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Sinopec Oilfield Service Corporation

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

(Stock code: 1033)

Announcement of the interim results for the six months ended 30 June 2020

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 2020.

1. IMPORTANT NOTES

1.1 The 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 2020, 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 2020, which have been prepared in accordance with the IFRS, have been reviewed by Grant Thornton Hong Kong Limited.

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

1.4 This announcement of interim results is a summary of the 2020 Interim Report of the Company. For more details, investors should carefully read the full version of the 2020 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	Shen Zehong
Address	Office of the board of directors, #9 Jishikou Road, Changyang District, Beijing, China.	
Telephone	86-10-59965998	
Fax	86-10-59965997	
E-mail	ir.ssc@sinopec.com	

2.2 Principal financial data and financial indicators

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

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000	Increase/(Decrease) (%)
Total assets	65,539,809	62,069,378	5.6
Total liabilities	58,165,083	55,305,506	5.2
Total equity attributable to equity shareholders of the Company	7,374,726	6,763,872	9.0
Net assets per share attributable to equity shareholders of the Company (RMB)	0.388	0.356	9.0
	For the six months ended 30 June 2020 RMB '000	For the six months ended 30 June 2019 RMB '000	Increase/(Decrease) (%)
Profit attributable to equity shareholders of the Company	608,555	803,913	(24.3)
Basic and diluted earnings per share	RMB 0.032	RMB 0.042	(23.8)
Net cash generated from/(used in) operating activities	281,258	(709,159)	Not applicable
Return on net assets	8.25%	12.21%	Decreased by 3.96 percentage points
Net cash generated from/(used in) operating activities per share	RMB 0.015	RMB (0.037)	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 2020 RMB'000	For the six months ended 30 June 2019 RMB'000	Increase/(Decrease) (%)
Operating income	31,432,437	30,256,030	3.9
Operating profit	454,574	736,554	-38.3
Profit before income tax	452,870	742,777	-39.0

Net profit attributable to equity shareholders of the Company	298,277	509,428	-41.4
Net profit deducted extraordinary gain and loss attributable to equity shareholders of the Company	227,701	430,060	-47.1
Net cash inflow from operating activities (“-” for outflow)	281,258	-709,159	Not applicable
	As at 30 June 2019 RMB’000	As at 31 December 2019 RMB’000	Increase/(Decrease) (%)
Total equity attributable to equity shareholders of the Company	7,374,726	6,763,872	9.0
Total assets	65,539,809	62,069,378	5.6

(2) Key financial indicators

	For the six months ended 30 June 2020	For the six months ended 30 June 2019	Increase/(Decrease) (%)
Basic earnings per share (RMB)	0.016	0.027	-40.7
Diluted earnings per share (RMB)	0.016	0.027	-40.7
Basic earnings per share deducted extraordinary gain and loss (RMB)	0.012	0.023	-47.8
Weighted average return on net assets	4.31%	8.44%	Decreased by 4.13 percentage points
Weighted average return on net assets deducted extraordinary gain and loss	3.29%	7.13%	Decreased by 3.84 percentage points

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

Extraordinary gain and loss items	Amount (RMB’000)
Gain on disposal of non-current assets	3,839
Government grants recognized in profit or loss during the current period	49,257
Gains of debt restructuring	37,298
Other non-operating income and expenses excluding the aforesaid items	-1,703
Effect of income tax	-18,115
Total	70,576

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

	Net profit attributable to equity shareholders of the Company		Total equity attributable to equity shareholders of the Company	
	For the six months ended 30 June 2020 RMB’000	For the six months ended 30 June 2019 RMB’000	As at 30 June 2020 RMB’000	As at 1 January 2020 RMB’000
PRC ASBE	298,277	509,428	7,374,726	6,763,872
Adjusted items and amounts in accordance with IFRS:				
Specific reserve (a)	310,278	294,485	-	-
IFRS	608,555	803,913	7,374,726	6,763,872

Explanations for difference	Please refer to the section 7. 3 of the financial report in this announcement
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3. CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF MAJOR SHAREHOLDERS

3.1 Changes in share capital

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

3.2 As at 30 June 2020, there were 129,023 shareholders in the Company, including 128,676 shareholders of A shares and 347 registered holders of H shares.

3.3 As at 30 June 2020, the shareholdings of the top ten shareholders of the Company are as follows:

Shareholdings of the top ten shareholders						
Names of shareholders	Nature of shareholders	Changes of shareholdings ¹ (shares)	Number of shares held at the end of the reporting period (shares)	Percentage to total share capital (%)	Number of shares with selling restrictions (shares)	Number of shares pledged or frozen
China Petrochemical Corporation ²	State-owned legal person	0	10,727,896,364	56.51	1,503,568,702	0
Hong Kong Securities Clearing Company (Nominees) Limited (“HKSCC (Nominees) Limited”) ³	Overseas legal person	90,950	5,402,034,694	28.46	2,595,786,987	0
CITIC Limited	State-owned legal person	0	1,035,000,000	5.45	0	0
Donghai Fund-Xingye Bank-Huaxin Trust-Huizhi Investment No.49 Trust Plan	Others	0	66,666,666	0.35	0	0
Donghai Fund-Xingye Bank-Huaxin Trust-Huizhi Investment No.47 Trust Plan	Others	0	66,666,666	0.35	0	0

China Minsheng Banking Co., Ltd. Hohhot Branch	Domestic non-state legal person	-87,301,501	40,145,899	0.21	0	0
Changjiang Pension Insurance Co.,Ltd.- Changjiang Shengshi Huazhang No.2 Community Pension Management Fund ⁴	Others	0	23,148,854	0.12	23,148,854	0
Huaan Fund-Industrial Bank –China Foreign Economy & Trade Co.Ltd	Others	0	13,333,300	0.07	0	0
Hong Kong Securities Clearing Company Limited ⁵	Others	-7,047,853	12,759,299	0.07	0	0
China Merchants Bank Co., Ltd.- Bosera China Securities Central Enterprise Innovation-Driven Exchange Open Index Securities Investment Fund	Others	-4,155,500	10,499,400	0.06	0	0

Shareholdings of top ten shareholders of shares without selling restrictions

Name of shareholders	Number of shares without selling restrictions held at the end of the reporting period (shares)	Types of shares
China Petrochemical Corporation	9,224,327,662	A Share
Hong Kong Securities Clearing Company (Nominees) Limited (“HKSCC (Nominees) Limited”)	2,806,247,707	H Share
CITIC Limited	1,035,000,000	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
China Minsheng Banking Co., Ltd. Hohhot Branch	40,145,899	A Share
Huaan Fund- Industrial Bank –China Foreign Economy & Trade Co.Ltd	13,333,300	A Share
Hong Kong Securities Clearing Company Limited	12,759,299	A Share

China Merchants Bank Co., Ltd.-Bosera China Securities Central Enterprise Innovation-Driven Exchange Open Index Securities Investment Fund	10,499,400	A Share
Linghang Investment Australia Limited-Linghang Emerging Market Stock Index Fund (Exchange)	9,301,900	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 2019.
2. Apart from directly holding 10,727,896,364 A-shares of the Company, China Petrochemical Corporation also held 2,595,786,987 H-shares through its wholly-owned subsidiary Sinopec Century Bright Capital Investment Company Limited. Therefore, China Petrochemical Corporation directly and indirectly holds 13,323,683,351 shares of the Company, which represents 70.18% of the total shares.
3. “HKSCC (Nominees) Limited” is a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited, acts as an agent to hold H shares of the company on behalf of other companies or individual shareholders.
4. Changjiang Pension Insurance Co., Ltd held it on behalf of Qi Xin Gong Ying Scheme.
5. Hong Kong Securities Clearing Company Limited is a wholly-owned subsidiary of the Hong Kong Exchanges and Clearing Limited, acts as an nominal holder to hold A shares of the company in the Shanghai stock exchange on behalf of the investors of the Hong Kong stock exchange.

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

As far as known to the Directors, as at 30 June 2020, 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 (shares)	Per cent of shareholding in the Company's total issued share capital (%)	Per cent of shareholding in the Company's total issued domestic shares (%)	Per cent of shareholding in the Company's total issued H shares (%)	Short position (shares)
China Petrochemical Corporation	10,727,896,364 (A share)	56.51	79.06	Not Applicable	-
	2,595,786,987 (H share) ¹	13.67	Not Applicable	47.94	-
CITIC Limited	1,035,000,000 (A share)	5.45	7.63	Not Applicable	-

Note: 1. China Petrochemical Corporation held 2,595,786,987 H shares of the Company through its wholly-owned subsidiary Sinopec Century Bright Capital Investment, Ltd.. China Petrochemical Corporation is deemed to have H shares held by Sinopec Century Bright Capital Investment, Ltd..

Save as disclosed above, as at 30 June 2020, 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. Pan Ying, an independent non-executive director of the company, was unable to perform his duties normally due to his physical health and ceased to serve as an independent non-executive director, director of the remuneration committee, and member of the audit committee of the ninth board of directors of the company from April 2, 2020. The Company would like to express its gratitude to Mr. Pan Ying for his hard working and outstanding contribution to the Company.

Due to personal reasons, Mr. Chen Weiguo ceased to serve as the employee representative supervisor of the company from August 6, 2020.

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

At 30 June 2020, except for the Share Option Incentive Scheme and Qi Xin Gong Ying Scheme 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 Issuers (“**Model Code**”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”).

Share Option Incentive Granted to Directors, Supervisors and Senior Management

Unit: Shares

Name	Position	Number of share options held at the beginning of reporting period	Number of share options newly granted during the reporting period	Exercisable share options during the reporting period	Share options exercised during the reporting period	Number of share options by the end of reporting period
Zhang Yongjie	Deputy Manager	76,000	0	0	0	76,000
Liu Rushan	Deputy Secretary of CPC Committee	76,000	0	0	0	76,000
ZuoYaojiu	Deputy Manager	72,000	0	0	0	72,000
Zhang Jinhong	Deputy Manager	72,000	0	0	0	72,000
Li Honghai	Secretary to the Board	56,000	0	0	0	56,000
Total	/	352,000	0	0	0	352,000

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

On 25 January 2018, the Company non-publicly issued 1,503,568,702 and 23,148,854 shares of restricted-sale A shares to the China Petrochemical Corporation and the Qi Xin Gong Ying Scheme respectively. Qi Xin Gong Ying Scheme is managed by Changjiang Pension Insurance Co. Limited, and its shares shall be subscribed by the certain directors, supervisors, senior management and other core management personnel of the Company. The number of subscribers is 198, and the subscription amount is RMB 60.65 million. The subscription price for each scheme share under Qi Xin Gong Ying Scheme is RMB 1.00. The duration of Qi Xin Gong Ying Scheme is 48 months commencing from 25 January 2018. The first 36 months shall be the lock-up period and the last 12 months shall be the unlocking period.

In Qi Xin Gong Ying Scheme, directors, supervisors and senior management of the Company have subscribed 3.55 million scheme shares in total, accounting for approximately 5.9% of the total scheme shares of Qi Xin Gong Ying Scheme. There are 10 in total for directors, supervisors and chief executives of the Company have subscribed for Qi Xin Gong Ying Scheme. The subscription by the directors, supervisors and chief executives of the Company under Qi Xin Gong Ying Scheme are as follows:

Name	Position	Subscription amount under Qi Xin Gong Ying Scheme (RMB)	Subscription scheme shares under Qi Xin Gong Ying Scheme	Subscription price (RMB/A Share)	Subscription of A share (Shares)
Chen Xikun	Chairman, Secretary of CPC Committee	400,000	400,000	2.62	152,671
Zhang Hongshan	Supervisor	350,000	350,000	2.62	133,587
Zhang Yongjie	Deputy Manager	350,000	350,000	2.62	133,587
ZuoYaojiu	Deputy Manager	350,000	350,000	2.62	133,587
Zhang Jinhong	Deputy Manager	350,000	350,000	2.62	133,587
Li Honghai	Secretary to the Board	300,000	300,000	2.62	114,503
Sun Qingde	Former Vice Chairman, General Manager	400,000	400,000	2.62	152,671
Li Wei	Former Chairman of Supervisory Committee	350,000	350,000	2.62	133,587
Huang Songwei	Former Supervisor	350,000	350,000	2.62	133,587
Li Tian	Former CFO	350,000	350,000	2.62	133,587
Total	/	3,550,000	3,550,000	-	1,354,954

4.3 Independent Non-Executive Director and Audit Committee

As at 30 June 2020, 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. Chen Weidong and Mr. Dong Xiucheng. The main responsibilities of the Audit Committee are to review and supervise the Company's financial reporting procedures and internal control system, and to provide advice to the Board. The Audit Committee has reviewed and confirmed the interim results for the six months ended 30 June 2020.

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 2020, the global spread of the epidemic brought greater downward pressures on the global economy, resulting in significant increases in instabilities and uncertainties. The economic operation in China was also affected. The gross domestic product (GDP) decreased by 1.6% over the same period of last year. The international crude markets witnessed oversupply due to the macro economic downturn and other factors and international oil prices plunged significantly with the average price below the same period of last year. The average Europe Brent Spot Price was USD40.2 per barrel, representing a decrease of 39.1% as compared to the same period of last year. As a result, oil companies reduced upstream exploration and development capital expenditure, bringing significant shock to the oilfield service industry. However, the three major domestic oil companies continued to promote oil and gas exploration and development, providing support to the workload of the Company.

In the first half of 2020, the Company made more efforts in improving the engineering technical service capability and strengthened win-win cooperation with oil companies, achieving increases in market expansion against the market trend. The total newly signed contracts amounted to RMB42.97 billion, representing a year-on-year increase of 0.3%. In particular, the newly signed contracts in the Sinopec Group market amounted to RMB21.84 billion, representing a year-on-year decrease of 5.0%. The newly signed contracts in domestic external markets amounted to RMB8.98 billion, representing a year-on-year increase of 13.1%. The newly signed contracts in overseas markets amounted to RMB12.15 billion, representing a year-on-year increase of 1.9%.

5.2 Operation Review

In the face of the outbreak of the epidemic and the plunge of international oil prices in the first half of 2020, the Company focused on the prevention and control of the epidemic, actively promoted work and production resumption, vigorously explored markets and optimized resources allocation, achieving better operating results than expected. The Company's consolidated revenue was RMB 31,432,437,000, representing an increase of 3.9% compared to RMB 30,256,030,000 for the same period of last year. Net profit attributable to shareholders of the Company was RMB298,277,000, decreased by 41.4% compared to RMB509,428,000 for the same period of last year; basic earnings per share was RMB 0.016, decreased by RMB 0.011 compared with the same period of last year; and net cash inflow from operating activities was RMB 281,258,000.

In the first half of 2020, the Company's operating results declined firstly and recovered later, with results increasing from negative to positive and significant improvement in major operating indicators in the second quarter. In the first quarter, due to the impacts of the epidemic, net profit attributable to shareholders of the Company was RMB-182,308,000, representing a year-on-year decrease of 196.9%. In the second quarter, the Company seized the favorable opportunity of the continuous improvement in the domestic prevention and control of the epidemic and actively develop the market, strengthen production and operation, and strive to reduce costs with the campaign on achieving breakthroughs

and improving efficiency in 100 days as the driver, achieving net profit attributable to shareholders of the Company of RMB 480,585,000, representing a year-on-year increase of 49.6%.

In the face of the complicated and severe market situation in the first half of 2020, the Company coordinated the prevention and control of the epidemic and work and production resumption, played its role as the main force for oil and gas exploration and development, coordinated and optimized the market layout, reinforced the production organization of projects under construction, explored the market and tapped into the potential to reduce costs, reducing the adverse effects of the epidemic and the plunge in oil prices to the maximum extent and maintaining stable production and operation on the whole.

5.2.1 Geophysical service

In the first half of 2020, the Company's geophysical services business recorded a revenue from principal business of RMB1,808,761,000, representing a decrease of 3.3% from RMB1,869,906,000 for the corresponding period of last year. The completed 2D seismic exploration accumulated for 6,479 kilometers, representing a year-on-year decrease of 50.8%; while the completed 3D seismic exploration accumulated for 11,368 square kilometers, representing a year-on-year increase of 120.7%; the qualified rates of data records for both 2D and 3D seismic exploration are 100%. In the first half of the year, the Company vigorously promoted advanced technologies such as high-density seismic exploration, high-precision seismic exploration in complex mountainous areas and nodal seismic acquisition system to comprehensively enhance its oil and gas exploration capabilities. It actively served oil and gas exploration of Sinopec in Shunbei, southeast Sichuan and other regions. In the first half of the year, the newly signed contracts in the Sinopec Group market amounted to RMB1.24 billion, representing a year-on-year increase of 12.7%. The Company vigorously expanded external markets. It signed the contract on the 3D seismic information collection program of CNOOC Shenzhen Branch and renewed the ship service program of Zhanjiang Branch with a total contracted amount of RMB240 million.

5.2.2 Drilling service

In the first half of 2020, the Company's drilling services business recorded a revenue from principal business of RMB16,917,552,000, representing an increase of 0.8% from RMB16,779,456,000 for the corresponding period of last year. The completed drilling footage reached 4,880 kilometers, representing a year-on-year decrease of 2.6%. The average utilization rate of domestic drilling teams reached 80%. The Company continued to optimize the team and market layout, enhanced the production operation and organization, strengthened technical breakthroughs, optimized construction techniques, improved construction quality and operation efficiency of drilling rigs and achieved remarkable results in on-site improvement of the quality, service speed and efficiency. The average drilling cycle at key construction area in "Northwest China, North China, Northeast China and Sichuan" and the time on complicated failures reduced by 20.3% and 44.1% compared with the same period of last year, respectively, fully guaranteeing the construction of key production capacity in the second phase of Weirong shale gas field, Shunbei oil and gas field, West Sichuan marine natural gas field, Erdos tight gas field and old oilfields in the east and effectively serving high-quality exploration and efficiency development of Sinopec. It firmly seized the favorable opportunity of rigs insufficiency in the domestic external markets and continuously consolidated and expanded the markets of scale such as PetroChina and CNOOC.

5.2.3 Logging and mud logging service

In the first half of 2020, the Company's logging and mud logging services business recorded a revenue from principal business of RMB1,138,241,000, representing an increase of 8.6% from RMB1,048,528,000 for the corresponding period of last year. The completed logging projects accumulated for 135,940,000 standard meters, representing a year-on-year increase of 10.9%. The completed mud logging projects accumulated for 4,830,000 meters, representing a year-on-year increase of 5.7%. The various quality and technical indicators of logging/mud logging services were maintained well and the pass rate of logging/mud logging data was 100%. The workload of the logging/mud logging business generally remained stable in the first half of the year. The development of Weirong shale gas, Shunbei and West Sichuan marine gas and other oil and gas fields of Sinopec provided guarantees to the workload and the Sichuan basin shale gas of PetroChina and other domestic external markets also supported the logging/mud logging services business of the Group. Ancillary technologies continued to improve, and new records were created for various indicators such as logging construction and perforating, providing technical support for exploration and development and key market guarantees.

5.2.4 Downhole operation service

In the first half of 2020, the Company's downhole operation services business recorded a revenue from principal business of RMB3,782,642,000, representing an increase of 18.3% as compared with RMB3,197,268,000 for the corresponding period of last year. The Company has completed downhole operation for 3,106 wells/times, with a year-on-year decrease of 7.6%. The qualified rate of one-time downhole special operation was 99.7%. The shale gas fracturing timeliness was improved by 24.5% year on year. The Company consistently strived to increase its support for the exploration and development of Sinopec in "Northwest China, North China, Northeast China and Sichuan". On the basis of accelerating production and operation, deepening cost reduction and potential tapping and strengthening technology research and development, the Company focused on achieving breakthroughs and gave full play to the advantages of professionalism and integration in horizontal well subdivided fracturing, large-scale acid fracturing, acid gas testing, high-pressure and high temperature well testing, horizontal well repairment, high-pressure operations and coiled tubing, providing strong technical support to Fuling shale gas field, Weirong deep shale gas field, tight gas field in North China, Shunbei ultra-deep oil and gas field and other internal markets of Sinopec and the Sichuan basin shale gas of PetroChina and other domestic external markets.

5.2.5 Engineering and construction service

In the first half of 2020, the Company's engineering and construction services business recorded a revenue from principal business of RMB6,792,317,000, representing an increase of 4.8% as compared with RMB6,481,250,000 for the corresponding period of last year. In the first half of 2020, the Company has completed contracts valued of RMB7.17 billion, representing a year-on-year increase of 3.6%; the newly signed contracts were valued at RMB8.91 billion, representing a year-on-year decrease of 13.9%. The Company fully promoted the construction of key projects such as new gas pipeline, Rizhao-Puyang-Luoyang Crude Pipeline, Qingdao-Nanjing Gas Pipeline and the construction of MIP16 and 17 pipelines in Saudi Arabia. The Company vigorously expanded in the Sinopec refining and crude oil (gas) commercial reserve and other markets and won the bids for various projects, such as the construction of production capacity of Shunbei oil and gas field, Hainan Refining and crude oil commercial reserve in Kuche, and the newly signed contracts were valued at RMB4.72 billion. The Company vigorously expanded domestic external markets such as gas, roads and bridges and the newly signed contracts were valued at RMB3.15 billion. It won the bids for the expansion of Huaian-Jiangdu section of Beijing-Shanghai Expressway, the expansion of Three Gorges Renewables and other high-quality projects.

5.2.6 International business

In the first half of 2020, the Company's international business achieved a revenue from principal business of RMB6,195,560,000, representing an increase of 3.1% as compared with RMB6,009,307,000 for the corresponding period of last year, accounting for 19.9% of the revenue from principal business of the first half of the year. In the first half of the year, the Company vigorously focused on the prevention and control of the epidemic, production and operation in overseas countries, expanded markets, stabilized projects and maintained high efficiency. Through strict control of risks of the epidemic and timely work and production resumption, the international business remained stable on the whole. The Company fully expanded overseas key markets and made positive progress in key large-scale markets. It signed contracts on 12 wellbore projects with Saudi Arabian Oil Company, including the 5-year project of 4 oil well repairment and 6 drilling rigs for irregular gas wells, with a contract value of USD1.22 billion and obtained the qualification for providing screwing services to Saudi Arabian Oil Company. In the Kuwaiti market, the Company signed contracts for 10 drilling and repairing rigs project and renewed 6 drilling rigs project with a contract value of USD180 million, and obtained the qualification for providing services to directional wells of Kuwait Petroleum Company (KOC). In the Algerian market, the Company signed contracts for three 3D seismic information collection and two information handling projects with SONATRACH with a contract value of USD80 million. In the Nigerian market, the Company signed contracts for a 3D seismic information collection project. In the Kenyan market, the Company signed contracts for the road upgrading and transformation project.

5.2.7 Technology Research & development

In the first half of 2020, the Company improved the scientific mechanism, optimized R&D resources and established the Sinopec Oilfield Acid Gas Technology Center. It promoted the integrated development of the R&D and application of testing, logging and locating businesses and consolidated and established Shengli Measurement Technology Institute. It made more efforts in promoting the application of transformation of scientific and technological achievements and achieved industrial application of 175°C high temperature MWD instrument and SINOLOG900 network imaging logging instrument. Shunbei 55X well constructed by the Company achieved a drilling depth of 8,725 meters, setting a record in the depth of onshore directional wells in Asia and making a new step in the ultra-deep drilling technology of the Company. The comprehensive evaluation technology on shale oil mud logging provided strong supports to the segmented and clustering fracturing of horizontal wells. The Company actively advanced the integration of research, production, sales and services covering measurement while drilling, core chemical additives, logging/mud logging instruments and coiled tubing instruments and sped up in the development of emerging businesses. In the first half of the year, a total of 364 domestic and overseas patents were newly applied by the Company, of which 234 patents were granted.

5.2.8 Internal reform and management

In the first half of 2020, the Company fully sped up in market layouts and resources optimization and formulated the guideline on coordinating market layouts and optimizing resources allocation and the plan on the industrial zones in Northeast China and North China as well as the implementation plan on international business. The Company continued to deepen the reform of ancillary business and further promoted the professional development of ancillary business. The number of ancillary business units decreased from 114 at the beginning of the year to 88, representing a decrease of 22.8%. The Company actively and appropriately advanced the reform of three systems, strictly controlled total

labors, revitalized the stock and constantly optimized the team structure. The Company fully implemented the assessment of single-well/project by strengthening performance assessment and intensifying the linkage between compensation and efficiency. It continued to improve the construction of six major systems and advanced refined and scientific project management. The Company amended and improved the management systems and measures on the internal control system and consistently enhanced the risk prevention and corporate governance capabilities according to laws and regulations. The Company continuously strengthened project quality management by strictly controlling procurement quality, and effectively improved the quality management. Both the wellbore quality qualification rate and the cementing quality qualification rate reached 100%. The Company also strengthened the costs and target management of all employees, created its low-cost advantages focusing on reducing operation costs, procurement fees and institutional operation expenses, and achieve a cost reduction of RMB190 million.

5.2.9 Capital Expenditure

In the first half of 2020, capital expenditure of the Company reached RMB610 million. In the first half of the year, the Company adhered to the “proactive and prudent” investment principle, optimized investment structure, strengthened resource coordination, and continued to play the leading and supporting role of investment, mainly for the procurement of 6 drilling rigs for oil fields won the bids in Saudi Arabia, 4 electric fracturing pumps for shale gas oilfields in Southwest China, 9 supporting drilling rigs for deep wells in Shunbei and 1 set of 50,000 seismic acquisition and construction equipment.

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

As at 30 June 2020, the Group’s total assets were RMB 65,539,809,000 and total liabilities were RMB 58,165,083,000. The total equity attributable to shareholders of the Company was RMB 7,374,726,000. Compared with the consolidated statement of financial position as at 31 December 2019 (“Compared with that at the end of last year”), the changes and its main reasons were as follow:

Total assets were RMB 65,539,809,000, increased by RMB 3,470,431,000 compared with that of the end of last year, including that (i) current assets were RMB 35,641,488,000, increased by RMB 5,093,588,000 compared with that of the end of last year, mainly due to the increase in completed and not yet billed projects in the first half of the year, resulting in an increase of RMB 4,572,052,000 in contract assets. Non-current assets were RMB 29,898,321,000, arising from a decrease of RMB 1,623,157,000 from the end of the previous year, mainly due to the normal depreciation and amortization of fixed assets and other non-current assets of the Group in the first half of the year.

The total liabilities were RMB 58,165,083,000, increased by RMB 2,859,577,000 compared with that of the end of last year, including that (i) current liabilities were RMB 55,432,817,000, increased by RMB 2,994,460,000 compared with that of the end of last year, mainly due to an increase of RMB 2,472,349,000 of notes and trade receivables and an increase of RMB 1,146,092,000 of short-term loans in the first half of the year. (ii) non-current liabilities were RMB 2,732,266,000, decreased by RMB 134,883,000 compared with that of the end of last year which is mainly due to the decrease of RMB 150,328,000 in lease liabilities in the first half of the year.

Total equity attributable to shareholders of the Company was RMB 7,374,726,000, increased by RMB 610,854,000 compared with that of the end of last year. It mainly due to profit attributable to

shareholders of the Company for the first half of 2020 was RMB 608,555,000.

As at 30 June 2020, the ratio of total liabilities to assets was 88.7%, comparing with 89.1% as at 31 December 2019.

In the first half of 2020, the Group's net cash inflow from operating activities was RMB 281,258,000, representing an increase of cash inflow by RMB 990,417,000 as compared with the corresponding period of last year, mainly due to the increase in the cash collection of notes receivable and inventories and settlement of notes payable by the Group in the first half of 2020.

In first half of 2020, the Group's net cash outflow from investing activities was RMB 439,267,000, a decrease of cash outflow by RMB 258,142,000 as compared with the corresponding period of last year, mainly due to the optimization of investment by the Group in the first half of 2020 to reduce equipment purchase expenses.

In the first half of 2020, the Group's net cash inflow from financing activities was RMB 523,554,000, a decrease of cash inflow by RMB 592,985,000 compared with the corresponding period of last year. It was mainly due to the increase in cash paid for debt repayment in the first half of 2020.

As at 30 June 2020, the Group's borrowings from bank and affiliated companies were RMB 22,096,587,000 (as at 31 December 2019: RMB 20,877,457,000). These borrowings include the short-term borrowings of RMB 21,565,624,000 and the long-term borrowings due more than one year of RMB 530,963,000. As at 30 June 2020, approximately 88.9% of the borrowings were denominated in Renminbi (as at 31 December 2019: 86.6%) and approximately 11.1% were denominated in US Dollars (as at 31 December 2019: 13.4%).

As at 30 June 2020, the gearing ratio of the Group was 75.1% (as at 31 December 2019: 76.1%). 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 2020 RMB '000	Operating cost for the first half of 2020 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	1,808,761	1,686,201	6.8	-3.3	-5.1	Increased by 1.8 percentage points
Drilling	16,917,552	15,380,280	9.1	0.8	1.8	Decreased by 0.9 percentage points
Logging/ Mud logging	1,138,241	898,987	21	8.6	8.2	Increased by 0.3 percentage points
Downhole	3,782,642	3,501,686	7.4	18.3	18.8	Decreased by

operation						0.4 percentage points
Engineering and Construction	6,792,317	6,330,907	6.8	4.8	6.4	Decreased by 1.4 percentage points
Other	627,847	656,365	-4.5	-0.9	3.3	Decreased by 4.2 percentage points
Total	31,067,360	28,454,426	8.4	3.5	4.4	Decreased by 0.8 percentage points

5.5 Statement of operation by regions

Region	Operating income for the first half of 2020 RMB '000	Increase/ (decrease) as compared with the corresponding period of last year (%)
Mainland China	24,871,800	3.6
Hong Kong, Macau, Taiwan and overseas	6,195,560	3.1

5.6 Business prospects

Looking forward to the second half of 2020, the oil service industry will face challenges as well as opportunities and the operation situation will be severe and complicated on the whole. Currently, the global epidemic is still spreading. With increasing external risks and challenges, the domestic economic recovery will still face pressures. The international oil prices are expected to maintain fluctuation at low levels due to the declining demands. Due to the impacts of the epidemic and the oil prices, oil companies adjusted strategies and tightened investments to reduce the cost. At the same time, requirements of the oil service industry for improving the quality and speed of oil service business and increasing production and reducing costs are more intense and urgent. However, we also saw that the stable and positive fundamentals of China's economic development remain unchanged and China's economy has firstly recovered in the second quarter. It is expected that the trend of China's economic recovery and improvement is likely to continue in the second half of the year. The three major oil companies in China will continue to implement the seven-year action plan for oil and gas exploration and development, which will provide opportunities for the development of the domestic oil service industry.

In the second half of 2020, the Company will continue to leverage the advantages of complicated services and special technologies to support exploration and development of Sinopec and continue to optimize the market layout and fully expand the market. The Company planned to achieve a newly signed contract value of RMB25.1 billion in the second half of the year, in which RMB16.1 billion will be from Sinopec's internal market, RMB4.5 billion from domestic external market, and RMB4.5 billion from overseas market. In addition, focusing on efficiency improvement, the Company will optimize and integrate internal resources, strengthen technological innovation and application, further strengthen cost control, strive to expand operating results and improve the corporate development quality.

5.6.1 Geophysical service

In the second half of 2020, the Company will effectively serve the exploration and development of domestic and overseas oil companies, continue to strengthen the efficiency exploration with project management as the core, and improve the operation efficiency of projects. It will explore the establishment of a new cooperation model of sharing risks and interests with oil companies and promote the standardized, mechanized, informationalized and intelligent geophysical construction and jointly solve the difficulties in exploration and development. The Company will strengthen market tracking and development for China Geological Survey, the Chinese Academy of Geological Sciences and Beijing Energy Group. It will make more efforts in the expansion of overseas land and offshore markets such as Middle East, Ecuador and Algeria and strive for more quality seismic information collection projects. In new business markets such as non-seismic, surveying and mapping, measurement, etc., it will actively expand and cultivate business growth points. In the second half of the year, the Company plans to complete the 2D seismic information collection of 2,721 kilometers and the 3D seismic information collection of 8,547 square kilometers.

5.6.2 Drilling service

In the second half of 2020, the Company will continue to enhance the engineering technology service capability, strengthen the integration of geology and engineering and optimize key factors restricting the improvement of drilling quality, speed and efficiency to effectively control construction risks, raise the drilling efficiency and shorten the drilling cycle. It will consistently strengthen the service of high-quality exploration and efficiency development in the upstream of Sinopec, give play to its advantages in complete industrial chains and technologies, reinforce the scientific operation of the team, strengthen the support of production enhancement technology to ultra-deep wells, shale gas, tight oil and gas and the mature oil fields in Eastern China, and make good efforts in the development of key projects such as the second phase of Weirong shale gas, West Sichuan marine gas field, Shunbei oil and gas field and North China tight gas field to consolidate its market share. The Company will continue to expand the coverage of both domestic and overseas markets such as PetroChina and CNOOC and expand the market share of domestic shale gas, conventional oil and gas, coalbed methane, etc. In the second half of the year, a drilling footage of 4,300,000 meters is planned to be completed.

5.6.3 Logging and mud logging service

In the second half of 2020, the Company will continue to improve the professional technology system for logging and mud logging service, expand the application of various new technologies for logging/mud logging, and continue to improve the support capacity of exploration and development services. While maintaining the stable Sinopec Group market, the Company will actively expand domestic external markets and the overseas service business and accelerate the expansion of scale and effective market. The Company will also continue to strengthen the promotion and application of integrated geological orientation of testing, logging and locating and build technical reserves. In the second half of the year, the Company plans to complete a logging of 142,060,000 standard meters, and a mud logging footage of 4,010,000 meters.

5.6.4 Downhole operation service

In the second half of 2020, the Company will constantly raise its technical service and support capability and continue to develop high-end business such as coiled tubing and high-pressure operations. It will improve the reservoir reform and testing capabilities, develop the market of pressure cracking for shale gas in Sichuan and Chongqing, tight gas in North China and ultra-deep oil and gas in Northwest China. The Company will continue to expand and strengthen the overseas well

repairment market such as Kuwait to expand the share of the high-end markets such as coiled tubing business in Saudi Arabia. In the second half of the year, the Company plans to complete the 4,009 downhole operations.

5.6.5 Engineering and construction service

In the second half of 2020, the Company will effectively promote the construction of key projects under construction, including Sinopec Shunbei No. 5 Joint Station and Dongjiakou-Dongying crude oil pipeline, vigorously expand utility projects and businesses in refining and sales sectors and strive to seize the long-distance oil and gas pipeline market. It will focus on the development of key projects such as crude oil commercial reserve bases and gas fields in western Sichuan to consolidate and expand the share in the Sinopec market. In domestic external markets, the Company will continue to expand market expansion in the National Oil and Gas Pipeline Company, local gas pipeline, oil and gas commercial reserve and local roads and bridges and vigorously promote its featured technologies in professional maritime engineering, wind power projects and full automatic welding for pipeline in particular topographies. In overseas markets, the Company will focus on Saudi Arabia, Thailand, Kenya and other mature markets. It will pay close attention to market changes in crude and natural gas pipeline and ground projects construction in oilfields in African countries and conduct preliminary examination on projects to gradually expand overseas markets. In the second half of the year, the Company plans to sign new contract valued at RMB6.8 billion and complete contracts valued at RMB8.1 billion.

5.6.6 International Business

In the second half of 2020, the Company will, as always, vigorously implement the “internationalization” business strategy. Based on the overall requirements of “strict control of risks, supporting excellent and strong players and improving quality and efficiency”, the Company will advance the coordination of market layouts and the optimization of resources allocation for the international business in an orderly manner, support excellent and strong players in 8 key markets such as Saudi Arabia and Kuwait, expand and enhance 14 potential markets such as Kazakhstan and Iraq and withdraw from inefficient markets in an orderly manner. The Company will vigorously expand wellbore technical services, oilfield comprehensive services, geophysical services, ground engineering construction and other professional sectors to lay a solid foundation for “making half contributions” to the international business. In the Saudi Arabian market, the Company will focus on expanding the gas well drilling market, speed up in qualification review on directional wells and fracturing and promote the lump-sum contract of shale gas projects. In the Kuwaiti market, the Company will continue to expand deep wells drilling and repairing, mud logging, drilling rig and well site construction businesses. It will continuously strengthen supervision on project implementation, overseas prevention and control of the epidemic, public security and HSE supervision to consistently enhance the efficiency improvement capabilities of projects.

5.6.7 Technology Research & development

In the second half of 2020, the Company will strengthen the leading role of technology and promote power shift and upgrading. Firstly, it will continue to improve and optimize the R&D system and complete the establishment of the Tight Oil and Gas Technical Center for Oil Projects of Sinopec for operation. Secondly, it will speed up in achieving breakthroughs in technical bottlenecks, focus on key technologies such as drilling rotation guidance with high build-rate, high-pressure and high-temperature MWD above 185°C, generators for measuring and control instruments while drilling and oilfield chemicals resistant to high temperatures, and promote the pilot application of drilling rotation

instruments with regular build-rate. Thirdly, it will vigorously conduct technology research and efficiency improvement, reinforce the support of engineering technology and promote the application of engineering technologies on speed and efficiency improvement such as long open-hole wellbore strengthening, integrated completion of ultra-deep well and one-trip drilling techniques in ultra-deep oil and gas reservoirs and deep shale gas in Shunbei industrial zone and other key sectors.

5.6.8 Internal Reform and Management

In the second half of 2020, the Company will continue to improve the overall plan on corporate reform and development, promote the management of “small institutions and large departments”, implement “release management services” reforms and focus on the improvement of the effectiveness of corporate governance. The Company will continue to coordinate regional market layout, optimize resources allocation and improve the overall efficiency and effectiveness of the Company. It will complete market layout and resources coordination and optimization in industrial zones in northeast and southwest China by the end of the year and promote the coordination of market layout and the optimization of resources allocation in industrial zones in northwest and southwest China. The Company will formulate plans on equipment development in a scientific manner and fully leverage on the Asset Swap and Leasing Center to coordinate and optimize equipment resources to improve the equipment efficiency. The Company will give full play to the role of the Human Resources Allocation Center, advance the structural optimization of teams, reasonably reduce the size of teams and improve the labor productivity of the entire staff. It will fully promote corporate governance according to laws and regulations and establish an integrated management mechanism with the connection and coordination of compliance operation with internal control, risk control, audit and supervision. The Company will also strengthen the cost control of all employees, all elements and the whole process by seizing the key process and key areas and strictly controlling non-production expenses, so as to ensure the smooth realization of the cost reduction target formulated at the beginning of the year.

5.6.9 Capital expenditure

In the second half of 2020, our planned capital expenditure is RMB2.35 billion. The Company will focus on economic benefits, continue to enhance its service exploration and development capabilities, strengthen resource integration and coordination, focusing on ensuring urgent production needs, enhancing technical service capabilities, upgrading and transformation of equipment with potential safety and environmental protection risks, and the construction of integrated cloud platforms for oil projects. By further promoting the transformation of development mode and adjustment of market structure through investment, the Company will cultivate its core competitiveness.

6. SIGNIFICANT EVENTS

6.1 Interim dividends for 2020 and proposal on issue of shares by capitalizing the common reserves

In accordance with the Articles of Association of the Company, the Board resolved that no interim dividend would be distributed for the year ended 31 December 2020, and no issue of bonus shares by way of capitalization of common reserves.

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

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

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

6.5 Information on material connected transactions

The Company's material connected transactions entered into during the six months ended 30 June 2020 were as follows:

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

The nature of the transaction classification	Connected parties	Amount of transaction RMB'000	Proportion of the same type of transaction (%)
Purchase of materials and equipment	China Petrochemical Corporation and its associates	4,739,705	27.8
Rendering engineering services	China Petrochemical Corporation and its associates	18,393,440	59.1
Receiving of comprehensive services	China Petrochemical Corporation and its subsidiaries	218,937	100
Receiving of other comprehensive services	China Petrochemical Corporation and its subsidiaries	86,542	100
Technology R&D Income	China Petrochemical Corporation and its subsidiaries	43,936	97.1
Land and property rental expenses	China Petrochemical Corporation and its subsidiaries	90,292	45.3
Interest expenses	China Petrochemical Corporation and its associates	420,527	88.2
Borrowings obtained	China Petrochemical Corporation and its subsidiaries	26,309,046	98.0
Borrowings repaid	China Petrochemical Corporation and its subsidiaries	25,660,652	100.0
Safety and insurance fund expenses	China Petrochemical Corporation	38,080	100.0
Safety and insurance fund return	China Petrochemical Corporation	61,178	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	Funds provided to connected party	Funds provided to the Company by connected party
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	relation	Opening balance	Occurrence amount	Closing balance	Opening balance	Occurrence amount	Closing balance
China Petrochemical Corporation and its subsidiaries	Controlling shareholders and its subsidiaries	9,798,884	2,395,144	12,194,028	10,168,257	2,764,320	12,932,577
Sinopec Finance Company Limited	Subsidiary companies of the controlling shareholders	-	-	-	12,080,000	-1,440,000	10,640,000
Sinopec Century Bright Capital Investment Limited	Subsidiary companies of the controlling shareholders	-	-	-	2,797,457	-871,833	1,925,624
Total		9,798,884	2,395,144	12,194,028	25,045,714	452,487	25,498,201
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 and subcontracting 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) Leasing Matters

Unit: RMB										
Lessor	Lessee	Leased Assets	The amount of money involved	Lease commencement date	Lease termination date	Rental Income	The basis for determining the rental income The impact of leasing proc	The impact of leasing proceeds on the company	Is it a connected transaction?	Connected relation
Taiping & Sinopec Financial Leasing (TSFL)	Shengli Petroleum Engineering Company	machines and equipment used for drilling and downhole operations	RMB 1 billion	8 February 2018	8 February 2026	RMB - 174 million	Calculated based on a fixed annual interest rate of 4%	No significant impact	Yes	TSFL is a joint venture company of the controlling shareholder of the company
Shanghai Offshore Petroleum Bureau	Sinopec Group Shanghai Offshore Petroleum Bureau Co., Ltd.	semi-submersible rig (Exploration IV)	RMB38.47 million	6 November 2019	5 November 2022	RMB - 5.65 million (before renovation)	at the daily rental of no more than RMB15,500 per day	No significant impact	Yes	Shanghai Offshore Petroleum Bureau is a wholly-owned subsidiary of the controlling

										shareholder of the company
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(c) Guarantees of the company during the reporting period

Unit: RMB'000	
External Guarantee of the Company (excluding Guarantees for Subsidiaries)	
Total Amount of Guarantees during the Reporting Period (excluding Guarantees for Subsidiaries)	0
Total Balance of Guarantees at the end of the Reporting Period (A) (excluding Guarantees for Subsidiaries)	0
The Guarantee of the Company and its Subsidiaries to the Subsidiaries	
Total Amount of Guarantees paid to Subsidiaries during the Reporting Period	-235,180
Total Balance of Guarantees to Subsidiaries at the end of the Reporting Period (B)	13,217,206
Total Company Guarantee (including Guarantee for Subsidiaries)	
Total Guarantees (A+B)	13,217,206
Total Amount of Guarantees as a Percentage of the Company's Net Asset (%)	179.2
Among them:	
Amount of Guarantees provided to Subsidiaries, Actual Controllers and their related Parties (C)	0
Debt Guarantees Amount directly or indirectly for the guaranteed Object whose asset-liability Ratio exceeds 70% (D)	13,217,206
The Amount of the total Guarantee exceeds 50% of the Net Assets (E)	9,529,843
Sum of the three Guarantees above (C+D+E)	22,747,049
Statement of Unexpired Guarantees as potential subject to Joint Liability	None
Guarantee Statement	The guarantees provided by the Company are all provided by the guarantees for the performance of the performance guarantee letters issued by the subsidiaries in the domestic and foreign contracts. The guarantee amount is within the amount approved by the general meeting of the company in 2019.

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

6.7 Analysis of investment situation

(a) Investment in securities

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

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

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

(c) Equities of financial institutions held by the Company

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

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

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

(e) 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 2020:

Undertaking Background	Undertaking Type	Undertaking Party	Undertaking	Undertaking Date and 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. 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 the Company's main business, priorities of the	Undertaking date: 12 September 2014 Period: long term	No	During the reporting period, China Petrochemical Corporation did not act contrary to the promise.

Undertaking Background	Undertaking Type	Undertaking Party	Undertaking	Undertaking Date and Period	Is there deadline for performance of undertaking	Whether or not strictly and timely fulfill the undertaking
			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 and its controlling Company's will sign the standard agreement of connected transactions, and will fulfill the obligations of the program approval and information disclosure, in accordance with the provisions of relevant laws and regulations, and the Company's Articles of Association. The confirmation price related to the connected transaction will follow the principle of fair, reasonable and impartial.	Commitment date: 12 September 2014 Period: long term	No	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	No	During the reporting period, China Petrochemical Corporation did not act contrary to the promise.

Undertaking Background	Undertaking Type	Undertaking Party	Undertaking	Undertaking Date and 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 percent of the Company's shares or de facto controller was subject to any investigation by relevant authorities or enforcement by judicial or disciplinary departments or subject to criminal liability, or subject to investigation or administrative penalty by the CSRC, nor any restriction of participation in the securities market or deemed unsuitability to act as directors thereby by other administrative authorities or any public censured made by a stock exchange.

7. INTERIM FINANCIAL REPORT

7.1 Interim financial report prepared in accordance with IFRS

The following financial information has been extracted from the Company's unaudited interim financial report, prepared in accordance with IFRS, for the six months ended 30 June 2020.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June	
		2020	2019
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4	31,432,437	30,256,030
Cost of sales and taxes and surcharges		(28,449,551)	(27,318,498)
Gross profit		2,982,886	2,937,532
Selling expenses		(28,878)	(25,300)
General and administrative expenses		(1,150,692)	(1,060,520)
Research and development expenses		(619,803)	(479,782)
Finance expenses – net	5	(487,147)	(455,088)
(Provision for)/Reversal of expected credit loss – net	6	(78,454)	4,188
Share of (loss)/profit from joint ventures		(1,016)	9,410
Share of profit from associates		4,036	-
Operating profit		620,932	930,440
Other income	7	162,146	127,629
Other expenses	8	(19,930)	(20,807)
Profit before income tax	9	763,148	1,037,262
Income tax expense	10	(154,593)	(233,349)
Profit for the period		608,555	803,913
Other comprehensive income for the period, net of tax		-	-
Profit attributable to owners of the Company and total comprehensive income for the period		608,555	803,913
Earnings per share for profit attributable to owners of the Company (presented in RMB per share)	11		
Basic and diluted		0.032	0.042

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	14	24,231,789	25,375,631
Other non-current assets		4,944,482	5,374,781
Intangible assets		230,226	281,497
Interests in joint ventures		22,783	23,791
Interests in associates		18,317	15,927
Financial assets at fair value through other comprehensive income	15	32,847	32,847
Deferred tax assets		417,877	417,004
Total non-current assets		29,898,321	31,521,478
Current assets			
Inventories	19	958,844	1,048,465
Financial assets at fair value through other comprehensive income	15	1,753,783	1,446,389
Notes and trade receivables	16	11,162,893	11,996,855
Prepayments and other receivables	17	5,446,704	4,680,066
Contract assets	18	14,279,340	9,707,288
Restricted cash		41,754	18,105
Cash and cash equivalents		1,998,170	1,650,732
Total current assets		35,641,488	30,547,900
Total assets		65,539,809	62,069,378

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2020

	Notes	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Equity			
Share capital	20	18,984,340	18,984,340
Reserves		(11,609,614)	(12,220,468)
Total equity		7,374,726	6,763,872
Liabilities			
Non-current liabilities			
Long term borrowings	24	2,214,081	2,307,828
Deferred income		74,341	92,211
Deferred tax liabilities		16,857	17,854
Provisions		426,987	449,256
Total non-current liabilities		2,732,266	2,867,149
Current liabilities			
Notes and trade payables	22	27,274,575	24,802,226
Other payables	23	3,195,741	2,797,837
Contract liabilities	18	2,523,545	3,575,654
Short term borrowings	24	22,084,542	20,938,450
Current income tax payable		354,414	324,190
Total current liabilities		55,432,817	52,438,357
Total liabilities		58,165,083	55,305,506
Total equity and liabilities		65,539,809	62,069,378
Net current liabilities		(19,791,329)	(21,890,457)
Total assets less current liabilities		10,106,992	9,631,021

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2019

	Attributable to owners of the Company							
	Share capital RMB'000 (Note 20)	Share premium RMB'000	Other capital reserve RMB'000	Surplus reserve RMB'000	Specific reserve RMB'000	Other comprehensive income reserve (non-recycling) RMB'000	Accumulated losses RMB'000	Total equity RMB'000
At 1 January 2019	18,984,340	11,622,283	88,480	200,383	300,609	11,676	(25,429,361)	5,778,410
Profit and total comprehensive income for the period	-	-	-	-	-	-	803,913	803,913
Transactions with owners:								
Appropriation of specific reserve	-	-	-	-	501,235	-	(501,235)	-
Utilisation of specific reserve	-	-	-	-	(206,750)	-	206,750	-
Equity settled share-based transaction (Note 21)	-	-	2,531	-	-	-	-	2,531
Total transactions with owners	-	-	2,531	-	294,485	-	(294,485)	2,531
At 30 June 2019 (Unaudited)	18,984,340	11,622,283	91,011	200,383	595,094	11,676	(24,919,933)	6,584,854

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Cash flows from operating activities		
Cash flows generated from/(used in) operations	388,093	(655,622)
Interest received	19,405	79,224
Income tax paid	(126,240)	(132,761)
Net cash generated from/(used in) operating activities	281,258	(709,159)
Cash flows from investing activities		
Purchases of property, plant and equipment	(458,057)	(717,565)
Purchases of intangible assets	-	(370)
Proceeds from disposal of property, plant and equipment	11,915	10,210
Proceeds from disposal of other non-current assets	5,237	9,020
Increase in investments in a joint venture	(8)	-
Dividends received from associates	1,646	1,296
Net cash used in investing activities	(439,267)	(697,409)
Cash flows from financing activities		
Proceeds from borrowings	26,840,429	16,917,831
Repayments of borrowings	(25,660,652)	(15,224,918)
Payment of lease liabilities	(190,079)	(171,426)
Interests paid	(466,144)	(404,948)
Net cash generated from financing activities	523,554	1,116,539
Net increase/(decrease) in cash and cash equivalents	365,545	(290,029)
Effect of foreign exchange rate changes on cash and cash equivalents	(18,107)	2,323
Cash and cash equivalents at the beginning of the period	1,650,732	2,173,580
Cash and cash equivalents at the end of the period	1,998,170	1,885,874

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

1 General information and the Reorganisation

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

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

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

At the end of December 2014, the Company completed the material assets reorganisation by using of all its assets and liabilities at that time as consideration, to repurchase and then cancel the shares held by China Petroleum & Chemical Corporation. At the same time, the Company acquired 100% equity interest of 中石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.

This interim financial information is presented in RMB, unless otherwise stated. This interim financial information has been approved and authorised for issue by the Board of Directors on 25 August 2020.

2 BASIS OF PRESENTATION AND PREPARATION

2.1 Basis of presentation

As at 30 June 2020, the Group had net current liabilities of approximately RMB19,791,329,000 (31 December 2019: RMB21,890,457,000) and capital commitments of approximately RMB385,933,000; and it had a net profit of RMB608,555,000 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. In December 2019, the Group obtained a line of credit of RMB17 billion and USD0.6 billion (Total: approximately RMB21.2 billion), and line of credit promissory note of RMB7 billion from the Sinopec Group's subsidiaries. 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, daily operation and capital requirements, and considered that going concern basis is appropriate for the preparation of this interim financial information.

2.2 Basis of preparation

This interim financial information for the six months ended 30 June 2020 has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

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

Certain comparative figures have been reclassified to conform to current period's presentation.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

3.1 Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's interim financial information:

Amendments to HKAS 1 and HKAS 8 Definition of Material

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

3.2 Significant accounting policies

The interim financial information have been prepared in accordance with the accounting policies adopted in the Group's most recent annual financial statements for the year ended 31 December 2019.

4 REVENUE AND SEGMENT INFORMATION

The Group's revenue is as follows:

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Geophysics	1,829,604	1,869,906
Drilling engineering	16,999,910	16,779,456
Logging and mud logging	1,144,021	1,048,528
Special downhole operations	3,784,880	3,197,268
Engineering construction	6,826,902	6,481,250
Others	847,120	879,622
	31,432,437	30,256,030

Segment information

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

Five reportable operating segments are as follows:

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

4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information (Continued)

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

All assets are allocated to reportable segments other than certain property, plant and equipment, certain intangible assets, certain other non-current assets, certain inventories, certain contract assets, certain notes and trade receivables, certain prepayment and other receivables, certain cash and cash equivalents, and certain deferred tax assets.

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

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

4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information (Continued)

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

(a) Segment results, assets and liabilities

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

4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information (Continued)

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

For the six months ended 30 June 2020 and as at that date, the segment results, assets and liabilities were as follows: (Continued)

	Geophysics	Drilling engineering	Logging and mud logging	Special downhole operations	Engineering construction	Unallocated	Eliminated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the six months ended 30 June 2020 (Unaudited)								
Supplementary information								
Depreciation and amortisation								
-- Property, plant and equipment	192,078	906,010	100,299	293,245	122,449	132,198	-	1,746,279
-- Other non-current assets	54,224	805,469	37,001	69,500	5,395	1,849	-	973,438
-- Intangible assets	9	41,187	678	3,989	3,714	1,694	-	51,271
Capital expenditure								
-- Property, plant and equipment	52,057	392,067	34,965	69,570	44,582	16,592	-	609,833
-- Long-term equity investments	-	-	-	8	-	-	-	8
Provision for/(Reversal of provision) ECL on trade receivables, net	4,453	22,802	286	12,547	(1,110)	(832)	-	38,146
Provision for/(Reversal of provision) ECL on other receivables, net	1,198	(2,001)	330	792	30,381	3,298	-	33,998
Provision for ECL on contract assets	169	364	1,050	2,334	2,192	201	-	6,310
As at 30 June 2020 (Unaudited)								
Assets								
Segment assets	4,354,909	40,676,535	3,278,712	7,195,798	21,225,805	27,186,628	(38,378,578)	65,539,809
Liabilities								
Segment liabilities	3,167,456	27,892,525	1,777,114	3,449,301	21,039,078	39,218,187	(38,378,578)	58,165,083

4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information (Continued)

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

As at 31 December 2019 and for the six months ended 30 June 2019, 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 2019 (Unaudited)								
Segment revenue and results								
Revenue from external customers	1,869,906	16,779,456	1,048,528	3,197,268	6,481,250	879,622	-	30,256,030
Inter-segment revenue	3,876	782,349	273,910	146,431	121,828	679,375	(2,007,769)	-
Reportable segment revenue	1,873,782	17,561,805	1,322,438	3,343,699	6,603,078	1,558,997	(2,007,769)	30,256,030
Reportable segment (loss)/profit	(36,158)	1,215,590	142,319	128,386	75,372	(595,069)	-	930,440
Other income	4,118	37,128	1,211	801	52,600	31,771	-	127,629
Other expenses	(2,411)	(6,065)	(5,163)	(1,539)	(4,710)	(919)	-	(20,807)
(Loss)/Profit before income tax	(34,451)	1,246,653	138,367	127,648	123,262	(564,217)	-	1,037,262
Income tax expense								(233,349)
Profit for the period								803,913

4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information (Continued)

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

As at 31 December 2019 and for the six months ended 30 June 2019, 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 2019 (Unaudited)								
Supplementary information								
Depreciation and amortisation								
-- Property, plant and equipment	184,057	884,906	93,719	237,515	117,430	136,734	-	1,654,361
-- Other non-current assets	20,817	622,477	18,707	68,472	5,913	53,460	-	789,846
-- Intangible assets	9	32,610	852	290	3,434	2,145	-	39,340
Capital expenditure								
-- Property, plant and equipment	437,077	82,408	10,062	119,811	63,838	24,189	-	737,385
-- Intangible assets	-	-	-	370	-	-	-	370
(Reversal of provision)/ Provision for ECL on trade receivables, net	(358)	25,702	(9,536)	(6,042)	(67,936)	1,480	-	(56,690)
(Reversal of provision)/ Provision for ECL on other receivables, net	(30)	6,496	87	367	30,610	87	-	37,617
(Reversal of provision)/ Provision for ECL on contract assets	(485)	5,909	861	1,230	3,165	4,205	-	14,885
As at 31 December 2019 (Audited)								
Assets								
Segment assets	4,456,257	30,456,832	1,584,703	6,222,747	21,139,252	36,285,557	(38,075,970)	62,069,378
Liabilities								
Segment liabilities	3,253,673	28,892,878	1,436,217	4,691,961	21,032,728	34,074,019	(38,075,970)	55,305,506

4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information (Continued)

(b) Geographical information

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

	Revenue from external customers For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
The PRC	25,225,924	24,246,723
Middle East	4,270,277	3,481,141
Other countries	1,936,236	2,528,166
	31,432,437	30,256,030

	Specified non-current assets	
	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
The PRC	25,169,408	26,705,971
Other countries	4,278,189	4,365,656
	29,447,597	31,071,627

(c) Major customer

For the six months ended 30 June 2020 and 2019, revenue from customers which individually contributed over 10% of the Group's revenue is as follows:

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Customer A	18,434,828	18,336,908

Revenue from this customer was derived from the operating segments of geophysics, drilling engineering, logging and mud logging, special downhole operations and engineering construction accounted for 59% (2019: 61%) of the Group's revenue.

4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information (Continued)

(d) Analysis on revenue from contracts

For the six months ended 30 June 2020 and 2019, the Group derives revenue from the transfer of goods and service at a point in time and over time in the following customers' segment for geophysics, drilling engineering, logging and mud logging, special downhole operations and engineering construction service:

	Geophysics RMB'000	Drilling engineering RMB'000	Logging and mud logging RMB'000	Special downhole operations RMB'000	Engineering construction RMB'000	Unallocated RMB'000	Total RMB'000
For the six months ended 30 June 2020							
Timing of revenue recognition:							
– At a point in time	169	10,442	5,919	235	21,122	269,596	307,483
– Over time	1,829,435	16,989,468	1,138,102	3,784,645	6,805,780	577,524	31,124,954
Total	1,829,604	16,999,910	1,144,021	3,784,880	6,826,902	847,120	31,432,437
For the six months ended 30 June 2019							
Timing of revenue recognition:							
– At a point in time	-	16,359	-	-	18,077	209,912	244,348
– Over time	1,869,906	16,763,097	1,048,528	3,197,268	6,463,173	669,710	30,011,682
Total	1,869,906	16,779,456	1,048,528	3,197,268	6,481,250	879,622	30,256,030

5 FINANCE EXPENSES - NET

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Finance income		
Interest income		
- Sinopec Group's subsidiaries	778	1,390
- Third-parties and other financial institutions	18,627	77,834
	<u>19,405</u>	<u>79,224</u>
Finance expenses		
Interest expenses on loans wholly repayable within 5 years		
- Sinopec Group and its subsidiaries	(404,381)	(375,754)
- Third-party and other financial institutions	(18,578)	(49,826)
Interest expenses on lease liabilities		
- Sinopec Group and its subsidiaries	(14,452)	(8,534)
- Associates and joint ventures of Sinopec Group	(31,909)	(47,445)
- Third-parties	(7,530)	(6,601)
Exchange losses, net	(3,211)	(18,761)
Bank and other charges	(26,491)	(27,391)
	<u>(506,552)</u>	<u>(534,312)</u>
	<u>(487,147)</u>	<u>(455,088)</u>

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

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Provision for/(Reversal of) ECL on trade and other receivables, net	72,144	(19,073)
ECL on contract assets	6,310	14,885
	<u>78,454</u>	<u>(4,188)</u>

7 OTHER INCOME

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Gain on disposal of property, plant and equipment, net	2,906	-
Gain on disposal of other non-current assets, net	933	1,238
Government grants (Note)	99,239	26,194
Waived payables	5,873	14,709
Penalty income	1,149	3,845
Compensation received	6,053	3,466
Gain on debt restructuring	37,298	75,509
Others	8,695	2,668
	162,146	127,629

Note:

For the six months ended 30 June 2020 and 2019, government grants primarily represent financial appropriation income and non-income tax refunds received from respective government agencies without conditions or other contingencies attached to the receipts of the grants.

8 OTHER EXPENSES

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss on disposal of property, plant and equipment, net	-	2,675
Loss on scraps of assets	751	87
Penalty	4,485	4,074
Compensation	3,909	2,310
Others	10,785	11,661
	19,930	20,807

9 PROFIT BEFORE INCOME TAX

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

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Staff costs, including directors and supervisors emoluments	6,754,339	7,479,293
Retirement benefit plan contribution (including in the above mentioned staff costs)		
— Municipal retirement scheme costs	372,719	646,194
— Supplementary retirement scheme costs	311,265	173,261
Share options granted to directors and employees (including in the above mentioned staff costs)	2,299	2,531
Changes in inventories of finished goods and work in progress	27,236	59,369
Raw materials and consumables used	12,654,392	8,373,042
Depreciation and amortisation		
— Property, plant and equipment	1,746,279	1,654,361
— Other non-current assets	973,438	789,846
— Intangible assets	51,271	39,340
Operating lease expenses		
— Short term leases and leases with lease term shorter than 12 months	528,707	780,946
Provision for/(Reversal of) ECL - net		
— Trade and other receivables	72,144	(19,073)
— Contract assets	6,310	14,885
Rental income from property, plant and equipment after relevant expenses	(6,078)	(19,470)
(Gain)/ Loss on disposal/write-off of property, plant and equipment, net	(2,906)	2,675
Gain on disposal/write-off of other non-current assets, net	(933)	(1,238)
Exchange losses, net	3,211	18,761

10 INCOME TAX EXPENSE

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Current tax		
PRC enterprise income tax	19,502	40,073
Overseas enterprise income tax	136,961	192,627
	156,463	232,700
Deferred tax		
(Reversal) and origination of temporary difference	(1,870)	649
Income tax expense	154,593	233,349

According to the Corporate Income Tax Law of the PRC, the applicable income tax of the six months ended 30 June 2020 and 2019 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 2020 and 2019, the majority of the companies of the Group are subject to 25% income tax rate.

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

11 EARNINGS PER SHARE

(a) Basic

For the six months ended 30 June 2020 and 2019, the basic earnings per share is calculated by dividing the profit attributable to owners of the Company.

	For the six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Profit for the period attributable to owners of the Company (RMB'000)	608,555	803,913
Weighted average number of ordinary shares in issue (Shares)	18,984,340,033	18,984,340,033
Basic earnings per share (RMB)	0.032	0.042

(b) Diluted

For the six months ended 30 June 2020 and 2019, the diluted earnings per share was the same as the basic earnings per share as the exercise price of those share options is higher than the average market price for shares during the periods.

12 DIVIDENDS

The Board of Directors of the Company did not recommend the payment of any interim dividends for the six months ended 30 June 2020 (2019: Nil).

13 EMPLOYMENT BENEFITS

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries, wages and other benefits	6,068,056	6,657,307
Retirement benefit plan contribution (note)		
— Municipal retirement scheme costs	372,719	646,194
— Supplementary retirement scheme costs	311,265	173,261
Share options granted to directors and employees (note 21)	2,299	2,531
	6,754,339	7,479,293

Note:

Retirement benefits

As stipulated by the regulations of the PRC, the Group participates in basic defined contribution retirement schemes organised by respective municipal government under which it is governed. As at 30 June 2020, the Group and the employees pay 20% and 8% (31 December 2019: 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 8% (31 December 2019: 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.

14 PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 June 2020

	Buildings	Oil engineering equipment and others	Land	Prepaid land leases	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost						
Balance at 1 January 2020	2,410,301	61,847,590	211,535	136,660	285,553	64,891,639
Additions	100,225	187,441	12,708	-	338,479	638,853
Remeasurement of leases	-	(29,020)	-	-	-	(29,020)
Disposals/ Write-off	(373)	(178,318)	-	-	-	(178,691)
Transferred from construction in progress	-	45,776	-	-	(45,776)	-
Reclassification	486	1,127	-	-	-	1,613
At 30 June 2020	2,510,639	61,874,596	224,243	136,660	578,256	65,324,394
Accumulated depreciation						
Balance at 1 January 2020	723,997	37,286,864	46,447	25,210	-	38,082,518
Depreciation	135,142	1,582,427	27,163	1,547	-	1,746,279
Disposals/ Write-off	(362)	(152,387)	-	-	-	(152,749)
At 30 June 2020	858,777	38,716,904	73,610	26,757	-	39,676,048
Accumulated impairment loss						
Balance at 1 January 2020	8,436	1,353,320	-	-	71,734	1,433,490
Disposals/ Write-off	-	(16,933)	-	-	-	(16,933)
At 30 June 2020	8,436	1,336,387	-	-	71,734	1,416,557
Carrying amounts						
At 30 June 2020 (Unaudited)	1,643,426	21,821,305	150,633	109,903	506,522	24,231,789
At 31 December 2019 (Audited)	1,677,868	23,207,406	165,088	111,450	213,819	25,375,631

Note:

As at 30 June 2020, right-of-use assets with carrying amounts of RMB2,353,815,000 are included in property, plant and equipment (31 December 2019: RMB2,539,624,000).

	Carrying amounts		Depreciation
	As at 30 June 20	As at 1 January 2020	During the six months ended 30 June December 2019
	RMB'000	RMB'000	RMB'000
Buildings	587,041	594,191	107,375
Oil engineering equipment and others	1,506,236	1,668,894	161,631
Land	150,634	165,089	27,163
Prepaid land leases	109,903	111,450	1,547
	2,353,814	2,539,624	297,716

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

For the six months ended 30 June 2019

	Buildings	Oil engineering equipment and others	Land	Prepa id land leases	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost						
Balance at 1 January 2019	1,545,881	59,218,964	-	-	437,148	61,201,993
Adjustment under IFRS 16	439,690	388,024	116,765	144,531	-	1,089,010
Additions	111,207	189,562	3,855	-	432,761	737,385
Disposals/ Write-off	(1,069)	(201,960)	-	-	-	(203,029)
Reclassification	-	-	4,549	(4,263)	-	286
Transferred from construction in progress	-	67,806	-	-	(67,806)	-
At 30 June 2019	<u>2,095,709</u>	<u>59,662,396</u>	<u>125,169</u>	<u>140,268</u>	<u>802,103</u>	<u>62,825,645</u>
Accumulated depreciation						
Balance at 1 January 2019	500,517	35,042,629	-	-	-	35,543,146
Adjustment under IFRS 16	-	-	-	26,196	-	26,196
Depreciation	115,349	1,518,570	18,926	1,516	-	1,654,361
Disposals/ Write-off	(1,037)	(185,960)	-	-	-	(186,997)
At 30 June 2019	<u>614,829</u>	<u>36,375,239</u>	<u>18,926</u>	<u>27,712</u>	<u>-</u>	<u>37,036,706</u>
Accumulated impairment loss						
Balance at 1 January 2019	8,436	1,372,505	-	-	71,734	1,452,675
Disposals/ Write-off	-	(681)	-	-	-	(681)
At 30 June 2019	<u>8,436</u>	<u>1,371,824</u>	<u>-</u>	<u>-</u>	<u>71,734</u>	<u>1,451,994</u>
Carrying amounts						
At 30 June 2019 (Unaudited)	<u>1,472,444</u>	<u>21,915,333</u>	<u>106,243</u>	<u>112,556</u>	<u>730,369</u>	<u>24,336,945</u>

15 FINANCIAL ASSETS AT FVTOCI

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Financial assets at FVTOCI (non-recycling)		
Non-current asset:		
Equity securities – the PRC	<u>32,847</u>	<u>32,847</u>
Current assets:		
Notes receivables	<u>1,753,783</u>	<u>1,446,389</u>

Note:

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

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

- (ii) As at 30 June 2020, note receivables were classified as financial assets at FVTOCI, as the Group's business model is achieved both by collecting contractual cash flows and by selling of these assets.
- (iii) Financial assets at FVTOCI are measured at fair value based on their asset values. All financial assets at FVTOCI are denominated in RMB.

16 NOTES AND TRADE RECEIVABLES

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Trade receivables		
- Sinopec Group and its subsidiaries	4,041,981	4,760,085
- Joint ventures of the Group	5,106	13,848
- Joint ventures and associates of Sinopec Group	62,982	111,715
- Third parties	9,456,433	9,624,697
	13,566,502	14,510,345
Less: ECL allowance	(2,403,609)	(2,513,990)
Trade receivables – net	11,162,893	11,996,355
Notes receivables	-	500
Notes and trade receivables - net	11,162,893	11,996,855

As at 30 June 2020 and 31 December 2019, the Group's notes and trade receivables were approximately their fair values.

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

As at 30 June 2020 and 31 December 2019, 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.

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

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Within 1 year	9,748,840	10,515,700
1 to 2 years	985,013	1,002,971
2 to 3 years	288,742	322,870
Over 3 years	140,298	155,314
	11,162,893	11,996,855

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

	2020 RMB'000	2019 RMB'000
At 1 January	2,513,990	2,525,191
ECL allowance	213,945	182,164
Reversal	(175,799)	(238,854)
Others	5,373	-
Receivables written-off as uncollectable	(153,900)	(1,704)
At 30 June (Unaudited)	2,403,609	2,466,797

17 PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Prepayments (note (a))	793,408	553,726
Other receivables (note (b))		
Petty cash funds	16,610	12,249
Guarantee deposits	1,407,749	1,412,018
Disbursement of funds	1,059,954	732,671
Temporary payment	536,350	623,580
Escrow payments	7,159	39,529
Deposits	49,180	46,742
Export tax refund receivables	22,316	8,663
Excess value-added tax paid	1,104,547	1,135,967
Value added tax to be certified	22,086	10,285
Prepaid value-added tax	656,455	571,886
Prepaid income tax	22,387	24,200
Others	493,186	219,235
	6,191,387	5,390,751
Less: ECL allowance	(744,683)	(710,685)
Prepayments and other receivables – net	5,446,704	4,680,066

Note:

- (a) As at 30 June 2020, the prepayments include related party balances: Sinopec Group and its subsidiaries amounting at RMB221,110,000 (31 December 2019: RMB85,051,000) and the joint ventures and associates of Sinopec Group amounting at RMB2,000 (31 December 2019: Nil).
- (b) As at 30 June 2020, the other receivables include related party balances: Sinopec Group and its subsidiaries amounting at RMB221,497,000 (31 December 2019: RMB270,291,000), the joint ventures of the Group amounting at RMB301,000 (31 December 2019: RMB356,000) and associates and the joint ventures of Sinopec Group amounting at RMB72,528,000 (31 December 2019: RMB82,678,000).
- (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 2020 and 31 December 2019 approximate their fair values.

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

	2020 RMB'000	2019 RMB'000
At 1 January	710,685	614,716
ECL allowance	110,377	115,480
Reversal	(76,379)	(77,863)
At 30 June (Unaudited)	744,683	652,333

18 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Contract assets arising from construction and service	14,324,832	9,746,470
Less: ECL allowance	(45,492)	(39,182)
	14,279,340	9,707,288

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

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

The amount of contract assets that is expected to be recovered after more than one year is RMB77,551,000 (31 December 2019: RMB179,571,000).

(b) Contract liabilities

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Contract liabilities arising from construction and service	2,523,545	3,575,654

The balance of contract liabilities as at 1 January 2020 is RMB3,575,654,000, in which RMB2,209,489,000 was recognised as revenue during the period.

Unsatisfied performance obligation:

The group has signed engineering service contracts with several customers to provide petroleum engineering and technical service and construction engineering contracts, which will be completed within the agreed period and regarded as a single performance obligation as a whole. As at 30 June 2020, part of the Group's petroleum engineering and technical service and construction engineering contracts were still in the process, and the total transaction price apportioned to the unsatisfied performance obligation was RMB19.6 billion (31 December 2019: RMB19.85 billion), the amount of which was related to the progress of the performance of each contract, and will be recognised as revenue in accordance with the percentage of work performed in the future, which is expected to be completed in the coming 60 months.

19 INVENTORIES

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Raw materials	913,430	1,030,568
Finished goods	83,830	53,875
Work in progress	5,730	8,781
Turnover materials	9,582	10,016
	1,012,572	1,103,240
Less: Provision for impairment/Write off	(53,728)	(54,775)
	958,844	1,048,465

For the periods ended 30 June 2020 and 2019, cost of inventories recognised as expenses and included in “cost of sales” amounting to RMB12,681,628,000 and RMB8,432,411,000 respectively. For the six months ended 30 June 2020, no provision for inventories (for the six months ended 30 June 2019: Nil) was made to write down inventories to their net realisable values and the inventories were written off of RMB1,047,000 (31 December 2019: RMB9,310,000).

20 SHARE CAPITAL

	As at 30 June 2020		As at 31 December 2019	
	Number of shares (Share)	Share capital RMB'000 (Unaudited)	Number of shares (Share)	Share capital RMB'000 (Audited)
Registered, issued and paid:				
- Domestic non-public legal person shares of RMB1.00 each	11,786,045,218	11,786,046	11,786,045,218	11,786,046
- Social public A shares of RMB1.00 each	1,783,333,333	1,783,333	1,783,333,333	1,783,333
- H shares of RMB1.00 each	5,414,961,482	5,414,961	5,414,961,482	5,414,961
	18,984,340,033	18,984,340	18,984,340,033	18,984,340

21 SHARE-BASED PAYMENTS

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

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

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

As at 30 June 2020, the outstanding share options which will expire in twelve months after the vesting dates and their exercise prices are as follows:

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

The total fair value of share options at the grant date was RMB54,229,200 for 49,050,000 share options, which has been valued by an external valuation expert using Black-Scholes valuation model. At 30 June 2020, the Company have 17,084,000 share options has not been exercised with a total fair value of RMB22,067,000 at the grant date.

The movement of share options are as follows:

	No. of share options
Outstanding shares at 31 December 2018 and 1 January 2019	18,384,000
Lapsed during the year	(1,300,000)
Outstanding shares at 31 December 2019, 1 January 2020 and 30 June 2020	17,084,000

21 SHARE-BASED PAYMENTS (CONTINUED)

The significant inputs into the model were as follows:

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

Share-based payment of RMB2,299,000 have been recognised in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2020 (For the six months ended 30 June 2019: RMB2,531,000). For the six months ended 30 June 2020, no share option had been exercised.

As at 30 June 2020, under the current capital structure, fully exercise of the outstanding shares will lead to issue of 17,084,000 (31 December 2019: 17,084,000) extra ordinary A share and increase in share capital of RMB17,084,000 (31 December 2019: RMB17,084,000), before issue expenses.

22 NOTES AND TRADE PAYABLES

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Trade payables		
- Sinopec Group and its subsidiaries	1,745,310	1,148,614
- Joint ventures of the Group	7,228	19,723
- Joint ventures and associates of Sinopec Group	27	1,311
- Third parties	18,493,652	18,898,646
	20,246,217	20,068,294
Notes payables	7,028,358	4,733,932
	27,274,575	24,802,226

As at 30 June 2020 and 31 December 2019, 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 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Within 1 year	26,571,008	24,029,249
1 and 2 years	369,455	377,839
2 and 3 years	63,672	61,377
Over 3 years	270,440	333,761
	27,274,575	24,802,226

23 OTHER PAYABLES

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Salaries payables	752,034	421,938
Other tax payables	362,925	519,525
Interest payables (note (a))	15,321	19,158
Other payables (note (b))		
Guarantee deposits	518,746	385,596
Deposits	105,009	112,746
Disbursement of funds	500,973	688,996
Temporary receipts	271,752	237,657
Escrow payments	49,346	51,789
Withheld payments	107,092	65,867
Others	512,543	294,565
	3,195,741	2,797,837

Note:

- (a) As at 30 June 2020, the interest payables include related party balances: Sinopec Group and its subsidiaries amounting at RMB10,958,000 (31 December 2019: RMB19,158,000).
- (b) As at 30 June 2020, the other payables include related party balances: Sinopec Group and its subsidiaries amounting at RMB26,647,000 (31 December 2019: RMB42,026,000), associates of the Group amounting to RMB470,000 (31 December 2019: 466,000).
- (c) The above amounts due to related parties are unsecured, interest free and repayable on demand.

24 BORROWINGS

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Current liabilities		
Loans from Sinopec Finance Company Limited (note (a))	10,640,000	12,080,000
Loans from Sinopec Century Bright Capital Investment Limited (note (a))	1,925,624	2,323,075
Loans from Sinopec Group (note (a))	9,000,000	6,000,000
Lease liabilities (note (b))	518,918	535,375
	22,084,542	20,938,450
Non-current liabilities		
Loans from Sinopec Century Bright Capital Investment Limited (note (a))	-	474,382
Bank borrowings (note (a))	530,963	-
Lease liabilities (note (b))	1,683,118	1,833,446
	2,214,081	2,307,828
	24,298,623	23,246,278

Note:

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

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Within 1 year	21,565,624	20,403,075
1 to 2 years	530,963	-
2 to 5 years	-	474,382
	22,096,587	20,877,457

As at 30 June 2020, annual interest rates of credit loans from related parties and bank ranged from 1.48% to 3.92% (31 December 2019: 3.09% to 8.80%).

24 BORROWINGS (CONTINUED)

Note: (Continued)

(b) Lease liabilities

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Total minimum lease payments		
- Within 1 year	557,151	574,873
- 1 to 2 years	529,982	578,535
- 2 to 5 years	1,071,084	1,224,369
- Over 5 years	205,267	291,008
	2,363,484	2,668,785
Future finance charges on lease liabilities	(161,448)	(299,964)
Present value of lease liabilities	2,202,036	2,368,821
	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Present value of minimum lease payments:		
- Within 1 year	518,918	535,375
- 1 to 2 years	489,282	517,746
- 2 to 5 years	996,189	1,057,059
- Over 5 years	197,647	258,641
	2,202,036	2,368,821
Less: Portion due within one year included under current liabilities	(518,918)	(535,375)
Portion due after one year included under non-current liabilities	1,683,118	1,833,446

As at 30 June 2020, the Group leases various residential properties, office and equipment. The leases run for an initial period of 1 to 30 years (31 December 2019: 1 to 30 years), with an option to renew the leases and renegotiate the terms at the expiry date or at dates mutually agreed between the Group and respective landlords/lessors.

For the six months ended 30 June 2020, total cash outflow for the lease payment is RMB757,471,000 (30 June 2019: RMB1,014,952,000).

25 COMMITMENTS

(a) Capital commitments

Capital commitments for the purchase of property, plant and equipment outstanding as at 30 June 2020 and 31 December 2019 not provided for in the interim financial information are as follows:

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Contracted but not provided for	385,933	517,738

(b) Lease commitments

The lease commitments for short-term leases as at 30 June 2020 and 31 December 2019 are as follows:

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Within 1 year	287,563	150,486

As at 30 June 2020 and 31 December 2019, the Group leases various residential properties, office and equipments with a lease period of 6 to 12 months, which are qualified to be accounted for under short-term lease exemption under IFRS 16.

(c) Investment commitments

As at 30 June 2020, the Group has outstanding commitments of RMB129,625,000 (31 December 2019: RMB129,625,000) in respect of its investment in joint ventures.

(d) Fulfillment of commitments for the previous period

The Group has fulfilled the capital and operating lease commitments as at 30 June 2020.

26 CONTINGENCIES

In preparing this interim financial information, there were no further developments of those contingencies as at 30 June 2020, which were disclosed in the 2019 annual report.

27 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

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

In addition to the related party transactions and balances shown elsewhere in this interim financial information, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, including other state-owned enterprises, for the six months ended 30 June 2020 and 2019.

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

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

27 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Purchases of materials		
- Sinopec Group and its subsidiaries	<u>4,648,267</u>	<u>4,519,246</u>
Sales of products		
- Sinopec Group and its subsidiaries	<u>46,813</u>	<u>67,337</u>
Rendering of engineering services		
- Sinopec Group and its subsidiaries	<u>18,343,386</u>	<u>18,199,681</u>
Receiving of engineering services		
- Sinopec Group and its subsidiaries	<u>-</u>	<u>208,480</u>
Receiving of community services		
- Sinopec Group and its subsidiaries	<u>218,937</u>	<u>181,912</u>
Receiving of integrated services		
- Sinopec Group and its subsidiaries	<u>86,542</u>	<u>-</u>
Rendering of integrated services		
- Sinopec Group and its subsidiaries	<u>407</u>	<u>-</u>
Rendering of technology research and development services		
- Sinopec Group and its subsidiaries	<u>43,936</u>	<u>69,604</u>
Rental income – Buildings		
- Sinopec Group and its subsidiaries	<u>286</u>	<u>286</u>
Lease payment – Lands and buildings		
- Sinopec Group and its subsidiaries	<u>90,292</u>	<u>58,962</u>
Deposits interest income		
- Sinopec Group's subsidiaries	<u>778</u>	<u>1,390</u>
Loans interest expenses		
- Sinopec Group and its subsidiaries	<u>404,381</u>	<u>375,754</u>
Interest expenses on lease liabilities		
- Sinopec Group and its subsidiaries	<u>14,452</u>	<u>8,534</u>
Borrowings obtained		
- Sinopec Group and its subsidiaries	<u>26,309,046</u>	<u>16,917,831</u>

27 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Borrowings repaid		
- Sinopec Group and its subsidiaries	<u>25,660,652</u>	<u>15,224,918</u>
Safety and insurance fund expenses		
- Sinopec Group	<u>38,080</u>	<u>40,321</u>
Safety and insurance fund refund		
- Sinopec Group	<u>61,178</u>	<u>25,681</u>

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

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Rendering of engineering services		
- Associates and joint ventures of the Group	<u>78,222</u>	<u>21,383</u>
Receiving of engineering services		
- Associates and joint ventures of the Group	<u>807,212</u>	<u>1,342,147</u>

27 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of products		
- Associates and joint ventures of Sinopec Group	<u>91,438</u>	<u>-</u>
Rendering of engineering services		
- Associates and joint ventures of Sinopec Group	<u>50,054</u>	<u>367,755</u>
Receiving of integrated services		
- Associates and joint ventures of Sinopec Group	<u>74,566</u>	<u>42,208</u>
Interest expenses on lease liabilities		
- Associates and joint ventures of Sinopec Group	<u>31,909</u>	<u>47,445</u>

- (d) Remuneration of key management personnel

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

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Fee	350	400
Salaries, allowances and bonus	5,332	4,802
Contributions to pension plans	210	241
Share-based payments	37	76
	<u>5,929</u>	<u>5,519</u>

- (e) Provision for counter guarantee

As at 30 June 2020, the Group has provided the counter guarantee to Sinopec Group, amounting to RMB500,000,000. The counter guarantee will be ended in November 2021 (30 June 2019: Nil).

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 2020.

Consolidated balance sheets

(Expressed in thousands of Renminbi Yuan)

	30 June 2020	31 December 2019
Assets		
Current assets:		
Cash at bank and on hand	2,039,924	1,668,837
Bills receivable	-	500
Accounts receivable	11,162,893	11,996,355
Accounts receivable financing	1,753,783	1,446,389
Prepayments	793,408	553,726
Other receivables	2,829,147	2,365,418
Inventories	1,389,044	1,185,504
Contract assets	13,849,140	9,570,249
Non-current assets due within one year	-	-
Other current assets	1,805,477	1,742,338
Total current assets	35,622,816	30,529,316
Non-current assets:		
Available-for-sale financial assets	-	-
Long-term receivables	-	-
Long-term equity investments	41,100	39,718
Other equity instrument investments	32,847	32,847
Fixed assets	22,210,373	23,516,427
Construction in progress	506,523	213,819
Right-of-use assets	1,422,614	1,547,822
Intangible assets	340,129	392,947
Long-term prepaid expenses	4,945,530	5,379,478
Deferred tax assets	417,877	417,004
Total non-current assets	29,916,993	31,540,062
Total assets	65,539,809	62,069,378

Consolidated balance sheets (continued)*(Expressed in thousands of renminbiyuan)*

Liabilities and shareholders' equity

Current liabilities:

Short-term loans	21,565,624	20,403,075
Bills payable	7,028,358	4,733,932
Accounts payable	20,246,217	20,068,294
Contract liabilities	2,523,545	3,575,654
Employee benefits payable	752,034	421,938
Taxes payable	717,339	843,715
Other payables	1,949,557	1,770,597
Non-current liabilities due within one year	519,018	535,475
Other current liabilities	-	-

Total current liabilities	55,301,692	52,352,680
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Non-current liabilities:

Long-term loans	530,963	474,382
Lease liabilities	1,049,718	1,134,746
Long-term payables	764,525	784,377
Provisions	426,987	449,256
Deferred income	74,341	92,211
Deferred income tax liabilities	16,857	17,854

Total non-current liabilities	2,863,391	2,952,826
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Total liabilities	58,165,083	55,305,506
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Shareholders' equity:

Share capital	18,984,340	18,984,340
Capital reserve	11,716,880	11,714,581
Other comprehensive income	6,447	6,447
Specific reserve	683,516	373,238
Surplus reserve	200,383	200,383
Undistributed profits	-24,216,840	-24,515,117

Total equity attributable to shareholders of the Company	7,374,726	6,763,872
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Minority interests		
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Total shareholders' equity	7,374,726	6,763,872
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Total liabilities and shareholders' equity	65,539,809	62,069,378
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Consolidated income statements
(Expressed in thousands of Renminbi Yuan)

	For the six months ended	
	30 June	
	2020	2019
1.Revenue	31,432,437	30,256,030
Less: Cost of sales	28,654,955	27,487,631
Taxes and surcharges	104,874	125,352
Selling and distribution expenses	28,878	25,300
General and administrative expenses	1,150,692	1,060,520
Research and development expenses	619,803	479,782
Finance costs	487,147	455,088
Including: Interest expense	476,850	488,160
Interest income	19,405	79,224
Add: Other income	102,783	26,527
Investment income (“-” for loss)	40,318	84,919
Including: Share of loss of a joint venture	3,020	9,410
Credit impairment loss	-78,454	4,188
Gains from disposal of non-current asset (“-” for loss)	3,839	-1,437
2.Operating profit (“-” for loss)	454,574	736,554
Add: Non-operating income	18,226	24,355
Less: Non-operating expenses	19,930	18,132
3.Profit before income tax (“-” for loss)	452,870	742,777
Less: Income tax expenses	154,593	233,349
4.Net profit for the period (“-” for loss)	298,277	509,428
Profit for the period attributable to:		
- Shareholders of the company	298,277	509,428
- Minority interests	-	-
5.Earnings per share (“-” for loss):		
Basic earnings per share (in RMB)	0.016	0.027
Diluted earnings per share (in RMB)	0.016	0.027
6.Other comprehensive income for the period	-	-
7.Total comprehensive income for the period	298,277	509,428
Total comprehensive income for the period attributable to:		
- Shareholders of the Company	298,277	509,428
- Minority shareholders	-	-

Consolidated cash flow statement
(Expressed in thousands of renminbiyuan)

	For the six months ended	
	30 June	
	2020	2019
1.Cash flows from operating activities:		
Cash received from sale of goods	24,396,686	24,882,423
Refund of taxes	123,463	124,854
Cash received from other operating activities	1,188,900	1,274,279
Sub-total of cash inflows	25,709,049	26,281,556
Cash paid for goods and services	16,720,151	17,744,728
Cash paid to and for employees	6,375,609	6,534,925
Cash paid for all types of taxes	581,865	811,637
Cash paid relating to other operating activities	1,750,166	1,899,425
Sub-total of cash outflows	25,427,791	26,990,715
Net cash inflow from operating activities(“-” for outflow)	281,258	-709,159
2.Cash flows from investing activities :		
Cash received from the investment income	1,646	1,296
Net cash received from disposal of fixed assets	17,152	19,230
Sub-total of cash inflows	18,798	20,526
Cash paid for acquisition of fixed assets,intangible assets and other long term assets	458,057	717,935
Cash paid for the investments	8	-
Sub-total of cash outflows	458,065	717,935
Net cash inflow from investing activities(“-” for outflow)	-439,267	-697,409
3.Cash flows from financing activities :		
Cash received from the acquisition of investments	-	-
Cash received from borrowings	26,840,429	16,917,831
Cash received from other financing-related activities	-	-
Sub-total of cash inflows	26,840,429	16,917,831
Cash paid for repayments of borrowings	25,660,652	15,224,918
Cash paid for distribution of dividend, profit or payments of interests	456,468	394,391
Cash paid for other financing activities	199,755	181,983
Sub-total of cash outflows	26,316,875	15,801,292
Net cash inflow from financing activities	523,554	1,116,539
4.Effect of foreign exchange rate changes on cash and cash equivalents	-18,107	2,323
5.Net (decrease)/increase in cash and cash equivalents	347,438	-287,706
Add: Cash and cash equivalents at the beginning of the period	1,650,732	2,173,580
6.Cash and cash equivalents at the end of the period	1,998,170	1,885,874

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

Items	Share capital	Capital reserve	Other comprehensive income	Specific reserve	Surplus reserve	(Accumulated losses)/Retained earnings	Minority interests	Total shareholders' equity
Balance at 31 December 2019	18,984,340	11,714,581	6,447	373,238	200,383	-24,515,117	-	6,763,872
Add: Changes in accounting policies	-	-	-	-	-	-	-	-
Adjustment for the business combination under common control	-	-	-	-	-	-	-	-
Balance at 1 January 2020	18,984,340	11,714,581	6,447	373,238	200,383	-24,515,117	-	6,763,872
Changes during the period (decrease in "-")	-	2,299	-	310,278	-	298,277	-	610,854
Total comprehensive income	-	-	-	-	-	298,277	-	298,277
Increase or decrease of capital	-	2,299	-	-	-	-	-	2,299
Transfer of equity	-	-	-	-	-	-	-	-
Net loss	-	-	-	-	-	-	-	-
Distribution of profits	-	-	-	-	-	-	-	-
Special reserve-provided during the period	-	-	-	551,604	-	-	-	551,604
Special reserve-used during the period (expressed in "-")	-	-	-	-241,326	-	-	-	-241,326
Balance at 30 June 2020	18,984,340	11,716,880	6,447	683,516	200,383	24,216,840	-	7,374,726
Balance at 31 December 2018	18,984,340	11,710,763	11,676	300,609	200,383	-25,429,361	-	5,778,410
Adjustment for the business combination under common control	-	-	-	-	-	-	-	-
Balance at 1 January 2019	18,984,340	11,710,763	11,676	300,609	200,383	-25,429,361	-	5,778,410
Changes during the period (decrease in "-")	-	2,531	-	294,485	-	509,428	-	806,444
Total comprehensive income	-	-	-	-	-	509,428	-	509,428
Increase or decrease of capital	-	2,531	-	-	-	-	-	2,531
Transfer of equity	-	-	-	-	-	-	-	-
Net loss	-	-	-	-	-	-	-	-
Distribution of profits	-	-	-	-	-	-	-	-
Special reserve-provided during the period	-	-	-	501,235	-	-	-	501,235
Special reserve-used during the period (expressed in "-")	-	-	-	-206,750	-	-	-	-206,750
Balance at 30 June 2019	18,984,340	11,713,294	11,676	595,094	200,383	-24,919,933	-	6,584,854

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

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

	Net profit attributable to equity shareholders of the Company		Net assets attributable to equity shareholders of the Company	
	For the six months ended 30 June		At 30 June 2020	At 1 January 2020
	2020	2019	RMB'000	RMB'000
	RMB'000	RMB'000		
Amounts under PRC ASBE	298,277	509,428	7,374,726	6,763,872
Adjustments under IFRS:	-	-	-	-
Specific reserve (a)	310,278	294,485	-	-
Amounts under IFRS	608,555	803,913	7,374,726	6,763,872

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 2020, the Company has complied with all the code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules, except that:

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

8.2 Compliance with the Model Code

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

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

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

By order of the Board
Li Honghai
Secretary to the Board

25 August 2020
Beijing, The PRC

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

+ Non-Executive Director

Executive Director

** Independent Non-Executive Director*