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Sinopec Oilfield Service Corporation

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

(Stock code: 1033)

REVISION OF ANNUAL CAPS FOR THE CONTINUING CONNECTED TRANSACTIONS

REVISION OF ORIGINAL ANNUAL CAPS

References are made to the announcement of the Company dated 28 October 2015 under the title of "Continuing Connected Transactions and Disclosable Transaction" and the Circular dated 30 November 2015 under the title of "(I) Continuing Connected Transactions and Disclosable Transaction (II) Proposed Amendments to Articles of Association (III) Proposed Appointment of An Independent Non-Executive Director".

The Directors and the senior management of the Company have been closely monitoring, among other things, the continuing connected transactions for provision of products by the Group to Sinopec Group under 2015 Mutual Product Supply Framework Agreement. Based on internal estimates and anticipated business growth, the Directors consider that the Original Annual Caps for provision of products by the Group to Sinopec Group in 2017 and 2018 will not be sufficient to meet the business needs of the Group.

To meet the business needs of the Group and estimated future demand from Sinopec Group and based on estimated changes in product prices, the Directors have decided to revise the Original Annual Caps for provision of products by the Group to Sinopec Group for the two years ending 31 December 2017 and 31 December 2018 to the Revised Annual Caps in the amount of RMB400 million per year respectively.

HONG KONG LISTING RULES IMPLICATIONS

China Petrochemical Corporation holds approximately 65.22% of the Company's issued share capital and is therefore the Company's substantial shareholder. Under Rules 14A.07(1) and 14A.07(4) of the Hong Kong Listing Rules, China Petrochemical Corporation and its associates are

connected persons of the Company. Accordingly, the provision of products by the Group to Sinopec Group under the 2015 Mutual Product Supply Framework Agreement constitutes continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

Pursuant to Rule 14A.54 of the Hong Kong Listing Rules, the Company should re-comply with the applicable requirements under Chapter 14A of the Listing Rules before the annual cap is exceeded. As one or more of the applicable percentage ratios in respect of the Revised Annual Caps exceed 0.1% but all the applicable percentage ratios are less than 5%, the Revised Annual Caps of the Continuing Connected Transactions are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

BACKGROUND

References are made to the announcement of the Company dated 28 October 2015 under the title of "Continuing Connected Transactions and Disclosable Transaction" (the "**Announcement**") and the Circular dated 30 November 2015 under the title of "(I) Continuing Connected Transactions and Disclosable Transaction (II) Proposed Amendments to Articles of Association (III) Proposed Appointment of An Independent Non-Executive Director" (the "**Circular**").

On 28 October 2015, the Company and China Petrochemical Corporation entered into a series of framework agreements including 2015 Mutual Product Supply Framework Agreement, which are valid for a term of three years commencing on 1 January 2016. The principal terms, pricing principles, relevant internal control systems, historical data as well as the reasons for and benefits of 2015 Mutual Product Supply Framework Agreement were set out in the Announcement and the Circular. Save for the proposed revision of the annual caps of the Continuing Connected Transactions for the two years ending 31 December 2017 and 2018, all principal terms of 2015 Mutual Product Supply Framework Agreement (including but not limited to the pricing policies and internal control systems) remain unchanged.

The Directors and the senior management of the Company have been closely monitoring, among other things, the Continuing Connected Transactions. Based on internal estimates and anticipated business growth, the Directors consider that the annual caps for provision of products by the Group to Sinopec Group in 2017 and 2018 will not be sufficient to meet the business needs of the Group. Therefore, the Board proposes to revise the Original Annual Caps for provision of products by the Group to Sinopec Group to the Revised Annual Caps.

PRINCIPAL TERMS OF 2015 MUTUAL PRODUCT SUPPLY FRAMEWORK AGREEMENT

Date: 28 October 2015

Parties: (a) China Petrochemical Corporation (who shall procure its subsidiaries and/or associates to act in the same manner)

(b) SSC (who shall procure its subsidiaries to act in the same manner)

Transactions:

(a) Provision of products by Sinopec Group to the Group; and

(b) Provision of products by the Group to Sinopec Group.

The Group will provide the following types of products to Sinopec Group: petrochemical equipment, petro oil equipment, trailer and accessories; steel; valve; mobile power plant; transport machinery; electrical equipment and accessories; pipeline fittings; drill pipe, heavy weight drill pipe, Kelly, drill collars; steel; API oil casing commissioned processing; casing accessories, tubing attachment; petroleum-specific equipment; oil drilling equipment accessories; special tools; instruments and accessories; tower equipment; oilfield chemicals and reagents; and other products.

Effective period:

The 2015 Mutual Product Supply Agreement is valid for a term of three years commencing on 1 January 2016

Pricing policy:

The pricing of the products provided under the agreement shall be determined in accordance with the general principles and order of this section:

- (a) Government-prescribed price and government-guided price: if at any time, the government-prescribed price is applicable to any particular services, such services shall be supplied at the applicable government-prescribed price. Where a government-guided fee standard is available, the price will be agreed within the range of the government-guided price;
- (b) Market price: the price of the same or similar products or services provided by an independent third party during the ordinary course of business on normal commercial terms. The management shall consider at least two comparable deals with independent third party for the same period when determining whether the price for any product transaction under the Agreement is market price.

In particular:

- (1) Government-prescribed price and government-guided price: applicable only to products provided by Sinopec Group to the Group, including crude oil processing and oil products (including gasoline, diesel, kerosene, fuel oil, etc.) and natural gas (including pipeline gas, CNG, LNG, etc.);
- (2) Market price: applicable to all products provided by the Group to Sinopec Group.

- i. Chemicals, oilfield chemicals and chemical reagents: the relevant market price is determined in accordance with the order price or contract price of external sales, taking into account factors such as freight rate and quality. The said market prices are determined with reference to quotations on Easy-Pec E-commerce Platform (<http://mall.easy-pec.com/ecmall/>).
- ii. Coal: the market price is determined through price enquiry and comparison on the relevant price websites and by tender through the e-commerce system in accordance with the type of coal and the quality requirements. Market prices of coal are determined with reference to quotations on Qing Huangdao coal market website(<http://www.osc.org.cn/CoalIndex/chs/new/>).
- iii. Steel: the relevant market prices are determined through price enquiry and comparison on the relevant price websites or by referring to the prices of similar transactions in surrounding markets or by tender through the e-commerce system. Market prices of steel are determined with reference to quotations on Custeel.net (<http://www.custeel.com>).
- iv. Petroleum-specific equipment, oil drilling and exploitation equipment, instrument, accessories and engineering machinery: their prices are determined through price enquiry and comparison on the relevant price websites or by referring to the prices of similar transactions in surrounding markets or by tender through the e-commerce system. The said market prices are determined with reference to quotations on Easy-Pec E-commerce Platform (<http://mall.easy-pec.com/ecmall/>).
- v. Other products: their prices are determined through price enquiry and comparison on the relevant price websites or by referring to the prices of similar transactions in surrounding markets or by tender through the e-commerce system. The e-commerce system is a bidding system for sale and purchase of products established by Sinopec Group and used by Sinopec Group and the Group. Sinopec Group and the Group can publish bidding requests or participate in the tender through such e-commerce system.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

Prior to the establishment of SSC, the subsidiaries and branches of SSC provided Sinopec Group with

its required products. After completion of the reorganisation in 2014, the products from the subsidiaries and branches of SSC provided effective support to the production and operation of Sinopec Group and Sinopec Group will need the Group to continue to provide its products.

HISTORICAL TRANSACTION DATA OF THE CONTINUING CONNECTED TRANSACTIONS

The table below summarized the historical transaction data and the Original Annual Caps for provision of products by the Group to Sinopec Group for the year ended 31 December 2016 and the three months ended 31 March 2017:

	For the year ended 31 December 2016 (audited)	Annual cap for 2016	For the three months ended 31 March 2017 (unaudited)	Annual cap for 2017
	<i>(RMB 100 million)</i>	<i>(RMB 100 million)</i>	<i>(RMB 100 million)</i>	<i>(RMB 100 million)</i>
Provision of products by the Group to Sinopec Group	0.84	1	0.20	1

As at the date of this announcement, the actual transaction amount for provision of products by the Group to Sinopec Group has not exceeded the annual caps of such transactions.

PROPOSED REVISION OF ORIGINAL ANNUAL CAPS FOR THE CONTINUING CONNECTED TRANSACTIONS

The Company proposes to revise the Original Annual Caps for provision of products by the Group to the Sinopec Group under 2015 Mutual Product Supply Framework Agreement, with details as follows:

	Original Annual Caps	Revised Annual Caps
	<i>(RMB 100 million)</i>	<i>(RMB 100 million)</i>
For the year ending 31 December 2017	1	4
For the year ending 31 December 2018	1	4

REASONS FOR PROPOSED REVISION OF ORIGINAL ANNUAL CAPS FOR THE CONTINUING CONNECTED TRANSACTIONS AND BASIS OF CALCULATION

The Directors and the senior management of the Company have been closely monitoring, among other things, the continuing connected transactions for provision of products by the Group to Sinopec Group under 2015 Mutual Product Supply Framework Agreement. The Directors were aware that the

Group's business to provide products to Sinopec Group has grown faster than expected in 2016. As such, the Company has promptly taken corresponding control measures. For the year ended 31 December 2016, the transaction amount of products provided by the Group to Sinopec Group was RMB84 million which was relatively close to the annual cap for 2016. Based on internal estimates and anticipated business growth, the Directors consider that the Original Annual Caps for provision of products by the Group to Sinopec Group in 2017 and 2018 will not be sufficient to meet the business needs of the Group.

To meet the business needs of the Group and estimated future demand from Sinopec Group and based on estimated changes in products prices, the Directors have decided to revise the Original Annual Caps for provision of products by the Group to Sinopec Group for the two years ending 31 December 2017 and 31 December 2018 to the Revised Annual Caps in the amount of RMB400 million per year respectively.

The Revised Annual Caps are determined by the Board based on (i) the historical transaction amount and growth rate for provision of products by the Group to Sinopec Group in 2016 and the first three months of 2017; (ii) estimated future demand from Sinopec Group; and (iii) changes in market prices of the relevant products, taking into account of the following factors:

1. With rebound of international crude oil price, Sinopec Group has shown a resumed growth in its capital expenditure for upstream exploration and development in 2017. The capital expenditure budget of Sinopec Group is RMB50.5 billion in 2017, representing an increase of 56.8% as compared with RMB32.2 billion in 2016, thus driving the business growth of the Group. Meanwhile, the Group expects that number of all-inclusive projects granted by Sinopec Group will also be increased.
2. According to China Iron and Steel Industry Association, China's domestic composite steel price index has risen from 56.37 points in early 2016 to 99.51 points at the end of 2016, up by 43.14 points and representing a year-on-year increase of 76.5%. From January to March of 2017, domestic composite steel price index fluctuated at around 100 points. Rising steel price has driven the increase in prices of tubing, oil drilling equipment and other equipment accessories.
3. According to the Qing Huangdao coal market website, as of the end of 2016, the Bohai-rim Steam-Coal (5,500 kcal) price index was RMB593/ton, representing an increase of RMB222/ton as compared with that at the beginning of 2016 (RMB371/ton). The average price of Bohai-rim Steam-Coal price index for 2016 was RMB460/ton, representing a year-on-year increase of 7.5%. From January to March of 2017, the price of domestic Bohai-rim Steam-Coal fluctuated at around RMB600/ton.

Save for the revision of the annual caps for the two years ending 31 December 2017 and 2018 for the Continuing Connected Transactions, all principal terms of 2015 Mutual Product Supply Framework Agreement (including but not limited to the pricing policies and internal control system) remain unchanged.

VIEWS OF THE BOARD

The Directors (including the independent non-executive Directors) are of the view that the Continuing Connected Transactions under 2015 Mutual Product Supply Framework Agreement are conducted on normal commercial terms in the ordinary and usual course of business of the Group, the terms of which are fair and reasonable and in the interests of the Group as a whole. The Directors (including the independent non-executive Directors) are also of the view that the Revised Annual Caps are fair and reasonable and in the interests of the Company and its shareholders as a whole.

HONG KONG LISTING RULES IMPLICATIONS

China Petrochemical Corporation holds approximately 65.22% of the Company's issued share capital and is therefore the Company's substantial shareholder. Under Rules 14A.07(1) and 14A.07(4) of the Hong Kong Listing Rules, China Petrochemical Corporation and its associates are connected persons of the Company. Accordingly, the provision of products by the Group to Sinopec Group under the 2015 Mutual Product Supply Framework Agreement constitutes continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

Pursuant to Rule 14A.54 of the Hong Kong Listing Rules, the Company should re-comply with the applicable requirements under Chapter 14A of the Listing Rules before the proposed annual cap is exceeded. As one or more of the applicable percentage ratios in respect of the Revised Annual Caps exceed 0.1% but all the applicable percentage ratios are less than 5%, the Revised Annual Caps of the Continuing Connected Transactions are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

On 27 April 2017, the sixteenth meeting of the eighth session of the Board was held. The Board considered and approved the revision of the annual caps of the Continuing Connected Transactions under 2015 Mutual Product Supply Framework Agreement. Mr. Jiao Fangzheng and Mr. Li Lianwu were deemed having interests in the resolutions in relation to the Continuing Connected Transactions and therefore abstained from voting due to their job posts in connected entities.

GENERAL INFORMATION

SSC is a joint stock limited company incorporated in PRC and a leading provider of oil and gas engineering and technical services in China. It owns engineering equipment and technologies in the fields of geophysics, drilling, logging and mud logging, cementing, special downhole operations, oilfield ground construction and oil and gas pipeline construction, and is able to provide comprehensive engineering and technical services throughout the whole lifecycle of oil/gas fields. In China, SSC has more than 50 years of operation, and has provided oil and gas engineering services in 76 basins over time with operations across 14 provinces.

China Petrochemical Corporation was established in July 1998, and it is an authorized investment organization with a current registered capital of RMB274.87 billion. Its controlling shareholder is the State. Upon reorganization in 2000, China Petrochemical Corporation transferred its principal

petrochemical business to China Petroleum & Chemical Corporation. The principal operations of China Petrochemical Corporation include: exploration, exploitation, storage and transportation (including pipeline transportation), sales and comprehensive utilization of oil and natural gas; oil refining; wholesale and retail of oil products; production, sales, storage, transportation of petrochemical and other chemical products; industrial investment and investment management; exploration and design, construction and installation of petroleum and petrochemical engineering; repairing and maintenance of petroleum and petrochemical equipment; manufacture of mechanical and electrical equipment; technology and information, research and development, application and consultation services of alternative energy products; import and export business.

DEFINITION

In this announcement, except where the context otherwise requires, the following expressions shall have the following meanings:

"2015 Mutual Product Supply Framework Agreement"	The framework agreement between SSC and China Petrochemical Corporation on 28 October 2015 in respect of mutual provision of certain products between Sinopec Group and the Group
"associate"	has the meaning defined under the Hong Kong Listing Rules
"Board"	the board of Directors of the Company
"China Petrochemical Corporation"	China Petrochemical Corporation (中國石油化工集團公司), a wholly state-owned company incorporated in China, being the controlling shareholder of the Company
"Sinopec Group"	China Petroleum and Chemical Corporation (中國石化集團公司), its subsidiaries and its associates (other than the Group)
"Company"/"SSC"	Sinopec Oilfield Service Corporation (中石油工程技術服務股份有限公司), a joint stock limited company established in the PRC and its A shares are listed on the SSE and its H shares are listed on the Hong Kong Stock Exchange
"connected person"	has the meaning defined under the Hong Kong Listing Rules
"Original Annual Caps"	The original annual caps for provision of products by the Group to Sinopec Group under 2015 Mutual Product Supply Framework Agreement for the two years ending 31 December 2017 and 31 December 2018 with an amount of RMB100 million respectively.
"Revised Annual Caps"	The revised annual caps for provision of products by the Group to Sinopec Group under the 2015 Mutual Product

	Supply Framework Agreement for the two years ending 31 December 2017 and 31 December 2018 with an amount of RMB400 million respectively as have been decided by the Board
" Continuing Connected Transactions"	the continuing connected transactions for provision of products by the Group to Sinopec Group under 2015 Mutual Product Supply Framework Agreement
"controlling shareholder (s)"	has the meaning defined under the Hong Kong Listing Rules
"Directors(s)"	the directors of the Company
"Group"	SSC and its subsidiaries
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Independent Shareholder(s)"	Shareholders of the Company other than China Petrochemical Corporation and its associates
"RMB"	Renminbi, the lawful currency of the PRC
"subsidiary"	has the meaning defined under the Hong Kong Listing Rules
"substantial Shareholder(s)"	has the meaning defined under the Hong Kong Listing Rules
"% "	Per cent

By Order of the Board
Li Honghai
Company Secretary

Beijing, 27 April 2017

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

+ Non-Executive Director

Executive Director

** Independent Non-Executive Director*