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 2017

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 2017.

1. IMPORTANT NOTES

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

1.2 The interim financial statements of the Company for 2017, 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 2017, which have been prepared in accordance with the IFRS, have been reviewed by Grant Thornton Hong Kong Limited.

1.3 Mr. Jiao Fangzheng, Chairman, Mr. Sun Qingde, Vice Chairman and General Manager, Mr. Li Tian, Chief Financial Officer, and Mr. Song Daoqiang, 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 2017 Interim Report of the Company. For more details, investors should carefully read the full version of the 2017 Interim Report, which is published on the websites of the Shanghai Stock Exchange ("**SSE**") (website: http://www.sse.com.cn), The Stock Exchange of Hong Kong Limited ("**HKSE**") (website: http://www.hkex.com.hk) and the Company (website: http://ssc.sinopec.com).

2. BASIC INFORMATION OF THE COMPANY

2.1 Company Profile

2.1.1 Places of listing, 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	1033	-

2.1.2 Contact Persons and Contact Information

	Secretary to the board	Securities Affairs Representative
Name	Li Honghai	Wu Siwei
Address	Office of the board of directors, #9 Jishikou Road, Changyang District, Beijing, China.	
Telephone	86-10-59965998	
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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 2017 RMB'000	As at 31 December 2016 RMB'000	Increase /(Decrease) (%)
Total assets	68,478,917	74,493,166	(8.1)
Total liabilities	62,160,457	66,051,574	(5.9)
Total equity attributable to equity shareholders of the Company	6,319,768	8,442,868	(25.1)
Net assets per share attributable to equity shareholders of the Company (RMB)	0.45	0.60	(25.0)
	For the six months ended 30 June 2017 RMB '000	For the six months ended 30 June 2016 RMB '000	Increase/(Decrease) (%)
(Loss)/Profit attributable to equity shareholders of the Company	(2,132,148)	（4,438,143）	Not applicable
Basic and diluted (loss)/earnings per share	RMB (0.151)	RMB (0.314)	Not applicable
Net cash used in operating activities	（2,023,005）	（3,275,626）	Not applicable
Return on net assets	(33.73%)	(21.97%)	Decreased by 11.76 percentage points
Net cash used in operating activities per share	**RMB (0.143)**	RMB (0.232)	Not applicable

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 2017 RMB'000	**For the six months ended 30 June 2016 RMB'000**	Increase/(Decrease) (%)
Operating income	19,842,318	18,689,863	6.2
Operating profit ("-" for losses)	-2,116,238	-4,439,422	Not applicable
Profit before income tax ("-" for losses)	-2,085,986	-4,396,294	Not applicable
Net profit attributable to equity shareholders of the Company ("-" for	-2,285,324	-4,509,421	Not applicable

losses)			
Net profit deducted extraordinary gain and loss attributable to equity shareholders of the Company ("-" for losses)	-2,328,674	-4,559,830	Not applicable
Net cash inflow from operating activities ("-" for outflow)	-1,988,314	-3,110,624	Not applicable
	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000	Increase/(Decrease) (%)
Total equity attributable to equity shareholders of the Company	6,319,768	8,442,868	(25.1)
Total assets	68,478,917	74,493,166	(8.1)

（2）**Key financial indicators**

	For the six months ended 30 June 2017	**For the six months ended 30 June 2016**	Increase/(Decrease) (%)
Basic earnings per share (RMB) ("-" for losses)	-0.162	-0.319	Not applicable
Diluted earnings per share (RMB) ("-" for losses)	-0.162	-0.319	Not applicable
Basic earnings per share deducted extraordinary gain and loss (RMB) ("-" for losses)	-0.165	-0.322	Not applicable
Weighted average return on net assets	-31.30%	-20.15%	Decreased by 11.15 percentage points
Weighted average return on net assets deducted extraordinary gain and loss	-31.90%	-20.39%	Decreased by 11.51 percentage points

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

Extraordinary gain and loss items	**Amount** (RMB'000)
Disposal of non-current assets	-32,974
Government grants recognized in profit or loss during the current period	75,613
Gains and losses from entrusted loans	66
Other non-operating income and expenses excluding the aforesaid items	3,146
Effect of income tax	-2,501
Total	43,350

2.2.4Differences 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 ("-" for losses)		Total equity attributable to equity shareholders of the Company	
	For the six months ended 30 June 2017 RMB'000	For the six months ended 30 June 2016 RMB'000	**As at 30 June 2017 RMB'000**	As at 1 January 2017 RMB'000
PRC ASBE	**-2,285,324**	-4,509,421	**6,319,768**	8,442,868
Specific reserve (a)	**153,176**	71,278	-	-
IFRS	**-2,132,148**	-4,438,143	**6,319,768**	8,442,868
Explanations for difference	Please refer to the section 7.3 of the financial report in this announcement			

3. CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF MAJOR SHAREHOLDERS

3.1 Changes in share capital

The total number of issued shares and the share capital structure of the Company was not changed during the Reporting Period.

3.2 As at 30 June 2017, there were 171,539 shareholders in the Company, including 171,180 shareholders holding A shares and 359 registered holders of H shares.

3.3 As at 30 June 2017, 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	State-owned legal person	0	9,224,327,662	65.22	9,224,327,662	0
Hong Kong Securities Clearing Company (Nominees) Limited ("HKSCC (Nominees) Limited") [2]	Overseas legal person	106,000	2,086,556,496	14.75	0	0
CITIC Limited	State-owned legal person	0	1,035,000,000	7.32	0	0
Darry Asset Management (Hangzhou) Co., Ltd.	Others	0	133,333,333	0.94	0	133,333,300
Beijing Harvest Yuanhe Investment Center (Limited Partnership)	Others	0	124,007,660	0.88	0	Unknown
Donghai Fund-Xingye Bank-Huaxin Trust-Huizhi Investment No.49 Trust Plan	Others	0	66,666,666	0.47	0	Unknown
Donghai Fund-Xingye Bank-Huaxin Trust-Huizhi Investment No.47 Trust Plan	Others	0	66,666,666	0.47	0	Unknown
Huaan Fund-Xingye Bank-China Foreign Economy	Others	0	13,333,300	0.09	0	Unknown

and Trade Trust Co., Ltd.						
Ding Yi	Domestic natural person	11,922,851	11,922,851	0.08	0	Unknown
Caitong Fund-China Everbright Bank-China Galaxy Securities Co., Ltd.	Others	0	10,842,727	0.08	0	Unknown

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**
HKSCC (Nominees) Limited	2,086,556,496	H Share
CITIC Limited	1,035,000,000	A Share
Darry Asset Management (Hangzhou) Co., Ltd	133,333,333	A Share
Beijing Harvest Yuanhe Investment Center (Limited Partnership)	124,007,660	A Share
Donghai Fund-Xingye Bank-Huaxin Trust- Huizhi Investment No.49 Trust Plan	66,666,666	A Share
Donghai Fund-Xingye Bank-Huaxin Trust- Huizhi Investment No.47 Trust Plan	66,666,666	A Share
Huaan Fund-Xingye Bank-China Foreign Economy and Trade Trust Co., Ltd.	13,333,300	A Share
Ding Yi	11,922,851	A Share
Caitong Fund-China Everbright Bank-China Galaxy Securities Co., Ltd.	10,842,727	A Share
China Galaxy Securities Co., Ltd.	8,200,113	A Share
Statement on the connected relationship or activities in concert among the above-mentioned shareholders	Except that Donghai Fund-Xingye Bank-Huaxin Trust - Huizhi Investment No.49 Trust Plan and Donghai Fund-Xingye Bank-Huaxin Trust - Huizhi Investment No.47 Trust Plan belong to Donghai Fund Management Limited Company, the Company is not aware of any connected relationship or acting in concert among the above-mentioned shareholders.	

Note 1: As compared with the number of shares held as of 31 December 2016.
Note 2: Proxy holder for different clients

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

As far as known to the Directors, as at 30 June 2017, the following persons 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	Per cent of shareholding in the Company's total issued share capital (%)	Per cent of shareholding in the Company's total issued domestic shares (%)	Per cent of shareholding in the Company's total issued H shares (%)	Short position (shares)
China Petroleum Chemical Corporation	9,224,327,662	65.22	76.60	Not Applicable	-
CITIC Limited	1,035,000,000	7.32	8.59	Not Applicable	-

Save as disclosed above, as at 30 June 2017, 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 Hong, the Director of the Company, tendered his resignation as the Non-executive Director of the Company due to the heavy workload on his full time job and other community and family commitments, with effect from 15 June 2017.

Mr. Hu Guoqiang, Chairman of the Supervisory Committee, Mr. Xu Weihua and Mr. Du Guangyi, the Employee Representative Supervisor of the Company, and Mr. Cong Peixin, the Supervisor of the Company, tendered their resignations as Supervisors due to change in their work positions. The resignation of Mr. Xu Weihua took effect from 22 February 2017. The resignations of Mr. Hu Guoqiang, Mr. Du Guangyi and Mr. Cong Peixin took effect from 27 June 2017.

Mr. Liu Rushan and Mr. Huang Songwei resigned from their positions as deputy general managers due to changes in their work positions with effect from 27 June 2017.

Mr. Wang Hongchen had tendered his resignation as Chief Financial Officer due to change in their work positions with effect from 29 August 2017.

The Company expresses its sincere gratitude to Mr. Zhang Hong, Mr. Hu Guoqiang, Mr. Xu Weihua, Mr. Du Guangyi, Mr. Cong Peixin, Mr. Liu Rushan， Mr. Wang Hongchen and Mr. Huang Songwei for their hard work and contributions to the Company during their term of office.

Mr. Zhang Hongshan was elected as the Employee Representative Supervisor of the eighth session of the Supervisory Committee at the workers' congress. The term of Mr. Zhang Hongshan was effective from 23 February 2017 until the end of the eighth session of the Supervisory Committee.

Mr. Li Wei and Mr. Huang Songwei were elected as the Employee Representative Supervisor of the eighth session of the Supervisory Committee at the workers representatives meeting. The term of Mr. Li Wei and Mr. Huang Songwei were effective from 27 June 2017 until the end of the eighth session of the Supervisory Committee.

Following the nomination by General Manager, Mr. Chen Xikun and Mr. ZuoYaojiu were appointed as the Executive Deputy General Manager and Deputy General Manager of the Company respectively by the Board for a term commencing from 27 June 2017 to the date when the term of the eighth session of the Board of Directors expires.

Following the nomination by General Manager, Mr. Li Tian was appointed as Chief Financial Officer of the Company by the Board for a term commencing from 29 August 2017 to the date when the term of the eighth session of the Board of Directors expires.

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

At 30 June, 2017, save as disclosed below, none of the Directors or Supervisors of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the registry by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the HKSE pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("**Model Code**") contained in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**").

Share Option Granted to Directors, Supervisors and Senior Management

Name	Position	Number of share options held at the beginning of 2017	Number of share options newly granted during the reporting period	Exercisable share options during the reporting period	Share options exercised during the reporting period	Number of share options by the end of reporting period
Sun Qingde	Vice Chairman, General Manager	210,000	0	0	0	210,000
Zhou Shiliang	Director, Deputy Manger	210,000	0	0	0	210,000
Huang Songwei	Supervisor	180,000	0	0	0	180,000
Zhang Yongjie	Deputy Manager	190,000	0	0	0	190,000
Lu Baoping	Deputy Manager	190,000	0	0	0	190,000
Liu Rushan	Deputy Secretary of CPC Committee	190,000	0	0	0	190,000
ZuoYaojiu	Deputy Manage	180,000	0	0	0	180,000
Zhang Jinhong	Deputy Manage	180,000	0	0	0	180,000
Li Honghai	Secretary to the Board	140,000	0	0	0	140,000
Wang Hongchen	Former Chief Financial Officer	180,000	0	0	0	180,000
Total	/	1,850,000	0	0	0	1,850,000

4.3 **Independent Non-executive Director and Audit Committee**

As at 30 June 2017, 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 Ms. Jiang Bo, Mr. Pan Ying and Mr. Li Lianwu. 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 for the six months ended 30 June 2017.

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

5.1 Market review

In the first half of 2017, the global crude oil market gradually tended to be balanced. International crude oil prices rebounded markedly. The average price level was higher than that for the corresponding period of the previous year. The average spot price of crude oil in Brent was USD52.68/barrel, a year-on-year increase of 27.8%. The rebound in international crude oil prices caused domestic and overseas oil companies to increase upstream capital expenditure for oilfield exploration and development. The upstream capital expenditure for oilfield exploration and development of Sinopec, the largest customer of the Company, for the first half of 2017 was RMB6.87 billion, a year-on-year increase of 32.9%. Affected by this, the oilfield service industry showed a steady rebound trend. The oilfield service business was active and the workload of the oilfield service market increased substantially.

5.2 Operation Review

For the six months ended 30 June 2017, due to the impacts of increased upstream capital expenditure for oilfield exploration and development by domestic and overseas oil companies and the increased market development efforts by the Company, the workload of the Company’s drilling service and logging/mud logging service increased substantially on a year-on-year basis. As a result, the Company’s consolidated revenue was RMB19,842,318,000, representing an increase of 6.2% compared to the corresponding period of the previous year. Meanwhile, the Company further strengthened cost control, leading to a decrease of RMB2,224,097,000 for the first half of 2017 compared to the corresponding period of the previous year. For the first half of 2017, net loss attributed to the equity shareholders was RMB2,285,324,000 and basic net loss per share was RMB0.162.

In the first half of 2017, the Company seized favourable opportunities such as a rebound in crude oil prices and increased upstream capital expenditure for oilfield exploration and development by oil companies to deepen the internal reform, step up efforts in market development, enhance meticulous management, and optimize production and operation. Overall production ran smoothly in the first half year. Revenue brought by an increase in the workload in connection with major specialized tasks increased on a year-on-year basis. Cost declined on a year-on-year basis and operating loss decreased sharply on a year-on-year basis.

5.2.1 Geophysical service

The Company’s operation revenue in geophysical service was RMB1,948,440,000 in the first half of 2017, representing a decline of 4.8% from RMB2,046,124,000 in the corresponding period of the previous year. The completed 2D seismic have accumulated for 6,765 kilometers, declined by 21.8% from the corresponding period last year; while the 3D seismic for 6,628 square kilometers, representing a decrease of 14.1% over the corresponding period last year. Both of the qualified rates of data record in 2D seismic and 3D seismic are 100%. The Company has made great effort to meet the demand of oilfield exploration and production. By increasing the application of vibroseis, we maintained sustainable increases in work efficiencies of seismic engineering as well as materials quality. We actively expanded external markets such as China Geological Survey with an aggregate newly signed contract value of approximately RMB140 million, and actively developed non-seismic operations such as geographic information and pipeline surveying and mapping with a newly signed contract value of RMB60 million. For overseas markets, we newly signed 2D acquisition projects in Bolivia and Burma, 3D acquisition project in Algeria and 2D acquisition project in Panama successively.

5.2.2 Drilling service

The Company's operation revenue in drilling service was RMB11,609,081,000 in the first half of 2017, representing an increase of 27.7% from RMB9,091,487,000 in the corresponding period of the previous year. Its completed drilling footage was accumulated for 3,640 kilometers, representing an increase of 54.2% over the corresponding period of the previous year. The Company seized the favourable opportunity of the release of investment by Sinopec to strengthen drilling, production, organization and operation. The average utilization rate of the drilling team increased by 24.9% on a year-on-year basis. Ensuring efforts were enhanced in serving Sinopec's exploration and development, which supported the successful construction of key projects such as Shunbei oil field, Fuling Shale Gas Phase II, Wen-23 gas storage bank, marine facies gas fields in western Sichuan areas, tapping potentialities projects for mature oil fields in eastern China and tight gas reservoir in the north of Hubei Province. The Company constantly stepped up efforts in international market development with the renewal of part of the expired rigs in key markets such as Saudi Arabia, Kuwait and Ecuador, won the bid for the geothermal power generation project in Turkey with a contract value of USD84.61 million and newly opened up saline ore markets in Henan and Inner Mongolia with a newly signed contract value of RMB102 million.

5.2.3 Logging/ mud logging service

The Company's operation revenue in logging/mud logging service was RMB654,752,000 in the first half of 2017, an increase of 22.4% from RMB534,741,000 in the corresponding period of the previous year. Our completed logging projects have accumulated for 94,120,000 standard meters in the first half of 2017, representing an increase of 31.2% compared with the corresponding period of the previous year. Our completed mud logging projects have accumulated for 3,140,000 meters in the first half of 2017, representing an increase of 35.3% compared with the corresponding period of the previous year. The Company seized the favourable opportunity of the restorative growth of investment in the market and captured working opportunities with capabilities of providing proactive, high quality and efficient services, with a substantial year-on-year increase in the logging/mud logging service workload. The quality and technical indicators continued to remain positive. Field test was completed for the network imaging logging system of its own brand and the geo-steering drilling technique was continually improved, which formed effective support for market development.

5.2.4. Downhole operation service

The Company's operation revenue in downhole operation was RMB1,529,318,000 in the first half of 2017, with a year-on-year decline of 17.8% from RMB1,861,348,000 at the corresponding period of the previous year. It has completed downhole operation for 2,463 wells, with a year-on-year increase of 20.3%. With the steady production of Tarim super deep, shale gas in Sichuan and Chongqing, tight gas in the north of Hubei Province and mature oil fields in eastern China as the focus, the Company provided good technical services in relation to super-high temperature super-high pressure super-deep oil and gas testing, low pressure normal pressure shale gas, large-scale fracturing of deep shale gas and tight gas horizontal well and oil-water well overhaul lateral drilling. Meanwhile, the Company provided strong support for significant exploration breakthrough at Eyiye 1HF.

5.2.5. Engineering and construction service

The Company's operation revenue in engineering and construction service was RMB3,398,822,000 in the first half of 2017, with a year-on-year decline of 26.4%, from RMB4,615,478,000 at the corresponding period of the previous year. Due to the continuing decrease of investments in the engineering and construction market and the slow initiation of the newly signed contracts, it has completed contracts valued of RMB3.28 billion in the first half of 2017, representing a year-on-year decline of 19.6%. Its newly signed contracts were valued at RMB6.62 billion, with a year-on-year increase of 49.6%. The Company spared no efforts in serving the construction of key projects such as Wen-23 gas storage bank. Meanwhile, the Company vigorously developed markets and newly signed a batch of high-quality projects such as North China Oil-gas Field and Northwest Oil-gas Field production capacity projects, Rizhao-Jingbo Pipeline EPC Turnkey Project, state oil reserve depot, energy conservation and environmental protection successively.

5.2.6. International business service

The Company's operation revenue in international business service was RMB6,200,004,000 in the first half of 2017, representing a year-on-year decrease of 8.8%, from RMB6,800,223,000 at the corresponding period last year and accounted for 31.2% of the total revenue of the first half of 2017. The Company's newly signed contracts in the overseas markets valued USD750 million, representing a year-on-year decrease of 56.1%, which was mainly attributed to the successive signing of long-term contracts for 8 rigs in Kuwait and 8 rigs in Algeria in the same period last year. Contracts valued at USD1 billion were completed, basically flat on a year-on-year basis. In the first half of 2017, the Company enhanced the unified management of the international business, optimized the market layout and deepened strategic cooperation. The international drilling service business experienced a rise while maintaining stability. Contracts valued at USD790 million were completed, representing a year-on-year increase of 12.4%. The key large-scale markets were operating steadily. The scale of business in the Kuwait market continued to grow. Contracts valued at USD220 million were completed, representing a year-on-year increase of 23.6%. The Company successfully renewed the contacts for 14 workover rigs and newly won the bid for 2 deep well workover rig projects and constantly deepened cooperation with Kuwait National Petroleum Company (科威特國家石油公司). The parties have established a high-level exchange and coordination mechanism and set up China-Kuwait Joint Steering Committee (中科聯合指導委員會) and are actively carrying forward the oilfield integration service project. I-L-Y oilfield integrated service project and Mexico EBANO oilfield integrated service project are operating steadily. Through integrated service and rig lump-sum projects, technical service teams such as logging, mud logging, cementing and slurry are driven to develop the international market.

5.2.7. Research & development

During the first half of 2017, the Company coordinated technological resources with orientation for market demand and increased motivation efforts, facilitated technological innovations and transformation of results, the integrated technical service capabilities of oilfield engineering were further enhanced. During the first half of the year, new applications for 216 patents were made locally and overseas,149 patents were granted. The "research and development of radar imaging logging prototype" under the State Plan 863 received acceptance approval from the Ministry of Science and Technology. The major science and technology project of the State "research and development of key equipment and tools for deep structure mining of shale gas" had accelerated in progress. A range of mature technologies and products, such as geological oriented drilling technology for shale gas horizontal wells, tractor transmission technology for casing horizontal wells, CCUS technology and skid-mounted CO2 filling devices, were promoted for wider applications, drilling process technology for deep and ultra-deep wells continued to improve, research efforts were dedicated to develop breakthroughs in key logging and testing technologies for oil and gas deposits in extra deep structures, providing powerful support for efficient exploration and beneficial development of the world's deepest oilfield – Shunbei oil and gas field. Commercial application was realized for highly efficient and high precision technology for collection of data on controllable vibroseis, and breakthrough progress was made in paralic zone seismic technology.

5.2.8. Internal reforms and management

During the first half of 2017, the Company dedicated significant efforts to deepen internal reforms, the framework proposal for reforms was further refined and improved, a leadership team for deepening reforms was formed to establish a working mechanism to reinforce task implementation and ensure solid progress to be made in internal reforms. Backward and excess production capacity was squeezed or reduced for overall trimming, the number of management levels and organizations were cut down, streaming and deployment of excess personnel progressed actively and steadily. Cost target management for all staff was strengthened mainly through reducing procurement costs, operating costs of production and corporate operation costs, realizing a cost reduction of RMB750 million. Establishment of the “six major systems” within the Company made solid progress, the entire process was further strengthened by reinforcing management, extracting potential, rectifying deficiencies, improving efficiencies, enhancing safety and environmental protection, upgrading risk management and control according to strict management criteria.

5.2.9. Capital Expenditure

During the first half of 2017, actual investment arrangements amounted to RMB420 million, including equipment installation of RMB250 million, projects for rectifying potential safety hazards of RMB20 million and computer equipment of RMB50 million. During the first half of 2017, the Company continued to optimize investment, utilize increments and revitalize inventories by controlling investments strictly, centralizing resources, prioritizing market development and promoting the construction of information technology. Status of major investment projects are set out in the table below:

Unit: RMB’000

Name of major projects	Project Amount	Project Progress (%)	Amount invested in Reporting Period	Total actual invested amount	Project revenue
Controllable vibroseis	40,750	100.0	40,750	40,750	Commenced operation
Construction of ERP information system	83,660	66.7	40,000	60,000	Under construction
Xinjiang-Guangdong-Zhejiang Pipeline Long Cycle Construction Equipment	529,920	23.6	30,000	125,000	Under construction
Total	654,330	/	110,750	225,750	/

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

As at 30 June, 2017, the Group's total assets was RMB 68,478,917,000 and total liabilities was RMB 62,160,457,000. The total equity attributable to shareholders of the Company was RMB 6,319,768,000. Compared with the consolidated statement of financial position as of 31 December, 2016 ("Compared with that of the end of last year"), the change and its main reasons were as follow:

Total assets was RMB 68,478,917,000, decreased by RMB 6,014,249,000 compared with that of the end of last year, including that (i)current assets was RMB 36,489,529,000, decreased RMB 3,665,962,000 compared with that of the end of last year, due to the decreasing notes and trade receivables by RMB 7,161,429,000, the increasing amounts due from customers for contract works by RMB 2,907,420,000, and the increasing prepayments and other receivables by RMB 1,076,869,000; and (ii) non-current assets was RMB 31,989,388,000, decreased by RMB2,348,287,000 compared with that of the end of last year due to the decrease of property, plants and equipments by RMB 1,591,073,000 as the Group had recognized the expenses for depreciation and amortization of fixed assets and petroleum engineering special tools.

The total liabilities was RMB 62,160,457,000, decreased by RMB 3,891,117,000 compared with that of the end of last year, including that (i) current liabilities was RMB 61,178,325,000, decreased by RMB 3,937,164,000 compared with that of the end of last year due to the decrease of Company's notes and trade payables and amounts due to customers for contract works of the first half of 2017 by RMB 3,963,368,000 and RMB 2,047,139,000 respectively, and the increase of short-term borrowing by RMB 1,907,621,000; and (ii) non-current liabilities was RMB 982,132,000, increased by RMB 46,047,000 compared with that of the end of last year mainly due to the increase of long-term borrowing by RMB 46,814,000.

Total equity attributable to shareholders of the Company was RMB 6,319,768,000, decreased by RMB 2,123,100,000 compared with that of the end of last year mainly due to the loss attributable to shareholders of the Company in the first half of 2017 as RMB 2,132,148,000.

As at 30 June 2017, the Group's liability rate (Total liability / Total asset) was 90.8%, comparing with 88.7% as at 31 December 2016.

In the first half of 2017, the Group's net cash outflow from operating activities was RMB 2,023,005,000, representing a decrease of cash outflow by RMB 1,252,621,000 as compared with the corresponding period of last year. This was mainly due to the sharp decrease in the operational losses caused by the rebound in the workload of the Group in the first half of 2017.

In first half of 2017, the Group's net cash outflow from investing activities was RMB 200,284,000, an increase of cash outflow by RMB 190,751,000 as compared with the corresponding period of last year. It was mainly due to the collection of entrusted loans by RMB 197,000,000 in the first half of 2016. But there were no such items in the first half of 2017.

In the first half of 2017, the Group's net cash inflow from financing activities was RMB1,820,864,000, a decrease of cash inflow by RMB 1,842,691,000 compared with the corresponding period of last year. It was mainly due to the increase in repayments of borrowings by RMB 3,850,581,000 and the increase in proceeds from borrowings by RMB 2,160,451,000 in the first half of 2017.

As at 30 June 2017, the Group's borrowings from bank and related companies were RMB

19,964,602,000 (as at 31 December 2016: RMB 18,000,349,000). These borrowings include the short-term borrowings of RMB 19,144,900,000 (including: the long-term borrowings due with one year in RMB 311,481,000), and the long-term borrowings due more than one year of RMB 819,702,000. As at 30 June 2017, approximately 54.5% of the borrowings were denominated in Renminbi (as at 31 December 2016: 51.6%) and approximately 45.5% were denominated in US Dollars (as at 31 December 2016: 48.4%).

As at 30 June 2017, the gearing ratio of the Group was 74.0% (as at 31 December 2016: 64.9%). 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 2017 RMB '000	Operating cost for the first half of 2017 RMB '000	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	1,948,440	1,856,472	4.7	-4.8	-22.1	Increased by 21.1 percentage points
Drilling	11,609,081	11,760,883	-1.3	27.7	8.4	Increased by 18.0 percentage points
Logging/ Mud logging	654,752	668,816	-2.1	22.4	-14.9	Increased by 44.8 percentage points
Downhole operation	1,529,318	1,686,145	-10.3	-17.8	-20.8	Increased by 4.1 percentage points
Engineering and Construction	3,398,822	3,179,703	6.4	-26.4	-28.2	Increased by 2.4 percentage points
Other	488,280	532,871	-9.1	64.1	76.5	Decreased by 7.6 percentage points
Total	19,628,693	19,684,890	-0.3	6.4	-5.7	Increased by 12.9 percentage points

5.5 Statement of operation by regions

Region	Operating income for the first half of 2017 RMB '000	Increase/ (decrease) as compared with the corresponding period of last year (%)
Mainland China	13,428,689	15.3
Hong Kong, Macau, Taiwan and overseas	6,200,004	-8.8

5.6 Business prospects

Looking ahead in the second half of 2017, the world economy will continue to attain moderate growth, while the PRC economy will maintain steady growth. Rebalancing of supply in the global crude oil market will continue to proceed, it is expected that international oil prices will maintain a stabilized and rebounding trend amidst fluctuations. Under such influence, capital expenditure for upstream exploration and development in domestic and overseas oil companies will continue to grow and bring constant recovery sentiment to the oilfield service industry. However, recovery in international oil prices are still relatively fragile, low oil price will still be the greatest challenge facing the oilfield service industry, and competition in the oilfield service market will remain intensive.

In the second half of 2017, as the operating conditions faced by us will remain challenging, the Company will seize market opportunities and continue to focus on enhancing the quality and efficiency of developments, streamlining management levels and organizations, reinforcing technological innovations and applications, further strengthening management and control on costs and expenses, and striving to achieve better operating results.

5.6.1 Geophysical service

In the second half of 2017, the Company will continue to provide premium quality and highly efficient construction services for domestic and overseas oil companies in exploration and development, expand the application of controllable vibroseis, increase production efficiency and secure more volume of work. Active expansion for business markets in new areas, such as non-seismic, mapping and survey areas, will be pursued to nurture growth spots in operations. Continuous expansion in overseas land and ocean markets will be pursued in Africa, Middle East, Latin America and East Asia to secure more quality geophysical projects. In the second half of the year, we plan to complete the 2D seismic data collection for 19,300 km and 3D seismic data collection for 9,400 sq.km.

5.6.2. Drilling service

During the second half of 2017, the Company will proactively tie in with the release of Sinopec's upstream exploration and development investment plans, and coordinate our resources such as teams, equipment and technology to complete our tasks with high quality and efficiency. Cooperation with Sinopec will be further promoted in reserve blocks with usage difficulties and projects on resumption of production capacities in long-term closure wells to secure more volumes of work. Efforts will be dedicated to the construction of key projects, such as Wen-23 gas storage bank, and the completion of key exploration structures, such as Chuan-Shen Well 1, and to achieve breakthrough in engineering technology with full efforts to explore the world's deepest oilfield, Shunbei oil and gas field. Continuous efforts will also be dedicated to the development of unconventional markets, such as shale gas, geothermal energy, coal bed methane and saline ores. Stable development will be maintained in the Middle East, Africa, Asia and Southeast Asia markets to expand market shares constantly. We plan to complete a drilling progress of 3.8 million metres in the second half of the year.

5.6.3 Logging/ Mud Logging Services

In the second half of 2017, the Company will continue to leverage the full technical service advantages such as equipment, technology and team in the field of logging/mud logging, expand the integrated service technical application of logging/mud logging as well as directional well drilling, and actively developed the overseas business of logging/mud logging services. The Company will enhance the promotion and application of horizontal well multi-stage perforation technology and long horizontal section creeping logging technology, etc., actively develop the unconventional oil and gas market, provide a package of solutions to owners through integrated drilling and logging/mud logging services and accelerate the development of large-scale and effective markets. It plans to complete logging with accumulated for 121,000,000 standard meters and mud logging footage with 3,600,000 meters in the second half of 2017.

5.6.4 Downhole operation service

In the second half of 2017, the Company will continue to leverage its leading technologies including staged fracturing in ultra long horizontal wells, coiled tubing snubbing operation and acid gas fields operation, etc., actively explore conventional and unconventional oil and gas markets, further improve the completion test technology of super deep oil and gas reservoir with high temperature and high pressure to endeavor to provide support for the exploration of deep and super deep oil and gas reservoirs such as Shunbei oil field. Meanwhile, it will guarantee the successful operation of the workover business in the Middle East region and make constant efforts to expand overseas markets. In the second half of the year, it plans to complete downhole operation service for 2,900 wells.

5.6.5 Engineering and construction service

In the second half of 2017, the Company will focus on strengthening management, control and efficiency enhancement in respect of state oil reserve depot, Wen-23 gas storage bank and Thailand No.5 natural gas long pipeline works phase I EPC project, carry forward with full efforts the signing and initiation of key projects such as south section of the Xin Yue Zhe pipeline, speed up the development of transformational businesses such as pipeline operation and maintenance and energy conservation and environmental protection, strengthen the management of and control over subcontractors and project subcontracting, and ensure project efficiency. Meanwhile, in the international market, the Company will enhance market development efforts in countries along “One Belt, One Road” and focus on developing pipeline and station projects in countries such as Saudi Arabia, Pakistan and Kenya while improving the risk management and control of the international market. In the second half year, the Company plans to sign new contracts valued at RMB6.2 billion and complete contracts valued at RMB9.3 billion.

5.6.6 International business service

In the second half of 2017, the Company, as always, will vigorously implement the operation strategy of “internationalization”. First, the Company will carry forward with full efforts the unified management of overseas operations, integrate and optimize resources, and fully leverage the overall competitive advantages. Secondly, it will further enhance project implementation and supervision, overseas public safety and HSE supervision, and constantly enhance the efficiency creation capability of projects. Thirdly, it will further step up efforts in market development, particularly ground, geophysical and oilfield integrated service business, accelerate the contract transformation of the EBANO oilfield integrated service project in Mexico and strive to make breakthroughs in the oilfield technical service project in Mexico and the integrated comprehensive service project in Kuwait, and pay close attention to projects such as drilling lump-sum in Saudi Arabia and ITT drilling and completion lump-sum phase II in Ecuador and closely track markets along “One Belt, One Road”. Fourthly, it will continue to enhance efforts in developing markets with high technologies and high added values with a focus on developing markets such as horizontal well, underbalanced drilling, acid fracturing, drilling fluid, gas well drilling and deep and ultra-deep well drilling. Fifthly, it will continue to enhance cooperation with Sinopec International Exploration and Production Corporation and endeavor to expand the market shares in Sinopec invested projects overseas. The intended value of newly signed contracts in the second half of the year will be higher than the actual value of newly signed contracts in the first half of the year and it plans to complete contracts valued at USD1 billion.

5.6.7 Research & development

In the second half of 2017, the Company will enhance its efforts in making a breakthrough in low-cost integration technology by closely focusing on key exploration and development areas, key technical aspects and the objective of improving quality, reducing costs and increasing efficiency and transform technical advantages into market competitiveness. First, the Company will initiate breakthroughs in the key technology for stratum drilling acceleration in Xujiahe of west Sichuan and the key engineering technology for the exploration and development of Shunbei oil field to reduce exploration and development costs. Secondly, it will continue the research on extra-deep oil and gas reservoir high temperature high pressure logging testing technology, obtain comprehensive and accurate geological data and support the exploration and development of extra-deep oil and gas reservoirs in the western region. Thirdly, it will organize breakthroughs in key technologies such as medium and deep layer shale gas and normal pressure shale gas and further improve the shale gas petroleum engineering integrated ancillary technology to provide support for Fuling shale gas field phase II and medium and deep layer shale gas development. Fourthly, it will exert itself to develop the petroleum engineering integrated ancillary technology for mature oil fields in eastern China to support low-cost and efficient marginal oil reserve development for mature oil fields in eastern China. Fifthly, it will improve shallow water oil and gas reservoir petroleum engineering integrated ancillary technology, conduct overseas shallow water region technology adaptability evaluations and support the development of overseas markets. Sixthly, it will adopt such models as joint innovation and open innovation to actively make breakthroughs in key core technologies such as drilling rotary geosteering and high performance dynamical drilling tool to strive to make technical breakthroughs.

5.6.8 Internal Reform and Management

In the second half of 2017, the Company will continue to deepen the internal reform, enhance the reform of three systems comprising internal personnel, labor and distribution through streamlining the management level and organization, exert itself to enhance the Company's operating vitality, development momentum and management efficiency; accelerate the implementation of the specialized integration of ancillary business, carry forward the contracting and operation of ancillary business, refine and enhance major business, continue to carry forward system and regime construction with project management as the core, implement project management system and process management and control, effectively prevent project losses; further deepen meticulous management, continue to strengthen full-staff full-covered and full-process cost management and control, seize the key aspects to explore the potential of costs and expenses and ensure the successful accomplishment of cost and expense reduction objective set at the beginning of the year; accelerate the construction of the ERP information system and the construction of the oil engineering and technical services integrated platform, establish common platforms such as corporate information, capital, technology and equipment to comprehensively improve the management efficiency and effectiveness.

5.6.9 Capital Expenditure
In the second half year, the Company will further strictly control new investments and make a moderate capital expenditure arrangement, which is mainly used for ensuring exploration and development equipment, overseas market construction equipment, ERP information system construction and potential safety hazard management project. Insisting on efficiency as the core, the Company will exert itself to enhance the development quality and efficiency, attach great attention to safety, environmental protection and green low carbon, endeavor to revitalize stock assets, implement sustainable development, further promote resource integration, a change in the development mode and market restructuring through investment, and foster core competitiveness.

6. SIGNIFCANT EVENTS

6.1 Final dividends for 2016, interim dividends for 2017and proposal on issue of shares by capitalising the common reserves

（1）Final dividends for 2016
Due to that the Company's undistributed profit for the year ended 31 December 2016 was negative, as proposed by the Board and approved by shareholders at 2016 annual general meeting held on 29 June 2017, the Company did not distribute any final dividend for the year ended 31 December 2016. Therefore, the Company did not have any profit distribution plan to implement during the reporting period.

（2）Interim dividends for 2017 and proposal on issue of shares by capitalising the common reserves
In accordance with the Articles of Association of the Company, the Board resolved that no interim dividend would be distributed for the six month ended 30 June 2017, 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 any material litigation or arbitration or events commonly disputable by the media.

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

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

6.5 Information on material connected transactions
The Company’s material connected transactions entered into during the period ended 30 June 2017 were as follows:

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

The nature of the transaction classification	Connected parties	Amount of transaction RMB’000	Proportion of the same type of transaction (%)

Purchase of materials and equipments	China Petrochemical Corporation and its subsidiaries	1,645,866	36.2
Sales of products	China Petrochemical Corporation and its subsidiaries	46,163	68.4
Rendering Engineering services	China Petrochemical Corporation and its subsidiaries	10,665,334	53.8
Receiving of community services	China Petrochemical Corporation and its subsidiaries	779,812	100.0
Receiving of integrated services	China Petrochemical Corporation and its subsidiaries	68,119	100.0
Rental expenses	China Petrochemical Corporation and its subsidiaries	26,763	15.7
Loan interest expenses	China Petrochemical Corporation and its subsidiaries	277,066	99.3
Borrowings obtained	China Petrochemical Corporation and its subsidiaries	28,945,143	100.0
Borrowings repaid	China Petrochemical Corporation and its subsidiaries	26,837,186	100.0
Safety and insurance fund expenses	China Petrochemical Corporation	1,100	100.0

The Company considers that it is necessary to enter into the above connected transactions with the selected connected parties and it would 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 fact of providing engineering service to China Petrochemical Corporation and its subsidiaries is decided by the history of the operating system of China's petroleum development and by the history of China Petrochemical Corporation's development, 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 transfer of assets or equity 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	14,850,879	-7,239,587	7,611,292	20,846,055	-8,469,578	12,376,477
Sinopec Finance Company Limited	Subsidiary companies of the controlling shareholders	-	-	-	1,260,000	7,960,000	9,220,000
Sinopec	Subsidiary	-	-	-	9,720,074	-483,552	9,236,522

Century Bright Capital Investment Limited	companies of the controlling shareholders						
Total		14,850,879	-7,239,587	7,611,292	31,826,129	-993,130	30,832,999
Causes of connected 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 believed 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, subcontracting and leasing of properties of other companies by the Company which would contribute profit to the Company of 10 per cent or more of its total profits for the current period.

（b）The Company did not provide any guarantee or make any pledge during the reporting period.

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

6.8 The special undertakings made by the Company and its shareholders holdings more than 5% and the performance of the undertakings as of 30 June 2017:

Undertaking Background	Undertaking Type	Undertaking party	Undertaking	Undertaking dateand period	Is there deadline for performance of undertaking	Whether or not strictly and timely fulfill the undertaking
Undertakings regarding the material assets reorganisation	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 reorganisation, 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. Within 5 years of the material assets reorganisation, China Petrochemical Corporation will find appropriate opportunity to sell the petroleum service business belonged "Exploration IV" drilling rig of Sinopec Star to the Company, after the China Petrochemical Corporation's comprehensive consideration of the related factors of National Law, Industry Norms and International Political Economy. 3. After the material assets reorganisation, if China Petrochemical Corporation and its subsidiaries' new business opportunity has any direct or indirect competition with the Company's main business, priorities of the above-mentioned opportunity will be given to the Company. If China Petrochemical Corporation intends to transfer, sell, lease, license or otherwise transfer or permit to use any of the above business which would result in the competition with	Undertaking date: 12 September 2014 Period: long term	Yes	During the reporting period, China Petrochemical Corporation did not act contrary to the promise.

Undertaking Background	Undertaking Type	Undertaking party	Undertaking	Undertaking dateand period	Is there deadline for performance of undertaking	Whether or not strictly and timely fulfill the undertaking
			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.			
Undertakings regarding the Material Assets Reorganisation	To solve connected transactions	China Petrochemical Corporation	The Commitment 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 an 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.	Commitment date: 12 September 2014 Period: long term	Yes	During the reporting period, China Petrochemical Corporation did not act contrary to the promise.
Undertakings regarding the Material Assets Reorganisation	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	Commitment date: 12 September 2014 Period: long term	Yes	During the reporting period, China Petrochemical Corporation did not act contrary to the promise.

Undertaking Background	Undertaking Type	Undertaking party	Undertaking	Undertaking dateand period	Is there deadline for performance of undertaking	Whether or not strictly and timely fulfill the undertaking
			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.			

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

7. INTERIM FINANCIAL REPORT

7.1 Interim financial report prepared in accordance with IFRS

The following financial information has been extracted from the Company's unaudited interim financial report, prepared in accordance with IFRS, for the six months ended 30 June 2017.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2017

	Notes	For the six months ended 30 June **2017** **RMB'000** **(Unaudited)**	 2016 RMB'000 (Unaudited)
Revenue	4	**19,842,318**	18,689,863
Cost of sales and business taxes		**(19,886,735)**	(21,199,244)
Gross loss		**(44,417)**	(2,509,381)
Selling expenses		**(21,370)**	(24,797)
General and administrative expenses		**(1,485,061)**	(1,562,419)
Finance expenses - net	6	**(247,916)**	(194,547)
Impairment losses on assets	7	**(284,193)**	(68,130)
Investment income		**-**	500
Share of loss from joint ventures		**(12,945)**	(9,370)
Operating loss		**(2,095,902)**	(4,368,144)
Other income	8	**226,526**	69,736
Other expenses	9	**(63,434)**	(26,608)
Loss before income tax	10	**(1,932,810)**	(4,325,016)
Income tax expense	11	**(199,370)**	(113,210)
Loss for the period		**(2,132,180)**	(4,438,226)
Other comprehensive income for the period, net of tax		**-**	-
Loss and total comprehensive expense for the period		**(2,132,180)**	(4,438,226)
Loss and total comprehensive expense for the period attributable to :			
Owners of the Company		**(2,132,148)**	(4,438,143)
Non-controlling interests		**(32)**	(83)
Loss and total comprehensive expense for the period		**(2,132,180)**	(4,438,226)
Loss per share for loss attributable to owners of the Company (presented in RMB per share)	12		
Basic and diluted		**(0.151)**	(0.314)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	15	**28,083,030**	29,674,103
Other non-current assets		**3,320,325**	4,048,981
Prepaid land leases	16	**120,154**	108,178
Intangible assets		**55,241**	77,147
Interests in joint ventures		**196,499**	209,444
Interests in associates		**11,585**	11,885
Available-for-sale financial assets		**24,389**	24,389
Deferred income tax assets		**178,165**	183,548
Total non-current assets		**31,989,388**	34,337,675
Current assets			
Inventories	20	**1,396,816**	1,453,729
Notes and trade receivables	17	**17,597,729**	24,759,158
Prepayment and other receivables	18	**4,704,890**	3,628,021
Amounts due from customers for contract works	19	**10,772,068**	7,864,648
Restricted cash		**3,511**	3,012
Cash and cash equivalents		**2,014,515**	2,446,923
Total current assets		**36,489,529**	40,155,491
Total assets		**68,478,917**	74,493,166

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2017

	Notes	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Equity			
Share capital	21	**14,142,661**	14,142,661
Reserves		**(7,822,893)**	(5,699,793)
Equity attributable to owners of the Company		**6,319,768**	8,442,868
Non-controlling interests		**(1,308)**	(1,276)
Total equity		**6,318,460**	8,441,592
Liabilities			
Non-current liabilities			
Long term borrowings	25	**843,448**	796,634
Deferred income		**112,403**	112,171
Deferred income tax liabilities		**26,281**	27,280
Total non-current liabilities		**982,132**	936,085
Current liabilities			
Notes and trade payables	23	**26,346,859**	30,310,227
Deposits received and other payables	24	**8,666,773**	8,473,882
Amounts due to customers for contract works	19	**6,936,834**	8,983,973
Short term borrowings	25	**19,162,260**	17,254,639
Current income tax payable		**65,599**	92,768
Total current liabilities		**61,178,325**	65,115,489
Total liabilities		**62,160,457**	66,051,574
Total equity and liabilities		**68,478,917**	74,493,166
Net current liabilities		**(24,688,796)**	(24,959,998)
Total assets less current liabilities		**7,300,592**	9,377,677

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2017

	Attributable to owners of the Company								
	Share capital	Share premium	Other capital reserve	Surplus reserve	Specific reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	RMB'000 (Note 21)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	14,142,661	8,826,247	70,985	200,383	176,068	(14,973,476)	8,442,868	(1,276)	8,441,592
Loss and total comprehensive expense for the period	-	-	-	-	-	(2,132,148)	(2,132,148)	(32)	(2,132,180)
Transactions with owners:									
Equity settled share-based transaction (Note 22)	-	-	9,048	-	-	-	9,048	-	9,048
Appropriation of specific reserve	-	-	-	-	284,906	(284,906)	-	-	-
Utilisation of specific reserve	-	-	-	-	(131,730)	131,730	-	-	-
Total transactions with owners	-	-	9,048	-	153,176	(153,176)	9,048	-	9,048
At 30 June 2017 (Unaudited)	**14,142,661**	**8,826,247**	**80,033**	**200,383**	**329,244**	**(17,258,800)**	**6,319,768**	**(1,308)**	**6,318,460**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2016

	Attributable to owners of the Company								
	Share capital	Share premium	Other capital reserve	Surplus reserve	Specific reserve	Retained earnings/ (Accumulated losses)	Total	Non-controlling interests	Total equity
	RMB'000 (Note 21)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016	14,142,661	8,826,247	67,969	200,383	259,547	1,141,287	24,638,094	(1,141)	24,636,953
Loss and total comprehensive expense for the period	-	-	-	-	-	(4,438,143)	(4,438,143)	(83)	(4,438,226)
Transactions with owners:									
Appropriation of specific reserve	-	-	-	-	232,721	(232,721)	-	-	-
Utilisation of specific reserve	-	-	-	-	(161,443)	161,443	-	-	-
Total transactions with owners	-	-	-	-	71,278	(71,278)	-	-	-
At 30 June 2016 (Unaudited)	14,142,661	8,826,247	67,969	200,383	330,825	(3,368,134)	20,199,951	(1,224)	20,198,727

CONDSENDED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash flows used in operations	**(1,800,850)**	(2,945,068)
Income tax paid	**(222,155)**	(330,558)
Net cash used in operating activities	**(2,023,005)**	(3,275,626)
Cash flows from investing activities		
Purchases of property, plant and equipment	**(214,766)**	(224,367)
Proceeds from disposal of property, plant and equipment	**5,722**	2,629
Payment of prepaid land leases	**-**	(6,040)
Increase in investments in associates	**-**	(4,000)
Interests received from joint venture	**300**	-
Collection of entrusted loans	**-**	197,000
Interests received	**8,460**	24,745
Investments income received from the available-for-sale financial assets	**-**	500
Net cash used in investing activities	**(200,284)**	(9,533)
Cash flows from financing activities		
Proceeds from borrowings	**29,010,835**	26,850,384
Repayments of borrowings	**(26,837,186)**	(22,986,605)
Interests paid	**(352,785)**	(200,224)
Net cash generated from financing activities	**1,820,864**	3,663,555
Net (decrease)/increase in cash and cash equivalents	**(402,425)**	378,396
Cash and cash equivalents at the beginning of the period	**2,446,923**	1,993,209
Exchange (losses)/gains on cash and cash equivalents	**(29,983)**	32,793
Cash and cash equivalents at the end of the period	**2,014,515**	2,404,398

1 GENERAL INFORMATION, THE REORGANISATION AND BASIS OF PRESENTATION

1.1 General information and the Reorganisation

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

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

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

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

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

1.2 Basis of presentation

As at 30 June 2017, the Group had net current liabilities of approximately RMB24,688,796,000 (31 December 2016: RMB24,959,998,000)) and capital commitments of approximately RMB 656 million; and it had a net loss of RMB2,132,180,000 for the period then ended. The directors of the Company have performed an assessment that operating cash inflows in the next twelve months is expected, and most of the Group's borrowings are sourced from Sinopec Group and its subsidiaries, where the Group maintains ongoing good relationship with these companies, which enables the Group to secure sufficient financial support from these companies. The Company obtained a line of credit of RMB 10.5 billion and USD 1.7 billion (Total: approximately RMB 22 billion) from the Sinopec Group's subsidiaries and the management and those charged with governance are satisfied that the Group is able to operate as a going concern with the line of credit. To obtain sufficient credits facilities, the Group will diversify its source of finance by exploring and developing good relationship with listed and state-owned financial institutions. The directors of the Company are in the opinion that the above measures are sufficient to meet with the expected liquidity and capital requirements, and considered that going concern basis is appropriate for the preparation of this interim financial information.

1 GENERAL INFORMATION, THE REORGANISATION AND BASIS OF PRESENTATION (Continued)

1.3 Financial information

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 2017.

This interim financial information for the six months ended 30 June 2017 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 should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with the International Financial Reporting Standards ("IFRS").

This interim financial information had been reviewed, but not audited.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements.

The Group has been adopted all these new and amended standards and interpretations ("New Standards"), which are effective for the accounting periods beginning on or after 1 January 2017:

IAS 7 Amendment	Statement of Cash Flows
IAS 12 Amendment	Income Taxes

The applications of above New Standards have no material impact on the amounts recognised in the Group's unaudited interim financial information.

3 CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATES

The Group continually evaluates the critical accounting estimates and key assumptions based on its historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

In preparing this interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2016.

4 REVENUE

The Group's revenue is as follows:

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Geophysics	**1,952,617**	2,046,124
Drilling engineering	**11,681,646**	9,091,487
Logging and mud logging	**655,510**	534,741
Special downhole operations	**1,533,586**	1,861,348
Engineering construction	**3,443,066**	4,615,478
Others	**575,893**	540,685
	19,842,318	18,689,863

5 SEGMENT INFORMATION

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

Five reportable operating segments are as follows:

- Geophysics, which provides terrestrial and marine geophysical exploration, development and technical services;

- Drilling engineering, which provides customers with land and ocean drilling design, construction, technical services and drilling instrumentation;

- Logging and mud logging, which provides land and ocean project contracting and technical services for collection, monitoring, transmission, processing and interpretation and evaluation of wellbore oil and gas, geology and engineering information;

- Special downhole operations, which provides oil engineering technical and construction, including oil (gas) testing, well repair, lateral drilling, fracturing, acidising and oil assignments; and

- Engineering construction, which provides a package of services, including feasibility studies, design, procurement, construction for projects of onshore and offshore oil and gas fields, long-distance pipeline projects, oil and gas transporting process projects, storage and transportation projects, petrochemical supporting projects, building construction, water resources and hydropower, ports and waterways, electricity transmission and distribution projects, manufacturing of pressure vessels, LNG projects, coal chemical engineering, geothermal utilisation, energy saving and municipal roads and bridges.

5 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.

The resources related to interest income, interest expenses, interests in joint venture 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.

5 SEGMENT INFORMATION (Continued)

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

(a) Segment results, assets and liabilities

For the six months ended 30 June 2017 and as at that date, the segment results, assets and liabilities were as follows:

	Geophysics	Drilling engineering	Logging and mud logging	Special downhole operations	Engineering construction	Unallocated	Eliminated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the six months ended 30 June 2017 (Unaudited)								
Segment revenue and results								
Revenue from external customers	1,952,617	11,681,646	655,510	1,533,586	3,443,066	575,893	-	19,842,318
Inter-segment revenue	2,089	91,918	167,046	12,295	19,848	150,710	(443,906)	-
Reportable segment revenue	1,954,706	11,773,564	822,556	1,545,881	3,462,914	726,603	(443,906)	19,842,318
Reportable segment loss	(82,019)	(1,036,260)	(128,239)	(431,032)	(309,041)	(109,311)	-	(2,095,902)
Other income	17,869	118,166	2,809	13,763	71,689	2,230	-	226,526
Other expenses	(4,016)	(50,200)	(1,246)	(2,782)	(3,989)	(1,201)	-	(63,434)
Loss before income tax	(68,166)	(968,294)	(126,676)	(420,051)	(241,341)	(108,282)		(1,932,810)
Income tax expense								(199,370)
Loss for the period								(2,132,180)

5 SEGMENT INFORMATION (Continued)

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

For the six months ended 30 June 2017 and as at that date, the segment results, assets and liabilities were as follows: (Continued)

	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 2017 (Unaudited)								
Supplementary information								
Depreciation and amortisation								
-- Property, plant and equipment	239,193	903,711	97,612	234,435	103,154	72,895	-	1,651,000
-- Other non-current assets	19,326	806,849	23,961	45,615	13,669	75	-	909,495
-- Prepaid land leases	-	211	208	871	191	-	-	1,481
-- Intangible assets	261	14,948	269	514	2,983	2,931	-	21,906
Capital expenditure								
-- Property, plant and equipment	20,496	61,837	5,562	7,453	957	8,569	-	104,874
Impairment loss on /(Reversal of) trade receivables	(996)	24,480	(3,967)	118,451	60,244	4,295	-	202,507
Impairment loss on /(Reversal of) other receivables	(718)	2,114	112	180	89,086	(9,088)	-	81,686
As at 30 June 2017 (Unaudited)								
Assets								
Segment assets	4,965,442	39,221,241	2,205,515	7,845,518	16,714,493	22,422,597	(24,895,889)	68,478,917
Liabilities								
Segment liabilities	3,452,015	28,616,654	891,579	3,356,465	22,569,787	28,169,846	(24,895,889)	62,160,457

5 SEGMENT INFORMATION (Continued)

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

As at 31 December 2016 and for the six months ended 30 June 2016, the segment results, assets and liabilities were as follows:

	Geophysics	Drilling engineering	Logging and mud logging	Special downhole operations	Engineering construction	Unallocated	Eliminated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the six months ended 30 June 2016 (Unaudited)								
Segment revenue and results								
Revenue from external customers	2,046,124	9,091,487	534,741	1,861,348	4,615,478	540,685	-	18,689,863
Inter-segment revenue	-	5,510	5,490	8,216	90,443	42,474	(152,133)	-
Reportable segment revenue	2,046,124	9,096,997	540,231	1,869,564	4,705,921	583,159	(152,133)	18,689,863
Reportable segment loss	(535,038)	(2,477,582)	(388,361)	(415,078)	(313,992)	(238,093)	-	(4,368,144)
Other income	271	26,985	376	1,961	16,543	23,600	-	69,736
Other expenses	(2,155)	(11,719)	(2,012)	(2,956)	(6,389)	(1,377)	-	(26,608)
Loss before income tax	(536,922)	(2,462,316)	(389,997)	(416,073)	(303,838)	(215,870)	-	(4,325,016)
Income tax expense								(113,210)
Loss for the period								(4,438,226)

5 SEGMENT INFORMATION (Continued)

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

As at 31 December 2016 and for the six months ended 30 June 2016, the segment results, assets and liabilities were as follows: (Continued)

	Geophysics	Drilling engineering	Logging and mud logging	Special downhole operations	Engineering construction	Unallocated	Eliminated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the six months ended 30 June 2016 (Unaudited)								
Supplementary information								
Depreciation and amortisation								
-- Property, plant and equipment	252,833	829,757	102,097	222,695	107,431	111,833	-	1,626,646
-- Other non-current assets	53,564	725,035	38,124	58,863	14,243	6,667	-	896,496
-- Prepaid land leases	-	208	208	716	224	-	-	1,356
-- Intangible assets	331	6,537	503	533	2,273	1,657	-	11,834
Capital expenditure								
-- Property, plant and equipment	41,689	175,646	4,185	41,141	984	5,995	-	269,640
-- Prepaid land leases	-	-	-	6,040	-	-	-	6,040
-- Long-term investment	-	-	-	-	-	4,000	-	4,000
Impairment loss on /(Reversal of) trade receivables	1,880	15,148	(1,004)	1,745	30,074	(5,209)	-	42,634
Impairment loss on /(Reversal of) other receivables	1,104	8,896	(590)	1,025	17,662	(2,601)	-	25,496
As at 31 December 2016 (Audited)								
Assets								
Segment assets	5,757,665	36,873,638	3,477,663	9,009,124	18,465,114	18,576,616	(17,666,654)	74,493,166
Liabilities								
Segment liabilities	4,027,462	22,347,804	1,999,770	4,307,503	23,986,109	27,049,580	(17,666,654)	66,051,574

5 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, prepaid land leases, intangible assets, interests in joint ventures and interests in associates, which are based on the physical location of the assets.

	Revenue from external customers For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
The PRC	**13,629,171**	11,889,640
Middle East	**3,736,914**	3,883,600
Other countries	**2,476,233**	2,916,623
	19,842,318	18,689,863

	Specified non-current assets	
	As at 30 June	As at 31 December
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Audited)
The PRC	**26,824,477**	28,943,361
Other countries	**4,962,357**	5,186,377
	31,786,834	34,129,738

(c) Major customer

For the six months ended 30 June 2017 and 2016, revenue from customers which individually contributed over 10% of the Group's revenue is as follows:

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Customer A	**10,711,477**	9,046,934

Revenue from this customer was derived from the operating segments of geophysics, drilling engineering, logging and mud logging, special downhole operations, engineering construction and accounted for 54% (2016: 48%) of the Group's revenue.

6 FINANCE EXPENSES - NET

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Finance income		
Interest income from entrusted loans		
- Sinopec Group's subsidiaries	**67**	15,549
Interest income		
- Sinopec Group's subsidiaries	**245**	2,192
- Third-party banks and other financial institutions	**8,148**	7,004
Exchange gains, net	**61,711**	36,903
	70,171	61,648
Finance expenses		
Interest expenses on loans wholly repayable within 5 years		
- Sinopec Group and its subsidiaries	**(277,066)**	(219,946)
- Third-party banks and other financial institutions	**(1,840)**	(5,246)
Capitalisation of interest expenses for qualifying assets (a)	**-**	1,911
Bank and other charges	**(39,181)**	(32,914)
	(318,087)	(256,195)
	(247,916)	(194,547)

Note:

(a) Qualifying assets represent property, plant and equipment that the related interests have been capitalised at a rate of 3.12% to 5.86% for the six months ended 30 June 2016.

7 IMPAIRMENT LOSSES ON ASSETS

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Impairment loss on trade and other receivables, net	**284,193**	68,130

8 OTHER INCOME

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Gain on disposal of property, plant and equipment	**4,484**	1,129
Gain on disposal of other non-current assets	**502**	4,955
Government grants	**192,920**	25,605
Waived payables	**1,090**	11,009
Penalty income	**542**	21,450
Compensation received	**3,561**	1,017
Others	**23,427**	4,571
	226,526	69,736

9 OTHER EXPENSES

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss on disposal/write-off of property, plant and equipment	**37,960**	4,340
Loss on disposal/write-off of of other non-current assets	**-**	1,339
Loss on scraps of assets	**497**	-
Penalty	**4,745**	2,219
Donation	**-**	225
Compensation	**3,958**	5,617
Others	**16,274**	12,868
	63,434	26,608

10 LOSS BEFORE INCOME TAX

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

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Staff costs, including directors and supervisors emoluments	**6,461,781**	6,885,993
Retirement benefit plan contribution (including the above mentioned staff costs)		
—Municipal retirement scheme costs	**618,572**	633,060
—Supplementary retirement scheme costs	**163,205**	165,808
Share options granted to directors and employees (including the above mentioned staff costs)	**9,048**	-
Cost of goods sold	**4,494,119**	4,975,813
Depreciation and amortisation		
—Property, plant and equipment	**1,651,000**	1,626,646
—Other non-current assets	**909,495**	896,496
—Prepaid land leases	**1,481**	1,356
—Intangible assets	**21,906**	11,834
Operating lease expenses		
—Property, plant and equipment	**480,202**	594,032
Provision for impairment losses, net		
—Trade and other receivables	**284,193**	68,130
Rental income from property, plant and equipment after relevant expenses	**(4,237)**	(144)
Research and development expenses	**51,138**	70,157
Loss on disposal/write-off of property, plant and equipment, net	**33,476**	3,211
Gain on disposal/write-off of other non-current assets, net	**(502)**	(3,616)
Exchange gains, net	**(61,711)**	(36,903)

11 INCOME TAX EXPENSE

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
PRC enterprise income tax	**18,846**	2,983
Overseas income tax	**176,140**	112,880
	194,986	115,863
Deferred income tax		
Origination and reversal of temporary difference	**4,384**	(2,653)
Income tax expense	**199,370**	113,210

According to the Corporate Income Tax Law of the PRC, the applicable income tax of the six months ended 30 June 2017 and 2016 is 25%

According to the normal statutory PRC corporate income tax and relevant rules, apart from a certain subsidiaries of the Company subjected to the relevant development zone policy or participation in technology development and the PRC's western development project can enjoy 15% preferential tax rate during the six months ended 30 June 2017 and 2016, the majority of the companies of the Group are subject to 25% income tax rate.

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

12 LOSS PER SHARE

(a) Basic

For the six months ended 30 June 2017 and 2016, the basic loss per share is calculated by dividing the loss attributable to owners of the Company.

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company (RMB'000)	**(2,132,148)**	(4,438,143)
Weighted average number of ordinary shares in issue (Shares)	**14,142,660,995**	14,142,660,995
Basic loss per share (RMB)	**(0.151)**	(0.314)

(b) Diluted

The calculation of diluted loss per share did not take into account of exercise of the share options which are potential ordinary shares because of anti-dilutive effect, hence, the diluted loss per share for the six month ended 30 June 2017 were the same as the basic loss per share.

There were no dilutive potential ordinary shares in existence during the six month ended 30 June 2016, and therefore the diluted loss per share for the six month ended 30 June 2016 were the same as the basic loss per share.

13 DIVIDENDS

The Board of Directors of the Company did not recommend the payment of any interim dividends for the six months ended 30 June 2017 (2016: Nil).

14 EMPLOYMENT BENEFITS

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries, wages and other benefits	**5,670,956**	6,087,125
Retirement benefit plan contribution (a)		
—Municipal retirement scheme costs	**618,572**	633,060
—Supplementary retirement scheme costs	**163,205**	165,808
Share options granted to directors and employees	**9,048**	-
	6,461,781	6,885,993

Note:

(a) 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 2017, the Group and the employees pay 20% and 8% (31 December 2016: 20% 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 5% 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.

15 PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 June 2017

	Buildings	Oil engineering equipment and others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cost				
Balance at 1 January 2017	1,331,721	59,220,040	962,110	61,513,871
Additions	-	94,599	10,275	104,874
Disposals/ Write-off	(2,623)	(298,536)	-	(301,159)
Reclassification	(17,643)	-	-	(17,643)
At 30 June 2017	1,311,455	59,016,103	972,385	61,299,943
Accumulated depreciation and impairment loss				
Balance at 1 January 2017	399,691	31,344,813	95,264	31,839,768
Depreciation	22,452	1,628,548	-	1,651,000
Disposals/ Write-off	(1,950)	(267,719)	-	(269,669)
Reclassification	(4,186)	-	-	(4,186)
At 30 June 2017	416,007	32,705,642	95,264	33,216,913
Carrying amounts				
At 30 June 2017 (Unaudited)	**895,448**	**26,310,461**	**877,121**	**28,083,030**
Carrying amounts				
At 31 December 2016 (Audited)	932,030	27,875,227	866,846	29,674,103

15 PROPERTY, PLANT AND EQUIPMENT (Continued)

For the six months ended 30 June 2016

	Buildings	Oil engineering equipment and others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cost				
Balance at 1 January 2016	1,269,666	57,710,586	2,805,442	61,785,694
Additions	-	24,651	244,989	269,640
Disposals/ Write-off	(727)	(222,614)	-	(223,341)
Transferred from construction in progress	1,042	1,842,817	(1,843,859)	-
At 30 June 2016	1,269,981	59,355,440	1,206,572	61,831,993
Accumulated depreciation and impairment loss				
Balance at 1 January 2016	386,167	29,585,896	95,264	30,067,327
Depreciation	21,863	1,604,783	-	1,626,646
Disposals/ Write-off	(463)	(153,275)	-	(153,738)
At 30 June 2016	407,567	31,037,404	95,264	31,540,235
Carrying amounts				
At 30 June 2016 (Unaudited)	862,414	28,318,036	1,111,308	30,291,758

As at 30 June 2017, the property, plant and equipment under finance leases are "Oil engineering equipment and others" and its carrying amounts are RMB59,487,000 (31 December 2016: RMB60,045,000).

16 PREPAID LAND LEASES

	2017	2016
	RMB'000	RMB'000
At 1 January	**108,178**	104,954
Additions	**-**	6,040
Reclassification	**13,457**	-
Amortisation	**(1,481)**	(1,356)
At 30 June (Unaudited)	**120,154**	109,638

Prepaid land leases represent prepayments made by the Group for the prepaid land leases located in the PRC which are held on leases term between 20 years to 50 years.

17 NOTES AND TRADE RECEIVABLES

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Trade receivables		
- Sinopec Group and its subsidiaries	**7,193,722**	14,464,757
- Joint ventures	**2,655**	13
- Sinopec Group and its joint ventures and associates	**139,122**	214,270
- Third parties	**10,649,312**	10,405,667
	17,984,811	25,084,707
Less: Provision for impairment	**(1,379,680)**	(1,177,173)
Trade receivables – net	**16,605,131**	23,907,534
Notes receivables	**992,598**	851,624
Notes and trade receivables - net	**17,597,729**	24,759,158

As at 30 June 2017 and 31 December 2016, the Group's notes and trade receivables were approximately their fair values.

All notes receivables of the Group are bank's acceptance notes and usually collected within six months from the date of issue.

As at 30 June 2017 and 31 December 2016, none of the Group's notes receivables were pledged as collateral or overdue.

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

17 NOTES AND TRADE RECEIVABLES (Continued)

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

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Within 1 year	**14,184,887**	20,558,241
1 to 2 years	**2,756,509**	3,135,366
2 to 3 years	**500,364**	804,418
Over 3 years	**155,969**	261,133
	17,597,729	24,759,158

Ageing analysis of impaired notes and trade receivables based on due date is as follows：

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Not yet due	**10,090,347**	17,145,465
Overdue within 3 months	**1,702,324**	1,304,452
Overdue 3 months but within 6 months	**1,303,642**	1,286,422
Overdue 6 months but within 1 year	**1,284,417**	2,821,983
Overdue 1 year but within 2 years	**2,659,665**	1,958,365
Overdue over 2 years	**557,334**	242,471
	17,597,729	24,759,158

The movements of provision for impairment on trade receivables are as follows:

	2017 RMB'000	2016 RMB'000
At 1 January	**1,177,173**	577,791
Provisions	**656,752**	162,801
Reversal	**(454,245)**	(120,167)
At 30 June (Unaudited)	**1,379,680**	620,425

18 PREPAYMENT AND OTHER RECEIVABLES

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Prepayments (a)	**514,166**	374,398
Other receivables (b)		
Petty cash funds	**89,719**	51,969
Guarantee deposits	**951,810**	884,389
Disbursement of funds	**1,602,230**	1,311,545
Temporary payment	**679,419**	704,098
Escrow payments	**9,730**	9,710
Deposits	**38,784**	46,722
Export tax refund receivables	**10,581**	6,712
Excess value-added tax paid	**546,674**	325,005
Value added tax to be offset	**44,714**	18,642
Prepaid value-added tax	**229,907**	65,073
Prepaid income tax	**15,827**	7,956
Others	**577,774**	346,561
	5,311,335	4,152,780
Less: Provision for impairment	**(606,445)**	(524,759)
Prepayments and other receivables - net	**4,704,890**	3,628,021

Note:

(a) As at 30 June 2017, the prepayments include related party balances: Sinopec Group and its subsidiaries amounting at RMB78,171,000 (31 December 2016: RMB19,144,000) and the associates and joint ventures of the Group amounting at RMB9,406,000 (31 December 2016: RMB7,145,000).

(b) As at 30 June 2017, the other receivables include related party balances: Sinopec Group and its subsidiaries amounting at RMB339,399,000 (31 December 2016: RMB366,978,000), the joint ventures of the Group amounting at RMB188,000 (31 December 2016: RMB10,758,000) and the associates and joint ventures of Sinopec Group amounting at RMB24,623,000 (31 December 2016: RMB15,196,000).

(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 2017 and 31 December 2016 approximate their fair values.

The movements of provision for impairment on other receivables are as follows：

	2017 RMB'000	2016 RMB'000
At 1 January	**524,759**	398,540
Provisions	**180,921**	71,400
Reversal	**(99,235)**	(45,904)
At 30 June (Unaudited)	**606,445**	424,036

19 CONTRACT WORK-IN-PROGRESS

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Contract cost incurred plus recognised profit less recognised losses	**69,523,573**	60,777,112
Less: Expected loss on contracts	**(18,704)**	(35,686)
Less: Progress billings	**(65,669,635)**	(61,860,751)
Contract work-in-progress	**3,835,234**	(1,119,325)
Representing：		
Amounts due from customers for contract works	**10,790,772**	7,900,334
Less: Expected loss on contracts	**(18,704)**	(35,686)
Net amounts due from customers for contract works	**10,772,068**	7,864,648
Amounts due to customers for contract works	**(6,936,834)**	(8,983,973)
	3,835,234	(1,119,325)

	For the six months ended 30 June	
	2017	2016
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Contract revenue recognised as revenue during the period	**19,775,269**	18,639,691

20 INVENTORIES

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Raw materials	**1,199,210**	1,240,714
Finished goods	**147,880**	120,924
Work in progress	**30,238**	78,390
Turnover materials	**20,583**	20,120
Others	**6,629**	1,305
	1,404,540	1,461,453
Less: Provision for impairment	**(7,724)**	(7,724)
	1,396,816	1,453,729

21 SHARE CAPITAL

	As at 30 June 2017		As at 31 December 2016	
	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	**10,259,327,662**	**10,259,328**	10,259,327,662	10,259,328
- 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	**2,100,000,000**	**2,100,000**	2,100,000,000	2,100,000
	14,142,660,995	**14,142,661**	14,142,660,995	14,142,661

22 SHARE-BASED PAYMENTS

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

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

(i) achieving compound annual growth rate of no less than 6% in profit before income tax for 2017, 2018 and 2019, respectively based on the profit before income tax of 2015;

(ii) ratio of earnings before interest, tax, depreciation and amortisation to net asset of the Group should be no less than 32% for 2017, 2018 and 2019 in respect to the three vesting periods;

22 SHARE-BASED PAYMENTS (Continued)

(iii) the above (i) and (ii) conditions should be no lower than the 75% level of peer companies; and

(iv) the performance of the indicator for economic value added has reached the target set by the Sinopec Group for 2017, 2018 and 2019, and the changes of economic value added should be large than zero.

As at 30 June 2017, the outstanding share options which will expire in twelve months after the vesting dates and their exercise prices are as follows:

Vesting date	Exercise price (per share in RMB)	Outstanding shares
1 November 2018	5.63	14,715,000
1 November 2019	5.63	14,715,000
1 November 2020	5.63	19,620,000

The total fair value of share options at the grant date was RMB54,229,200, which has been valued by an external valuation expert using Black-Scholes valuation model.

The significant inputs into the model were as follows:

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

Share-based payment of RMB9,048,000 have been recognised in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2017 (For the six months ended 30 June 2016: Nil). For the six months ended 30 June 2017, no share option had been exercised yet.

At 30 June 2017, the Company have a total of 49,050,000 outstanding shares under the share option incentive scheme. Under the current capital structure, fully exercise of the outstanding shares will lead to issue of 49,050,000 extra ordinary A share and increase in share capital of RMB49,050,000, before issue expenses.

23 NOTES AND TRADE PAYABLES

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Trade payables		
- Sinopec Group and its subsidiaries	**1,501,533**	1,979,856
- Joint ventures	**63,156**	85,043
- Sinopec Group's joint ventures and associates	**6,986**	58,918
- Third parties	**22,759,290**	26,172,913
	24,330,965	28,296,730
Notes payables	**2,015,894**	2,013,497
	26,346,859	30,310,227

As at 30 June 2017 and 31 December 2016, 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 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Within 1 year	**18,404,963**	21,027,583
1 and 2 years	**4,395,974**	5,221,330
2 and 3 years	**1,800,654**	2,201,443
Over 3 years	**1,745,268**	1,859,871
	26,346,859	30,310,227

24 DEPOSITS RECEIVED AND OTHER PAYABLES

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Deposits received (a)		
Advances for construction and service	**1,858,256**	1,690,005
Salaries payables	**292,630**	171,657
Other tax payables	**682,660**	957,571
Output valued-added tax to be certified	**58,622**	15,267
Interest payables (b)	**262**	73,627
Other payables (c)		
Guarantee deposits	**492,743**	525,496
Deposits	**47,169**	127,046
Disbursement of funds	**756,557**	435,177
Temporary receipts	**165,351**	219,838
Escrow payments	**19,390**	33,676
Withheld payments	**40,529**	86,055
Sinopec Group capital restructuring funds	**2,600,000**	2,600,000
Payable of profit arising during major assets restructuring	**1,118,902**	1,118,902
Others	**533,702**	419,565
	8,666,773	8,473,882

Note:

(a) As at 30 June 2017, the deposits received include related party balances: Sinopec Group and its subsidiaries amounting at RMB177,904,000 (31 December 2016: RMB259,956,000) and the joint ventures and associates of Sinopec Group amounting at RMB10,702,000 (31 December 2016: RMB9,612,000).

(b) As at 30 June 2017, the interest payables was the related party balances with Sinopec Group and its subsidiaries.

(c) As at 30 June 2017, the other payables include related party balances: Sinopec Group and its subsidiaries amounting at RMB3,791,153,000 (31 December 2016: RMB3,781,374,000).

(d) The above amounts due to related parties are unsecured, interest free and repayable on demand.

25 BORROWINGS

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Current liabilities		
Loans from Sinopec Finance Company Limited (b)	**9,220,000**	1,260,000
Loans from Sinopec Century Bright Capital Investment Company Limited (b)	**8,924,900**	9,477,279
Loans from Sinopec Group (b)	**1,000,000**	6,500,000
Finance lease liabilities (c)	**17,360**	17,360
	19,162,260	17,254,639
Non-current liabilities		
Bank loans (a)	**508,080**	520,275
Loans from Sinopec Century Bright Capital Investment Company Limited (b)	**311,622**	242,795
Finance lease liabilities (c)	**23,746**	33,564
	843,448	796,634
	20,005,708	18,051,273

(a) Bank loans

The bank loans of the Group are repayable as follows:

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Over 5 years	**508,080**	520,275

As at 30 June 2017, the bank loans were secured and the annual interest rates were range from 6.68% to 6.83% (31 December 2016: 6.14% to 6.69%).

25 BORROWINGS (Continued)

(b) Loans from related parties

The loans from related parties of the Group are repayable as follows:

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Within 1 year	**19,144,900**	17,237,279
1 to 2 years	**311,622**	242,795
	19,456,522	17,480,074

As at 30 June 2017, loans from related parties are unsecured and their annual interest rates were range from 2.21% to 4.28% (31 December 2016: 1.85% to 6.96%).

(c) Finance lease liabilities

The analysis of the Group's obligations under finance leases is as follows:

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Total minimum lease payments		
- Within 1 year	**20,127**	20,778
- 1 to 2 years	**18,825**	19,476
- 2 to 5 years	**6,630**	17,017
	45,582	57,271
Future finance charges on finance leases	**(4,476)**	(6,347)
Present value of finance lease liabilities	**41,106**	50,924

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Present value of minimum lease payments:		
- Within 1 year	**17,360**	17,360
- 1 to 2 years	**17,360**	17,360
- 2 to 5 years	**6,386**	16,204
	41,106	50,924
Less: Portion due within one year included under current liabilities	**(17,360)**	(17,360)
Portion due after one year included under non-current liabilities	**23,746**	33,564

26 COMMITMENTS

(a) Capital commitments

Capital commitments for the purchase of property, plant and equipment outstanding as at 30 June 2017 and 31 December 2016 not provided for in the interim financial information are as follows:

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Contracted but not provided for	**655,612**	640,414

(b) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases at 30 June 2017 and 31 December 2016 are as follows:

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Within 1 year	**159,313**	294,430
1 to 2 years	**43,779**	46,589
2 to 3 years	**31,920**	36,139
Over 3 years	**99,321**	41,058
	334,333	418,216

The Group leases various residential properties, office, equipments and leased land under non-cancellable operating lease agreements. The leases run for an initial period of 1 to 24 years (31 December 2016: 1 to 25 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. None of the leases include contingent rentals.

(c) Investment commitments

As at 30 June 2017, the Group has outstanding commitments of RMB129,625,000 (31 December 2016: RMB129,625,000) in respect of its investment in in joint ventures.

(d) Fulfillment of commitments for the previous period

The Group has fulfilled the capital and operating lease commitments as at 30 June 2017.

27 CONTINGENCIES

In preparing this interim financial information, there were no further developments of those contingencies as at 30 June 2017, which were disclosed in the 2016 annual report.

28 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 2017 and 2016.

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

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

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

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Purchases of materials		
- Sinopec Group and its subsidiaries	**1,645,866**	1,780,318
Sales of products		
- Sinopec Group and its subsidiaries	**46,143**	50,172
Rendering of engineering services		
- Sinopec Group and its subsidiaries	**10,665,334**	9,119,567
Receiving of community services		
- Sinopec Group and its subsidiaries	**779,812**	786,120
Receiving of integrated services		
- Sinopec Group and its subsidiaries	**68,119**	18,045

28 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

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

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Rental expenses		
- Sinopec Group and its subsidiaries	**26,763**	26,670
Interest income from entrusted loans		
- Sinopec Group's subsidiaries	**67**	15,549
Deposits interest income		
- Sinopec Group's subsidiaries	**245**	2,192
Loans interest expenses		
- Sinopec Group and its subsidiaries	**277,066**	219,946
Borrowings obtained		
- Sinopec Group and its subsidiaries	**28,945,143**	27,052,059
Borrowings repaid		
- Sinopec Group and its subsidiaries	**26,837,186**	23,206,326
Safety and insurance fund expenses		
- Sinopec Group	**1,100**	44,114
Safety and insurance fund refund		
- Sinopec Group	**-**	43,990

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

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Receiving of engineering services		
- Associates and joint ventures of the Group	**340,557**	-

28 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(c) Remuneration of key management personnel

Key management includes directors (executive and non-executive), 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	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Fee	**300**	300
Salaries, allowances and bonus	**4,073**	4,357
Contributions to pension plans	**370**	365
Share-based payments	**9,048**	-
	13,791	5,022

(d) Related party guarantee

At 30 June 2017, Sinopec Group provided performance guarantee to the Group amounting to USD210,000,000. The guarantee period ends in January 2018 (31 December 2016: USD210,000,000).

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 2017.

Consolidated balance sheets
(Expressed in thousands of RenminbiYuan)

Assets	30 June 2017	31 December 2016
Current assets:		
Cash at bank and on hand	2,018,026	2,449,935
Notes receivable	992,598	851,624
Accounts receivable	16,605,131	23,907,534
Advances to suppliers	491,670	352,972
Dividend receivable	23	23
Other receivables	3,346,611	2,822,409
Inventories	12,168,884	9,318,377
Non-current assets due within one year	951,689	1,011,028
Other current assets	837,122	416,676
Total current assets	37,411,754	41,130,578
Non-current assets:		
Available-for-sale financial assets	24,389	24,389
Long-term equity investments	208,084	221,329
Fixed assets	27,205,909	28,807,257
Construction in progress	877,121	866,846
Disposal of fixed assets	4,481	2,066
Intangible assets	175,395	185,325
Long-term prepaid expenses	2,393,619	3,071,828
Deferred tax assets	178,165	183,548
Total non-current assets	**31,067,163**	33,362,588
Total assets	**68,478,917**	**74,493,166**

Consolidated balance sheets (continued)

(Expressed in thousands of renminbiyuan)

Liabilities and shareholders' equity		
Current liabilities:		
Short-term loans	18,833,419	17,033,731
Notes payable	2,015,894	2,013,497
Accounts payable	24,330,965	28,296,730
Advances from customers	8,795,090	10,673,978
Employee benefits payable	292,630	171,657
Taxes payable	748,259	1,050,339
Interest payable	262	73,627
Other payables	5,754,821	5,541,678
Non-current liabilities due within one year	328,841	220,908
Other current liabilities	58,622	15,267
Total current liabilities	**61,158,803**	65,091,412
Non-current liabilities:		
Long-term loans	819,702	763,070
Long-term payables	43,268	57,641
Deferred income	112,403	112,171
Deferred income tax liabilities	26,281	27,280
Total non-current liabilities	**1,001,654**	960,162
Total liabilities	**62,160,457**	66,051,574
Shareholders' equity:		
Share capital	14,142,661	14,142,661
Capital reserve	8,906,280	8,897,232
Specific reserve	329,244	176,068
Surplus reserve	200,383	200,383
Accumulated losses	-17,258,800	-14,973,476
Equity attributable to the owners of the company	6,319,768	8,442,868
Minority interests	-1,308	-1,276
Total shareholders' equity	**6,318,460**	8,441,592
Total liabilities and shareholders' equity	**68,478,917**	74,493,166

Consolidated income statements
(Expressed in thousands of RenminbiYuan)

	For the six months ended 30 June	
	2017	**2016**
1.Revenue	19,842,318	18,689,863
Less: Cost of sales	19,868,364	21,069,363
Taxes and surcharges	171,547	223,414
Selling and distribution expenses	21,370	24,797
General and administrative expenses	1,485,061	1,540,164
Finance costs	247,983	210,096
Impairment losses	284,193	68,130
Add: Investment income ("-" for loss)	-12,878	6,679
Including: Share of loss of a joint venture	-12,945	-9,370
Other gains	132,840	-
2.Operating profit ("-" for loss)	**-2,116,238**	-4,439,422
Add: Non-operating income	93,686	69,736
Including: Gains from disposal of non-current assets	4,986	6,084
Less: Non-operating expenses	63,434	26,608
Including: Losses from disposal of non-current assets	37,960	5,679
3.Profit before income tax("-" for loss)	**-2,085,986**	-4,396,294
Less: Income tax expenses	199,370	113,210
4.Net profit for the period("-" for loss)	-2,285,356	-4,509,504
Profit for the period attributable to: - The owners' of the company	-2,285,324	-4,509,421
- Minority interests	-32	-83
5.Earnings per share("-" for loss):		
Basic earnings per share (in RMB)	-0.16	-0.32
Diluted earnings per share (in RMB)	-0.16	-0.32
6.Other comprehensive income for the period	-	-
7.Total comprehensive income for the period	-2,285,356	-4,509,504
Total comprehensive income for the period attributable to: - The owners of the Company	-2,285,324	-4,509,421
- Minority shareholders	-32	-83

Consolidated cash flow statement
(Expressed in thousands of renminbiyuan)

	For the six months ended 30 June	
	2017	**2016**
1.Cash flows from operating activities:		
Cash received from sale of goods	21,243,506	23,731,235
Refund of taxes	133,703	10,127
Cash received from other operating activities	727,661	1,105,805
Sub-total of cash inflows	22,104,870	24,847,167
Cash paid for goods and services	15,740,923	17,785,051
Cash paid to and for employees	5,526,507	5,541,040
Cash paid for all types of taxes	1,004,765	2,425,996
Cash paid relating to other operating activities	1,820,989	2,205,704
Sub-total of cash outflows	24,093,184	27,957,791
Net cash inflow from operating activities("-" for outflow)	**-1,988,314**	-3,110,624
2.Cash flows from investing activities:		
Cash received from recouping the investment	-	51,000
Cash received from the investment income	367	16,051
Net cash received from disposal of fixed assets	5,722	2,629
Sub-total of cash inflows	6,089	69,680
Cash paid for acquisition of fixed assets and intangible assets	214,766	230,407
Cash paid for the investments		4,000
Sub-total of cash outflows	214,766	234,407
Net cash inflow from investing activities("-" for outflow)	**-208,677**	-164,727
3.Cash flows from financing activities:		
Cash received from borrowings	29,010,835	26,850,384
Cash received from other financing-related activities	3,038	1,285
Sub-total of cash inflows	29,013,873	26,851,669
Cash paid for repayments of borrowings	26,837,186	22,986,605
Cash paid for distribution of dividend, profit or payments of interests	352,785	200,224
Cash paid for other financing activities	29,336	11,093
Sub-total of cash outflows	27,219,307	23,197,922
Net cash inflow from financing activities	**1,794,566**	3,653,747
4.Effect of foreign exchange rate changes on cash and cash equivalents	-29,983	32,793
5.Net (decrease)/increase in cash and cash equivalents	-432,408	411,189
Add: Cash and cash equivalents at the beginning of the period	2,446,923	1,993,209
6.Cash and cash equivalents at the end of the period	**2,014,515**	2,404,398

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

Items	Share capital	Capital reserve	Specific reserve	Surplus reserve	(Accumulated losses)/Retained earnings	Minority interests	Total shareholders' equity
Balance at 31 December 2016	14,142,661	8,897,232	176,068	200,383	-14,973,476	-1,276	8,441,592
Adjustment for the business combination under common control	-	-	-	-	-	-	-
Balance at 1 January 2017	14,142,661	8,897,232	176,068	200,383	-14,973,476	-1,276	8,441,592
Changes during the period (decrease in "-")		9,048	153,176		-2,285,324	-32	-2,123,132
Increase or decrease of capital	-	9,048	-	-	-	-	9,048
Total comprehensive income					-2,285,324	-32	-2,285,356
Transfer of equity	-	-	-	-	-	-	-
Distribution of profits	-	-	-	-	-	-	-
Special reserve-provided during the period	-	-	284,906	-	-	-	284,906
Special reserve-used during the period (expressed in "-")	-	-	-131,730	-	-		-131,730
Balance at 30 June 2017	**14,142,661**	**8,906,280**	**329,244**	**200,383**	**-17,258,800**	**-1,308**	**6,318,460**
Balance at 31 December 2015	14,142,661	8,894,216	259,547	200,383	1,141,287	-1,141	24,636,953
Balance at 1 January 2016	14,142,661	8,894,216	259,547	200,383	1,141,287	-1,141	24,636,953
Changes during the period (decrease in "-")			71,278	-	-4,509,421	-83	-4,438,226
Total comprehensive income					-4,509,421	-83	-4,509,504
Increase or decrease of capital			-	-	-	-	-
Special reserve-provided during the period	-	-	232,721	-	-	-	232,721
Special reserve-used during the period (expressed in "-")	-	-	-161,443	-	-	-	-161,443
Balance at 30 June 2016	**14,142,661**	**8,894,216**	**330,825**	**200,383**	**-3,368,134**	**-1,224**	**20,198,727**

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			
	2017	2016	At 30 June 2017	At 1 January 2017
Amounts under PRC ASBE	-2,285,324	-4,509,421	6,319,768	8,442,868
Adjustments under IFRS:				
Specific reserve (a)	153,176	71,278	-	-
Amounts under IFRS	-2,132,148	-4,438,143	6,319,768	8,442,868

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 2017, the Company has complied with all the code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules, except that:

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

The Company held the 10th meeting of the Audit Committee of the eighth session of the Board on 28 August 2017, during which the interim financial statements of the Company for the reporting period was reviewed.

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
Li Honghai
Secretary to the Board

29 August 2017
Beijing, The PRC

As at the date of this announcement, the Board of Directors comprises Mr.Jiao Fangzheng+*,Mr.SunQingde*#*,Mr. Zhou Shiliang*#*, Mr. Li Lianwu*+*,Ms. Jiang Bo***, Mr. Zhang Huaqiao***,Mr Pan Ying**.

"+"*Non-Executive Director*
" # " *Executive Director*
"*" *Independent Non-Executive Director*