, mainly including the purchase of 8 new drilling rigs, the upgrading of 4 drilling rigs, the purchase of 2 drilling rig top drives, 3 sets of rotary steering instruments, 10 sets of power catwalks, the purchase of oil-based cuttings treatment equipment and other projects. We further promote the transformation of development mode, the adjustment of market structure, and the cultivation of core competitiveness.

6. SIGNIFICANT EVENTS

6.1 Interim dividends for 2023 and proposal on issue of shares by capitalizing the common reserves

In accordance with the Articles of Association of the Company, the Board resolved that no interim cash dividend was paid for the year ended 31 December 2023, and no issue of bonus shares by way of capitalization of common reserves.

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

6.3 During the reporting period, the Company had no bankruptcy restructuring related matter.

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

6.5 Information on material connected transactions

The Company's material connected transactions entered into during the six months ended 30 June 2023 are as follows:

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

The nature of the transaction classification	Connected parties	Amount of transaction <i>RMB '000</i>	Proportion of the same type of transaction (%)
Purchase of materials and equipment	China Petrochemical Corporation and its associates	4,904,459	31.6
Rendering engineering services	China Petrochemical Corporation and its associates	22,572,244	61.5
Rendering engineering services	PipeChina	2,126,630	5.8
Comprehensive service expenditure	China Petrochemical Corporation and its subsidiaries	18,951	100.0
Other comprehensive service expenditure	China Petrochemical Corporation and its subsidiaries	224,067	100.0
Technology R&D Income	China Petrochemical Corporation and its subsidiaries	67,796	93.8
Land and property rental expenses	China Petrochemical Corporation and its subsidiaries	17,328	6.9
Equipment leasing expenses	China Petrochemical Corporation and its subsidiaries	38,477	45.9
Loan interest expense	China Petrochemical Corporation and its associates	330,200	85.9
Borrowings obtained	China Petrochemical Corporation and its subsidiaries	13,336,360	100.0
Borrowings repaid	China Petrochemical Corporation and its subsidiaries	11,596,612	99.5
Safety and insurance fund expenses	China Petrochemical Corporation	42,145	100.0
Safety and insurance fund expenses refund	China Petrochemical Corporation	46,171	100.0

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

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

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

Unit: RMB'000

Connected parties	Connected relation	Funds provided to connected party			Funds provided to the Company by connected party		
		Opening balance	Occurrence amount	Closing balance	Opening balance	Occurrence amount	Closing balance
China Petrochemical Corporation and its subsidiaries	Controlling shareholders and its subsidiaries	11,514,495	117,182	11,631,677	7,097,428	-522,289	6,575,139
Sinopec Finance Company Limited	Subsidiary companies of the controlling shareholder	-	-	-	16,095,000	2,090,000	18,185,000
Sinopec Century Bright Capital Investment Limited	Subsidiary companies of the controlling shareholder	-	-	-	1,828,208	-296,338	1,531,870
Total		11,514,495	117,182	11,631,677	25,020,636	1,271,373	26,292,009
Causes of related claims and debts		Normal production and operation					
Influence of connected claims and debts on the Company's performance and financial situation		No material adverse effects					

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

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

6.6 Material contracts and performance

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

(b) Leasing Matters

During the reporting period, there were no leasing matters which would contribute profit to the Company of 10 percent or more of its total profits for the current period.

(c) Guarantees of the company during the reporting period

Unit: Thousand RMB

External Guarantee provided by the Company (excluding Guarantees for Subsidiaries)															
Guarantor	Relationship with the listed company	Guaranteed person	Amount of guarantee	Date of guarantee (Agreement signing date)	The starting day	End date	Type of guarantee	Main debt situation	Pledged thing	Whether the guarantee has been fulfilled	Whether the guarantee is overdue	Overdue amount	Counter-guarantee	Whether to guarantee the related party	Connected relationship
The Company	itself	Mexico DS Company	1,986,734	17 June 2022	17 June 2022	The end time of annual general meeting for the year 2023	Guarantee of joint and several liability	-	No	No	No	0	Yes	Yes	Joint venture company
Total Amount of Guarantees during the Reporting Period (excluding Guarantees for Subsidiaries)											1,986,734				
Total Balance of Guarantees at the end of the Reporting Period (A) (excluding Guarantees for Subsidiaries)											1,986,734				
The Guarantee provided by the Company and its Subsidiaries to the Subsidiaries															
Total Amount of Guarantees paid to Subsidiaries during the Reporting Period											1,513,666				
Total Balance of Guarantees to Subsidiaries at the end of the Reporting Period (B)											26,491,854				
Total Company Guarantee (including Guarantee for Subsidiaries)															
Total Guarantees (A+B)											28,478,588				
Total Amount of Guarantees as a Percentage of the Company's Net Asset (%)											352.5				
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)											9,566,330				
The Amount of the total Guarantee exceeds 50% of the Net Assets (E)											24,439,161				
Sum of the three Guarantees above (C+D+E)											34,005,491				
Statement of Unexpired Guarantees as potential subject to Joint Liability											None				
Guarantee Statement											The guarantees provided by the Company are all provided for the performance of the domestic and foreign contracts by the wholly-owned subsidiaries and joint venture (DS				

	Servicios Petroleros,S.A. de C.V.). The guarantee amount is within the amount approved by the annual general meeting for 2022 of the Company.
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(d) Save as disclosed in the interim report, during the reporting period, the Company did not enter into any material contract which requires disclosure.

6.7 Analysis of investment situation

(a) Investment in securities

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

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

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

(c) Equities of financial institutions held by the Company

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

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

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

(e) Entrusted asset management and derivatives investment

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

6.8 The special undertakings made by the Company and its shareholders holding more than 5% and the performance of the undertakings as of 30 June 2023:

Undertaking Background	Undertaking Type	Undertaking-party	Undertaking	Date and duration of the Undertaking	Whether there is a performance period	Whether the undertaking has been strictly fulfilled
Undertaking regarding the material assets reorganization	To solve horizontal competition	China Petrochemical Corporation	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	Date of undertaking: 12 September 2014 Duration: long term	No	During the reporting period, China Petrochemical Corporation did not act contrary to the undertaking.

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

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

6.10 Significant events affecting the Group after the reporting period

From 30 June 2023 and up to the date of this announcement, there is no other events affecting the Group significantly.

7. INTERIM FINANCIAL REPORT

7.1 Interim financial report prepared in accordance with IFRS

The following financial information has been extracted from the Company's unaudited interim financial report, prepared in accordance with IFRS, for the six months ended 30 June 2023.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Notes	For the six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	4	37,133,528	33,148,652
Cost of sales and taxes and surcharges		(34,212,953)	(30,494,380)
Gross profit		2,920,575	2,654,272
Selling expenses		(31,421)	(26,643)
General and administrative expenses		(1,038,184)	(1,092,018)
Research and development expenses		(815,114)	(666,919)
Finance expenses – net	5	(373,817)	(281,888)
Reversal of/(Provision for) expected credit loss (“ECL”) – net	6	153,474	69,340
Share of profit from joint ventures		262	96
Share of profit from associates		3,254	2,662
Other income	7	112,392	113,915
Other expenses	8	(66,631)	(40,066)
Profit before income tax	9	864,790	732,751
Income tax expense	10	(215,670)	(171,067)
Profit for the period		649,120	561,684
Other comprehensive income for the period, net of tax item that will not be reclassified subsequently to profit or loss:			
Net movement in fair value of financial assets at fair value through other comprehensive income (“FVTOCI”)		-	-
Total comprehensive income for the period		649,120	561,684
Earnings per share for profit attributable to owners of the Company (presented in RMB per share)	11	RMB	RMB
Basic and diluted		0.034	0.030

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		As at	As at	As at
	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Restated)	1 January 2022 RMB'000 (Restated)
Assets				
Non-current assets				
Property, plant and equipment	14	24,848,030	26,432,082	24,924,711
Other non-current assets	14	6,309,741	7,255,439	6,595,302
Intangible assets		299,379	378,240	400,130
Interests in joint ventures		9,834	23,340	24,122
Interests in associates		27,016	26,875	22,926
Financial assets at FVTOCI	15	134,492	134,492	21,760
Deferred tax assets		372,133	370,014	316,475
Total non-current assets		32,000,625	34,620,482	32,305,426
Current assets				
Inventories	19	1,048,403	1,013,245	1,009,166
Financial assets at FVTOCI	15	1,757,756	1,468,340	1,295,971
Trade receivables	16	9,227,260	10,537,217	8,151,019
Prepayments and other receivables	17	6,997,855	6,013,554	5,162,319
Contract assets and costs to fulfil contracts	18	19,965,988	15,716,994	13,626,033
Restricted cash		73,276	37,079	32,917
Cash and cash equivalents		1,759,808	1,801,150	2,475,307
Total current assets		40,830,346	36,587,579	31,752,732
Total assets		72,830,971	71,208,061	64,058,158

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2023

	Notes	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Restated)	As at 1 January 2022 RMB'000 (Restated)
Equity				
Share capital	20	18,984,340	18,984,340	18,984,340
Reserves		(10,905,486)	(11,554,606)	(12,132,492)
Total equity		8,078,854	7,429,734	6,851,848
Liabilities				
Non-current liabilities				
Long-term borrowings	23	807,535	977,602	1,945,552
Deferred income		15,640	11,576	9,288
Deferred tax liabilities		62,665	68,496	24,818
Provisions		191,209	200,998	205,771
Total non-current liabilities		1,077,049	1,258,672	2,185,429
Current liabilities				
Notes and trade payables	21	33,311,852	33,591,453	29,890,348
Other payables	22	4,507,354	4,119,259	3,555,046
Contract liabilities	18	4,459,447	5,115,819	3,547,938
Short-term borrowings	23	21,185,860	19,440,398	17,816,036
Current income tax payable		210,555	252,726	211,513
Total current liabilities		63,675,068	62,519,655	55,020,881
Total liabilities		64,752,117	63,778,327	57,206,310
Total equity and liabilities		72,830,971	71,208,061	64,058,158
Net current liabilities		(22,844,722)	(25,932,076)	(23,268,149)
Total assets less current liabilities		9,155,903	8,688,406	9,037,277

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the Company							Total equity RMB'000
	Share capital RMB'000 (Note 20)	Share premium RMB'000	Other capital reserve RMB'000	Surplus reserve RMB'000	Specific reserve RMB'000	Other comprehensive income reserve (non-recycling) RMB'000	Accumulated losses RMB'000	
At 31 December 2022 (Audited)	18,984,340	11,622,283	95,490	200,383	326,705	5,232	(23,807,114)	7,427,319
Effect of adoption of amendment to IAS 12 (Note 3.2)	-	-	-	-	-	-	2,415	2,415
At 1 January 2023 (Restated)	18,984,340	11,622,283	95,490	200,383	326,705	5,232	(23,804,699)	7,429,734
Profit for the period	-	-	-	-	-	-	649,120	649,120
Other comprehensive income for the period: Net movement in fair value of financial assets at FVTOCI	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	649,120	649,120
Transactions with owners:								
Appropriation of specific reserve	-	-	-	-	446,169	-	(446,169)	-
Utilisation of specific reserve	-	-	-	-	(122,675)	-	122,675	-
Transfer of other comprehensive income reserve	-	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	323,494	-	(323,494)	-
At 30 June 2023	18,984,340	11,622,283	95,490	200,383	650,199	5,232	(23,479,073)	8,078,854

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June
2022

Attributable to owners of the Company

	Share capital RMB'000 (Note 20)	Share premium RMB'000	Other capital reserve RMB'000	Surplus reserve RMB'000	Specific reserve RMB'000	Other comprehensive income reserve (non-recycling) RMB'000	Accumulated losses RMB'000	Total equity RMB'000
At 31 December 2021 (Audited)	18,984,340	11,622,283	95,490	200,383	219,182	(3,823)	(24,256,338)	6,861,517
Effect of adoption of amendments to IAS 12 (Note 3.2)	-	-	-	-	-	-	(9,669)	(9,669)
At 1 January 2022 (Restated)	18,984,340	11,622,283	95,490	200,383	219,182	(3,823)	(24,266,007)	6,851,848
Profit for the period (Restated)	-	-	-	-	-	-	561,684	561,684
Other comprehensive income for the period: Net movement in fair value of financial assets at FVTOCI	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	561,684	561,684
Transactions with owners:								
Appropriation of specific reserve	-	-	-	-	575,168	-	(575,168)	-
Utilisation of specific reserve	-	-	-	-	(219,794)	-	219,794	-
Transfer of other comprehensive income reserve	-	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	355,374	-	(355,374)	-
At 30 June 2022 (Restated)	18,984,340	11,622,283	95,490	200,383	574,556	(3,823)	(24,059,697)	7,413,532

SINOPEC OILFIELD SERVICE CORPORATION

**NOTES TO THE INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cash flows from operating activities		
Cash flows generated from/(used in) operations	676,506	(415,488)
Interest received	10,897	4,430
Income tax paid	(265,791)	(126,868)
Net cash generated from/(used in) operating activities	421,612	(537,926)
Cash flows from investing activities		
Purchases of property, plant and equipment	(876,200)	(359,072)
Purchases of intangible assets	-	(579)
Purchases of other non-current assets	(791,226)	(148,875)
Proceeds from disposal of property, plant and equipment	17,583	12,079
Proceeds from disposal of joint venture	11,983	-
Dividends received from associates	4,418	3,856
Net cash used in investing activities	(1,633,442)	(492,591)
Cash flows from financing activities		
Proceeds from borrowings	13,336,360	12,154,500
Repayments of borrowings	(11,653,293)	(11,415,907)
Placement of restricted Cash	(36,197)	(60,887)
Payment of lease liabilities	(219,225)	(97,834)
Interests paid	(327,555)	(274,029)
Net cash generated from financing activities	1,100,090	305,843
Net decrease in cash and cash equivalents	(111,740)	(724,674)
Effect of foreign exchange rate changes on cash and cash equivalents	70,398	96,207
Cash and cash equivalents at the beginning of the period	1,801,150	2,475,307
Cash and cash equivalents at the end of the period	1,759,808	1,846,840

SINOPEC OILFIELD SERVICE CORPORATION

NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2023

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

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

This interim financial information is presented in RMB, unless otherwise stated. This interim financial information has been approved and authorised for issue by the Board of Directors on 29 August 2023.

SINOPEC OILFIELD SERVICE CORPORATION

NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2023

2. BASIS OF PRESENTATION AND PREPARATION

2.1 Basis of presentation

The interim financial information is prepared using the going concern basis notwithstanding that as at 30 June 2023, the Group had net current liabilities of approximately RMB22,845,000 and capital commitments of approximately RMB 20,528,000. These conditions may cast significant doubt about the Group's ability to continue as a going concern. The directors of the Company have performed an assessment covering a period of 12 months from the six months ended 30 June 2023, taking account of the following events and measures:

- (i) As at 30 June 2023, the Group obtained a line of credit of RMB19 billion and USD0.4 billion (Total: approximately RMB22 billion), and a line of credit promissory note and letter of guarantee of RMB11.5 billion from the Sinopec Group's subsidiaries;
- (ii) As disclosed in Note 23, the Group's borrowings amounted to approximately RMB20.7 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 of the Group.

SINOPEC OILFIELD SERVICE CORPORATION

NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2023

2. BASIS OF PRESENTATION AND PREPARATION (CONTINUED)

2.2 Basis of preparation

This interim financial information for the six months ended 30 June 2022 has been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

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

The preparation of an interim financial information in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

The Group has applied the same accounting policies and methods of computation in its interim financial information as in its annual financial statements for the year ended 31 December 2022, except that in the current interim period, the Group has applied, for the first time, the following amendments to IFRSs which are mandatory effective for the annual period beginning on or after 1 January 2023:

IFRS 17 and amendments to IFRS 17	Insurance contracts and related amendments
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform - Pillar Two Model Rules

Other than as noted below, the adoption of the new and amended accounting policies had no material impact on the Group’s results and financial position.

SINOPEC OILFIELD SERVICE CORPORATION

**NOTES TO THE INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY (CONTINUED)

3.1 IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts that was issued in 2004. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- (i) A specific adaptation for contracts with direct participation features (the variable fee approach)
- (ii) A simplified approach (the premium allocation approach) mainly for short-duration contracts.

The adoption of IFRS 17 does not have any significant impact on the condensed consolidated financial statements.

SINOPEC OILFIELD SERVICE CORPORATION

**NOTES TO THE INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY (CONTINUED)

3.2 IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets as at 1 January 2022.

The table below illustrate the effects of the changes in accounting policy as a result of application of amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction” on the condensed consolidated statement of financial position as at 1 January 2022 and 31 December 2022 and the condensed consolidated statement of profit or loss and other comprehensive income and earnings per share for the six months ended 30 June 2022:

	1 January 2022 (Originally stated) RMB'000	Adjustment RMB'000	1 January 2022 (Restated) RMB'000
<u>Condensed consolidated statement of financial position</u>			
Deferred tax assets	310,764	5,711	316,475
Deferred tax liabilities	9,438	15,380	24,818
Net assets	6,861,517	(9,669)	6,851,848
Accumulated losses	24,256,338	9,669	24,266,007
Total equity	<u>6,861,517</u>	<u>(9,669)</u>	<u>6,851,848</u>
	31 December 2022 (Originally stated) RMB'000	Adjustment RMB'000	31 December 2022 (Restated) RMB'000
<u>Condensed consolidated statement of financial position</u>			
Deferred tax assets	362,470	7,544	370,014
Deferred tax liabilities	63,367	5,129	68,496
Net assets	7,427,319	2,415	7,429,734
Accumulated losses	23,807,114	(2,415)	23,804,699
Total equity	<u>7,427,319</u>	<u>2,415</u>	<u>7,429,734</u>

SINOPEC OILFIELD SERVICE CORPORATION

**NOTES TO THE INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY (CONTINUED)

3.2 IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Continued)

	Six months ended 30 June 2022		
	(Originally stated) RMB'000	Adjustment RMB'000	(Restated) RMB'000
<u>Condensed consolidated statement of profit or loss and other comprehensive income</u>			
Income tax expense	177,109	(6,042)	171,067
Profit for the period	555,642	6,042	561,684
Total comprehensive income for the period	555,642	6,042	561,684
<u>Earnings per shares</u>			
Basic and diluted earnings per share (RMB)	0.029	0.01	0.030

SINOPEC OILFIELD SERVICE CORPORATION

**NOTES TO THE INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

4. REVENUE AND SEGMENT INFORMATION

The Group's revenue is as follows:

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
GEOPHYSICS	2,019,633	1,512,225
DRILLING ENGINEERING	18,867,990	16,635,798
LOGGING AND MUD LOGGING	1,564,589	1,202,466
SPECIAL DOWNHOLE	4,699,568	4,292,870
OPERATIONS		
ENGINEERING CONSTRUCTION	8,830,866	8,326,149
OTHERS	1,150,882	1,179,144
	<u>37,133,528</u>	<u>33,148,652</u>

SINOPEC OILFIELD SERVICE CORPORATION

NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2023

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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.

SINOPEC OILFIELD SERVICE CORPORATION

**NOTES TO THE INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information (Continued)

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

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

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

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

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

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

SINOPEC OILFIELD SERVICE CORPORATION

**NOTES TO THE INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information (Continued)

(a) Segment revenue results, assets and liabilities

For the six months ended 30 June 2023 and as at that date, segment revenue results, assets and liabilities were as follows:

	Geophysics RMB'000	Drilling engineering RMB'000	Logging and mud logging RMB'000	Special downhole operations RMB'000	Engineering construction RMB'000	Unallocated RMB'000	Eliminated RMB'000	Total RMB'000
For the six months ended 30 June 2023 (Unaudited)								
Segment revenue and results								
Revenue from external customers	2,019,633	18,867,990	1,564,589	4,699,568	8,830,866	1,150,882	-	37,133,528
Inter-segment revenue	17,268	849,545	1,232,584	134,746	21,072	2,065,299	(4,320,514)	-
Reportable segment revenue	2,036,901	19,717,535	2,797,173	4,834,314	8,851,938	3,216,181	(4,320,514)	37,133,528
Reportable segment (loss)/profit								
Other income	(77,501)	670,174	231,675	227,187	307,944	(540,449)	-	819,029
Other expenses	8,898	47,024	3,956	1,551	40,896	10,067	-	112,392
	(6,868)	(38,940)	(1,923)	(2,300)	(4,340)	(12,260)	-	(66,631)
(Loss)/Profit before income tax	(75,472)	678,258	233,708	226,438	344,500	(542,642)	-	864,790
Income tax expense								(215,670)
Profit for the period								649,120
Supplementary information								
Depreciation and amortisation								
- Property, plant and equipment	175,209	984,745	100,298	265,148	148,879	149,273	-	1,823,552
- Other non-current assets	48,223	992,854	85,424	112,771	5,052	29,540	-	1,273,864
- Intangible assets	95	234	342	4,199	6,385	67,196	-	78,451
Capital expenditure								
- Property, plant and equipment	11,968	26,617	127,885	39,245	20,219	116,558	-	342,492
- Other non-current assets	482	230,168	-	55,685	4,552	37,854	-	328,741
- Intangible assets	-	-	-	-	12,511	-	-	12,511
Reversal of ECL on trade receivables, net	(3,611)	(32,480)	(13,847)	(4,715)	(31,144)	(755)	-	(87,305)
Provision/(Reversal of) for ECL on other receivables, net	199	-	66	(1,329)	(74,166)	(47)	-	(74,805)
(Reversal of)/Provision for ECL on contract assets, net	(1,837)	2,942	1,554	1,384	4,455	138	-	8,636
Impairment								
- Property, plant and equipment	-	4,959	-	-	-	-	-	4,959
- Others	-	-	-	-	2	-	-	2
As at 30 June 2023 (Unaudited)								
Assets								
Segment assets	5,410,364	28,075,096	4,758,711	7,855,331	22,451,361	39,335,215	(35,055,107)	72,830,971
Liabilities								
Segment liabilities	4,546,595	21,623,937	3,329,017	4,827,604	21,554,531	43,925,540	(35,055,107)	64,752,117

SINOPEC OILFIELD SERVICE CORPORATION

**NOTES TO THE INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information (Continued)

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

For the six months ended 30 June 2022 and as at that date, segment revenue results, assets and liabilities were as follows:

	Geophysics RMB'000	Drilling engineering RMB'000	Logging and mud logging RMB'000	Special downhole operations RMB'000	Engineering construction RMB'000	Unallocated RMB'000	Eliminated RMB'000	Total RMB'000 (Restated)
For the six months ended 30 June 2022 (Unaudited)								
Segment revenue and results								
Revenue from external customers	1,512,225	16,635,798	1,202,466	4,292,870	8,326,149	1,179,144	-	33,148,652
Inter-segment revenue	27,041	1,201,379	383,244	156,562	27,700	2,690,846	(4,486,772)	-
Reportable segment revenue	1,539,266	17,837,177	1,585,710	4,449,432	8,353,849	3,869,990	(4,486,772)	33,148,652
Reportable segment (loss)/profit								
Other income	(101,305)	623,980	119,914	217,338	160,210	(361,235)	-	658,902
Other expenses	11,772	32,675	10,578	2,730	38,442	17,718	-	113,915
	(1,588)	(20,281)	(2,059)	(2,438)	(8,456)	(5,244)	-	(40,066)
(Loss)/Profit before income tax	(91,121)	636,374	128,433	217,630	190,196	(348,761)	-	732,751
Income tax expense								(171,067)
Profit for the period								561,684
Supplementary information								
Depreciation and amortisation								
- Property, plant and equipment	168,118	899,040	93,979	262,317	135,408	209,351	-	1,768,213
- Other non-current assets	34,796	851,341	70,049	94,622	6,072	12,652	-	1,069,532
- Intangible assets	94	283	721	4,082	6,272	90,725	-	102,177
Capital expenditure								
- Property, plant and equipment	101,585	182,899	39,719	55,084	283,644	344,242	-	1,007,173
- Intangible assets	-	-	-	-	580	-	-	580
Provision for/(Reversal of) ECL on trade receivables, net	2,374	(19,670)	(3,249)	(7,025)	(37,811)	8,705	-	(56,676)
Provision for/(Reversal of) ECL on other receivables, net	(1,274)	1,086	62	378	(13,985)	(282)	-	(14,015)
Provision for/(Reversal of) ECL on contract assets, net	(1,972)	148	2,553	1,335	3,813	(4,526)	-	1,351
As at 31 December 2022 (Restated)								
Assets								
Segment assets	5,709,085	30,373,430	4,636,423	7,743,455	22,352,376	37,592,428	(37,199,136)	71,208,061
Liabilities								
Segment liabilities	4,680,689	24,488,460	3,359,394	4,850,991	21,672,974	41,924,955	(37,199,136)	63,778,327

SINOPEC OILFIELD SERVICE CORPORATION

**NOTES TO THE INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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 interest in associates, which are based on the physical location of the assets.

	Revenue from external customers	
	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
The PRC	29,308,887	27,450,310
Middle East (Note)	4,793,333	3,949,932
Other Countries	3,031,308	1,748,410
	37,133,528	33,148,652

	Specified non-current assets	
	As at	As at
	30 June 2023	31 December
	RMB'000	2022
	(Unaudited)	RMB'000
		(Audited)
The PRC	26,586,323	28,834,098
Saudi Arabia	3,493,137	3,736,517
Other Countries	1,921,165	2,049,867
	32,000,625	34,620,482

Note: Middle East and other countries are mainly represented Saudi Arabia and Kuwait.

SINOPEC OILFIELD SERVICE CORPORATION

**NOTES TO THE INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information (Continued)

(c) Major customer

For the six months ended 30 June 2023 and 2022, revenue from customers which individually contributed over 10% of the Group's revenue is as follows:

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Customer A	22,609,772	20,875,657

Revenue from this customer was derived from the operating segments of geophysics, drilling engineering, logging and mud logging, special downhole operations and engineering construction which accounted for 61% (2021: 63%) of the Group's revenue.

(d) Analysis on revenue from contracts

For the six months ended 30 June 2023 and 2022, the Group derives revenue from the transfer of goods and service at a point in time and over time in the following operating segments of geophysics, drilling engineering, logging and mud logging, special downhole operations and engineering construction service:

	Geophysics	Drilling engineering	Logging and mud logging	Special downhole operations	Engineering construction	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the six months ended 30 June 2023 (unaudited)							
Timing of revenue recognition:							
- At a point in time	-	3,097	-	1,605	3,265	224,850	232,817
- Over time	2,019,633	18,864,893	1,564,589	4,697,963	8,827,601	926,032	36,900,711
Total	2,019,633	18,867,990	1,564,589	4,699,568	8,830,866	1,150,882	37,133,528
For the six months ended 30 June 2022 (unaudited)							
Timing of revenue recognition:							
- At a point in time	-	4,275	-	-	1,667	95,351	101,293
- Over time	1,512,225	16,631,523	1,202,466	4,292,870	8,324,482	1,083,793	33,047,359
Total	1,512,225	16,635,798	1,202,466	4,292,870	8,326,149	1,179,144	33,148,652

SINOPEC OILFIELD SERVICE CORPORATION

**NOTES TO THE INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

5. FINANCE EXPENSES – NET

	For the six months ended 30	
	June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Finance income		
Interest income		
- Sinopec Group's subsidiaries	2,487	408
- Third parties and other financial institutions	8,410	4,022
	10,897	4,430
Finance expenses		
Interest expenses on loans wholly repayable within 5 years		
- Sinopec Group and its subsidiaries	(347,686)	(263,629)
- Third parties and other financial institutions	(12,836)	(6,059)
Interest expenses on lease liabilities		
- Sinopec Group and its subsidiaries	(9,268)	(9,545)
- Associates and joint ventures of Sinopec Group	(4,299)	(6,982)
- Third parties	(10,186)	(9,155)
Exchange gains/(losses), net	39,756	47,529
Bank and other charges	(40,195)	(38,477)
	(384,714)	(286,318)
	(373,817)	(281,888)

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

	For the six months ended 30	
	June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Reversal of ECL on trade and other receivables, net	162,110	70,691
Provision for ECL on contract assets, net	(8,636)	(1,351)
	153,474	69,340
	153,474	69,340

SINOPEC OILFIELD SERVICE CORPORATION

**NOTES TO THE INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

7. OTHER INCOME

	For the six months ended 30 June	
	2023	2022
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Gain on disposal of property, plant and equipment, net	8,835	13,783
Gain on disposal of other non-current assets, net	30,708	13,322
Government grants (Note)	49,827	35,829
Penalty income	858	2,115
Compensation received	1,537	5,400
Gain on debt restructuring	14,650	10,840
Others	5,977	32,626
	112,392	113,915

Note: For the six months ended 30 June 2023 and 2022, government grants primarily represent financial appropriation income and non-income tax refunds received from respective government agencies without conditions or other contingencies attached to the receipts of the grants.

8. OTHER EXPENSES

	For the six months ended 30 June	
	2023	2022
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Penalty pay	759	1,134
Compensation	17,058	2,138
Impairment loss on property, plant and equipment and others	4,961	-
Others	43,853	36,794
	66,631	40,066

SINOPEC OILFIELD SERVICE CORPORATION

**NOTES TO THE INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

9. PROFIT BEFORE INCOME TAX

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

	For the six months ended 30	
	June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Staff costs, including directors and supervisors emoluments	7,715,501	7,146,661
Retirement benefit plan contribution (including in the above mentioned staff costs)		
- Municipal retirement scheme costs	720,118	680,149
- Supplementary retirement scheme costs	356,431	338,800
Changes in inventories of finished goods and work in progress	(10)	30,267
Raw materials and consumables used	15,879,309	8,889,820
Depreciation and amortisation		
- Property, plant and equipment	1,823,552	1,768,213
- Other non-current assets	1,273,864	1,069,531
- Intangible assets	78,451	102,177
Short-term leases and leases with lease term of 12 months or less	246,982	379,742
(Reversal of)/Provision for ECL – net		
- Trade and other receivables	(162,110)	(70,691)
- Contract assets	8,636	1,351
Rental income from property, plant and equipment after relevant expenses	(24,355)	(26,500)
Gain on disposal of property, plant and equipment, net	(8,835)	(13,783)
Gain on disposal of other non-current assets, net	(30,708)	(13,322)
Exchange gains, net	<u>(39,756)</u>	<u>(47,529)</u>

SINOPEC OILFIELD SERVICE CORPORATION

**NOTES TO THE INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

10. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Restated)
Current tax		
PRC enterprise income tax	86,070	91,201
Overseas enterprise income tax	137,550	80,492
	223,620	171,693
Deferred tax		
Origination and reversal of temporary differences	(7,950)	(626)
	(7,950)	(626)
Income tax expense	215,670	171,067

According to the Corporate Income Tax Law of the PRC, the applicable income tax for the six months ended 30 June 2023 and 2022 is 25%.

According to the normal statutory PRC corporate income tax and relevant rules, apart from certain subsidiaries of the Company subjected to the relevant development zone policy or participation in technology development and the PRC's western development project that can enjoy a 15% preferential tax rate during the six months ended 30 June 2023 and 2022, 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.

SINOPEC OILFIELD SERVICE CORPORATION

**NOTES TO THE INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

11. EARNINGS PER SHARE

(a) Basic

For the six months ended 30 June 2023 and 2022, the basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue.

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Restated)
Profit for the period attributable to owners of the company (RMB'000)	649,120	561,684
Weighted average number of ordinary shares in issue (shares)	18,984,340,033	18,984,340,033
Basic earnings per share (RMB)	0.034	0.030

(b) Diluted

For the six months ended 30 June 2023 and 2022, the diluted earnings per share was the same as the basic earnings per share as the exercise price of those share options is higher than the average market price for shares during both periods.

12. DIVIDENDS

The Board of Directors of the Company did not recommend the payment of any interim dividends for the six months ended 30 June 2023 (2022: Nil).

SINOPEC OILFIELD SERVICE CORPORATION

**NOTES TO THE INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

13. EMPLOYEE BENEFITS

	For the six months ended 30	
	June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries, wages and other benefits	6,638,952	6,127,712
Retirement benefit plan contribution (note)		
- Municipal retirement scheme costs	720,118	680,149
- Supplementary retirement scheme costs	356,431	338,800
	7,715,501	7,146,661

Note:

Retirement benefits

As stipulated by the regulations of the PRC, the Group participates in basic defined contribution retirement schemes organised by respective municipal government under which it is governed. As at 30 June 2023, the Group and the employees pay 16% and 8% (31 December 2022: 16% and 8%) of salary respectively to basic defined contribution plan.

In addition, the Group provides a supplementary defined contribution retirement plan for its staff at rates not exceeding 8% (31 December 2022: 8%) of the salaries. Employees who have served the Group for one year or more are entitled to participating in this plan. The funds of this plan are held separately from the Group in an independent fund administered by a committee consisting of representatives from the employees and the Group.

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

SINOPEC OILFIELD SERVICE CORPORATION

**NOTES TO THE INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

14. PROPERTY, PLANT AND EQUIPMENT AND OTHER NON-CURRENT ASSETS

(a) Property, Plant and Equipment

For the six months ended 30 June 2023 (Unaudited)

	Buildings	Oil Engineering equipment and others	Land	Prepaid Land leases	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost						
Balance at 1 January 2023	2,709,818	66,641,561	152,116	137,876	470,886	70,112,257
Additions	179,575	34,672	8,332	12,510	107,403	342,492
Remeasurement of leases	5,156	500	2,627	-	-	8,283
Expiration of or early termination of contract	(68,190)	(391,655)	(17,486)	-	-	(477,331)
Disposals/write-off	(9)	(781,881)	-	-	-	(781,890)
Transferred from construction in progress	-	107,974	-	-	(107,974)	-
At 30 June 2023	<u>2,826,350</u>	<u>65,611,171</u>	<u>145,589</u>	<u>150,386</u>	<u>470,315</u>	<u>69,203,811</u>
Accumulated depreciation and impairment						
Balance at 1 January 2023	1,126,625	42,428,938	86,484	34,626	3,502	43,680,175
Depreciation	203,150	1,593,897	24,757	1,748	-	1,823,552
Expiration of or early termination of contract	(47,544)	(365,292)	-	-	-	(412,836)
Disposals/write-off	(5)	(722,577)	(17,487)	-	-	(740,069)
Impairment	-	4,959	-	-	-	4,959
At 30 June 2023	<u>1,282,226</u>	<u>42,939,925</u>	<u>93,754</u>	<u>36,374</u>	<u>3,502</u>	<u>44,355,781</u>
Carrying amounts						
At 30 June 2023 (unaudited)	<u>1,544,124</u>	<u>22,671,246</u>	<u>51,835</u>	<u>114,012</u>	<u>466,813</u>	<u>24,848,030</u>
At 31 December 2022 (audited)	<u>1,583,193</u>	<u>24,212,623</u>	<u>65,632</u>	<u>103,250</u>	<u>467,384</u>	<u>26,432,082</u>

SINOPEC OILFIELD SERVICE CORPORATION

**NOTES TO THE INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

**14. PROPERTY, PLANT AND EQUIPMENT AND OTHER NON-CURRENT ASSETS
(CONTINUED)**

(a) Property, Plant and Equipment

Note:

As at 30 June 2023, right-of-use assets with carrying amounts of RMB1,002,734 are included in property, plant and equipment (31 December 2022: RMB1,115,600,000).

	Carrying amounts		Depreciation
	As at	As at	During the six
	30 June 2023	1 January 2023	months ended 30
	RMB'000	RMB'000	June 2023
			RMB'000
Buildings	618,225	629,737	175,597
Oil engineering equipment and others	218,662	316,980	96,120
Land	51,835	65,632	24,757
Prepaid land leases	114,012	103,250	1,748
	<u>1,002,734</u>	<u>1,115,599</u>	<u>298,222</u>

SINOPEC OILFIELD SERVICE CORPORATION

**NOTES TO THE INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

14. PROPERTY, PLANT AND EQUIPMENT AND OTHER NON-CURRENT ASSETS (CONTINUED)

(a) Property, Plant and Equipment

For the six months ended 30 June 2022 (Unaudited)

	Buildings	Oil Engineering equipment and others	Land	Prepaid Land leases	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost						
Balance at 1 January 2022	2,356,118	64,958,562	164,030	137,876	671,866	68,288,452
Additions	520,804	20,365	38,547	-	422,405	1,002,121
Remeasurement of leases	2,887	2,197	(33)	-	1	5,052
Expiration of or early termination of contract	(155,629)	(20,000)	(21,385)	-	-	(197,014)
Disposals/write-off	(2,794)	(585,341)	-	-	-	(588,135)
Transferred from construction in progress	-	488,019	-	-	(488,019)	-
At 30 June 2022	<u>2,721,386</u>	<u>64,863,802</u>	<u>181,159</u>	<u>137,876</u>	<u>606,253</u>	<u>68,510,476</u>
Accumulated depreciation and impairment						
Balance at 1 January 2022	1,129,101	42,087,442	112,286	31,410	3,502	43,363,741
Depreciation	163,396	1,582,879	20,329	1,609	-	1,768,213
Expiration of or early termination of contract	(142,677)	(18,949)	-	-	-	(161,626)
Disposals/write-off	(2,622)	(548,589)	(19,470)	-	-	(570,681)
At 30 June 2022	<u>1,147,198</u>	<u>43,102,783</u>	<u>113,145</u>	<u>33,019</u>	<u>3,502</u>	<u>44,399,647</u>
Carrying amounts						
At 30 June 2022 (unaudited)	<u>1,574,188</u>	<u>21,761,019</u>	<u>68,014</u>	<u>104,857</u>	<u>602,751</u>	<u>24,110,829</u>

**14. PROPERTY, PLANT AND EQUIPMENT AND OTHER NON-CURRENT ASSETS
(CONTINUED)**

(b) Other Non-Current Assets

For the six months ended 30 June 2023

	Special tools of petroleum engineering	Other tools of petroleum engineering	Camping house	Other long-term deferred expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost					
At 1 January 2023	16,289,261	2,455,532	2,493,899	51,214	21,289,906
Additions	133,385	156,989	38,367	-	328,741
At 30 June 2023	16,422,646	2,612,521	2,532,266	51,214	21,618,647
Accumulated depreciation					
At 1 January 2023	10,605,349	1,669,883	1,716,021	43,214	14,034,467
Depreciation	961,951	176,161	131,727	4,025	1,273,864
Other decrease	279	4	292	-	575
At 30 June 2023	11,567,579	1,846,048	1,848,040	47,239	15,308,906
Carrying amounts					
At 30 June 2023 (Unaudited)	4,855,067	766,473	684,226	3,975	6,309,741
At 31 December 2022 (Audited)	5,683,912	785,649	777,878	8,000	7,255,439

**14. PROPERTY, PLANT AND EQUIPMENT AND OTHER NON-CURRENT ASSETS
(CONTINUED)**

(b) Other Non-Current Assets

For the six months ended 30 June 2022

	Special tools of petroleum engineering	Other tools of Petroleum engineering	Camping house	Other long-term deferred expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost					
At 1 January 2022	14,196,612	1,942,128	2,142,874	51,214	18,332,828
Additions	75,591	55,562	16,795	628	148,876
At 30 June 2022	14,272,303	1,997,690	2,159,669	51,842	18,481,404
Accumulated depreciation					
At 1 January 2022	8,804,286	1,418,358	1,482,990	31,892	11,737,526
Depreciation	833,412	117,776	114,605	3,738	1,069,531
Other decrease	-	-	-	1,146	1,146
At 30 June 2022	9,637,698	1,536,134	1,597,595	36,776	12,808,203
Carrying amounts					
At 30 June 2022 (Unaudited)	4,634,505	461,556	562,074	15,066	5,673,201

15. FINANCIAL ASSETS AT FVTOCI

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Financial assets at FVTOCI (non-recycling)		
Non-current assets:		
Equity securities – the PRC	<u>134,492</u>	<u>134,492</u>
Current assets:		
Notes receivables	<u>1,757,756</u>	<u>1,468,340</u>

Notes:

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

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

- (b) As at 30 June 2023 and 31 December 2022, notes receivables were classified as financial assets at FVTOCI, as the Group's business model is achieved both by collecting contractual cash flows and by selling of these assets.

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

As at 30 June 2023 and 31 December 2022, none of the Group's notes receivables were pledged as collateral or overdue.

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

16. TRADE RECEIVABLES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Trade receivables		
- Sinopec Group and its subsidiaries	2,941,186	4,362,460
- Joint ventures of the Group	15,344	11,341
- Joint ventures and associates of Sinopec Group	31,700	20,031
- Third parties	8,612,116	8,541,180
	<u>11,600,346</u>	<u>12,935,012</u>
Less: ECL allowance	<u>(2,373,086)</u>	<u>(2,397,795)</u>
Trade receivables - net	<u>9,227,260</u>	<u>10,537,217</u>

As at 30 June 2023 and 31 December 2022, the Group's trade receivables were approximately their fair values.

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

16. TRADE RECEIVABLES (CONTINUED)

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

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Within 1 year	8,709,206	9,942,031
1 to 2 years	337,234	380,380
2 to 3 years	89,992	93,954
Over 3 years	90,828	120,852
	<u>9,227,260</u>	<u>10,537,217</u>

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

	For the six months ended 30 June 2023 RMB'000 (Unaudited)	For the year ended 31 December 2022 RMB'000 (Audited)
At the beginning of the period/year	2,397,795	2,415,495
ECL allowance	5,228	46,630
Reversal	(92,533)	(129,145)
Others	62,596	139,507
Receivables write-off as uncollectible	-	(74,692)
At the end of the period/year	<u>2,373,086</u>	<u>2,397,795</u>

17. PREPAYMENT AND OTHER RECEIVABLES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Prepayments (note (a))	505,355	410,442
Other receivables (note (b))		
Petty cash funds	30,364	5,188
Guarantee deposits	1,136,297	1,349,502
Disbursement of funds	1,606,942	1,254,411
Temporary payment	937,942	1,003,269
Escrow payments	4,762	5,920
Deposits	265,471	94,537
Export tax refund receivables	87,492	21,161
Excess value-added tax paid	1,296,971	1,123,184
Value added tax to be certified	28,115	61,174
Prepaid value-added tax	1,263,401	1,153,395
Prepaid income tax	35,164	25,110
Dividend receivable	-	540
Others	608,461	367,275
	<u>7,806,737</u>	<u>6,875,108</u>
Less: ECL allowance	<u>(808,882)</u>	<u>(861,554)</u>
Prepayments and other receivables – net	<u><u>6,997,855</u></u>	<u><u>6,013,554</u></u>

Notes:

- (a) As at 30 June 2023, prepayments included related party balances: Sinopec Group and its subsidiaries amounting to RMB37,618,000 (31 December 2022: RMB83,073,000), the associates and joint ventures of Sinopec Group amounting to RMB6,836,000 (31 December 2022: RMB6,836,000).
- (b) As at 30 June 2023, other receivables included related party balances: Sinopec Group and its subsidiaries amounting to RMB183,283,000 (31 December 2022: RMB349,639,000), the joint ventures of the Group amounting to RMB8,807,000 (31 December 2022: RMB 8,199,000) and the associates and joint ventures of Sinopec Group amounting to RMB7,265,000 (31 December 2022: RMB23,587,000).
- (c) The amounts due from related parties are unsecured, interest free and repayable on demand.
- (d) The carrying amounts of the Group's prepayments and other receivables as at 30 June 2023 and 31 December 2022 approximate their fair value.

17. PREPAYMENT AND OTHER RECEIVABLES (CONTINUED)

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

	For the six months ended 30 June RMB'000 (Unaudited)	For the year ended 31 December RMB'000 (Audited)
At the beginning of the period/year	861,554	809,103
ECL allowance	59,817	127,187
Reversal	(134,622)	(120,204)
Others	22,133	45,468
	<u>808,882</u>	<u>861,554</u>
At the end of the period/year	<u>808,882</u>	<u>861,554</u>

18. CONTRACT ASSETS AND COST TO FULFIL CONTRACTS/CONTRACT LIABILITIES

(a) Contract assets and cost to fulfil contracts

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Contract assets arising from construction and service contracts	19,376,395	15,815,303
Cost to fulfil contracts	804,955	103,095
Less: ECL allowance	(215,362)	(201,404)
	<u>19,965,988</u>	<u>15,716,994</u>

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

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

The amount of contract assets that is expected to be recovered after more than one year is RMB2,465,233,000 (31 December 2022: RMB1,987,467,000).

18. **CONTRACT ASSETS AND COST TO FULFIL CONTRACTS/CONTRACT LIABILITIES (CONTINUED)**

(b) **Contract liabilities**

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Contract liabilities arising from construction and service contracts	<u>4,459,447</u>	<u>5,115,819</u>

The balance of contract liabilities as at 1 January 2023 is RMB5,115,819,000, in which RMB2,552,509,000 was recognised as revenue during the period.

Unsatisfied performance obligation:

The Group has signed engineering service contracts with several customers to provide petroleum engineering and technical service and construction engineering contracts, which will be completed within the agreed period and regarded as a single performance obligation as a whole. As at 30 June 2023, part of the Group's petroleum engineering and technical service and construction engineering contracts were still in the process, and the total transaction price apportioned to the unsatisfied and partially satisfied performance obligation was RMB32.41billion (31 December 2022: RMB 31.63 billion), the amount of which was related to the progress of the performance of each contract, and will be recognised as revenue in accordance with the percentage of work performed in the future, which is expected to be completed in the coming 60 months.

19. INVENTORIES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Raw materials	950,678	923,489
Finished goods	13,585	6,257
Work in progress	90,497	97,835
Turnover materials	13,048	14,258
	<u>1,067,808</u>	<u>1,041,839</u>
Less: Inventories write-down	(19,405)	(28,594)
	<u>1,048,403</u>	<u>1,013,245</u>

For the six months ended 30 June 2023 and 2022, cost of inventories recognised as expenses and included in “cost of sales” amounting to RMB15,879,309,000 and RMB8,920,087,000 respectively. For the six months ended 30 June 2023, no addition provision for inventories was made to write down inventories to their net realisable value and no reversal of inventories write-down (For the six months ended 30 June 2022: RMB116,000) was made.

20. SHARE CAPITAL

	As at 30 June 2023		As at 31 December 2022	
	Number of shares (Share)	Share capital RMB'000 (Unaudited)	Number of shares (Share)	Share capital RMB'000 (Audited)
Registered, issued and paid:				
- Domestic non-public legal person shares of RMB1.00 each	11,786,045,218	11,786,046	11,786,045,218	11,786,046
- Social public A shares of RMB1.00 each	1,783,333,333	1,783,333	1,783,333,333	1,783,333
- H shares of RMB1.00 each	<u>5,414,961,482</u>	<u>5,414,961</u>	<u>5,414,961,482</u>	<u>5,414,961</u>
	<u>18,984,340,033</u>	<u>18,984,340</u>	<u>18,984,340,033</u>	<u>18,984,340</u>

21. NOTES AND TRADE PAYABLES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Trade payables		
- Sinopec Group and its subsidiaries	2,456,312	2,406,778
- Joint ventures of the Group	29,022	107,009
- Joint ventures and associates of Sinopec Group	720	16,074
- Third parties	21,779,075	23,071,367
	<u>24,265,129</u>	<u>25,601,228</u>
Notes payables	9,046,723	7,990,225
	<u>33,311,852</u>	<u>33,591,453</u>

As at 30 June 2023 and 31 December 2022, the carrying amount of Group's notes and trade payables were approximately their fair values.

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

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Within 1 year	32,632,174	32,987,429
1 to 2 years	394,053	370,450
2 to 3 years	104,853	63,688
Over 3 years	180,772	169,886
	<u>33,311,852</u>	<u>33,591,453</u>

22. OTHER PAYABLES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Salaries payables	661,149	570,290
Other tax payables	487,178	746,168
Interest payables (note (a))	38,117	21,885
Other payables (note (b))		
Guarantee deposits	937,489	819,893
Deposits	151,533	145,438
Disbursement of funds	971,099	645,731
Temporary receipts	347,417	238,069
Escrow payments	53,346	44,611
Withheld payments	51,448	56,067
Others	808,578	831,107
	<u>4,507,354</u>	<u>4,119,259</u>

Notes:

- (a) As at 30 June 2023, interest payables include related party balances with Sinopec Group and its subsidiaries amounting to RMB33,329,000 (31 December 2022: RMB16,816,000).
- (b) As at 30 June 2023, other payables include related party balances with Sinopec Group and its subsidiaries amounting to RMB59,970,000 (31 December 2022: RMB69,875,000), associates of the Group amounting to RMB120,000 (31 December 2022: RMB242,000).
- (c) The above amounts due to related parties are unsecured, interest free and repayable on demand.

23. BORROWINGS

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Current liabilities		
Loans from Sinopec Finance Company Limited (note (a))	18,185,000	16,095,000
Loans from Sinopec Century Bright Capital Investment Limited (note (a))	1,531,870	1,828,208
Loans from Sinopec Group (note (a))	1,000,000	1,000,000
Lease liabilities (note (b))	468,990	517,190
	<u>21,185,860</u>	<u>19,440,398</u>
Non-current liabilities		
Bank borrowings (note (a))	440,774	480,557
Lease liabilities (note (b))	366,761	497,045
	<u>807,535</u>	<u>977,602</u>
	<u>21,993,395</u>	<u>20,418,000</u>

Notes:

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

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Within 1 year	20,716,870	18,923,208
1 to 2 years	440,774	480,557
	<u>21,157,644</u>	<u>19,403,765</u>

As at 30 June 2023, annual interest rate of credit loans from related parties and bank ranged from 1.42% to 6.34% (31 December 2022: 1.42% to 4.82%).

23. BORROWINGS (CONTINUED)

(b) Lease liabilities

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Total minimum lease payments		
- Within 1 year	489,392	539,279
- 1 to 2 years	201,449	377,161
- 2 to 5 years	128,932	94,684
- Over 5 years	67,511	50,938
	<u>887,284</u>	<u>1,062,062</u>
Future finance charges on lease liabilities	(51,533)	(47,827)
	<u>(51,533)</u>	<u>(47,827)</u>
Present value of lease liabilities	<u><u>835,751</u></u>	<u><u>1,014,235</u></u>
	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Present value of minimum lease payments		
- Within 1 year	468,990	517,190
- 1 to 2 years	191,742	363,905
- 2 to 5 years	116,231	88,571
- Over 5 years	58,788	44,569
	<u>835,751</u>	<u>1,014,235</u>
Less: Portion due within one year included under current liabilities	(468,990)	(517,190)
	<u>(468,990)</u>	<u>(517,190)</u>
Portion due after one year included under non-current liabilities	<u><u>366,761</u></u>	<u><u>497,045</u></u>

As at 30 June 2023, the Group leases various residential properties, office and equipment. The leases run for an initial period of 1 to 30 years (31 December 2023: 1 to 30 years), with an option to renew the leases and renegotiate the terms at the expiry date or at dates mutually agreed between the Group and respective landlords/lessors.

For the six months ended 30 June 2023, total cash outflow for the lease payment is RMB629,995,000 (30 June 2022: RMB668,776,000).

24. COMMITMENTS

(a) Capital commitments

Capital commitments for the purchase of property, plant and equipment outstanding as at 30 June 2023 and 31 December 2022 are as follows:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Contracted but not provided for	<u>20,528</u>	<u>15,905</u>

(b) Lease commitments

The lease commitments for short-term leases as at 30 June 2023 and 31 December 2022 are as follows:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Within 1 year	<u>68,998</u>	<u>45,938</u>

As at 30 June 2023 and 31 December 2022, the Group leases various residential properties, office and equipment with a lease period of 6 to 12 months, which are qualified to be accounted for under short-term lease exemption under IFRS 16.

(c) Investment commitments

As at 30 June 2023, the Group has outstanding commitments of RMB129,625,000 (31 December 2022: RMB129,625,000) in respect of its investment in in joint ventures.

(d) Fulfilment of commitments for the previous period

The Group has fulfilled the capital and operating lease commitments as at 30 June 2023.

25. CONTINGENCIES AND GUARANTEES

In preparing this interim financial information, except for described below, there were no further developments of those contingencies as at 30 June 2023, which were disclosed in the 2022 annual report.

(a) Contingent liabilities and financial impacts due to pending litigation

- (1) The Group is the defendant of certain lawsuits and also the third party or the designated party of other proceedings arising in the ordinary course of business. Management has assessed the possibility of adverse results of these contingencies, lawsuits or other proceedings and believes that any resulting liabilities will not have significant negative impact on the financial position, operating results or cash flow of the Group. Therefore, the management does not make provision for the foresaid matters.

China National Chemical Engineering No. 11 Construction Co., Ltd. (the “Applicant”) and Sinopec International Petroleum Services Corporation (“International services Corporation” or the “Respondent”), a wholly-owned subsidiary of the Group, has entered into the “Works Contract for the Package C Construction of the Saudi Yanbu-Medina Phase III Pipeline Project” (the “Construction Works Contract”) with International Services Corporation on 16 August 2012. Pursuant to the Construction Works Contract, International Services Corporation subcontracted to the Applicant the construction of the “Package C Project” of the “Saudi Yanbu-Medina Phase III Pipeline Project”. On 29 May 2018, the Applicant submitted to the China International Economic and Trade Arbitration Commission in Beijing the “Application for Arbitration” in respect of the contract dispute between the Applicant and the Respondent during the performance of the Construction Works Contract, requesting the Respondent to pay approximately RMB456,810,000 for the project fee and the accrued interest, approximately RMB145,968,000 for the loss due to stoppage of work and the accrued interest, approximately RMB38,018,000 for the advance payment under the letter of guarantee and the accrued interest, and approximately RMB500,000 for attorney fee and the arbitration fee for the case (the “Arbitration”). The China International Economic and Trade Arbitration Commission accepted the case on 15 June 2018. At the report date, the arbitration tribunal has selected a professional to conduct cost confirmation on the disputed costs in this case. The hearing was held on 24 January 2019. Both parties made statements on the disputed over the main factual issues and answered the inquiry raised by the arbitral tribunal. In November 2019, the arbitral tribunal started the appraisal work after confirmation of the appraisal fee. The hearing was held again on 3 July 2022. Both parties challenged the cost of appraisal fees. Also, both parties made statements and debated over other crucial topics.

25. CONTINGENCIES AND GUARANTEES (CONTINUED)

(a) Contingent liabilities and financial impacts due to pending litigation (Continued)

On 21 April 2023, the Company has received an arbitral award (the “Arbitral Award”) issued by the China International Economic and Trade Arbitration Commission transferred from International Services Corporation. According to the Arbitral Award, the respective requests of the Applicant and the Respondent to the counter-party are confirmed. The main results of the Arbitral Award are as follows:

- The Respondent shall pay the Applicant RMB11,774,565.59 for the project payment, RMB19,638,188 for the losses due to stoppage of work, RMB38,018,100 for the refund of the advance payment guarantee paid by the Applicant, and RMB810,000 for attorney fees and travel expenses incurred for the investigation of evidence collection, and reject the Applicant’s other arbitration requests;
- The Applicant shall repay the project advances and borrowings as of 30 June 2018 of RMB322,187,057.90 to the Respondent, compensate the various losses of RMB29,622,931.76 brought to the Respondent as a result of the Applicant and attorney fees of RMB1,200,000, and reject the other arbitration counterclaims of the Respondent;
- Cost appraisal fee is RMB5,200,000, which shall be borne by the Applicant as to 60% (i.e. RMB3,120,000) and the Respondent as to 40% (i.e. RMB2,080,000);
- The arbitration fee is RMB4,300,511, which shall be borne as to 70% by the Applicant (i.e. RMB3,010,357.70) and 30% by the Respondent (i.e. RMB1,290,153.30); and
- The counter-claim arbitration fee is RMB5,203,625, which shall be borne by the Applicant as to 60% (i.e. RMB3,122,175) and the Respondent as to 40% (i.e. RMB2,081,450).

25. CONTINGENCIES AND GUARANTEES (CONTINUED)

(a) Contingent liabilities and financial impacts due to pending litigation (Continued)

- (2) On 8 October 2014, the Ecuador Banya Duri Company 厄瓜多爾斑尼亞杜麗公司 (“EBDC”), an indirectly wholly-owned subsidiary of the Company (the “Banya Duri Company”) entered into the Contract for I-L-Y Oilfield Comprehensive Service Projects in Ecuador (the “I-L-Y Oilfield Projects Contract”) with Corporacion Estatal Petrolera Ecuatoriana (the “PAM”). During the implementation of the I-L-Y oilfield comprehensive service project, the two parties had disputes over the oilfield production and payment amount from 2016 to 2017 and negotiations were unsuccessful. In October 2018, the EBDC has initiated an international legal arbitration plan. In April 2019, in accordance with the relevant provisions of the I-L-Y oilfield project contract, EBDC submitted a "Notice of Application for Legal Arbitration" to PAM for contract disputes to initiate legal arbitration procedures. In May 2020, the Company submitted an arbitration application for the compensation and the accrued interest, approximately amounting to USD79.22 million. In February 2022, Banya Duli Company received the international arbitration award issued by the arbitral tribunal on the dispute over the payment of oil production increase in the I-L-Y oilfield comprehensive service project. The overall result of the award is favourable for Banya Duli Company. However, since the place of arbitration is Chile, the parties to the arbitration have the right to apply for annulment of the arbitral award according to the relevant laws of Chile, and there is still uncertainty as whether the other party will perform the arbitral award. In August 2022, EBDC received a formal notification from the Santiago Court of Chile that PAM had hired a local Chilean law firm to submit an application for revocation of the arbitration award to the court in late July 2022. EBDC has to file the statement of defense within 10 working days of receipt of the notice. After receiving the notice, EBDC has hired a local law firm in Chile to provide litigation support in accordance with Chilean law, and submitted a statement of defense in August 2022. EBDC received an email from a supporting lawyer from Chile in October 2022, and the Chilean court has included the hearing of the case on the schedule. In November 2022, Chilean law firm received a notice from the local court to request confirmation of the hearing on 29 November 2022. PAM has then filed an application for postponement of the hearing, and PAM is waiting for the court to notify the latest hearing date.

As at 30 June 2023, the arbitration procedure had not been completed. The Company will make active response and safeguard the legitimate rights and interests of the Company. The Group considered the recoverability of the amount receivables under arbitration is low and full provision has been provided for the related trade receivables and contract assets.

25. CONTINGENCIES AND GUARANTEES (CONTINUED)

(b) Contingent liabilities and financial impacts from guarantee provided for other entities

As at 30 June 2023 there is no material contingency from guarantee provided for other entities except for disclosed in note 25(c) below (31 December 2022: none).

(c) Performance guarantee

As at 30 June 2022, the Group agreed to provide performance guarantee for DS Servicios Petroleros, S.A.de C.V. (“Mexico DS Company”) for the performance obligations under the production sharing contract for the EBANO project entered into between Mexican National Hydrocarbons Commission, being the beneficiary, and the Mexico DS Company. During the guarantee period, when Mexico DS Company loses contract performance capabilities, the Group shall undertake to perform the contracts on its behalf to an amount not exceed USD274,950,000.

26. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

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

In addition to the related party transactions and balances shown elsewhere in this interim financial information, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, including other state-owned enterprises, for the six months ended 30 June 2023 and 2022.

26. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

26. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

	FOR THE SIX MONTHS ENDED 30 JUNE	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
PURCHASES OF MATERIALS - SINOPEC GROUP AND ITS SUBSIDIARIES	4,834,015	5,183,876
SALE OF PRODUCTS - SINOPEC GROUP AND ITS SUBSIDIARIES	37,569	20,309
RENDERING OF ENGINEERING SERVICES - SINOPEC GROUP AND ITS SUBSIDIARIES	22,492,325	20,755,730
RECEIVING OF COMMUNITY SERVICES - SINOPEC GROUP AND ITS SUBSIDIARIES	18,951	4,420
RECEIVING OF INTEGRATED SERVICES - SINOPEC GROUP AND ITS SUBSIDIARIES	224,060	192,458
RENDERING OF INTEGRATED SERVICES - SINOPEC GROUP AND ITS SUBSIDIARIES	11,672	48,106
RENDERING OF TECHNOLOGY RESEARCH AND DEVELOPMENT SERVICES - SINOPEC GROUP AND ITS SUBSIDIARIES	67,796	51,312
RENTAL INCOME - BUILDINGS - SINOPEC GROUP AND ITS SUBSIDIARIES	170	105
RENTAL INCOME - EQUIPMENT - SINOPEC GROUP AND ITS SUBSIDIARIES	241	95

26. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

	FOR THE SIX MONTHS ENDED 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
LEASE PAYMENT – LANDS AND BUILDINGS		
- SINOPEC GROUP AND ITS SUBSIDIARIES	17,328	428,809
LEASE PAYMENT – EQUIPMENT		
- SINOPEC GROUP AND ITS SUBSIDIARIES	36,895	2,046
DEPOSITS INTEREST INCOME		
- SINOPEC GROUP'S SUBSIDIARIES	2,487	408
LOANS INTEREST EXPENSES		
- SINOPEC GROUP AND ITS SUBSIDIARIES	330,200	263,629
INTEREST EXPENSES ON LEASE LIABILITIES		
- SINOPEC GROUP AND ITS SUBSIDIARIES	9,268	9,121
BORROWINGS OBTAINED		
- SINOPEC GROUP AND ITS SUBSIDIARIES	13,336,360	12,154,500
BORROWINGS REPAYED		
- SINOPEC GROUP AND ITS SUBSIDIARIES	11,596,612	11,380,482
SAFETY AND INSURANCE FUND EXPENSES		
- SINOPEC GROUP	42,145	40,100
SAFETY AND INSURANCE FUND REFUND		
- SINOPEC GROUP	46,171	36,821

26. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

	FOR THE SIX MONTHS ENDED 30	
	JUNE	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
RENDERING OF ENGINEERING SERVICES		
- ASSOCIATES AND JOINT VENTURES OF THE GROUP	100,978	124,991
RECEIVING OF ENGINEERING SERVICES		
- ASSOCIATES AND JOINT VENTURES OF THE GROUP	956,860	898,095

26. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

	FOR THE SIX MONTHS ENDED 30 JUNE	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
PURCHASES OF MATERIALS - ASSOCIATES AND JOINT VENTURES OF SINOPEC GROUP	70,877	107,152
RENDERING OF ENGINEERING SERVICES - ASSOCIATES AND JOINT VENTURES OF SINOPEC GROUP	2,206,549	1,701,371
RECEIVING OF INTEGRATED SERVICES - ASSOCIATES AND JOINT VENTURES OF SINOPEC GROUP	7	217
LEASE PAYMENT – EQUIPMENT - ASSOCIATES AND JOINT VENTURES OF SINOPEC GROUP	1,582	9,823
INTEREST EXPENSES ON LEASE LIABILITIES - ASSOCIATES AND JOINT VENTURES OF SINOPEC GROUP	4,299	6,982

26. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Remuneration of key management personnel

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

	FOR THE SIX MONTHS ENDED 30 JUNE	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
FEE	300	300
SALARIES, ALLOWANCES AND BONUS	7,543	7,147
CONTRIBUTIONS TO PENSION PLANS	308	286
	<u>8,151</u>	<u>7,733</u>

(e) Provision for counter guarantee

As at 30 June 2023, the Group has provided the counter guarantee to Sinopec Group, amounting to RMB300,000,000 (30 June 2022: RMB300,000,000). The counter guarantee will be ended in September 2024.

27. FAIR VALUE

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

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

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

27. FAIR VALUE (CONTINUED)

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

The financial assets measured at fair value in the condensed consolidated statement of financial position on a recurring basis are grouped into the fair value hierarchy as follows:

	Level 3	
	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Financial assets at FVTOCI (non-recycling)		
- Unlisted equity investments	134,492	134,492
Financial assets at FVTOCI		
- Notes receivables	<u>1,757,756</u>	<u>1,468,340</u>
	<u>1,892,248</u>	<u>1,602,832</u>

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

	For the months ended 30 June 2023 RMB'000 (Unaudited)	For the ended 31 December 2022 RMB'000 (Audited)
Opening balance	1,602,832	1,317,731
Addition, net	289,416	277,562
Movement in fair value recognised in other comprehensive income	<u>-</u>	<u>7,539</u>
Closing balance	<u>1,892,248</u>	<u>1,602,832</u>

27. FAIR VALUE (CONTINUED)

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

The fair value of the unlisted equity investments and notes receivables is measured using valuation techniques with reference to the net asset value and discounted cash flows, respectively. The Directors believe that the change in fair value (which is included in other comprehensive income) derived from the valuation technique is reasonable and is the most appropriate value at the end of the reporting period. There have been no transfers into or out of Level 3 during the six months period ended 30 June 2023 (2022: Nil).

(b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amount of the Group's financial instruments carried at amortised cost are not materially different from fair value as at 30 June 2023 and 31 December 2022.

7.2 Interim financial report prepared in accordance with the PRC ASBE

The following financial information has been extracted from the Company's unaudited interim financial report, prepared in accordance with the PRC ASBE, for the six months ended 30 June 2023.

Consolidated balance sheets

(Expressed in thousands of Renminbi Yuan)

Assets	30 June 2023	31 December 2022
Current assets:		
Cash at bank and on hand	1,833,084	1,838,229
Accounts receivable	9,227,260	10,537,217
Receivable at FVTOCI	1,757,756	1,468,340
Prepayments	501,489	406,578
Other receivables	3,805,829	3,196,602
Inventories	1,853,358	1,116,341
Contract assets	19,161,033	15,613,899
Other current assets	2,623,651	2,362,863
Total current assets	40,763,460	36,540,069
Non-current assets:		
Long-term equity investments	36,850	50,215
Other equity instrument investments	134,492	134,492
Fixed assets	23,445,366	24,896,607
Construction in progress	466,813	467,385
Right-of-use assets	888,723	1,012,350
Intangible assets	413,393	481,490
Long-term prepaid expenses	6,309,741	7,255,439
Deferred tax assets	372,133	370,014
Total non-current assets	32,067,511	34,667,992
Total assets	72,830,971	71,208,061

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

Liabilities and shareholders' equity	30 June 2023	31 December 2022
Current liabilities:		
Short-term loans	19,716,870	17,923,208
Bills payable	9,046,723	7,990,225
Accounts payable	24,265,129	25,601,228
Contract liabilities	4,459,447	5,115,819
Employee benefits payable	661,149	570,290
Taxes payable	697,733	998,894
Other payables	3,262,601	2,728,144
Non-current liabilities due within one year	1,468,991	1,517,190
Total current liabilities	<u>63,578,643</u>	<u>62,444,998</u>
Non-current liabilities:		
Long-term loans	440,774	480,557
Lease liabilities	366,761	497,045
Long-term payables	96,425	74,657
Provisions	191,209	200,998
Deferred income	15,640	11,576
Deferred income tax liabilities	62,665	68,496
Total non-current liabilities	<u>1,173,474</u>	<u>1,333,329</u>
Total liabilities	<u>64,752,117</u>	<u>63,778,327</u>
Equity:		
Share capital	18,984,340	18,984,340
Capital reserve	11,717,773	11,717,773
Other comprehensive income	5,232	5,232
Specific reserve	650,199	326,983
Surplus reserve	200,383	200,383
Retained earnings	-23,479,073	-23,804,977
Total equity attributable to owners of the Company	<u>8,078,854</u>	<u>7,429,734</u>
Non-controlling interests	-	-
Total equity	<u>8,078,854</u>	<u>7,429,734</u>
Total liabilities and equity	<u>72,830,971</u>	<u>71,208,061</u>

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

	For the six months ended	
	30 June	
	2023	2022
1.Revenue	37,133,528	33,148,652
Less: Cost of sales	34,406,386	30,727,547
Taxes and surcharges	129,783	122,208
Selling and distribution expenses	31,421	26,643
General and administrative expenses	1,038,184	1,092,018
Research and development expenses	815,114	666,919
Finance costs	373,817	281,888
Including: Interest expense	384,275	312,412
Interest income	10,897	4,430
Add: Other income	21,510	35,167
Investment income (“-” for losses)	17,146	13,599
Including: Share of profit of associates and joint ventures	3,516	2,758
Credit impairment losses (“-” for losses)	162,110	70,691
Assets impairment (“-” for losses)	-13,597	-1,351
Gains from disposal of non-current asset (“-” for losses)	8,835	13,783
2.Operating profit (“-” for losses)	534,827	363,318
Add: Non-operating income	68,417	54,124
Less: Non-operating expenses	61,670	40,065
3.Profit before income tax (“-” for losses)	541,574	377,377
Less: Income tax expenses	215,670	171,067
4.Net profit for the period (“-” for losses)	325,904	206,310
Profit for the period attributable to:		
- Owners of the company	325,904	206,310
- Non-controlling interests	-	-
5.Earnings per share(“-” for losses):		
Basic earnings per share (in RMB)	0.017	0.011
Diluted earnings per share (in RMB)	0.017	0.011
6.Other comprehensive income for the period	-	-
7.Total comprehensive income for the period	325,904	206,310
Total comprehensive income for the period attributable to:		
- Owners of the Company	325,904	206,310
- Non-controlling shareholders	-	-

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

	For the six months ended	
	30 June	
	2023	2022
1. Cash flows from operating activities:		
Cash received from sale of goods and rendering of services	28,888,115	26,562,710
Refund of taxes	150,275	162,722
Cash received from other operating activities	1,898,878	990,607
Sub-total of cash inflows	<u>30,937,268</u>	<u>27,716,039</u>
Cash paid for goods and services	20,838,274	19,109,943
Cash paid to and for employees	7,480,986	7,005,451
Cash paid for all types of taxes	949,630	701,782
Cash paid relating to other operating activities	1,246,766	1,436,789
Sub-total of cash outflows	<u>30,515,656</u>	<u>28,253,965</u>
Net cash inflow from operating activities	<u>421,612</u>	<u>-537,926</u>
2. Cash flows from investing activities :		
Cash received from the investment income	4,418	3,856
Net cash received from disposal of fixed assets	17,583	12,079
Net cash received from disposal of subsidiaries and other business units	11,983	
Sub-total of cash inflows	<u>33,984</u>	<u>15,935</u>
Cash paid for acquisition of fixed assets, intangible assets and other long term assets	1,667,426	508,526
Cash paid for the investments	-	-
Sub-total of cash outflows	<u>1,667,426</u>	<u>508,526</u>
Net cash inflow from investing activities (“-” for outflow)	<u>-1,633,442</u>	<u>-492,591</u>
3. Cash flows from financing activities :		
Cash received from borrowings	13,336,360	12,154,500
Sub-total of cash inflows	<u>13,336,360</u>	<u>12,154,500</u>
Cash paid for repayments of borrowings	11,653,293	11,415,907
Cash paid for distribution of dividend, profit or payments of interests	327,555	274,029
Cash paid for other financing activities	255,422	158,721
Sub-total of cash outflows	<u>12,236,270</u>	<u>11,848,657</u>
Net cash inflow from financing activities	<u>1,100,090</u>	<u>305,843</u>
4. Effect of foreign exchange rate changes on cash and cash equivalents	70,398	96,207
5. Net decrease in cash and cash equivalents	-41,342	-628,467
Add: Cash and cash equivalents at the beginning of the period	1,801,150	2,475,307
6. Cash and cash equivalents at the end of the period	<u>1,759,808</u>	<u>1,846,840</u>

Consolidated Statement of changes in equity

(Expressed in thousands of Renminbi Yuan)

Items	Share capital	Capital reserve	Other comprehensive income	Specific reserve	Surplus reserve	(Accumulated losses)/Retained earnings	Non-controlling interests	Total equity
Balance at 31 December 2022	18,984,340	11,717,773	5,232	326,983	200,383	-23,807,392	-	7,427,319
Add: Changes in accounting policies	-	-	-	-	-	2,415	-	2,415
Adjustment for the business combination under common control	-	-	-	-	-	-	-	-
Balance at 1 January 2021	18,984,340	11,717,773	5,232	326,983	200,383	-23,804,977	-	7,429,734
Changes during the period (decrease in "-")	-	-	-	323,216	-	325,904	-	649,120
Total comprehensive income	-	-	-	-	-	325,904	-	325,904
Increase or decrease of capital	-	-	-	-	-	-	-	-
Transfer of equity	-	-	-	-	-	-	-	-
Transfer of other comprehensive income reserve	-	-	-	-	-	-	-	-
Net loss	-	-	-	-	-	-	-	-
Distribution of profits	-	-	-	-	-	-	-	-
Specific reserve-provided during the period	-	-	-	560,313	-	-	-	560,313
Specific reserve-used during the period (expressed in "-")	-	-	-	-237,097	-	-	-	-237,097
Balance at 30 June 2021	18,984,340	11,717,773	5,232	650,199	200,383	-23,479,073	-	8,078,854
Balance at 31 December 2021	18,984,340	11,717,773	-3,823	219,182	200,383	-24,256,338	-	6,861,517
Add: Changes in accounting policies	-	-	-	-	-	-9,669	-	-9,669
Adjustment for the business combination under common control	-	-	-	-	-	-	-	-
Balance at 1 January 2021	18,984,340	11,717,773	-3,823	219,182	200,383	-24,266,007	-	6,851,848
Changes during the period (decrease in "-")	-	-	-	355,374	-	206,310	-	561,684
Total comprehensive income	-	-	-	-	-	206,310	-	206,310
Increase or decrease of capital	-	-	-	-	-	-	-	-
Transfer of equity	-	-	-	-	-	-	-	-
Transfer of other comprehensive income reserve	-	-	-	-	-	-	-	-
Net loss	-	-	-	-	-	-	-	-
Distribution of profits	-	-	-	-	-	-	-	-
Specific reserve-provided during the period	-	-	-	644,219	-	-	-	644,219
Specific reserve-used during the period (expressed in "-")	-	-	-	-288,845	-	-	-	-288,845
Balance at 30 June 2021	18,984,340	11,717,773	-3,823	574,556	200,383	-24,059,697	-	7,413,532

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

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

	Net profit attributable to equity shareholders of the Company		Net assets attributable to equity shareholders of the Company	
	For the six months ended 30 June		At 30 June	At 1 January
	2023	2022	2023	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts under PRC ASBE	325,904	206,310	8,078,854	7,429,734
Adjustments under IFRS:	-	-	-	-
Specific reserve (a)	323,216	355,374	-	-
Amounts under IFRS	<u>649,120</u>	<u>561,684</u>	<u>8,078,854</u>	<u>7,429,734</u>

a. Specific reserve

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

8. OTHER EVENTS

8.1 Compliance with the Corporate Governance Code

For the six months ended 30 June 2023, the Company has complied with all the code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules

8.2 Compliance with the Model Code

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

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

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

By order of the Board
Shen Zehong
Company Secretary

29 August 2023
Beijing, The PRC

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

Executive Director

+ Non-Executive Director

** Independent Non-Executive Director*