SSC

中石化石油工程技術服務股份有限公司
Sinopec Oilfield Service Corporation

(Stock Code　A Share：600871；H Share：1033)

Interim Report 2017

IMPORTANT NOTE

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 Interim Report and individually and jointly accept full responsibility for the authenticity, accuracy and completeness of the information contained in this Interim Report.

2. The 2017 Interim Report has been approved at the nineteenth meeting of the eighth session of the Board. Five Directors attended the meeting. Mr. Zhang Huaqiao and Mr. Pan Ying, the Independent Director, were absent from the meeting due to other business engagements, but had respectively authorized Ms. Jiang Bo, the Independent Director, to attend the meeting by proxy and to exercise their voting rights on their behalf.

3. The interim financial statements of the Company for 2017, which have been prepared in accordance with the PRC Accounting Standards for Business Enterprises ("**PRC ASBE**") and International Financial Report Standards ("**IFRS**"), are unaudited. But the interim financial statements of the Company for 2017, which have been prepared in accordance with IFRS has been reviewed by Grant Thornton Hong Kong Limited.

4. Mr. Jiao Fangzheng, Chairman, Mr. Sun Qingde, Vice Chairman and General Manager, Mr.Li Tian, Chief Financial Officer, and Mr. Song Daoqiang, Manager of the Accounting Department of the Company, hereby warranted the authenticity and completeness of the interim financial statements contained in the Interim Report.

5. According to the Articles of Association of the Company, the Board resolved that no interim cash dividend was paid for the year ending 31 December 2017, and no issue of bonus shares by way of capitalization of common reserves.

6. Due to the uncertainty of the forward-looking statement about the future plan and development strategy in the Interim Report, the company can not make a substantive commitment to investors, the Company would ask investors to notice the investment risks.

7. There was no occupancy of non-operating funds by the controlling shareholder of the Company and its connected parties.

8. The Company did not provide external guarantees made in violation of required decision-making procedures.

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Section 1 Definitions

In this Interim Report, unless the context otherwise requires, the following expressions shall have the following meanings:

Company	Means	Sinopec Oilfield Service Corporation (中石化石油工程技術服務股份有限公司), a joint stock limited company incorporated in the PRC whose A Shares are traded on the SSE (Stock code 600871) and listed H Shares are listed on the Main Board of the Stock Exchange (Stock code 1033)
Group	Means	The Company and its subsidiaries
Board	Means	The board of Directors of the Company
Articles of Association	Means	The articles of association of the Company, as amended, modified or supplemented from time to time
CPC	Means	China Petrochemical Corporation, a wholly State-owned company established in the PRC and the holding company of Sinopec
Sinopec	Means	China Petroleum & Chemical Corporation, a joint stock limited company established in the PRC and listed on the Main Board of the Stock Exchange as well as in New York, London and Shanghai, the subsidiary of CPC.
A Share	Means	Shares in the share capital of the Company of par value RMB 1.00 each which are listed on the SSE
H Share	Means	Overseas listed foreign Share(s) in the Share capital of the Company of par value at RMB1.00 each which is(are) listed on the Main Board of the Stock Exchange
SSE	Means	Shanghai Stock Exchange
HKSE	Means	The Stock Exchange of Hong Kong Limited
Listing Rules	Means	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Model Code	Means	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
CSRC	Means	China Securities Regulatory Commission
Share Option Scheme	Means	A Share Option Incentive Scheme of the company
Grant	Means	The grant to the Participants no more than 50,850,000 Share Options pursuant to the Share Option Scheme by the Company
Geophysical exploration or geophysical	Means	A method and theory of exploration the underground mineral and researching the geological formations by using physics principles. Such as seismic exploration, electrical and magnetism exploration
Drilling	Means	The engineering of drilling formations down to a certain depth by using the mechanical equipment, and finally forming a cylindrical hole
Completion	Means	The last part of the drilling engineering, including connecting the drilling casing to the oil layer, selection of completion method, cementing, and perforating, etc.
Logging	Means	Acquiring, analyzing and interpreting the data related to the geological characteristics and hydrocarbon potential by using special tools or equipment and technology
Mud Logging	Means	Recording and acquiring the information during the drilling process. Mud Logging is the basic technique in oil and gas exploration and production activities, and is the most timely and most direct way to find and evaluate the reservoir. It has the characters of timely and various to acquire the downhole information
Downhole Operation service	Means	During the oilfield exploration, in accordance with the requirement of the oilfield, using take technical measures, equipment and tools to oil or water wells for the purposed of EOR, increasing the amount of injection and production, improving oil flow conditions, improving well conditions and increasing production rate, etc.
Two dimensional geophysical	Means	A method for seismic data gathering by using a set of sound source and one or more collection point; 2D is generally used for drawing geographical structure for a preliminary analysis
Three dimensional geophysical	Means	A method for seismic data gathering by using two sets of sound source and two or more collection point; 3D is generally used for acquiring sophisticated seismic data, and improving the chances of successful drilling to the oil and gas wells
CNPC	Means	China National Petroleum Corporation
CNOOC	Means	China National Offshore Oil Corporation
Sinopec Star	Means	Sinopec Star Petroleum Company Limited
Yanchang Petroleum Group	Means	Shaanxi Yanchang Petroleum (Group) Corp. Ltd
PRC	Means	People's Republic of China

Section 2 Company Profile and Principal Financial Indicators

1. Company information

Chinese name	中石化石油工程技術服務股份有限公司
Abbreviation of Chinese name	石化油服
English name	Sinopec Oilfield Service Corporation
Abbreviation of English name	SSC
Legal Representative	Jiao Fangzheng

2. Contact Persons and Contact Information

	Secretary to the board	Representative on Securities Matters
Name	Li Honghai	Wu Siwei
Address	Office of the board of directors, No.9 Jishikou Road, Chaoyang District, Beijing, PRC	
Telephone	86-10-59965998	
Fax	86-10-59965997	
E-mail	ir.ssc@sinopec.com	

3. The Changes for the Company profile

Registered address	No.22 Chaoyangmen North Street, Changyang District, Beijing, PRC
Post Code of Registered address	100728
Office address	No.9 Jishikou Road, Chaoyang District, Beijing, China.
Post Code of Office address	100728
Company Internet Website	http://ssc.sinopec.com
E-mail	ir.ssc@sinopec.com
Query index for the change during the reporting period	There was no change of the basic information of the Company during the reporting period

4. The Changes for the disclosing information and inspection place

Domestic Newspapers disclosing information	China Securities, Shanghai Securities News, Securities Times
Internet website designated by CSRC to publish the Interim Report	www.sse.com.cn
Internet website designated by HKSE to disclose information	http://www.hkexnews.hk
Place where the Interim Report available for inspection	Office of the board of director of the Company
Query index for the change during the reporting period	There was no change of information disclosure and place for access to information of the Company during the reporting period

5. Stock briefs

Share Type	Place of listing	Stock name	Stock Code	Stock name before altering
A share	SSE	SINOPEC SSC	600871	—
H share	HKSE	SINOPEC SSC	1033	—

Section 2 Company Profile and Principal Financial Indicators

6. Other related information

Auditors	
Domestic Auditor:	Grant Thornton (Special General Partnership)
Address:	5th Floor, Scitech Place, 22 Jianguomen Wai Avenue, Chaoyang District, Beijing
Overseas Auditor:	Grant Thornton Hong Kong Limited
Address:	12th Floor, 28 Hennessy Road, Wanchai, Hong Kong
Legal advisors	
Hong Kong:	Herbert Smith Freehills LLP 23rd Floor, Gloucester Tower, 15 Queen's Road, Central, Hong Kong
PRC:	Beijing Haiwen & Partners 20th Floor, Fortune Financial Center, No.5 Dong San Huan Central Road, Chaoyang District, Beijing
Share registrars and transfer office	
H Share:	Hong Kong Registrars Limited Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Roads East, Hong Kong
A Share:	China Securities Registration and Clearing Corporation Limited Shanghai Branch Company 36th Floor, China Insurance Building, 166 Lujiazui East Road, Pudong New District, Shanghai

7. Key financial data and financial indicators of the Company (extracted from the interim financial report prepared in accordance with the PRC ASBE and Unaudited)

(1) Key financial data

	For the six months ended 30 June 2017	For the six months ended 30 June 2016	Increase/(Decrease) from corresponding period of last year
	RMB'000	RMB '000	(%)
Operating income	**19,842,318**	18,689,863	6.2
Operating Profit ("-" for losses)	**-2,116,238**	-4,439,422	Not applicable
Profit before income tax("-" for losses)	**-2,085,986**	-4,396,294	Not applicable
Net profit attributable to equity shareholders of the Company ("-" for losses)	**-2,285,324**	-4,509,421	Not applicable
Net profit deducted extraordinary gain and loss attributable to equity shareholders of the Company ("-" for losses)	**-2,328,674**	-4,559,830	Not applicable
Net cash inflow from operating activities ("-" for outflow)	**-1,988,314**	-3,110,624	Not applicable

	As at 30 June 2017	As at 31 December 2016	Increase/(Decrease) from last year
	RMB '000	RMB '000	(%)
Total equity attributable to equity shareholders of the Company	**6,319,768**	8,442,868	-25.1
Total assets	**68,478,917**	74,493,166	-8.1

Section 2 Company Profile and Principal Financial Indicators

(2) Key financial indicators

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

8. Differences between the interim financial reports of the Company prepared in accordance with the PRC ASBE and IFRS (Unaudited)

	Net profit attributable to equity shareholders of the Company ("-" for losses)		Total equity attributable to equity shareholders of the Company	
	For the six months ended 30 June 2017	For the six months ended 30 June 2016	As at 30 June 2017	As at 1 January 2017
	RMB '000	RMB '000	RMB '000	RMB '000
PRC ASBE	**-2,285,324**	-4,509,421	**6,319,768**	8,442,868
Adjustment of items and amount in accordance with the IFRS:				
Specific reserve (a)	**153,176**	71,278	**—**	—
IFRS	**-2,132,148**	-4,438,143	**6,319,768**	8,442,868

Explanations for the related differences

(a) Specific reserve

Under PRC ASBE, accrued production safety cost as expense in profit or loss and separately recorded as a specific reserve in shareholders' equity according to the national regulation. As using 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 being used is recorded in Construction in Progress, and transferred to fixed assets when it is ready for its intended use. Meanwhile, the cost of fixed asset is offset against the specific reserves and the same amount of accumulated depreciation is recognized, then the fixed asset is no longer depreciated in its useful life. Under IFRS, these expenses are recognized in profit or loss as and when incurred. Relevant capital expenditure on production maintenance and safety facilities are recognized as property, plant and equipment and depreciated according to the relevant depreciation method.

Section 2 Company Profile and Principal Financial Indicators

9. 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	For the six months ended 30 June 2017 Amount (RMB'000)
Disposal of non-current assets	-32,974
Government grants recognized in profit or loss during the current period	75,613
Gains and losses from entrusted loans	66
Other non-operating income and expenses excluding the aforesaid items	3,146
Effect of income tax	-2,501
Total	43,350

10. Key financial data and financial indicators prepared under IFRS (Unaudited)

	As at 30 June 2017 RMB '000	As at 31 December 2016 RMB '000	Increase/(Decrease) from last year (%)
Total assets	68,478,917	74,493,166	(8.1)
Total Liabilities	62,160,457	66,051,574	(5.9)
Total equity attributable to equity shareholders of the Company	6,319,768	8,442,868	(25.1)
Net assets per share attributable to equity shareholders of the Company (RMB)	0.45	0.60	(25.0)

	For the six months ended 30 June 2017 RMB '000	For the six months ended 30 June 2016 RMB '000	Increase/(Decrease) from corresponding period of last year (%)
(Loss)/Profit attributable to equity shareholders of the Company	(2,132,148)	(4,438,143)	Not applicable
Basic and diluted(loss)/earnings per share	RMB(0.151)	RMB(0.314)	Not applicable
Net cash used in operating activities	(2,023,005)	(3,275,626)	Not applicable
Return on net assets	(33.73%)	(21.97%)	Decreased by 11.76 percent
Net cash used in operating activities per share	RMB (0.143)	RMB (0.232)	Not applicable

Section 3 Company Business Summary

1. The Company's main business, business model and industry situation in the reporting period.

With more than 50 years of business operation and rich experience in project execution, the Group is the largest, integrated, and professional oilfield service provider in China and a leader in providing integrated and full industrial-chain services covering the whole life cycle of oil and gas field exploration. As at 30 June 2017, the Group provided oilfield services in 76 basins and 561 blocks in more than 20 provinces in China, while its overseas business keeps growing with 308 projects execute in 37 countries and regions.

The Group has five major business sectors—geophysics, drilling, logging & mud logging, downhole operation service and engineering construction, covering the full industrial-chain from exploration, drilling, completion, oil and gas production, collection and transportation, and well abandonment.

The Group has a technological R&D supporting system covering the full industrial-chain from oil and gas exploration to production. With two academicians of the Chinese Academy of Engineering, a large pool of experts and engineers, three research institutes, three design companies and a large number of research offices, the Group is able to provide integrated services in high-acid oil & gas, tight oil & gas, and heavy oil reservoirs. The Group was awarded National Prize for Progress in Science and Technology and the Golden Prize of National High-Quality Project for the Sichuan-Eastern China Natural Gas Transmission Pipeline project. The Group has shale gas oilfield supporting technologies featuring five technological series of drilling, logging, fracturing and testing, equipment manufacturing, and engineering and construction at shallow shale gas reservoirs above 3,500 meters with most key and core technologies localized, making the Group a national leader in this respect.

Committed to the vision of "market is the root, service is the soul, profit is the basis and pursue win-win cooperation", the Group will vigorously promote its specialized, market-oriented, distinctive, high-end and international business. It will expand its business from onshore to offshore fields, from domestic to international markets, from conventional to unconventional fields, and from single engineering service to integrated reservoir services in order to realize its corporate vision—a world-class integrated oilfield service provider.

During the reporting period, there are no significant changes of the main business.

2. Substantial changes to the Company's major assets in the reporting period

In the first half of 2017, the Group continued improving its asset structure and quality by making better use of existing assets, improving new assets and further consolidating internal resources. As at 30 June 2017, the Group has 733 onshore drilling rigs, 13 offshore drilling platforms, 81 sets of seismograph host computers and 125 sets of imaging logging tools, 434 sets of comprehensive logging instruments, 140 sets of Model 2500 and Model 3000 fracturing trucks and 46 sets of 750 HP and above workover rigs.

In the first half of 2017, the Group kept deepening structural adjustment and cutting down extra crews with low productivity. As at 30 June 2017, the Group cut down professional crews by 24, a decrease of 1.2 percent compared with the year end of 2016, which the crew number was 1,978.

On 30 June 2017, total assets of the Group was RMB 68,478,917,000, a year-on-year decrease of 8.1%; total equity attributable to owners of the Company was 6,319,768,000, a year-on-year decrease of 25.1%. The debt-to-assets ratio of the Group was 90.8%, a year-on-year increase of 2.1 percentage points.

During the reporting period, there are no significant changes of the main assets.

3. Analysis on core competitiveness in the reporting period

The Group has the service ability to cover the full industrial-chain of oilfield service. It can provide the full range of services from exploration, development and production for oilfields and bring value to oil companies.

The Group is the biggest provider of petroleum engineering services and integrated oilfield technical services in China, with over 50 years of experiences for oilfield service and strong execution capabilities. Its representative projects include Puguang gas field, Fuling shale gas, Yuanba gas field, Tahe oilfield, etc.

The Group has advanced exploration and development technologies as well as strong R&D abilities. It has a number of advanced technologies with proprietary intellectual property rights, which can bring sustainable high added-value to its services.

The Group has the experienced management as well as highly efficient and well-organized operation team.

The Group has a stable and growing client base. It has the solid client base such as Sinopec Group in China, and the growing number of clients overseas.

During the reporting period, there are no significant changes of core technical team and key technicians.

Section 4 Discussion and Analysis of operation

1. Review of results of operations and the business prospect of the Company during the reporting period

Financial figures, where applicable, contained herein have been extracted from the Company's unaudited interim financial report prepared in accordance with PRC ASBE.

Interim results

For the six months ended 30 June 2017, due to the impacts of increased upstream capital expenditure for oilfield exploration and development by domestic and overseas oil companies and the increased market development efforts by the Company, the workload of the Company's drilling service and logging/mud logging service increased substantially on a year-on-year basis. As a result, the Company's consolidated revenue was RMB19,842,318,000, representing an increase of 6.2% from RMB18,689,863,000, compared to the corresponding period of the previous year. Meanwhile, the Company further strengthened cost control, leading to a decrease of RMB2,224,097,000 for the first half of 2017 compared to the corresponding period of the previous year. For the first half of 2017, net loss attributed to the equity shareholders was RMB2,285,324,000 and basic net loss per share was RMB0.162.

Market review

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

Operation Review

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

A. Geophysical service

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

B. Drilling service

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

Section 4 Discussion and Analysis of operation

C. Logging/mud logging service

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

D. Downhole operation service

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

E. Engineering and construction service

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

F. International business service

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

G. Research & development

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

Section 4 Discussion and Analysis of operation

H. Internal reforms and management

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

9. Capital Expenditures

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

Unit: RMB'000

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

(1) Main business analysis of the Company

A. Changes in the relevant items of financial statements

	For the six months ended 30 June 2017	For the six months ended 30 June 2016	Change
	RMB '000	RMB '000	(%)
Operating income	19,842,318	18,689,863	6.2
Operating costs	19,868,364	21,069,363	-5.7
Selling and distribution expenses	21,370	24,797	-13.8
General and administrative expenses	1,485,061	1,562,419	-3.6
Net financial expense ("-" for income)	247,983	210,096	18.0
Net cash inflow from operating activities ("-" for outflow)	-1,988,314	-3,110,624	Not applicable
Net cash inflow from investing activities ("-" for outflow)	-208,677	-164,727	Not applicable
Net cash inflow from financing activities ("-" for outflow)	1,794,566	3,653,747	-50.9
Research and development expenditure	51,138	70,157	-27.1

Reasons for the changes:

(a) The change in net financial expense was mainly due to the increase of the interest expenses driven by increase in borrowings in the first half of 2017.

(b) The change in net cash inflow from operating activities was mainly due to the sharp decrease in the operational losses caused by the rebound in the workload of the Company in the first half of 2017.

(c) The change in the net cash inflow from investing activities was mainly due to the collection of entrusted loans in the first half of 2016. But there were no such items in the first half of 2017.

(d) The change in the net cash inflow from financing activities was mainly due to the increase in repayments of borrowings in the first half of 2017.

(e) The change in research and development expenditure was mainly due to the decrease of investment in science and technology in the first half of 2017.

Section 4 Discussion and Analysis of operation

B. other

a. The specific information about the change of Company's profit structure or its profit resource

☐ applicable √ not applicable

b. Other

☐ applicable √ not applicable

(2). Explanations of significant changes in profit led by the non-core business

☐ Applicable √ Not Applicable

(3). Statement of assets and liabilities analysis

A. Assets and liabilities

Item	Amount at 30 June 2017 RMB'000	Percentage of amount at 30 June 2017 in total assets (%)	Amount at 31 December 2016 RMB'000	Percentage of amount at 31 December, 2016 in total assets (%)	Changes from the end of the preceding year to the end of the reporting period
Cash at bank and on hand	2,018,026	2.9	2,449,935	3.3	-17.6
Notes receivables	992,598	1.4	851,624	1.1	16.6
Accounts receivable	16,605,131	24.2	23,907,534	32.1	-30.5
Inventories	12,168,884	17.8	9,318,377	12.5	30.6
Other current assets	837,122	1.2	416,676	0.6	100.9
Long-term equity investments	208,084	0.3	221,329	0.3	-6.0
Fixed assets	27,205,909	39.7	28,807,257	38.7	-5.6
Construction in progress	877,121	1.3	866,846	1.2	1.2
Intangible assets	175,395	0.3	185,325	0.2	-5.4
Short-term borrowings	18,833,419	27.5	17,033,731	22.9	10.6
Notes Payable	2,015,894	2.9	2,013,497	2.7	0.1
Other payables	5,754,821	8.4	5,541,678	7.4	3.8
Non-current liabilities due within one year	328,841	0.5	220,908	0.3	48.9
long-term borrowings	819,702	1.2	763,070	1.0	7.4
Deferred income	112,403	0.2	112,171	0.2	0.2

B. Limitation of main assets by the end of the reporting period

√ Applicable ☐ Not Applicable

On 30 June 2017, the Company's funds with restricted use such as margin deposit, etc. was RMB 3,511,000 (On 31 December 2016: RMB 3,012, 000).

C. Note:

1. Accounts receivable decreased by RMB 7,302,403,000 compared with that of the previous year, which was mainly caused by the increase the clearing of accounts receivable.
2. Inventories decreased by RMB 2,850,507,000 compared with that of the previous year, which was mainly caused by the increase of the number of new started projects at the end of the first half of 2017 increased from the previous year.
3. Other current assets increased by RMB 420,446,000 compared with that of the previous year, which was mainly caused by the increase of the VAT tax credit at the end of 2017.
4. The non-current liabilities due within one year increased by RMB 107,933,000 compared with that of the previous year, which was mainly caused by the increase of long-term borrowings due within one year.

Section 4 Discussion and Analysis of operation

(4). Analysis of investments

A. Significant equity investment

During the reporting period, no significant equity investment items of the Company occurred.

B. Significant non-equity investment

☐ Applicable √ Not Applicable

C. Information of financial assets measured at fair value

☐ Applicable √ Not Applicable

(5) Sales of major assets and equity

During the reporting period, no sales of major assets and equity of the Company occurred.

(6) Information on the Company's subsidiaries and shareholding companies

Name of company	Registered capital	Shareholding percentage %	Amount of total assets RMB'000	Amount of total liabilities RMB'000	Amount of total net assets RMB'000	Amount of net profit RMB'000	Main Business
Sinopec Oilfield Service Company Limited	RMB 4,000,000,000	100	68,058,331	66,164,978	1,893,353	-2,258,799	Petroleum engineering technical service
Sinopec Shengli Oil Engineering Company Limited *	RMB 700,000,000	100	12,486,966	12,451,824	35,142	-645,725	Petroleum engineering technical service
Sinopec Zhongyuan Oil Engineering Company Limited *	RMB 450,000,000	100	10,928,223	10,447,098	481,125	-628,181	Petroleum engineering technical service
Sinopec Jianghan Oil Engineering Company Limited *	RMB 250,000,000	100	6,305,530	4,970,843	1,334,687	-80,885	Petroleum engineering technical service
Sinopec East China Oil Engineering Company Limited *	RMB 860,000,000	100	3,169,617	3,067,827	101,790	-264,262	Petroleum engineering technical service
Sinopec North China Oil Engineering Company Limited *	RMB 890,000,000	100	4,488,223	2,304,522	2,183,701	-63,237	Petroleum engineering technical service
Sinopec Southwest Oil Engineering Company Limited *	RMB 300,000,000	100	5,841,683	2,680,891	3,160,791	20,541	Petroleum engineering technical service
Sinopec Oil Engineering Geophysical Company Limited *	RMB 300,000,000	100	3,822,843	3,396,752	426,092	-150,093	Geophysical exploration
Sinopec Oil Engineering and Construction Corporation *	RMB 500,000,000	100	16,703,436	22,561,622	-5,858,186	-337,088	Construction
Sinopec Shanghai Offshore Oil Engineering Company Limited *	RMB 2,000,000,000	100	5,431,714	1,667,066	3,764,648	-107,814	Offshore Oil Engineering Technology Service
Sinopec International Petroleum Service Corporation *	RMB 700,000,000	100	3,981,783	2,946,437	1,035,361	4,440	Petroleum engineering technical service
SinoFTS Petroleum Services LTD. *	USD55 million	55	367,645	60,680	306,965	-18,302	Petroleum service
Zhong Wei Energy Services Co.LTD*	RMB 305 million	50	79,462	49,816	29,645	-5,188	Oilfield Service

Section 4 Discussion and Analysis of operation

Name of company	Revenue RMB'000	Operating profit RMB'000
Sinopec Oilfield Service Company Limited	19,842,318	-2,229,631
Sinopec Shengli Oil Engineering Company Limited*	4,806,981	-593,118
Sinopec Zhongyuan Oil Engineering Company Limited *	3,248,173	-498,222
Sinopec Jianghan Oil Engineering Company Limited *	1,347,597	-79,815
Sinopec East China Oil Engineering Company Limited *	921,450	-259,928
Sinopec North China Oil Engineering Company Limited*	1,706,401	-65,697
Sinopec Southwest Oil Engineering Company Limited *	1,528,822	19,651
Sinopec Oil Engineering Geophysical Company Limited *	1,919,879	-127,659
Sinopec Oil Engineering and Construction Corporation *	3,557,636	-386,833
Sinopec Shanghai Offshore Oil Engineering Company Limited *	337,646	-107,858
Sinopec International Petroleum Service Corporation *	561,653	16,292

* Note: The Company holds shares though Sinopec Oilfield Service Company Limited.

(7) The structured entity controlled by the Company

☐ Applicable √ Not Applicable

(8) Statement of the operations by products, industry and regions operating

A. Statement of operation by industry and products

Industry	Operating Income for the first half of 2017 RMB '000	Operating cost for the first half of 2017 RMB '000	Gross profit margin (%)	Increase/(Decrease) in operating income as compared with corresponding period of last year (%)	Increase/(Decrease) in operating cost as compared with corresponding period of last year (%)	Gross profit margin compared with corresponding period of last year
Geophysical	1,948,440	1,856,472	4.7	-4.8	-22.1	Increased by 21.1 percentage points
Drilling	11,609,081	11,760,883	-1.3	27.7	8.4	Increased by 18.0 percentage points
Logging/Mud logging	654,752	668,816	-2.1	22.4	-14.9	Increased by 44.8 percentage points
Downhole operation	1,529,318	1,686,145	-10.3	-17.8	-20.8	Increased by 4.1 percentage points
Engineering and construction	3,398,822	3,179,703	6.4	-26.4	-28.2	Increased by 2.4 percentage points
Other	488,280	532,871	-9.1	64.1	76.5	Decreased by 7.6 percentage points
Total	19,628,693	19,684,890	-0.3	6.4	-5.7	Increased by 12.9 percentage points

B. Statement of operation by regions

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

Section 4 Discussion and Analysis of operation

2. Market prospects and operation arrangements in the second half of 2017

(1). Market prospects in the second half of 2017

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

(2). Operation arrangements in the second half of 2017

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

A. Geophysical service

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

B. Drilling service

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

C. Logging/Mud logging services

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

D. Downhole operation service

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

Section 4 Discussion and Analysis of operation

E. Engineering and construction service

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

F. International business service

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

G. Research & development

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

H. Internal reform and management

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

I. Capital expenditure

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

Section 4 Discussion and Analysis of operation

3. Other matters of disclosure

(1) Warnings on potential fluctuation from the net profit to the loss for the period from the beginning of the year to the end of next reporting period or significant changes as compared with the same period of the preceding year

☐ Applicable √ Not applicable

(2) Potential risks

In the course of its production and operation, the Company actively took various measures to avoid and mitigate various types of risks. However, in practice, it may not be possible to prevent all risks and uncertainties completely.

A. Risk in fluctuation of international crude oil prices

The majority of the business income of the Company comes from oil and gas technical services. Affected by contracting demand in global oil and gas market and weak economic recovery, international oil prices were at a generally low level in 2016, when the annual average oil price was the lowest in the past 12 years, leading to dual reduction of work volumes and service prices. Although the oil prices rise a little at the beginning of 2017 as a result of the restricted production agreement, the global economy stays in a slow and unstable recovery, and US dollars enter appreciation process, which will make pressure on increasing the oil prices. Thus, the circumstances for the oil field services will turn better but a huge uncertainty is still present.

B. Market competition risk

At present, domestic and international oilfield service markets are becoming increasingly competitive. The Company's main competitors include various domestic companies and large multinational companies. Many of these companies are competitive in R & D capabilities, customer base and brand awareness etc. With low international oil prices and less investment by oil companies, the Company will face intense and comprehensive competition in exploring markets, service prices, technologies, management, etc.

C. Environmental damage, hidden hazards and force majeure risk

Petrochemical services involve certain risks, which may cause unexpected or dangerous incidents such as personal injury or death, property damage, environmental damage and disruption to operations, etc. In light of tougher requirements in environmental protection, the Company may cause environmental pollution caused by accidents in its operation, stand trial and pay compensation. As its operation expands, hazard risks faced by the Company also increase accordingly. Further, new regulations promulgated by the state in recent years set out higher standards for production safety. In addition, natural disasters such as earthquake and typhoon as well as emergency public health events may cause losses to properties and personnel of the Company, and may affect the normal operations of the Company. The Company has implemented a strict HSE management system and used its best endeavors to avoid the occurrence of accidents. However, the Company cannot completely avoid potential financial losses caused by such contingent incidents.

D. Overseas operation risk

The company has business in many foreign countries who will have political, legal, supervision and management influences on the business. The conditions there are unstable and quite different with those in developed countries. There may also be risks of political volatility, religious issues, public security, unstable tax policies, import and export restrictions, and regulatory uncertainties, etc.

E. Exchange rate risk

At present, the implementation of the RMB exchange was based on market supply & demand, regulated and managed by floating exchange rate system with the reference to a basket of currency. As the Company uses foreign currency to pay international business and signs the contract mainly in US dollar, the fluctuation in exchange rates of US dollar or other currency to RMB will affect the revenue of the Company.

Section 4 Discussion and Analysis of operation

(3) Assets, liabilities, equities and cash flow (Extracted from the interim financial report prepared in accordance with International Financial Reporting Standards (Unaudited)

The Group's primary sources of funds, coming from operating activities, short-term and long-term borrowings etc., are primarily used in operating activities, capital expenditures and repayment of short-term and long-term borrowings.

A. Assets, liabilities and shareholders' equity analysis

	As to 30 June 2017	As to 31 December 2016	The change
	RMB '000	RMB '000	RMB '000
Total assets	**68,478,917**	74,493,166	-6,014,249
Current assets	**36,489,529**	40,155,491	-3,665,962
Non-current assets	**31,989,388**	34,337,675	-2,348,287
Total liabilities	**62,160,457**	66,051,574	-3,891,117
Current liabilities	**61,178,325**	65,115,489	-3,937,164
Non-current liabilities	**982,132**	936,085	46,047
Total equity attributable to equity shareholders of the Company	**6,319,768**	8,442,868	-2,123,100

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

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

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

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

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

Section 4 Discussion and Analysis of operation

B. Cash flow analysis

The main items of cash flow of the Company in the first half of 2017 and the first half of 2016 showed in the following table.

Main items of cash flow	For the six months ended 30 June 2017 RMB '000	2016 RMB '000
Net cash outflow from operating activities	**(2,023,005)**	(3,275,626)
Net cash outflow from investing activities	**(200,284)**	(9,533)
Net cash inflow from financing activities	**1,820,864**	3,663,555
(Decrease)/increase in cash and cash equivalents	**(402,425)**	378,396
Cash and cash equivalents at the beginning of the year	**2,446,923**	1,993,209
Cash and cash equivalents at the end of the interim period	**2,014,515**	2,404,398

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

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

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

C. Borrowings from bank and related companies

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

D. Gearing ratio

As at 30 June 2017, the gearing ratio of the Group was 74.0% (as at 31 December 2016: 64.9%). The gearing ratio = (liability with interest – cash & cash equivalents)/(liability with interest – cash & cash equivalents + shareholders' equity)

E. Assets pledge

For the six months ended 30 June 2017, there was no pledge on the Group's assets.

F. Foreign Exchange Risk Management

It is set forth in note 8 of the interim financial statements prepared in accordance with the PRC ASBE.

Section 5 Significant Events

1. Summary of Shareholders' Meetings

During the reporting period, the Company held the annual general meeting for the year 2016 on 29 June 2017. Details are as follows:

Name of meeting	Date of meeting	Website designated for searching the resolutions	Disclosure date of resolutions
The annual general meeting for the year 2016	29 June 2017	www.sse.com.cn www.hkexnews.hk	30 June 2017

2. Profit distribution plan or plan for capitalization of surplus reserves

(1) Interim cash dividends for 2017 and proposal on issue of shares by capitalizing the common reserves

In accordance with the Articles of Association of the Company, the Board resolved that no interim cash dividend was paid for the year ending 31 December 2017, and no issue of bonus shares by way of capitalization of common reserves.

3. Performance of undertaking

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

Undertaking Background	Undertaking Type	Undertaking party	Undertaking	Undertaking date and period	Is there deadline for performance of undertaking	Whether or not strictly and timely fulfill the undertaking
Undertakings regarding the material assets reorganization	To solve horizontal competition	China Petrochemical Corporation	The Non-Competition Undertaking 1. China Petrochemical Corporation undertook that it would not engage with the Company's production and business activities in competition, and will ensure its subsidiaries not to engage with the Company's production and business activities in competition through exercise of its shareholder rights. 2. After the material assets reorganization, if Sinopec Star's new business opportunity has any direct or indirect competition with the Company's main business, priorities of the above-mentioned opportunity will be given to the Company. Within 5 years of the material assets reorganization, China Petrochemical Corporation will find appropriate opportunity to sell the petroleum service business belonged "Exploration IV" drilling rig of Sinopec Star to the Company, after the China Petrochemical Corporation's comprehensive consideration of the related factors of National Law, Industry Norms and International Political Economy. 3. After the material assets reorganization, if China Petrochemical Corporation and its subsidiaries' new business opportunity has any direct or indirect competition with the Company's main business, priorities of the above-mentioned opportunity will be given to the Company. If China Petrochemical Corporation intends to transfer, sell, lease, license or otherwise transfer or permit to use any of the above business which would result in the competition with the Company's main business, priorities of the above-mentioned opportunity will be given to the Company for avoiding the competition. 4. China Petrochemical Corporation consent that it will bear and pay damages to the listed companies caused by its violation of the commitment.	Undertaking date: 12 September 2014 Period: long term	Yes	During the reporting period, China Petrochemical Corporation did not act contrary to the promise.

Section 5 Significant Events

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
Commitments regarding the Material Assets Reorganization	To solve connected transactions	China Petrochemical Corporation	The Commitment of Regulating the connected transaction: China Petrochemical Corporation and its other controlling companies will regulate its/their connected transactions with the Company. For the connected transactions with reasonable grounds, China Petrochemical Corporation an its controlling Company's will sign the standard agreement of connected transactions, and will fulfill the obligations of the program approval and information disclosure, in accordance with the provisions of relevant laws and regulations, and the Company's Articles of Association. The confirmation price related to the connected transaction will follow the principle of fair, reasonable and impartial.	Commitment date: 12 September 2014 Period: long term	Yes	During the reporting period, China Petrochemical Corporation did not act contrary to the promise.
Commitments regarding the Material Assets Reorganization	Others	China Petrochemical Corporation	Issued "The commitment letter regarding to the regulating of connected transaction and maintaining the independence of the Company": 1. China Petrochemical Corporation and its controlling companies guarantee the maintaining of the separation from the Company's asset, personnel, finance, organization and business, strictly comply with the relevant provisions regarding to the listed Company's independency of CSRC. China Chemical Corporation will not utilize, control or violate the Standardized operation program of the listed company, not intervene the Company's operating decisions, and not jeopardize the legitimate rights and interests of the Company and its shareholders. 2. China Petrochemical Corporation and its controlling companies guarantee not to illegally use the funds of the Company and its holding Company. 3. If China Petrochemical Corporation violate the above commitment, it would undertake the law and compensate the losses caused to the Company.	Commitment date: 12 September 2014 Period: long term	Yes	During the reporting period, China Petrochemical Corporation did not act contrary to the promise.

4. The situation of appointment and dismissal of the accounting firm

The Company didn't change its accounting firm during the reporting period.

As such, the fifteenth meeting of the eighth term Board of Directors of the Company has proposed to further appoint Grant Thornton (special general partnership) and Grant Thornton Hong Kong Limited as the Company's domestic and international auditors for 2017, and further appoint Grant Thornton (special general partnership) as the Company's auditor regarding internal control for 2017. Such proposal has been approved by the shareholders of the Company at the 2016 AGM.

Explanation of the Company on non-standard opinion given by the auditors

☐ Applicable √ Not applicable

Explanation of the Company on non-standard opinion of financial report for 2016 given by the auditors

☐ Applicable √ Not applicable

Section 5 Significant Events

5. Insolvency and restructuring

During the reporting period, the Company was not involved in any insolvency or restructuring matters.

6. Material litigation, arbitration and events commonly disputable by the media

During the reporting period, there was no material litigation, arbitration and events commonly disputable by the media.

7. Penalties on the Company and its Directors, Supervisors, senior management, shareholders who hold more than five per cent of the Company's shares, ultimate controller and remedies thereto

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

8. Credibility for the Company, controlling shareholders and de facto controller

☐ Applicable √ Not applicable

9. Stock option incentive scheme and its effect

(1) Date and number of the Grant

Grant date: 1 November 2016

Number of share options granted: 49,050,000

Number of participants: 477 persons

(2) Share Options Granted to Directors, Senior Management or Major Shareholders

The Company granted a total of 1,850,000 A shares share options to ten persons, including Vice Chairman and General Manager Mr. Sun Qingde, Executive Director and Deputy Manager Mr. Zhou Shiliang, Supervisor Mr. Huang Songwei, Deputy Managers, Mr. Zhang Yongjie and Mr. Lu Baoping, Deputy Secretary of CPC Committee Mr. Liu Rushan, Deputy Managers Mr. Zhu Yaojiu and Mr. Zhang Jinhong, Former Chief Financial Officer Mr. Wang Hongchen, and the Secretary to the board Mr. Li Honghai, accounting for 3.8% of the total amount of share options in the Proposed Grant, and accounting for 0.0131% of the total shares of the Company.

(3) Information on share options granted to key business personnel holding core positions

The Company granted a total of 47,200,000 A shares share options to 467 key business personnel, accounting for 96.2% of the total amount of the share options in the Proposed Grant, and accounting for 0.3337% of the total shares of the Company. During the reporting period, none of the share options granted was exercised, and no share options were cancelled or lapsed.

(4) Exercise price of the Grant

According to the determining principal of exercise price, the exercise price of the Grant is RMB 5.63 per share (If, during the Validity Period, any capitalisation of capital reserves, distribution of dividend, subdivision, allotment or reduction of the Shares or any other events takes place, an adjustment to the number of Share Options shall be made accordingly).

Section 5 Significant Events

(5) Validity Period and Exercise Arrangement under the Grant

The validity period of the share options shall be five years commencing from the grant date, but is subject to the following exercise arrangements. The exercisable period for the share options shall be three years, commencing from the expiry of the two-year period after the grant date. There shall be three exercisable periods (one year for each exercisable period, same hereinafter) under the Share Option Incentive Scheme. Upon the fulfillment of the exercise conditions, 30%, 30% and 40% of the total share options granted shall become exercisable within the 1st, 2nd and 3rd exercisable periods, respectively.

Stage	Timing Arrangement	Exercise Ratio Cap
Grant Date	To be determined by the Board upon fulfilment of the grant conditions under the Scheme	
1st Exercise Period	Commencing on the first trading day after the expiration of 24 months from the Grant Date and ending on the last trading day of 36 months from the Grant Date	30%
2nd Exercise Period	Commencing on the first trading day after the expiration of 36 months from the Grant Date and ending on the last trading day of 48 months from the Grant Date	30%
3rd Exercise Period	Commencing on the first trading day after the expiration of 48 months from the Grant Date and ending on the last trading day of 60 months from the Grant Date	40%

10. Information on connected transactions

The Company’s material connected transactions for the year ended 30 June 2017 are as follows:

(1) The material connected transactions relating to daily operation during the reporting period are as follows:

The nature of the transaction classification	Connected parties	Amount of transaction RMB ‘000	Proportion of the same type of transaction (%)
Purchase of materials and equipments	China Petrochemical Corporation and its subsidiaries	1,645,866	36.2
Sales of products	China Petrochemical Corporation and its subsidiaries	46,163	68.4
Rendering Engineering services	China Petrochemical Corporation and its subsidiaries	10,665,334	53.8
Receiving of community services	China Petrochemical Corporation and its subsidiaries	779,812	100.0
Receiving of integrated services	China Petrochemical Corporation and its subsidiaries	68,119	100.0
Rental expenses	China Petrochemical Corporation and its subsidiaries	26,763	15.7
Loan interest expenses	China Petrochemical Corporation and its subsidiaries	277,066	99.3
Borrowings obtained	China Petrochemical Corporation and its subsidiaries	28,945,143	100.0
Borrowings repaid	China Petrochemical Corporation and its subsidiaries	26,837,186	100.0
Safety and insurance fund expenses	China Petrochemical Corporation	1,100	100.0

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

Section 5 Significant Events

(2) During the reporting period, there were no material connected transactions related to the transfer of assets or equity of the Company.

(3) During the reporting period, no material connected transactions of joint external investment material connected transactions of joint external investment of the company occurred.

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

Unit: RMB '000

Connected parties	Connected relation	Funds provided to connected party			Funds provided to the Company by connected party		
		Opening balance	Occurrence amount	Closing balance	Opening balance	Occurrence amount	Closing balance
China Petrochemical Corporation and its subsidiaries	Controlling shareholders and its subsidiaries	14,850,879	-7,239,587	7,611,292	20,846,055	-8,469,578	12,376,477
Sinopec Finance Company Limited	Subsidiary companies of the controlling shareholders	—	—	—	1,260,000	7,960,000	9,220,000
Sinopec Century Bright Capital Investment Limited	Subsidiary companies of the controlling shareholders	—	—	—	9,720,074	-483,552	9,236,522
Total		14,850,879	-7,239,587	7,611,292	31,826,129	-993,130	30,832,999
Causes of connected claims and debts							Normal production and operation
Influence of connected claims and debts on the Company's performance and financial situation							No material adverse effects

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

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

For details of connected transactions during the reporting period, please refer to note 10 of the interim financial report prepared in accordance with PRC ASBE.

11. Material contracts and performance

(1) Trusteeship, sub-contracting and leasing items

During the reporting period, there were no trusteeship, subcontracting and leasing of properties of other companies by the Company which would contribute profit to the Company of 10 per cent or more of its total profits for the current period.

(2) Guarantee

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

(3) Other material contracts

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

12. Improvement of corporate governance

During the reporting period, the Company was able to regulate its operations in accordance with domestic and overseas regulatory requirements. The corporate governance of the Company had nothing inconsistent with the regulatory requirements on corporate governance of listed companies laid down by the CSRC. To further improve corporate governance, in accordance with the requirements of strengthening the Party's leadership and improving the organic unity of corporate governance, approved by 2016 AGM of the Company, the Company add contents which are related to the Party's construction to the Articles of Association.

During the reporting period, 1) among the relationship of General Meeting, Board of Directors and Management level, there were clear division of rights and responsibilities, good performance of their respective duties and standard norms of operation; 2) the special committees of the Board carried out their work in accordance with their duties, and the independent directors played active roles in connected transactions, appointment of senior management and financial audit, etc.; 3) the Company continuously improve the quality of information disclosure and investor relations management. The disclosed information were real, accurate, complete and in-time; 4) trainings on performance of duty were meticulously organized for directors, supervisors and senior management.

Section 5 Significant Events

13. Poverty alleviation program launched by the Company

☐ Applicable √ Not applicable

14. Convertible Bonds

☐ Applicable √ Not applicable

15. Description of the environmental protection situations of listed companies and their subsidiaries in heavily polluting industries, as required by the state environment protection department regulations

☐ Applicable √ Not applicable

16. Compliance with the Corporate Governance Code

For the six months ended 30 June 2017, the Company has complied with all the code provisions of the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, except that:

Code provision A.5.1 provides that listed issuers 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 directorship 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. 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.

17. Compliance with the Mode Code

The Company has adopted the Model Code as contained in Appendix 10 to the Listing Rules. After having specifically inquired from 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.

18. Other significant events

(1) Analysis and explanation of the Board on the reasons and impact of the change in accounting policy, accounting estimation and verification method

√ Applicable ☐ Not Applicable

According to provisions of the "Accounting Standard for Business Enterprises No. 16 - Government Grants (2017)", the treatment of government grants is changed from solely total-value based to the total-value based and net- value based. Meanwhile, the amortization method of deferred income arising from assets related government grants should be changed from straight line method to reasonable and systematic manner. The amendment is also applied to the disclosure of government grant. The revised standard is applied to government grants that haven't been totally amortized at 1 January 2017 and obtained in 2017.

The above changes in accounting policy have no effect on the opening and ending balance of net assets and retained earnings. In income statements, other income would be increased by RMB 132,840,000, while non-operating income would be decreased by RMB132,840,000.

(2) Analysis and explanation of the Board on the reasons and impact of the correction to material errors for last period

☐ Applicable √ Not Applicable

Section 6 Changes in Share Capital and Information on Shareholders

1. Changes in share capital

(1) Changes in share capital

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

(2) Changes in Shares with Selling Restrictions

☐ Applicable √ Not Applicable

2. Information of Shareholders

(1) Number of shareholders

As at 30 June 2017, the number of shareholders of the Company was 171,539, including 171,180 holders of A shares and 359 registered holders of H shares. The minimum public float of the Company satisfied the requirements of the Listing Rules on the HKSE.

(2) The shareholdings of the top ten shareholders and the shareholdings of the top ten shareholders of shares without selling restrictions of the Company

Shareholdings of the top ten shareholders Names of shareholders	Nature of shareholders	Changes of shareholdings[1] (shares)	Number of shares held at the end of the reporting period (shares)	Percentage to total share capital (%)	Number of shares with selling restrictions (shares)	Number of shares pledged or frozen
China Petrochemical Corporation	State-owned legal person	0	9,224,327,662	65.22	9,224,327,662	0
Hong Kong Securities Clearing Company (Nominees) Limited ("HKSCC (Nominees) Limited")[2]	Overseas legal person	106,000	2,086,556,496	14.75	0	0
CITIC Limited	State-owned legal person	0	1,035,000,000	7.32	0	0
Darry Asset Management (Hangzhou) Co., Ltd.	Others	0	133,333,333	0.94	0	133,333,300
Beijing Harvest Yuanhe Investment Center (Limited Partnership)	Others	0	124,007,660	0.88	0	Unknown
Donghai Fund-Xingye Bank-Huaxin Trust- Huizhi Investment No.49 Trust Plan	Others	0	66,666,666	0.47	0	Unknown
Donghai Fund-Xingye Bank-Huaxin Trust- Huizhi Investment No.47 Trust Plan	Others	0	66,666,666	0.47	0	Unknown
Huaan Fund-Xingye Bank-China Foreign Economy and Trade Trust Co., Ltd.	Others	0	13,333,300	0.09	0	Unknown
Ding Yi	Domestic natural person	11,922,851	11,922,851	0.08	0	Unknown
Caitong Fund-China Everbright Bank-China Galaxy Securities Co., Ltd.	Others	0	10,842,727	0.08	0	Unknown

Section 6 Changes in Share Capital and Information on Shareholders

Shareholdings of top ten shareholders of shares without selling restrictions Name of shareholders	Number of shares without selling restrictions held at the end of the reporting period (shares)	Types of shares
HKSCC (Nominees) Limited	2,086,556,496	H Share
CITIC Limited	1,035,000,000	A Share
Darry Asset Management (Hangzhou) Co., Ltd	133,333,333	A Share
Beijing Harvest Yuanhe Investment Center (Limited Partnership)	124,007,660	A Share
Donghai Fund-Xingye Bank-Huaxin Trust- Huizhi Investment No.49 Trust Plan	66,666,666	A Share
Donghai Fund-Xingye Bank-Huaxin Trust- Huizhi Investment No.47 Trust Plan	66,666,666	A Share
Huaan Fund-Xingye Bank-China Foreign Economy and Trade Trust Co., Ltd.	13,333,300	A Share
Ding Yi	11,922,851	A Share
Caitong Fund-China Everbright Bank-China Galaxy Securities Co., Ltd.	10,842,727	A Share
China Galaxy Securities Co., Ltd.	8,200,113	A Share
Statement on the connected relationship or activities in concert among the above-mentioned shareholders	Except that Donghai Fund-Xingye Bank-Huaxin Trust - Huizhi Investment No.49 Trust Plan and Donghai Fund-Xingye Bank-Huaxin Trust - Huizhi Investment No.47 Trust Plan belong to Donghai Fund Management Limited Company, the Company is not aware of that there is any connected relationship or activities in concert among the above-mentioned shareholders.	

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

(3) Number of shares held by the top ten holders of shares with selling restrictions and conditions for sale

Unit: share

Names of shareholders with selling restrictions	Number of shares with selling restrictions	Date when the shares could be traded through listing	Number of additional shares could be traded through listing	Selling restriction
China Petrochemical Corporation	9,224,327,662	31 December 2017	9,224,327,662	3 years

Section 6 Changes in Share Capital and Information on Shareholders

3. The interest or short position held by the substantial shareholders and other persons in the Company's shares or underlying shares

As far as known to the Directors, as at 30 June 2017, the following persons had an interest or short positions in the shares and underlying shares of the Company which shall be disclosed under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("**SFO**") were as follows:

Name of shareholder	Number of share held	Per cent of shareholding in the Company's total issued share capital	Per cent of shareholding in the Company's total issued domestic shares	Per cent of shareholding in the Company's total issued H shares	Short position
		(%)	(%)	(%)	(shares)
China Petrochemical Corporation	9,224,327,662	65.22	76.60	Not Applicable	—
CITIC Limited	1,035,000,000	7.32	8.59	Not Applicable	—

Save as disclosed above, as at 30 June 2017, as far as known to the Directors, no other person (other than Director, Supervisor or senior management of the Company) had an interest or short position in the shares and underlying shares of the Company which would as recorded in the register kept by the Company under Section 336 of the SFO.

4. Information on changes of controlling shareholder and the ultimate controller

There was no change in the controlling shareholder or the ultimate controller of the Company during the reporting period.

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

During the reporting period, the Company had not purchased, sold or redeemed any of the Company's listed securities.

Section 7 Directors, Supervisors and Senior Management

1. The Change of equity interests in the Company

(1) Shareholdings of the current Directors, Supervisors and Senior Management and those resigned during the reporting period

The actual number of shares in the issued share capital of the Company held by the Directors, Supervisors and Senior Management as at the end of the reporting period are as follows:

Name	Title	Number of shares held at the beginning of the reporting period	Number of shares held at the end of the reporting period	Changes during the reporting period	Reason for change
Jiao Fangzheng	Chairman	0	0	0	No Change
Sun Qingde	Vice Chairman, General Manager	0	0	0	No Change
Zhou Shiliang	Director, Deputy General Manager	0	0	0	No Change
Li Lianwu	Director	0	0	0	No Change
Jiang Bo	Independent Non-Executive	0	0	0	No Change
Zhang Huaqiao	Independent Non-Executive	0	0	0	No Change
Pan Ying	Independent Non-Executive	0	0	0	No Change
Li Wei	Chairman of Supervisory Committee	0	0	0	No Change
Zou Huiping	Supervisor	0	0	0	No Change
Du Jiangbo	Supervisor	0	0	0	No Change
Zhang Qin	Supervisor	0	0	0	No Change
Zhang Hongshan	Supervisor	0	0	0	No Change
Huang Songwei	Supervisor	0	0	0	No Change
Chen xikun	Executive Deputy General Manager	0	0	0	No Change
Zhang Yongjie	Deputy General Manager	0	0	0	No Change
Lu Baoping	Deputy General Manager	0	0	0	No Change
Zuo Yaojiu	Deputy General Manager	0	0	0	No Change
Zhang Jinhong	Deputy General Manager	0	0	0	No Change
Li Tian	Chief Financial Manager	0	0	0	No Change
Li Honghai	Secretary to the board	0	0	0	No Change
Zhang Hong	Former Director	0	0	0	No Change
Hu Guoqiang	Former Chairman of Supervisory Committee	0	0	0	No Change
Cong Peixin	Former Supervisor	0	0	0	No Change
Xu Weihua	Former Supervisor	0	0	0	No Change
Du Guangyi	Former Supervisor	0	0	0	No Change
Liu Rushan	Former Deputy General Manager	0	0	0	No Change
Wang Hongchen	Former Chief Financial Manager	0	0	0	No Change

Section 7 Directors, Supervisors and Senior Management

Directors', Supervisors' and Senior Management's rights to acquire interest or short position in shares, underlying shares or debentures

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

(2) Stock option incentive awarded for Directors, Supervisors and Senior Management

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

Section 7 Directors, Supervisors and Senior Management

2. Changes in Directors, Supervisors and Senior Management

Name	Position held	Change	Reason for change
Zhang Hong	Director	Resigned	Personal reasons
Hu Guoqiang	Chairman of Supervisory Committee	Resigned	Change of work
Xu Weihua	Employee Representative Supervisor	Resigned	Change of work
Cong Peixin	Supervisor	Resigned	Change of work
Du Guangyi	Supervisor	Resigned	Change of work
Liu Rushan	Deputy General Manager	Resigned	Change of work
Huang Songwei	Deputy General Manager	Resigned	Change of work
Wang Hongchen	Chief Financial Officer	Resigned	Change of work
Zhang Hongshan	Employee Representative Supervisor	Elected	Elected at the workers' congress
Li Wei	Employee Representative Supervisor, Chairman of Supervisory Committee	Elected	Elected at the workers' congress and Supervisory Committee
Huang Songwei	Employee Representative Supervisor	Elected	Elected at the workers' congress
Chen Xikun	Executive Deputy General Manager	Appointed as Executive Deputy General Manager	Appointed by the Board of Directors
Zuo Yaojiu	Deputy General Manager	Appointed as Deputy Manager	Appointed by the Board of Directors
Li Tian	Chief Financial Officer	Appointed as Chief Financial Officer	Appointed by the Board of Directors

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

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

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

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

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

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

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

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

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

3. Independent Non-executive Director and Audit Committee

As at 30 June 2017, the Company has three independent non-executive directors, one of whom is professional in the accounting field and has experience in financial management.

The Audit Committee of the Board of the Company has been founded. The members of the Audit Committee include Ms. Jiang Bo, Mr. Pan Ying and Mr. Li Lianwu. The main responsibilities of the audit committee are to review and supervise the Company's financial reporting procedures and internal control system, and to provide advice to the Board. The Audit Committee has reviewed and confirmed the interim results for the six-months ended 30 June 2017.

Section 8 Financial Reports

Prepared in accordance with PRC Accounting Standards for Business Enterprises (Unaudited)

CONSOLIDATED BALANCE SHEETS

Expressed in RMB thousand

Items	Notes	At 30 June 2017	At 31 December 2016
Current assets:			
Cash at bank and on hand	V.1	2,018,026	2,449,935
Financial assets at fair value through profit or loss		—	—
Notes receivable	V.2	992,598	851,624
Accounts receivable	V.3	16,605,131	23,907,534
Prepayments	V.4	491,670	352,972
Interest receivables		—	—
Dividend receivables		23	23
Other receivables	V.5	3,346,611	2,822,409
Inventories	V.6	12,168,884	9,318,377
Non-current assets due within one year	V.7	951,689	1,011,028
Other current assets	V.8	837,122	416,676
Total current assets		37,411,754	41,130,578
Non-current assets:			
Available-for-sale financial assets	V.9	24,389	24,389
Held-to-maturity investments		—	—
Long-term receivables		—	—
Long-term equity investments	V.10	208,084	221,329
Investment property		—	—
Fixed assets	V.11	27,205,909	28,807,257
Construction in progress	V.12	877,121	866,846
Construction materials		—	—
Disposal of fixed assets		4,481	2,066
Biological assets		—	—
Oil and gas assets		—	—
Intangible assets	V.13	175,395	185,325
Research and development expenditure		—	—
Goodwill		—	—
Long-term deferred expenses	V.14	2,393,619	3,071,828
Deferred income tax assets	V.15	178,165	183,548
Other non-current assets		—	—
Total non-current assets		31,067,163	33,362,588
Total assets		68,478,917	74,493,166

CONSOLIDATED BALANCE SHEETS (Continued)

Expressed in RMB thousand

Items	Notes	At 30 June 2017	At 31 December 2016
Current liabilities:			
Short-term loans	V.16	18,833,419	17,033,731
Financial liabilities at fair value through profit or loss		—	—
Bills payable	V.17	2,015,894	2,013,497
Accounts payable	V.18	24,330,965	28,296,730
Advances from customers	V.19	8,795,090	10,673,978
Employee benefits payable	V.20	292,630	171,657
Taxes payable	V.21	748,259	1,050,339
Interest payables	V.22	262	73,627
Dividend payables		—	—
Other payables	V.23	5,754,821	5,541,678
Non-current liabilities due within one year	V.24	328,841	220,908
Other current liabilities	V.25	58,622	15,267
Total current liabilities		61,158,803	65,091,412
Non-current liabilities:			
Long-term loans	V.26	819,702	763,070
Bonds payables		—	—
Long-term payables	V.27	43,268	57,641
Long-term employee benefits payable		—	—
Special payables		—	—
Estimated liabilities		—	—
Deferred income	V.28	112,403	112,171
Deferred income tax liabilities	V.15	26,281	27,280
Other non-current liabilities		—	—
Total non-current liabilities		1,001,654	960,162
Total liabilities		62,160,457	66,051,574
Share capital	V.29	14,142,661	14,142,661
Capital reserve	V.30	8,906,280	8,897,232
Less: treasury stock		—	—
Other comprehensive income		—	—
Special reserve	V.31	329,244	176,068
Surplus reserve	V.32	200,383	200,383
Retained earnings	V.33	-17,258,800	-14,973,476
Equity attributable to the parent company		6,319,768	8,442,868
Minority interests		-1,308	-1,276
Total equity		6,318,460	8,441,592
Total liabilities and equity		68,478,917	74,493,166

The notes to financial information are the integral part of the financial information.

Legal representative:	*General Manager:*	*Chief Financial Officer:*	*Manager of accounting department:*
Jiao Fangzheng	Sun Qingde	Li Tian	Song Daoqiang

BALANCE SHEETS

Expressed in RMB thousand

Items	Notes	At 30 June 2017	At 31 December 2016
Current assets:			
Cash at bank and on hand	XV.1	254,982	382,997
Financial assets at fair value through profit or loss		—	—
Notes receivable		—	—
Accounts receivable		—	—
Prepayments		—	—
Interest receivables		—	—
Dividend receivables		—	—
Other receivables	XV.2	5,308,858	5,179,627
Inventories		—	—
Non-current assets due within one year		—	—
Other current assets		—	—
Total current assets		5,563,840	5,562,624
Non-current assets:			
Available-for-sale financial assets		—	—
Held-to-maturity investments		—	—
Long-term receivables		—	—
Long-term equity investments	XV.3	20,215,327	20,215,327
Investment property		—	—
Fixed assets		—	—
Construction in progress		—	—
Construction materials		—	—
Disposal of fixed assets		—	—
Biological assets		—	—
Oil and gas assets		—	—
Intangible assets		—	—
Research and development expenditure		—	—
Goodwill		—	—
Long-term deferred expenses		—	—
Deferred income tax assets		—	—
Other non-current assets		—	—
Total non-current assets		20,215,327	20,215,327
Total assets		25,779,167	25,777,951

BALANCE SHEETS (Continued)

Expressed in RMB thousand

Items	Notes	At 30 June 2017	At 31 December 2016
Current liabilities:			
Short-term loans		—	—
Financial liabilities at fair value through profit or loss		—	—
Bills payable		—	—
Accounts payable		—	—
Advances from customers		—	—
Employee benefits payable		—	—
Taxes payable		219	189
Interest payables		—	—
Dividend payables		—	—
Other payables	XV.4	1,131,403	1,119,802
Non-current liabilities due within one year		—	—
Other current liabilities		—	—
Total current liabilities		1,131,622	1,119,991
Non-current liabilities:			
Long-term loans		—	—
Bonds payables		—	—
Long-term payables		—	—
Long-term employee benefits payable		—	—
Special payables		—	—
Estimated liabilities		—	—
Deferred income		—	—
Deferred income tax liabilities		—	—
Other non-current liabilities		—	—
Total non-current liabilities		—	—
Total liabilities		1,131,622	1,119,991
Share capital	XV.7	14,142,661	14,142,661
Capital reserve	XV.8	11,763,382	11,754,334
Less:treasury stock		—	—
Other comprehensive income		—	—
Special reserve		—	—
Surplus reserve	XV.9	200,383	200,383
Retained earnings	XV.10	-1,458,881	-1,439,418
Equity attributable to the parent company		24,647,545	24,657,960
Minority interests		—	—
Total equity		24,647,545	24,657,960
Total liabilities and equity		25,779,167	25,777,951

The notes to financial information are the integral part of the financial information.

Legal representative:	*General Manager:*	*Chief Financial Officer:*	*Manager of accounting department:*
Jiao Fangzheng	**Sun Qingde**	**Li Tian**	**Song Daoqiang**

CONSOLIDATED INCOME STATEMENTS

Expressed in RMB thousand

Items	Notes	For the six months ended 30 June 2017	For the six months ended 30 June 2016
1. Revenue	V.34	19,842,318	18,689,863
Less: Cost of sales	V.34	19,868,364	21,069,363
Business taxes and surcharges	V.35	171,547	223,414
Selling expenses	V.36	21,370	24,797
General and administrative expenses	V.37	1,485,061	1,540,164
Finance costs	V.38	247,983	210,096
Impairment losses on assets	V.39	284,193	68,130
Add: Gains/(losses) from changes in fair value (loss in "-")		—	—
Add: Investment income (loss in "-")	V.40	-12,878	6,679
Including: Investment income from investments in associates and joint ventures		-12,945	-9,370
Other income	V.41	132,840	—
2. Operating profits (loss in "-")		-2,116,238	-4,439,422
Add: Non-operating income	V.42	93,686	69,736
Including: Gains from disposal of non-current assets		4,986	6,084
Less: Non-operating expenses	V.43	63,434	26,608
Including: Losses on disposal of non-current assets		37,960	5,679
3. Profit before income tax (loss in "-")		-2,085,986	-4,396,294
Less: Income tax expense	V.44	199,370	113,210
4.Profit for the year/period (loss in "-")		-2,285,356	-4,509,504
Profit for the year/period attributable to:			
– The owners' of SSC		-2,285,324	-4,509,421
– Minority interests		-32	-83
5. Other comprehensive income after tax		—	—
Other comprehensive income after tax for the year/period attributable to:			
– The owners' of parent company		—	—
– Minority shareholders		—	—
6. Total comprehensive income		-2,285,356	-4,509,504
Total comprehensive income for the year/period attributable to:			
– The owners' of parent company		-2,285,324	-4,509,421
– Minority shareholders		-32	-83
7. Earnings per share			
– Basic		-0.16	-0.32
– Diluted		-0.16	-0.32

The notes to financial information are the integral part of the financial information.

Legal representative:	*General Manager:*	*Chief Financial Officer:*	*Manager of accounting department:*
Jiao Fangzheng	**Sun Qingde**	**Li Tian**	**Song Daoqiang**

INCOME STATEMENTS

Expressed in RMB thousand

Items	Notes	For the six months ended 30 June 2017	For the six months ended 30 June 2016
1. Revenue		—	—
Less: Cost of sales		—	—
Business taxes and surcharges		—	34
Selling expenses		—	—
General and administrative expenses	XV.5	22,499	3,440
Finance costs	XV.6	-3,036	-2,312
Impairment losses on assets		—	—
Add: Gains/(losses) from changes in fair value (loss in "-")		—	—
Add: Investment income (loss in "-")		—	—
Including: Investment income from investments in associates and joint ventures		—	—
Other income		—	—
2. Operating profits (loss in "-")		-19,463	-472
Add: Non-operating income		—	—
Including: Gains from disposal of non-current assets		—	—
Less: Non-operating expenses		—	—
Including: Losses on disposal of non-current assets		—	—
3. Profit before income tax (loss in "-")		-19,463	-472
Less: Income tax expense			—
4. Profit for the year/period (loss in "-")		-19,463	-472
Profit for the year/period attributable to:			
– The owners' of SSC		-19,463	-472
– Minority interests		—	—
5. Other comprehensive income after tax		—	—
Other comprehensive income after tax for the year/period attributable to:			
– The owners' of parent company		—	—
– Minority shareholders		—	—
6. Total comprehensive income		-19,463	-472
Total comprehensive income for the year/period attributable to:			
– The owners' of parent company		-19,463	22,452
– Minority shareholders		—	—
7. Earnings per share			
– Basic		—	—
– Diluted		—	—

The notes to financial information are the integral part of the financial information.

Legal representative:	*General Manager:*	*Chief Financial Officer:*	*Manager of accounting department:*
Jiao Fangzheng	**Sun Qingde**	**Li Tian**	**Song Daoqiang**

CONSOLIDATED CASH FLOW STATEMENTS

Expressed in RMB thousand

Items	Notes	For the six months ended 30 June 2017	For the six months ended 30 June 2016
1. Cash flows from operating activities:			
Cash received from the sales of goods and provision of services		21,243,506	23,731,235
Tax refund received		133,703	10,127
Cash received from other operating activities	V.45	727,661	1,105,805
Subtotal of cash inflow from operating activities		22,104,870	24,847,167
Cash paid for the purchases of goods and receiving of services		15,740,923	17,785,051
Cash paid for employees and on behalf of employees		5,526,507	5,541,040
Taxes paid		1,004,765	2,425,996
Cash paid for other operating activities	V.45	1,820,989	2,205,704
Subtotal of cash outflow from operating activities		24,093,184	27,957,791
Net cash flow from operating activities	V.46	-1,988,314	-3,110,624
2. Cash flows from investing activities:			
Cash received from the investments		—	51,000
Cash received from the investment income		367	16,051
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		5,722	2,629
Net cash received from disposal of subsidiaries and other business units		—	—
Cash received from other investing activities		—	—
Subtotal of cash inflow from investing activities		6,089	69,680
Cash paid for purchases of fixed assets, intangible assets and other long-term assets		214,766	230,407
Cash paid for the investments		—	4,000
Net cash paid for acquisition of subsidiaries and other business units		—	—
Cash paid for other investing activities		—	—
Subtotal of cash outflow from investing activities		214,766	234,407
Net cash flow from investing activities		-208,677	-164,727

CONSOLIDATED CASH FLOW STATEMENTS (Continued)

Expressed in RMB thousand

Items	Notes	For the six months ended 30 June 2017	For the six months ended 30 June 2016
3. Cash flows from financing activities:			
Cash received from the acquisition of investments		—	—
Including: Cash received from the acquisition of minority interests of subsidiaries		—	—
Cash received from borrowings		29,010,835	26,850,384
Cash received from issuance of bonds		—	—
Cash received for other financing activities	V.45	3,038	1,285
Subtotal of cash inflow from financing activities		29,013,873	26,851,669
Cash paid for repayments of borrowings		26,837,186	22,986,605
Cash paid for distribution of dividend, profit or payments of interests		352,785	200,224
Including: Cash paid for the dividend to minority shareholders of subsidiaries		—	—
Cash paid for other financing activities	V.45	29,336	11,093
Including:Cash paid to minority shareholders by capital reduction of subsidiaries		—	—
Subtotal of cash outflow from financing activities		27,219,307	23,197,922
Net cash flow from financing activities		1,794,566	3,653,747
4. Effect of exchange rate changes on cash and cash equivalents		-29,983	32,793
5. Net changes in cash and cash equivalents		-432,408	411,189
Add: Cash and cash equivalents at beginning of year/period	V.46	2,446,923	1,993,209
6. Cash and cash equivalents at end of year/period	V.46	2,014,515	2,404,398

The notes to financial information are the integral part of the financial information.

Legal representative:	*General Manager:*	*Chief Financial Officer:*	*Manager of accounting department:*
Jiao Fangzheng	**Sun Qingde**	**Li Tian**	**Song Daoqiang**

CASH FLOW STATEMENTS

Expressed in RMB thousand

Items	Notes	For the six months ended 30 June 2017	For the six months ended 30 June 2016
1. Cash flows from operating activities:			
Cash received from the sales of goods and provision of services		—	—
Tax refund received		—	—
Cash received from other operating activities		—	90,919
Subtotal of cash inflow from operating activities		—	90,919
Cash paid for the purchases of goods and receiving of services		—	—
Cash paid for employees and on behalf of employees		—	—
Taxes paid		—	34
Cash paid for other operating activities	XV.13	131,053	1,099
Subtotal of cash outflow from operating activities		131,053	1,133
Net cash flow from operating activities	XV.14	-131,053	89,786
2. Cash flows from investing activities:			
Cash received from the investments		—	—
Cash received from the investment income		—	—
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		—	—
Net cash received from disposal of subsidiaries and other business units		—	—
Cash received from other investing activities		—	—
Subtotal of cash inflow from investing activities		—	—
Cash paid for purchases of fixed assets, intangible assets and other long-term assets		—	—
Cash paid for the investments		—	—
Net cash paid for acquisition of subsidiaries and other business units		—	—
Cash paid for other investing activities		—	—
Subtotal of cash outflow from investing activities		—	—
Net cash flow from investing activities		—	—

CASH FLOW STATEMENTS (Continued)

Expressed in RMB thousand

Items	Notes	For the six months ended 30 June 2017	For the six months ended 30 June 2016
3. Cash flows from financing activities:			
Cash received from the acquisition of investments		—	—
Including: Cash received from the acquisition of minority interests of subsidiaries		—	—
Cash received from borrowings		—	—
Cash received from issuance of bonds		—	—
Cash received for other financing activities	XV.13	3,038	1,285
Subtotal of cash inflow from financing activities		3,038	1,285
Cash paid for repayments of borrowings		—	—
Cash paid for distribution of dividend, profit or payments of interests		—	—
Including: Cash paid for the dividend to minority shareholders of subsidiaries		—	—
Cash paid for other financing activities	XV.13	—	—
Including:Cash paid to minority shareholders by capital reduction of subsidiaries		—	—
Subtotal of cash outflow from financing activities		—	—
Net cash flow from financing activities		3,038	1,285
4. Effect of exchange rate changes on cash and cash equivalents		—	—
5. Net changes in cash and cash equivalents		-128,015	91,071
Add: Cash and cash equivalents at beginning of year/period	XV.14	382,997	419,118
6. Cash and cash equivalents at end of year/period	XV.14	254,982	510,189

The notes to financial information are the integral part of the financial information.

Legal representative:	General Manager:	Chief Financial Officer:	Manager of accounting department:
Jiao Fangzheng	**Sun Qingde**	**Li Tian**	**Song Daoqiang**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Expressed in RMB thousand

Items	Amount of this period									
	Equity attributable to the the parent company									
	Share capital	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained earnings	Minority interests	Total equity
Balance at 31 December 2016	14,142,661	8,897,232	—	—	176,068	200,383	—	-14,973,476	-1,276	8,441,592
Add:Changes in accounting policies	—	—	—	—	—	—	—	—	—	—
Correction of errors	—	—	—	—	—	—	—	—	—	—
Business combination under common control	—	—	—	—	—	—	—	—	—	—
Balance at 1 January 2017	14,142,661	8,897,232	—	—	176,068	200,383	—	-14,973,476	-1,276	8,441,592
Changes during the period (decrease in “-”)	—	9,048	—	—	153,176	—	—	-2,285,324	-32	-2,123,132
I. Total comprehensive income	—		—	—	—	—	—	-2,285,324	-32	-2,285,356
II Increase or decrease of capital	—	9,048	—	—	—	—	—	—	—	9,048
1. Contribution of capital	—		—	—	—	—	—	—	—	—
2. Share payments recognized in equity	—	9,048	—	—	—	—	—	—	—	9,048
3. Others	—	—	—	—	—	—	—	—	—	—
III. Distribution of profits	—	—	—	—	—	—	—	—	—	—
1. Provision of surplus reserve	—	—	—	—	—	—	—	—	—	—
2. Distribution to (from) shareholders	—	—	—	—	—	—	—	—	—	—
3. Others	—	—	—	—	—	—	—	—	—	—
IV. Transfer of equity	—	—	—	—	—	—	—	—	—	—
1. Transfer of capital reserve to paid up capital	—	—	—	—	—	—	—	—	—	—
2. Transfer of surplus reserve to paid up capital	—	—	—	—	—	—	—	—	—	—
3. Offset of surplus reserve with losses	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—	—	—
V. Special reserve	—	—	—	—	153,176	—	—	—	—	153,176
1. Provided during the period	—	—	—	—	284,906	—	—	—	—	284,906
2. Used during the period (expressed in “-”)	—	—	—	—	-131,730	—	—	—	—	-131,730
VI. Others	—	—	—	—	—	—	—	—	—	—
Balance at 30 June 2017	14,142,661	8,906,280	—	—	329,244	200,383	—	-17,258,800	-1,308	6,318,460

The notes to financial information are the integral part of the financial information.

Legal representative:	*General Manager:*	*Chief Financial Officer:*	*Manager of accounting department:*
Jiao Fangzheng	**Sun Qingde**	**Li Tian**	**Song Daoqiang**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)

Expressed in RMB thousand

Items	Amount of previous period									
	Equity attributable to the the parent company									
	Share capital	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained earnings	Minority interests	Total equity
Balance at 31 December 2015	14,142,661	8,894,216	—	—	259,547	200,383	—	1,141,287	-1,141	24,636,953
Add:Changes in accounting policies	—	—	—	—	—	—	—	—	—	—
Correction of errors	—	—	—	—	—	—	—	—	—	—
Business combination under common control	—	—	—	—	—	—	—	—	—	—
Balance at 1 January 2016	14,142,661	8,894,216	—	—	259,547	200,383	—	1,141,287	-1,141	24,636,953
Changes during the period (decrease in "-")	—	—	—	—	71,278	—	—	-4,509,421	-83	-4,438,226
I. Total comprehensive income	—	—	—	—	—	—	—	-4,509,421	-83	-4,509,504
II Increase or decrease of capital	—	—	—	—	—	—	—	—	—	—
1. Contribution of capital	—	—	—	—	—	—	—	—	—	—
2. Share payments recognized in equity	—	—	—	—	—	—	—	—	—	—
3. Others	—	—	—	—	—	—	—	—	—	—
III. Distribution of profits	—	—	—	—	—	—	—	—	—	—
1. Provision of surplus reserve	—	—	—	—	—	—	—	—	—	—
2. Distribution to (from) shareholders	—	—	—	—	—	—	—	—	—	—
3. Others	—	—	—	—	—	—	—	—	—	—
IV. Transfer of equity	—	—	—	—	—	—	—	—	—	—
1. Transfer of capital reserve to paid up capital	—	—	—	—	—	—	—	—	—	—
2. Transfer of surplus reserve to paid up capital	—	—	—	—	—	—	—	—	—	—
3. Offset of surplus reserve with losses	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—	—	—
V. Special reserve	—	—	—	—	71,278	—	—	—	—	71,278
1. Provided during the period	—	—	—	—	232,721	—	—	—	—	232,721
2. Used during the period (expressed in "-")	—	—	—	—	-161,443	—	—	—	—	-161,443
VI. Others	—	—	—	—	—	—	—	—	—	—
Balance at 30 June 2016	14,142,661	8,894,216	—	—	330,825	200,383	—	-3,368,134	-1,224	20,198,727

The notes to financial information are the integral part of the financial information.

Legal representative: **Jiao Fangzheng**

General Manager: **Sun Qingde**

Chief Financial Officer: **Li Tian**

Manager of accounting department: **Song Daoqiang**

STATEMENTS OF CHANGES IN EQUITY

Expressed in RMB thousand

Items	Amount of this period							
	Share capital	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total equity
Balance at 31 December 2016	14,142,661	11,754,334	—	—	—	200,383	-1,439,418	24,657,960
Add:Changes in accounting policies	—	—	—	—	—	—	—	—
Correction of errors	—	—	—	—	—	—	—	—
Business combination under common control	—	—	—	—	—	—	—	—
Balance at 1 January 2017	14,142,661	11,754,334	—	—	—	200,383	-1,439,418	24,657,960
Changes during the period (decrease in "-")	—	9,048	—	—	—	—	-19,463	-10,415
I. Total comprehensive income	—	—	—	—	—	—	-19,463	-19,463
II Increase or decrease of capital	—	—	—	—	—	—	—	—
1.Contribution of capital	—	—	9,048	—	—	—	—	—
2.Share payments recognized in equity	—	—	—	—	—	—	—	9,048
3.Others	—	—	—	—	—	—	—	—
III. Distribution of profits	—	—	—	—	—	—	—	—
1.Provision of surplus reserve	—	—	—	—	—	—	—	—
2.Distribution to (from) shareholders	—	—	—	—	—	—	—	—
3.Others	—	—	—	—	—	—	—	—
IV. Transfer of equity	—	—	—	—	—	—	—	—
1.Transfer of capital reserve to paid up capital	—	—	—	—	—	—	—	—
2.Transfer of surplus reserve to paid up capital	—	—	—	—	—	—	—	—
3.Offset of surplus reserve with losses	—	—	—	—	—	—	—	—
4.Others	—	—	—	—	—	—	—	—
V. Special reserve	—	—	—	—	—	—	—	—
1.Provided during the period	—	—	—	—	—	—	—	—
2.Used during the period (expressed in "-")	—	—	—	—	—	—	—	—
VI. Others	—	—	—	—	—	—	—	—
Balance at 30 June 2017	14,142,661	11,763,382	—	—	—	200,383	-1,458,881	24,647,545

The notes to financial information are the integral part of the financial information.

Legal representative: **Jiao Fangzheng**

General Manager: **Sun Qingde**

Chief Financial Officer: **Li Tian**

Manager of accounting department: **Song Daoqiang**

STATEMENTS OF CHANGES IN EQUITY (Continued)

Expressed in RMB thousand

Items	Amount of previous period							
	Share capital	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total equity
Balance at 31 December 2015	14,142,661	11,751,318	—	—	—	200,383	-1,422,273	24,672,089
Add:Changes in accounting policies	—	—	—	—	—	—	—	—
Correction of errors	—	—	—	—	—	—	—	—
Business combination under common control	—	—	—	—	—	—	—	—
Balance at 1 January 2016	14,142,661	11,751,318	—	—	—	200,383	-1,422,273	24,672,089
Changes during the period (decrease in "-")	—	—	—	—	—	—	-472	-472
I. Total comprehensive income	—	—	—	—	—	—	-472	-472
II Increase or decrease of capital	—	—	—	—	—	—	—	—
4.Contribution of capital	—	—	—	—	—	—	—	—
5.Share payments recognized in equity	—	—	—	—	—	—	—	—
6.Others	—	—	—	—	—	—	—	—
III. Distribution of profits	—	—	—	—	—	—	—	—
4.Provision of surplus reserve	—	—	—	—	—	—	—	—
5.Distribution to (from) shareholders	—	—	—	—	—	—	—	—
6.Others	—	—	—	—	—	—	—	—
IV. Transfer of equity	—	—	—	—	—	—	—	—
5.Transfer of capital reserve to paid up capital	—	—	—	—	—	—	—	—
6.Transfer of surplus reserve to paid up capital	—	—	—	—	—	—	—	—
7.Offset of surplus reserve with losses	—	—	—	—	—	—	—	—
8.Others	—	—	—	—	—	—	—	—
V. Special reserve	—	—	—	—	—	—	—	—
3.Provided during the period	—	—	—	—	—	—	—	—
4.Used during the period (expressed in "-")	—	—	—	—	—	—	—	—
VI. Others	—	—	—	—	—	—	—	—
Balance at 30 June 2016	14,142,661	11,751,318	—	—	—	200,383	-1,422,745	24,671,617

The notes to financial information are the integral part of the financial information.

Legal representative: **Jiao Fangzheng**

General Manager: **Sun Qingde**

Chief Financial Officer: **Li Tian**

Manager of accounting department: **Song Daoqiang**

NOTES TO THE FINANCIAL INFORMATION

I. COMPANY GENERAL INFORMATION

1. Company Profile

Sinopec Oilfield Service Corporation (hereinafter referred to as the Company, including its subsidiaries referred to as the Group), formerly known as Sinopec Yizheng Chemical Fibre Company Limited, which was registered in the People's Republic of China ("PRC") and exclusively established by Yihua Group Corporation (hereinafter referred to as "Yihua")on 31 December 1993. The Company's headquarter is located in the 22th North Street,Chaoyang District,Beijing

The Company issued 1 billion H shares in March 1994, 200 million A shares in January 1995 and a further 400 million new H shares in April 1995. The Company's H shares and new H shares were listed and commenced trading on the HKSE on 29 March 1994 and 26 April 1995 respectively. The Company's A shares were listed and commenced trading on the SSE on 11 April 1995.

Pursuant to the directives on the reorganisation of certain companies involving the Company and Yihua as issued by the State Council and other government authorities of the PRC, China Eastern United Petrochemical (Group) Company Limited ("CEUPEC") became the largest shareholder of the Company on 19 November 1997, holding the 1,680,000,000 A shares (representing 42% of the Company's issued share capital) previously held by Yihua. CITIC Group Corporation ("CITIC", formerly "CITIC Group") continues to hold 720,000,000 A shares (representing 18% of the Company's issued share capital) that it held prior to the reorganisation, and the balance of 40% remains in public hands in the form of A shares and H shares, in total 1,600,000,000 shares.

Following the State Council's approval of the reorganisation of China Petrochemical Corporation (hereinafter referred to as "Sinopec Group") on 21 July 1998, CEUPEC joined Sinopec Group. As a result of the reorganisation, Yihua replaced CEUPEC as the holder of the 42% of the Company's issued share capital.

The reorganisation of Sinopec Group was completed on 25 February 2000 and Sinopec Group set up a joint stock limited company, China Petroleum &Chemical Corporation (hereinafter referred to as"Sinopec Corp."), in the PRC. From that date, the 1,680,000,000 A shares (representing 42% of the issued share capital of the Company), which were previously held by Yihua, were transferred to Sinopec Corp. and Sinopec Corp. became the largest shareholder of the Company.

On 27 December 2011, CITIC established CITIC Limited in PRC and a restructuring agreement was signed. Whereby 720,000,000 of the Company's non-public shares held by CITIC have been transferred to CITIC Limited as part of its capital contributions on 25 February 2013 and CITIC Limited thus holds 18% of the Company's share capital.

Pursuant to "the Approval for A Share Reform Scheme of Sinopec Yizheng Chemical Fibre Company Limited" (SASAC Property Right [2013] No.442) issued by the State-owned Assets Supervision and Administration Commission and "the Approval for A Share Reform Scheme of Sinopec Yizheng Chemical Fibre Company Limited" (Cai Jin Han [2013] No.61) issued by Ministry of Finance of the PRC,the Company implemented the A Share Reform in 2013 under which the non-circulating shareholders of the Company paid 5 shares for each 10 circulating A shares that were registered on 16 August 2013 (the date of registration as agreed in the reform plan). As a result, 100,000,000 shares were paid in total. After the payment, the shares held by Sinopec Corp. And CITIC Limited in the Company decreased from 42% and 18% to 40.25% and 17.25%, respectively. From 22 August 2013, all non-circulating shares obtained circulating rights in the Shanghai Stock Exchange. However, in accordance with the agreed terms of restriction on tradability, as at 22 August 2016, 1,035,000,000 shares held by CITIC Limited has been available for trading. Pursuant to the resolutions of general meeting of shareholders of the Company, the Company converted 5 shares for each 10 H shares and A shares that were registered on 13 November 2013 and 20 November 2013, respectively from share premium into share capital. Additional 700,000,000 H shares and additional 1,300,000,000 A shares were thus issued and the transaction was completed on 22 November 2013.

Pursuant to "the Approval to matters in relation to the Material Asset Reorganisation of Sinopec Yizheng Chemical Fibre Company Limited and Subsequent A Share Placement" (SASAC Property Right [2014] No.1015) issued by the State-owned Assets Supervision and Administration Commission and "the Approval to the Material Asset Reorganisation of Sinopec Yizheng Chemical Fibre Company Limited and Issuance of Shares to China Petrochemical Corporation for Asset Acquisition and Subsequent A Share Placement"(CSRC Permit [2014] No.1370) issued by China Securities Regulatory Committee, the Company implemented the material asset reorganization in 2014. The Company sold all of its assets and liabilities(hereinafter referred to as the ''Outgoing Business'')to Sinopec Corp., in exchange, would repurchase A shares of the Company held by Sinopec Corp. for cancellation, and issue shares to Sinopec Group in order to acquire 100% equity interest of Sinopec Oilfield Service Corporation(hereinafter referred to as "SOSC") held by Sinopec Group (hereinafter referred to as the ''Incoming Equities'' or "SOSC",hereinafter collectively referred to as the "Reorganisation''). The Company executed the Confirmation on Completion of Outgoing Business with Sinopec Corp., executed the Confirmation on Completion of Incoming Equities with Sinopec Group on 22 December 2014. According to the Confirmations, the Company transferred Outgoing Business to Sinopec Corp.,Sinopec Group transferred Incoming Equities to the Company. On 30 December 2014, the Company repurchased the Repurchased Shares (a total of 2,415,000,000 A Shares) from Sinopec Corp. for cancellation. On the even date, the Company issued the Consideration Shares (a total of 9,224,327,662 A Shares) to Sinopec Group, on 13 February 2015, the Company issued 1,333,333,333 A Shares to seven specific investors such as Darry Asset Management (Hangzhou) Co., Ltd.

The business scope of the Group was changed from:

"Production of chemical fibre, chemical products and its raw materials, ancillary raw materials and textile machinery, research and development in textile technology and technological services, instalment and maintenance of equipment and facilities, power generation, computer and software service; and services of accommodation, catering, culture and entertainment (limited to branches)".

I. COMPANY GENERAL INFORMATION (Continued)

1. Company Profile (Continued)

to:

“Provision of oilfield service, such as geophysics, drilling, logging and mud logging, special downhole operations, for production of onshore and offshore oil and natural gas and contracting overseas petroleum, natural gas, chemical, bridge, road, housing construction, water resources and hydropower, municipal utility, steel structure, electricity, fire-fighting equipment industrial plant projects.

These financial statements and financial information notes have been approved for issue by the nineteenth meeting of the eighth term Board of Directors of the Company on 29 August 2017.

2. The Scope of Consolidated Financial Statements

The scope of the Group’s consolidated financial statements includes the Company and all its subsidiaries. Compared with the previous year, the scope has no change, the details refer to note VI. Changes in scope of consolidation and note VII. Interests in other entities.

II. Basis of preparation

The financial statements are prepared in accordance with the latest “China Accounting Standards for Business Enterprises” and their application guidelines, interpretations and other relevant requirements (collectively, CASBE) issued by the Ministry of Finance of the PRC (“MOF”).In addition, the Group discloses relevant financial information in accordance with requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15—General Rules on Financial Reporting (2014 revised) issued by the China Securities Regulatory Commission.

The financial statements are prepared on a going concern basis. The Group’s accumulated loss is RMB17,258,800 thousand, current liabilities exceed current assets of approximately RMB23,697,903 thousand as at 30 June 2017 (Current liabilities exceed current assets of RMB23,960,834 thousand in 2016),committed capital expenditures are approximately RMB0.656 billion. The directors of the Company has assessed that the Group is expected to be continued during the next twelve months. As the Group’s borrowings are mainly from Sinopec Group and its subsidiaries which have maintained its long-term good relations with the Group, the Group can obtain adequate financial supports from those institutions. After the reorganization, the Company will further broaden the financing channel, develop good relations with the public and state-owned financial institutions in order to obtain a more adequate line of credit. The directors of the Company consider the measures sufficient to meet the Group’s debt repayment and capital commitment required. Consequently, the Company prepared the financial statements on a going concern basis.

The Group follows the accrual basis of accounting. The financial statements are prepared under the historical cost convention except for certain financial instruments and otherwise described below. If assets are impaired, provision for impairment shall be made in accordance with the relevant policies.

III. Summary of significant accounting policies and accounting estimates

The Group’s accounting policies for depreciation of fixed assets, amortization of intangible assets and long-term deferred expense and revenue are recognized on the basis of its production and management characteristics, the specific accounting policies are set out in Note III, 16, Note III, 19, notes III, 22 and Note III, 26.

1. Declaration of compliance with the CASBE

The financial statements are in compliance with the requirement of CASBE,which gives a true view of the entire company’s and consolidated financial position at 30th June 2017 and the Company’s and the consolidated operating results at 30th June 2017.

2. Accounting period

The accounting period of the Group is from 1 January to 31 December.

3. Operating cycle

The operating cycle of the Group is 12 months.

III. Summary of significant accounting policies and accounting estimates (Continued)

4. Functional currency

The Group uses RMB as its functional currency. All amounts in this report are expressed in RMB unless otherwise stated.

The Group's subsidiaries, joint ventures and associates' recording currency is determined on the basis of the currencies in which major income and costs are denominated and settled and translated into RMB for the preparation of the financial statements.

5. Business combinations

(1) Business combination involving entities under common control

For the business combination involving entities under common control, the assets and liabilities that are obtained in the business combination shall be measured at their original carrying amounts at the combination date as recorded by the party being combined, except for the adjustments of different accounting policies. The difference between the carrying amount of the net assets obtained and the carrying amount of assets paid shall be adjusted to capital reserve, if the capital reserve is not sufficient to absorb the difference, any excess difference shall be adjusted to the retained earnings.

Business combinations involving enterprises under common control and achieved in stages

In the separate financial statements, the initial investment cost is calculated based on the shareholding portion of the assets and liabilities obtained and are measured at the carrying amounts as recorded by the enterprise being combined at the combination date. The difference between the initial investment cost and the sum of the carrying amount of the original investment cost and the carrying amount of consideration paid for the combination is adjusted to the capital reserve, if the capital reserve is not sufficient to absorb the difference, the excess difference shall be adjusted to retained earning.

In the consolidated financial statements, the assets and liabilities obtained at the combination shall be measured at the carrying value as recorded by the enterprise at combination date, except for adjustments of different accounting policies. The difference between the sum of the carrying value from original shareholding portion and the new investment cost incurred at combination date and the carrying value of net assets obtained at combination date shall be adjusted to capital reserve, if the balance of capital reserve is not sufficient to absorb the differences, any excess is adjusted to retained earnings. The long-term investment held by the combination party, the recognized profit or lose、comprehensive income and other change of shareholding's equity at the closer date of the acquisition date and combination date under common control shall separately offset the opening balance of retained earnings and profit or loss during comparative statements.

(2) Business combination involving entities not under common control

For business combinations involving entities not under common control, the consideration for each combination is measured at the aggregate fair value at acquisition date, of assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree. At acquisition date, the acquired assets、liabilities or contingent liabilities of acquiree are measured at their fair value.

Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognized as goodwill, and measured on the basis of its cost minus accumulative impairment provision; Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognized in profit or loss for the current period after reassessment.

Business combinations involving enterprises not under common control and achieved in stages

In the separate financial statements, the initial investment cost of the investment is the sum of the carrying amount of the equity investment held by the entity prior to the acquisition date and the additional investment cost at the acquisition date. The disposal accounting policy of other comprehensive income related with equity investment prior to the purchase date recognized under equity method shall be compliance with the method when the acquiree disposes the related assets or liabilities. Shareholder's equity due to the changes of other shareholder's equity other than the changes of net profit, other comprehensive income and profit distribution shall be transferred to profit or lose for current period when disposed. If the equity investment held by the entity prior to the acquisition date is measured at fair value,the cumulative changes in fair value recognized in other comprehensive income shall be transferred to profit or loss for current period when accounted for using cost method.

In the consolidation financial statements, the combination cost is the sum of consideration paid at acquisition date and fair value of the acquiree's equity investment held prior to acquisition date; the cost of equity of the acquiree held prior to acquisition date shall be re-measured at the fair value at acquisition date, the difference between the fair value and book value shall be recognized as investment income or loss for the current period. Other comprehensive income and changes of investment equity related with acquiree's equity held prior to acquisition date shall be transferred to investment profit or loss for current period at acquisition date, besides there is other comprehensive income incurred by the changes of net assets or net liabilities due to the re-measurement of defined benefit plan.

(3) Transaction fees attribution during the combination

The intermediary and other relevant administrative expenses such as audit, legal and valuation advisory for business combinations are recognized in profit or loss when incurred. Transaction costs of equity or debt securities issued as the considerations of business combination are included in the initial recognition amounts.

III. Summary of significant accounting policies and accounting estimates (Continued)

6. Method of preparing consolidated financial statements

(1) Scope of consolidation

The scope of consolidation financial statements is on the basis of control. Control refers to the power over investee of the Group, exposure or rights to variable returns in participating in the investee's related activities and the ability to use the power to affect those variable returns. A subsidiary is the entity controlled by the Group (including severable part of the investee and the enterprise, structured body controlled by the enterprise, etc).

(2) Method of preparing of consolidated financial statements

The consolidated financial statements are based on the financial statements of the Company and its subsidiaries, and are prepared by the Company in accordance with other relevant information. In preparing the consolidation financial statements, the Company and its subsidiaries are required to apply consistent accounting policy and accounting period, intra-group transactions and balances shall be offset.

A subsidiary acquired through a business combination involving entities under common control in the reporting period shall be included in the scope of the consolidation from the beginning of the combination date, the subsidiary's income, expenses and profits are included in the consolidated results of operations, and cash flows are included in the consolidated cash flow statement from the acquisition date.

A subsidiary acquired through a business combination involving entities not under common control in the reporting period, the subsidiary's income, expenses and profits are included in the consolidated results of operations, and cash flows are included in the consolidated cash flow statement from the acquisition date to the end of the reporting date.

The portion of a subsidiary's equity that is not attributable to the parent is treated as minority interests and presented in the consolidated balance sheet within shareholders' equity. The portion of a subsidiary's profit or loss that is attributable to the minority interests presented in the consolidated statement of comprehensive income as "minority interests". The portion of a subsidiary's losses that exceeds to the beginning minority interests in the shareholders' equity, the remaining balance still reduces the minority interests.

(3) Purchase of the minority stake in the subsidiary

The difference between the long-term equity investments costs acquired by the purchase of minority interests and the share of the net assets that the subsidiaries have to continue to calculate from the date of purchase or the date of consolidation in proportion to the new shareholding ratio is adjusted to the capital reserve, if the capital reserve is not sufficient, any excess is adjusted to retained earning. The difference between the disposal of the equity investment without losing control over its subsidiary and the disposal of the long-term equity investment corresponding to the share of the net assets of the subsidiaries from the date of purchase or the date of consolidation is as well.

(4) Treatment of loss of control of subsidiaries

When an enterprise loses control over investee because of disposing part of equity investment or other reasons, the remaining part of the equity investment should be re-measured at fair value at the date when losing control over the investee; the cash received in disposal of the equity investment and the fair value of remaining part of the equity investment, deducting net assets proportion calculated by original share percentage since the acquisition date and goodwill should be recorded in profit or loss for current period of disposal

Other comprehensive income related with acquiree's equity held prior to acquisition date shall be transferred to investment income or loss for current period at acquisition date, besides there is other comprehensive income incurred by the changes of net assets or net liabilities due to the re-measurement of defined benefit plan.

(5) Special treatment of step disposal until the loss of control of subsidiaries

The clauses, conditions and economic impact of step disposal until the loss of control of subsidiaries satisfies one or more criteria, the Group will consider these transactions as package transactions for the accounting treatment:

These transactions are entered simultaneously or in consideration of the mutual influence;

These transactions can only achieve one complete business results;

The occurrence of a transaction is depending at least one of other transactions;

A transaction alone is not the economical; however, it becomes economical to consider together with other transactions.

In the separate financial statements, the difference between the related long term equity investment for each disposal of equity interest and received consideration are recognized in the profit or loss in the current period.The difference between the disposal before the loss of control and the carrying amount of the long-term equity investment is recognized as other comprehensive income, and shall be transferred to the profit or loss for the current period when the entity loses the control.

In the consolidated financial statements, the measurement of the remaining equity interest and treatment of the loss of disposal is in accordance to "Treatment of loss of control of subsidiaries as described above". The difference between the disposal consideration and the related share of net assets of the subsidiaries for each step disposal:

Related to a package transaction: Recognized as other comprehensive income. It is recognized in the profit or loss in the current period when the entity loses the control.

Not related to a package transaction: Recognized in capital reserve as equity. It shouldn't be recognized in the profit or loss in the current period when the entity loses the control.

III. Summary of significant accounting policies and accounting estimates (Continued)

7. Classification of joint arrangement and accounting treatment for joint operation

A joint arrangement is an arrangement of which two or more parties have joint control. The group's joint arrangement is divided into joint operation and joint venture.

(1) Joint operation

A joint operation is a joint arrangement whereby the group that have joint control of the arrangement have rights to the assets, and obligations for the liabilities.

A joint operator shall recognise in relation to its interest in a joint operation:

A、 its assets, including its share of any assets held jointly;

B、 its liabilities, including its share of any liabilities incurred jointly;

C、 its revenue from the sale of its share of the output arising from the joint operation;

D、 its share of the revenue from the sale of the output by the joint operation;

E、 its expenses, including its share of any expenses incurred jointly.

(2) Joint ventures

A joint venture is a joint arrangement whereby the group that have joint control of the arrangement have rights to the net assets of the arrangement.

The accounting treatment is in accordance with the provisions of long-term investment under equity method.

8. Standard of determining cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily drawn on demand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

9. Foreign currency transactions and translation of foreign currency statement

(1) Foreign currency transactions

If foreign currency transactions occur, they are translated into the amount of functional currency by applying the spot exchange rate at the dates of the transactions.

At the end of the period, foreign currency monetary items are translated using the spot exchange rate at the balance sheet date. Exchange differences arising from the differences between the spot exchange rate prevailing at the balance sheet date and those spot rates used on initial recognition or at the previous balance sheet date are recognized in profit or loss for the current period; foreign currency non-monetary items carried at historical cost continue to be measured at the amounts in functional currency translated using the spot exchange rates at the dates of the transactions; foreign currency non-monetary items carried at fair value are translated using the spot exchange rates at the date when the fair value was determined. Differences between the translated amount and the original amount of functional currency are included in profit or loss for the current period.

(2) Translation of foreign currency information

At the balance sheet date, when translating the foreign currency financial statements of overseas subsidiaries, the assets and liabilities of the balance sheet are translated using the spot exchange rate at the balance sheet date; all items except for "undistributed profits" of the shareholders' equity are translated at the spot exchange rate.

The revenue and expenses in profit or loss are translated using at rates with reasonable approximation of the rates prevailing on the transaction dates.

All items of the statement of cash flows are translated using at rates with reasonable approximation of the rates prevailing on the transaction dates. As an adjustment item, the impact of exchange rate changes on cash amount is reflected separately in the cash flow as"Effect of exchange rate changes on cash and cash equivalents".

Differences arising from the translation of financial statements are separately presented as the "other comprehensive income" in the shareholders' equity of the balance sheet.

When disposing overseas operations and losing control, the "Translation reserve" related to the overseas operation presented in the shareholders' equity in the balance sheet shall be transferred together or as the percentage of disposing the overseas operation to profit or loss for the current period of disposal.

III. Summary of significant accounting policies and accounting estimates (Continued)

10. Financial instruments

Financial instruments refer to the contracts of forming enterprise financial assets and other entities' financial liabilities or equity instruments.

(1) Recognition and Derecognition of financial instruments

A financial asset or financial liability is recognized when the Group becomes one party of financial instrument contracts.

If one of the following conditions is met, the financial assets are terminated:

1) The right of the contract to receive the cash flows of financial assets terminates

2) The financial asset has been transferred, and is in accordance with the following conditions for derecognition.

If the obligations of financial liability have been discharged in total or in part, derecognize all or part of it. If the Group (debtor) makes an agreement with the creditor to replace the current financial liability of assuming new financial liability which contract provisions are different in substance, derecognize the current financial liability and meanwhile recognize as the new financial liability.

If the financial assets are traded routinely, they are recognized and derecognized at the transaction date.

(2) Classification and measurement of financial assets

Financial assets are, upon initial recognition, classified into the following four categories: financial assets at fair value through profit or loss ("FVTPL" financial assets), held-to-maturity investments, loans and receivables, available-for-sale financial assets ("AFS" financial assets). Financial assets are initially recognized at fair value. In the case of FVTPL" financial assets, the related transaction costs are recognized in profit or loss for the current period. For other financial assets, transaction costs that are attributable to the acquisition of the financial assets are included in the initial recognition amounts.

Financial assets at fair value through profit or loss

Financial assets at FVTPL include held for trading and those designated upon initial recognition as at fair value through profit or loss. This kind of financial assets are subsequently measured at fair value, all gains and losses, arising from changes in fair value and dividend and interest relevant with the financial assets are recognized in profit or loss for the current period.

Held-to maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method; gains and losses arising from derecognition, impairment or amortization is recognized in profit or loss for the current period.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market including account receivables and other receivables (Note III.12). Receivables are subsequently measured at amortized cost using the effective interest method; gains and losses arising from derecognition, impairment or amortization is recognized in profit or loss for the current period.

Available-for-sale financial assets

AFS financial assets are those non-derivative financial assets that are designated as available for sale and those financial assets not classified as above mentioned.AFS financial assets are subsequently measured at fair value, the discount or premium are amortized using the effective interest method and recognized as interest income. The gains and losses arising from changes in fair value of AFS financial assets (other than impairment losses and foreign exchange gains and losses resulted from foreign currency monetary assets which are recognized in profit or loss for the current period) are recognized as other comprehensive income and capital reserve, until the financial assets are derecognized, are transferred to profit or loss for the current period. Interest income and dividends related to the AFS financial assets are recognized as profit or loss for the current period.

The equity investment that is not quoted in an active market and the fair value cannot be measured reliably and the derivative financial instruments that are linked with and settled by such equity instruments shall be measured at cost.

(3) Classification and Measurement of financial liabilities

On initial recognition, financial liabilities are classified as: financial liabilities at fair value through profit or loss (FVTPL) or other financial liabilities. For financial liabilities not classified as at fair value through profit or loss, the transaction costs are recognized in the initially recognized amount.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include transaction financial liabilities and financial liabilities designated as at fair value through profit or loss in the initial recognition. Such financial liabilities are subsequently measured at fair value, all gains and losses arising from changes in fair value and dividend and interest expense relative to the financial liabilities are recognized in profit or loss for the current period.

Other financial liabilities

Derivative financial liabilities which are linked to equity instrument that is not quoted in an active market and its fair value cannot be reliably measured and settled by delivering the equity instrument are subsequently measured at cost. Other financial liabilities are subsequently measured at amortized cost using the effective interest method; gains and losses arising from derecognition or amortization is recognized in profit or loss for the current period.

III. Summary of significant accounting policies and accounting estimates (Continued)

10. Financial instruments (Continued)

(3) Classification and Measurement of financial liabilities (Continued)

Distinction between financial liabilities and equity instruments

The financial liability is the liability that meets one of following cateria:

1) Contractual obligation to deliver cash or other financial instruments to another entity.

2) Under potential adverse condition, contractual obligation to exchange financial assets or financial liabilities with other parties.

3) A contract that will or may be settled in the entity's own equity instruments and is a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments.

4) A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

If the group cannot unconditionally avoid fulfilling a contractual obligation by delivering cash or other financial assets, the contractual obligation meets the definition of financial liability.

If a financial instrument must or are able to be settled by the group's own equity instrument, the group should consider whether the group's equity instrument as the settlement instrument is a substitute of cash or other financial assets or the residual interest in the assets of an entity after deducting all of its liabilities. If the former, the tool is the group's financial liability; if the latter, the tool is the equity instrument of the group.

(4) Derivative financial instruments and embedded derivatives

The Group's derivative financial instruments are initially measured at fair value on the date of the derivative contract signed and are subsequently measured at fair value. A derivative with positive fair value shall be recognized as an asset, otherwise that with negative fair value shall be recognized as a liability. Any profit or loss arising from changes of fair value and not compliance with the accounting provision of hedge shall be recognized as profit or loss for current period.

The hybrid instrument contains an embedded derivative, if financial assets or financial liabilities are not accounted for fair value through profit and loss, the economic characteristics and risks of the embedded derivative and the main contract are not closely related, and under the same conditions with embedded derivative, the individual instrument as defined in line with derivatives, embedded derivatives are separated from the hybrid instrument as a separate derivative instrument. If the embedded derivative cannot be separately measured at the date of acquisition or the date subsequent to the financial reporting date, then the hybrid instrument accounted for financial assets or financial liabilities at fair value through profit and loss.

(5) Fair value of financial instruments

The recognization of fair value of financial assets and financial liability is stated as note III, 11.

(6) Impairment of financial assets

The Group assesses the carrying amount of financial assets other than those at fair value through profit or loss at each balance sheet date, if there is objective evidence that financial assets are impaired, the Group determines the amount of impairment loss. Objective evidence of impairment of financial assets are the matters that occurred after the initial recognition of financial assets which has impact on the expected future cash flows of financial assets, and can be reliably measured by the Group.

The objective evidence proving that the financial asset has been impaired refers to the actually incurred events which, after the financial asset is initially recognized, have an impact on the predicted future cash flow of the said financial asset that can be reliably measured by the enterprise, including but not limited to:

1) significant financial difficulty of the debtor or obligor;

2) a breach of contract by the borrower, such as a default or delinquency in interest or principal payments;

3) the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower;

4) it becoming probable that the debtor will enter bankruptcy or other financial Reorganisation;

5) the disappearance of an active market for that financial asset because of financial difficulties faced by the issuer;

6) upon an overall assessment of a group of financial assets, observable data indicates that there is a measurable decrease in the estimated future cash flows from the group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group. Such observable data includes:

   a) Adverse changes in the payment status of borrower in the group of assets;

   b) Economic conditions in the country or region of the borrower which may lead to a failure to pay the group of assets;

III. Summary of significant accounting policies and accounting estimates (Continued)

10. Financial instruments (Continued)

(6) Impairment of financial assets (Continued)

7) significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of an investment in an equity instrument may not be recovered by the investor;

8) a significant decline in the fair value of an investment in an equity instrument below its cost (i.e. fair value decline over 50%) or a prolonged decline (i.e., fair value decline lasting 12 months) etc.

Prolonged decline represented the monthly average of fair value of the equity instruments is lower than the initial investment cost in continuously 12 months.

9) other objective evidence indication there is an impairment of a financial asset.

a) Financial asset measured at amortized cost

If there's objective evidence that the financial assets are impaired, then the carrying amount of financial assets shall be reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred), with the reduced amount recognized to profit or loss for the current period. The present value of estimated future cash flows is carried according to the financial asset's original effective interest rate, and considers the value of collateral.

For a financial asset that is individually significant, the Group assesses the asset individually for impairment, if there is objective evidence that it has been impaired, the impairment loss is recognized in profit or loss for the current period. For a financial asset that is not individually significant, the Group assesses the asset by including the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. For an individually assessed financial asset (whether the financial asset is individually significant or not individually significant), the Group includes the asset in a group of financial assets with similar credit risk characteristics and collectively assessment for impairment. Asset for which an impairment loss is individually recognized is not included in a collective assessment of impairment.

If, after an impairment loss has been recognized on financial assets measured at amortized cost, there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. A reversal of an impairment loss will not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognized in prior years.

b) Available-for-sale financial assets

If there's objective evidence that AFS financial assets are impaired, accumulated losses due to decreases in fair value previously recognized directly in capital reserve are reversed and charged to profit or loss for the current period. The reversed accumulated losses are the asset's initial acquisition costs after deducting amounts recovered and amortized, current fair value and impairment losses previously recognized in profit or loss.

If, in a subsequent period, the fair value of financial assets increases and the increase can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment losses are reversed and charged to profit or loss for the current period. The impairment losses of AFS equity instruments shall not be reversed through profit or loss.

c) Financial assets measured at cost

If there's objective evidence that the financial assets are impaired, the difference between the carrying amount and the present value discounted at the market rate of return on future cash flows of the similar financial assets shall be recognized as impairment loss in profit or loss. The impairment loss recognized shall no longer be reversed.

(7) Transfer of financial assets

Transfer of financial assets refers to the transference or deliverance of financial assets to the other party (the transferee) other than the issuer of financial assets.

The Group derecognizes a financial asset only if it transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; the Group should not derecognize a financial asset if it retains substantially all the risks and rewards of ownership of the financial asset.

The Group neither transfers nor retains substantially all the risks and rewards of ownership, shows as the following circumstances: if the Group has forgone control over the financial assets, derecognize the financial assets and verify the assets and liabilities; if the Group retains its control of the financial asset, the financial asset is recognized to the extent of its continuing involvement in the transferred financial asset and recognize an associated liability is recognized.

(8) Offsetting financial assets and financial liabilities

When the Group has the legal rights to offset the recognized financial assets and financial liabilities and is capable to carry it out, the Group plans to net settlement or realize the financial assets and pay off the financial liabilities, the financial assets and financial liabilities shall be listed separately with the neutralized amount in balance sheet and are not allowed to be offset.

III. Summary of significant accounting policies and accounting estimates (Continued)

11. Fair value measurement

The fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The group measures the relevant assets or liability at fair value supposing the orderly transaction of asset selling or liability transferring incurring in a principal market of relevant assets or liabilities. In the absence of a principal market for the asset or liability, the group assumes that the transaction take place at the most advantageous market of relevant asset or liability. A principal market (or the most advantageous market) is the transaction market that the group can enter into at measurement date. The Group implements the hypothesis used by the market participants to realize the maximum economic benefit in assets or liabilities pricing.

If there exists an active market for the financial assets or financial liabilities, the Group uses the quotation on the active market as its fair value. For those in the absence of active market, the Group uses valuation technique to recognize its fair value.

For non-financial assets measured at fair value, the Group should consider the capacity of the market participants to put the assets into optimal use thus generating the economic benefit, or the capacity to sell assets to other market participants who can put the assets into optimal use and generate economic benefit.

The Group implements the valuation technique suitable for the current condition and supported by enough available data and other information, gives priority in use of relevant observable inputs, only the observable inputs cannot be obtained or impracticable before using unobservable inputs.

For the assets and liabilities measured at fair value or disclosure at financial statements, Fair value hierarchies are categorized into three levels as the lowest level input that is significant to the entire fair value measurement: Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities. Level 2: inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3: inputs are unobservable inputs for the asset or liability.

At each balance sheet date, the group reviews the assets and liabilities recognized to be measured at fair value on the financial statements to make sure whether conversion occurs between fair value hierarchy.

12. Receivables

Receivables include accounts receivables and other receivables

(1) Individually significant receivable but individual provision for bad and doubtful debts

Individually significant accounts receivable should be taken impairment test separately. Provision for bad and doubtful debts shall be made when there is an indication that the accounts receivable can not be received under original terms.

Criteria of individually significant receivables: the carrying amount of the individual account exceeds 5% of the total sum of accounts receivable.

Measurement of individually recognized bad and doubtful debts provision of individually significant receivables: the provision for bad and doubtful debts is recognized according to the difference between the present value of future cash flows, which is lower, and the carrying amount.

(2) Individually insignificant receivable but individual provision for bad and doubtful debts

The reason of provision for bad and doubtful debts individually is: objective evidence(such as aging over one year and uncollectable after endeavor, special characteristics, etc) indicates that the company is not able to recover the accounts receivable under the original items.

Measurement of individually recognized bad and doubtful debts provision: the provision for bad and doubtful debts is recognized as the difference between the present value of predicted future cash flow of accounts receivables under its carrying amounts.

(3) Receivables with provision for bad and doubtful debts collectively

For individually insignificant receivables, and individually significant receivables which are not impaired in individual test, the provision for bad and doubtful debts is recognized according to the following credit risk combination, the provision for bad and doubtful debts is recognized on the basis of the effective loss rate of accounts receivables combination with the similar credit risk in the previous year.

Type of group	Basis of group	Method of provision for bad and doubtful debts collectively
Group of ageing	Ageing state	Ageing analysis method
Related party grouping and imprest	Type of assets	Estimated future cash flows based on historical loss rate

III. Summary of significant accounting policies and accounting estimates (Continued)

12. Receivables (Continued)

For group of ageing, the rate of provision for bad and doubtful debts in ageing analysis method is as follows:

Ageing	Percentage of provision %
Within 1 year (including 1 year)	0
1-2 years	30
2-3 years	60
Over 3 years	100

13. Inventories

(1) Category of inventory

Inventories include raw materials, work in progress, spare parts, turnover materials, finished goods, issuing goods and amounts for project contracts due from customers, etc.

(2) Determination of cost

Inventories are determined at the actual cost when acquired. Costs of raw materials, work in progress,

Construction contract costs are measured at actual cost comprising the direct and indirect cost incurred from the date of contract signing to the date of contract fulfilling and relative to the contract. The balances construction contracts represent the net amount of construction costs incurred to date and recognized gross profit, less progress billings and provision for foreseeable contract losses. For an individual contract whose costs incurred to date plus recognized profits (less recognized losses) exceeds progress billings, the gross amount due from customers for contract work in inventory is presented as a current asset. For an individual contract whose progress billings exceeds costs incurred to date plus recognized profits (less recognized losses), the gross amount due to customers for contract work in advance from customers is presented as a current liability.

he travel and biding cost incurred for the contract, which can be identified separately and measured reliably and is likely to sign the contract, shall be recognized as the contract cost; if the above conditions are not met, the cost above shall be recognized as the profit or loss.

(3) Recognition of the net realizable value and provision for decline in value of inventories

Net realizable value is based on the estimated selling price deducting the estimated costs to be incurred when completed, the estimated selling expenses and related taxes amount. Recognition of the net realizable value is based on the verified evidences and considers the purpose of holding inventories and the effect of post balance sheet events.

At the balance sheet date, if the cost of closing inventory of the Group exceeds its net realizable value, provision for impairment of inventories is recognized. The Group usually recognises provision for impairment of inventories on individual inventory basis, if the factors caused the inventory previously written-down have disappeared, provision for impairment of inventories in the amount originally made is reversed.

(4) Inventory system

The Group adopts perpetual inventory system.

(5) Amortization methods of turnover materials

Turnover materials, including low-value consumables, packaging and other materials etc. spare parts and turnover material are amortized in full when received for use.

14. Assets Held for sale and discontinued operations

(1) Category and measurement of non-current assets or the disposal group

Non-current assets and disposal groups are classified as held for sale if the Group recovers its book value by selling (including the exchange of non-monetary assets) rather than continuing to use it.

The aforesaid non-current assets do not include investment property measured with the basis of fair value; the biological assets measured with the basis of fair value less selling costs; the assets formed by employee benefits; financial assets and the right arising from deferred income tax assets and insurance contracts

Disposal groups refer to a set of assets disposed as a whole through sales and liabilities which are transferred by the transaction that directly related to those assets. In certain circumstance, disposal groups include the goodwill obtained through business combination.

III. Summary of significant accounting policies and accounting estimates (Continued)

14. Assets Held for sale and discontinued operations (Continued)

(1) Category and measurement of non-current assets or the disposal group (Continued)

Non-current assets and disposal groups that meet the following conditions are classified as held for sale: (1)The non-current assets or disposal groups are sold immediately under the current conditions. (2) The sale is likely to occur, that is, a decision has been made on a sale plan and a determined purchase commitment is made, and the sale is expected to be completed within one year. The loss of control over the subsidiaries due to the sales of investment in subsidiaries, No matter whether the Group retains part of the equity investment after selling investment in subsidiaries and losing control over the subsidiaries or not, the investment in subsidiaries shall be classified as held for sale in the separate financial statements when it satisfies the conditions for category of held for sale; assets and liabilities shall be classified as held for sale in the consolidated financial statements.

The difference between carrying amount of non-current assets classified as held for sale or disposal groups and the net amount of fair value less selling costs shall be recognized as impairment loss on assets at the date of balance sheet. For the amount of impairment loss on assets, the book value of disposal groups' goodwill shall be offset against first, and then offset against the book value of non-current assets according to the proportion of book value of non-current assets.

The amount of write-down shall be recovered when the net amount of fair value less selling costs get increased, and the recovered amount shall not exceed the amount of impairment loss and shall be recognized in profit or loss for current period. The book value of the goodwill that has been offset can not be recovered.

The non-current assets classified as held for sale and the part of disposal group classified as held for sale shall not be depreciated (or amortized); interest and other expenses of liabilities of disposal groups classified as held for sale are continued to be recognized. All or part of investment in joint ventures and associates which were classified as held for sale can not be accounted under equity method, the retained part (which is not classified as held for sale) still accounted under equity method. When the Group loses joint control or has no significant influence over investees due to the elimination of parts of the investment, equity method is prohibited to use.

If an entity has classified an asset (or disposal group) as held for sale, but the criteria of non-current assets held for sale no longer met, the Group shall cease to classify the asset (or disposal group) as held for sale and measure at the lower of:

1) its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had the asset (or disposal group) not been classified as held for sale, and

2) its recoverable amount

(2) Discontinued operation

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale and can be separately distinguished in operation and preparation of financial statements, and

1) Represents a separate major line of business or geographical area of operations,

2) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or

3) is a subsidiary acquired exclusively with a view to resale.

15. Long-term equity investment

The group's long-term equity investments include those that the group is able to exercise controls and significant influence over the investees and also the investments to joint ventures. Joint ventures are the investees over which the Company is able to exercise joint control together with other venturers.

(1) Recognition of investment cost

For the long-term investment acquired from the business combination: the cost of the long-term investment acquired from the business combination under common control is recognized as the carrying amount of combined party's equity recorded in the ultimate controlling party's consolidated financial statements at the combination date. For the long-term investment acquired from business combination not under common control, the cost of investment is equal to the combination cost.

For the long-term equity investment acquired in a manner other than business combination: the initial investment cost of the long-term equity investment acquired by payment in cash is recognized as the actual payment of the purchase price; the initial investment cost of the long-term equity investment acquired by issuing equity securities is recognized as the fair value of the equity securities issued.

III. Summary of significant accounting policies and accounting estimates (Continued)

15. Long-term equity investment (Continued)

(2) Subsequent measurement and recognition of related profit and loss

Where the Group is able to exercise control over the investee, the long-term equity investment is accounted for using the cost method; where the Group has joint control or significant influence over the investee, the long-term equity investment is accounted for using the equity method.

For long-term equity investment which is accounted for using the cost method, investment income is recognized in profit or loss for the current period as the cash dividend or profit announced and distributed, except for those cash dividend or profit which have already included in the actual payment or consideration of offer when the investment was made.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's interest in the fair values of the investee's identifiable net assets, no adjustment is made to the initial investment cost; where the initial investment cost is less than the Group's interest in the fair values of the investee's identifiable net assets, the difference is charged to profit or loss for the current period, and the carrying amount of the long-term equity investment is adjusted accordingly.

For long-term equity investments accounted for using the equity method, the Company recognizes the investment income according to its share of net profit or loss of the investee, and the carrying amount of the long-term equity investments shall be adjusted accordingly; The carrying amount of the investment is reduced by the Company's share of the profit distribution or cash dividends declared by an investee; for changes in owners' equity of the investee other than those arising from its net profit or loss, other comprehensive income and profit distribution, the carrying amount of the long-term equity investment shall be adjusted and recognized to shareholder's equity.

If an entity has significant influences or can implement joint control over investees due to additional investment, the initial investment cost is recognized as the sum of the fair value of the original portion of equity investment and the additional investment cost under equity method. For the original portion of equity investment classified as available for sale, the difference between the fair value and carrying amount and cumulative changes in fair value recognized as other comprehensive income shall be recognized as current profit of loss under equity method.

If an entity loses joint control or has no significant influence over investees due to the elimination of parts of the equity investment, the surplus equity after disposal shall be recognized in accordance with "CASBE 22-Recognition and Measurement of Financial Instruments", and the difference between fair value and carrying amount at the date of loss of joint control or significant influence. Other comprehensive income of original equity investment recognized under equity method shall be recognized in accordance with the same foundation used by the investees when dispose the relevant assets or liabilities directly in the termination of equity method. Other changes of owners' equity related to the original equity investment shall be transferred into profit or loss for current period.

If an entity loses control over investees due to the elimination of parts of the equity investment, the surplus owners' equity that are able to implement joint control or have significant influence over investees shall be measured at equity method and are deemed to be recognized under equity method since the acquisition date. The surplus owners' equity that are unable to implement joint control or have no significant influence over investees shall be processed in accordance with "CASBE 22-Recognition and Measurement of financial instruments", and the difference between fair value and carrying amount at the day of loss of control shall be recognized as profit or loss for current period.

The group recognizes the unrealized profit or loss of intra-transaction between the joint ventures or associates that belongs to itself according to the proportion of the shares and recognizes the investment income or loss after offset. But the loss arising from the unrealized intra-transaction between the group and investees, which belongs to the impairment loss of assets transferred, cannot be offset.

For the long-term investments to joint ventures and associates held before January 1,2007, If there is any equity investment debit balance associated with the investment, the investment income or loss shall be recognized after deducting the equity investment debit balance amortized under straight-line method at the remaining term.

(3) Basis for recognition of joint control or significant influence over an investee

Joint control refers to any joint venture party alone cannot control the production and operation activities of the joint venture, decisions related to the basic operating activities of joint venture should require the unanimous consent of the parties sharing control. In determining whether there is a joint control, the first judge is to determine whether the relevant arrangement is controlled collectively by all the parties involved or the group of the parties involved, if the parties involved or the group of the parties involved must act consistently to determine the relevant arrangement, it is considered that the parties involved or the group of the parties involved control the arrangement. Secondly, and then determine whether the decisions related to the basic operating activities should require the unanimous consent of the parties involved. If two or more parties involve in the collectively control of certain arrangement, it shall not be considered as joint control. Protection of rights shall not be considered in determining whether there is joint control.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

When the Group, directly or indirectly through subsidiaries, owns 20% of the investee (including 20%) or more but less than 50% of the voting shares, it has significant impact on the investee unless there is clear evidence to show that in this case the Group cannot participate in the production and business decisions of the investee, and cannot form a significant influence; when the Group owns 20% (excluding) or less of the voting shares, generally it is not considered to have a significant impact on the investee, unless there is clear evidence to show that in this case the Group can participate in the production and business decisions of the investee so as to form a significant influence.

III. Summary of significant accounting policies and accounting estimates (Continued)

15. Long-term equity investment (Continued)

(4) Held-for-sale equity investment

Refer to note III, 14 for the relevant accounting treatment of the equity investment to joint ventures or associates all or partially classified as assets held for sale.

The surplus equity investments that are not classified as assets held for sale shall be accounted for using equity method.

The equity investment to joint ventures or associates already classified as held for sale no longer meets the conditions of assets held for sale shall be adjusted retroactively using equity method from the date of being classified as assets held for sale.

(5) Impairment test and Impairment provision

Refer to note III.21 for investment and the impairment provision of assets

16. Fixed asset

(1) Recognition and initial measurement of fixed asset

Fixed assets comprise buildings, machinery and equipment, motor vehicles, and other fixed assets.

Fixed assets are recognized when it is probable that the related economic benefits will flow to the Company and the costs can be reliably measured. Fixed assets purchased or constructed by the Company are initially measured at cost at the acquisition date. The fixed assets contributed by the State shareholders at the reorganization of the Company into a corporation entity are recognized based on the reevaluated amounts approved by the state-owned assets administration department.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Company and the related cost can be reliably measured. The carrying amount of the replaced part is derecognized. All the other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

(2) Depreciation methods of fixed assets

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. Fixed assets start to be depreciated from the day the assets to the expected conditions for use and stop to be depreciated when the assets are derecognized and are divided into hold-for-sale as non-current assets. For those property, plant and equipment without considering impairment provision, the Group's annual depreciation rates are shown as follows according to the category, expected useful lives and estimated net residual values rates

Category	Useful years (year)	Residual rate %	Annual depreciation rate %
Buildings	12-50	3	2.43-4.9
Oil engineering equipment and others	4-30	3	3.2-24.3

When determining the depreciation rate of fixed assets which have recognized the provision for impairment, the cumulative amount of recognized provision for impairment should also be deducted.

(3) Refer to note III,21 for the impairment testing and the impairment provision of fixed assets.

(4) Recognition and measurement of fixed assets financed by leasing.

The leased fixed assets are recognized as fixed assets financed by leasing if they meet the following one or more criteria:

1) The ownership of leased assets can be transferred to the Group at the end of the lease period.
2) The Group has the option of buying leased assets and the purchase price is estimated to be far less than the fair value of leased assets when exercising the option. So at the beginning date of lease period it is reasonably determined that the Group will exercise the option.
3) Even if the ownership of assets is not transferred, lease period accounts for most of leased assets' useful life.
4) The present value of minimum lease payment almost equals to the fair value of leased asset of the beginning date of lease period.
5) Leased assets have special characteristics and they are used for the Group only if not reconstructed largely.

At the beginning date of lease period, the Group will recognize the lower of the fair value of leased asset of the beginning date of lease period and the present value of minimum lease payment as the recorded value of the leased asset, their difference is recorded as unrecognized financing charges. Initial direct costs such as charges, legal fee, travelling expenses and stamp taxes of the lease incurred during leasing negotiation and signing leasing contracts are recognized in leased assets' value. Unrecognized financing charges are measured at amortized cost using the effective interest method in the periods of leasing.

Fixed assets financed by leasing are depreciated according to the policy of owned assets. If it can be reasonably determined that the ownership of the leased assets can be obtained at the end of the lease period, the leased assets are depreciated over their useful lives; otherwise, the leased assets are depreciated over the shorter of the lease terms and the useful lives of the leased assets.

III. Summary of significant accounting policies and accounting estimates (Continued)

16. Fixed asset (Continued)

(5) The Group reviews the useful life and estimated net residual value of a property, plant and equipment and the depreciation method applied annually at each of the period end.

The useful lives of property, plant and equipment are adjusted if their expected useful lives are different from the original estimates; the estimated net residual values are adjusted if they are different from the original estimates.

(6) Overhaul costs

The overhaul costs occurred in regular inspection of property, plant and equipment are recognized in the cost of property, plant and equipment if there is undoubted evidence to confirm that they meet the recognition criteria of fixed assets, otherwise, the overhaul costs are recognized in profit or loss for the current period. Property, plant and equipment are depreciated during the intervals of the regular overhaul.

17. Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing cost that are eligible for capitalization and other necessary cost incurred to bring the fixed assets ready for their intended use.

Construction in progress is transferred to fixed assets when the assets are ready for their intended use.

For provision for impairment of construction in progress, refer to note III, 21.

18. Borrowing costs

(1) Recognition principle of capitalization of borrowing costs

For borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, they shall be capitalized and included in the cost of related assets; other borrowing costs are recognized as expenses and included in profit or loss when incurred. Capitalization of such borrowing costs can commence only when all of the following conditions are satisfied:

1) Expenditures for the asset incurred, capital expenditure includes the expenditure in the form of cash payment, transfer of non-cash assets or the interest bearing liabilities for the purpose of acquiring or constructing assets eligible for capitalization;

2) Borrowing costs incurred; and

3) Activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced.

(2) Capitalization period of borrowing costs

Capitalization of such borrowing costs ceases when the qualifying assets being acquired, constructed or produced become ready for their intended use or sale. The borrowing cost incurred after that is recognized as an expense in the period in which they are incurred and included in profit or loss for the current period.

Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally and when the interruption is for a continuous period of more than 3 months; the borrowing costs in the normally interrupted period continue to capitalize.

(3) Calculation of the capitalization rate and amount of borrowing costs.

The interest expense of the specific borrowings incurred at the current period, deducting any interest income earned from depositing the unused specific borrowings in bank or the investment income arising from temporary investment,shall be capitalized. The capitalization rate of the general borrowing is determined by applying the weighted average effective interest rate of general borrowings, to the weighted average of the excess amount of cumulative expenditures on the asset over the amount of specific borrowings.on the asset over the amount of specific borrowings.

During the capitalization period, exchange differences on foreign currency special borrowings shall be capitalized; exchange differences on foreign currency special borrowings shall be recognized as current profits or losses.

19. Intangible assets

Intangible assets include land use rights, patent rights and technology rights, and are measured at cost. The intangible assets contributed by the State shareholders at the reorganization of the Company into a corporation are recognized based on the reevaluated amounts as approved by the state-owned assets administration department.

The group analyzes and judges the service life of intangible assets when obtained. An intangible asset with finite useful life shall be amortized over the expected useful life using method which can reflect the expected realization of the economic benefits related to the assets from when the intangible asset is available for use. An intangible asset whose expected realization can’t be reliably determined is amortized using straight-line amortization; An intangible asset with indefinite useful life shall not be amortized.

III. Summary of significant accounting policies and accounting estimates (Continued)

19. Intangible assets (Continued)

Amortization of an intangible asset with finite useful life is as follows:

Category	Useful life	Amortization	Notes
Land use rights	50 years	straight-line basis	
software	5 years	straight-line basis	
Patent rights	10 years	straight-line basis	
Technology rights	10 years	straight-line basis	

For an intangible asset with a finite useful life, the Group reviews the useful life and amortization method at the end of each financial year, if it is different from the previous estimates, adjust the previous estimates and deal with it according to changes in accounting estimates.

The Group estimates an intangible asset can no longer bring future economic benefits to the Group at the end of a period, the carrying amount of which should be reversed to profit or loss for the current period.

For the impairment method of intangible assets, refer to Note III, 21.

20. Research and development expenditure

Expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase.

Expenditure on the research phase is related to theories of oil-gas exploration and development, oil-gas exploration and development experiments, pilot tests for oil-gas exploration, researches of softwares, etc; Expenditure on the development phase is related to applications of oil-gas exploration and development technology, pilot tests of oil-gas development, adaptability of technologies in a development process, software developments, etc.

Expenditure on the research phase is recognized in profit or loss when incurred.

Expenditure on the development phase is capitalized only when the Group can satisfy all of the following conditions: the technical feasibility of completing the intangible asset so that it will be available for use or sale; its intention to complete the intangible asset is to use or sell it; how the intangible asset will generate economic benefits. Among other things, the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset; the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; its ability to measure reliably the expenditure attributable to the intangible asset during its development phase. Otherwise, it is charged to profit or loss.

The research and development projects of the Group will enter into the development stage after meeting the above conditions and passing through the technical feasibility and economic feasibility studies and the formation of the project.

Capitalized expenditure on the development phase is presented as “development costs” in the balance sheet and shall be transferred to intangible assets when the project is completed to its intended use state.

21. Impairment of assets

The impairment of subsidiaries, associates and joint ventures in the long-term equity investments, fixed assets, construction in progress, intangible assets, etc. (Excluding inventories, deferred income tax assets and financial assets) are determined as follows:

At the balance sheet date, the Group determines whether there may be evidence of impairment, if there is any, the Group will estimate the recoverable amount for impairment, and then test for impairment. For goodwill arising from a business combination, intangible assets with indefinite useful life and the intangible assets that have not yet ready for use are tested for impairment annually regardless of whether such evidence exists.

The recoverable amount of an asset is determined by the higher amount of fair value deducting disposal costs and net present value of future cash flows expected from the assets. The Group estimates the recoverable amount based on individual asset; for individual asset which is difficult to estimate the recoverable amount, the recoverable amount of the asset group is determined based on the asset group involving the asset. The identification of the asset group is based on whether the cash flow generated from the asset group is independent of the major cash inflows from other assets or asset groups.

When the asset or asset group’s recoverable amount is lower than its carrying amount, the Group reduces its carrying amount to its recoverable amount, the reduced amount is included in profit or loss, while the provision for impairment of assets is recognized.

In terms of impairment test of the goodwill, the carrying amount of the goodwill, arising from business combination, shall be allocated to the related asset group in accordance with a reasonable basis at acquisition date. Those that are difficult to be allocated to related assets shall be allocated to related asset group. Related assets or assets group refer to those that can benefit from the synergies of business combination and are not larger than the group’s recognized reporting segment.

When there is an indication that the asset and asset group are prone to impair, the group should test for impairment for asset and asset group excluding goodwill and calculate the recoverable amount and recognize the impairment loss accordingly. The group should test for impairment for asset or the asset group including goodwill and compare the asset or asset group’s recoverable amount with its carrying amount, provision for impairment of assets shall be recognized when the recoverable amount of assets is lower than its carrying amount.

Once impairment loss is recognized, it cannot be reversed in subsequent accounting periods.

III. Summary of significant accounting policies and accounting estimates (Continued)

22. Long-term deferred expenses

The Group's long-term deferred expenses mainly include oil construction specific drilling equipment, logging equipment, cables and catalyst and evenly amortized on straight-line basis over the expected beneficial period or over operation capacity. For the long-term deferred expense items that cannot benefit in the accounting period, their amortized value is recognized through profit or loss.

23. Employee benefits

(1) The scope of employee benefits

Employee benefits are all forms of consideration and compensation given by the Group in exchange for service rendered by employees or the termination of employment. Employee benefits include short term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. Employee benefits include benefits provided to employees' spouses, children, other dependants, survivors of the deceased employees or to other beneficiaries.

According to liquidity, employment benefits are presented separately as "accrued payroll" and "long-term employment benefits payable" in the balance sheet.

(2) short-term employee benefits

During the accounting period in which the employee render the related services, wages, bonuses,social security contributions(including medical insurance, injury insurance, maternity insurance, etc.) and house funding are recognized as liability and recognized as current profit of loss or assets related costs. If the short-term employee benefits are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service and have significant financial impact, the liability shall be measured as the discounted amounts.

(3) Post-employment benefits

Post-employment benefit plans are classified as either defined contribution plans or defined benefit plans. Under defined contribution plans, an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Post-employment benefit of outgoing business includes the basic pension insurance, unemployment insurance and annuity, which belongs to the defined contribution plans.

1) The basic pension insurance

The employees of the Group participate in the social basic pension insurance operated by the local labor and social security department. The group provides a monthly payment of pension insurance to the local community in basic pension insurance agency according to the local basic pension insurance base and rate. The local labor and social department are responsible for the payment of social pension to the retired employees after the employees retire. During the accounting period in which the employees render services, the group should recognize the amount of pension insurance calculated as the basic pension insurance base and rate above as a liability, and profit or loss or assets associated costs.

2) Pension plan

In addition to the basic social pension insurance, the Group sets up annuity scheme according to the relevant policies of annuity system, employees may voluntarily participate in the annuity scheme. The Group accrues annuity at a certain percentage of the total wages, and the corresponding expense is recognized in profit or loss. In addition to this, the Group has no other significant commitments of social security of employees.

During the accounting period in which the employees render services, the group should recognize the amount of pension insurance calculated as the basic pension insurance base and rate above as a liability, and profit or loss or assets associated costs.

(4) Termination benefits

The Group recognises termination benefits liabilities and profit or loss in the period in the earlier date of the followings: (i) The Group cannot unilaterally withdraws the termination plan or reduce the termination benefits under the proposal, or (ii) The Group recognises the payment of the termination benefits costs and expenses.

In the case of an internal retirement plan, the compensation before the retirement date shall be recognized as termination benefits, the employee's salary and social insurance from the date that the employee stop rendering service to the retirement date shall be recognized in profit or loss for current period. The compensation after the retirement date(such as social pension) should be treated as post-employment benefits.

(5) other long-term employee benefits

Other long-term employee benefits provided by employees of the Group to meet the conditions of a defined contribution plan, shall be treated in accordance with the relevant provisions of the above defined contribution plans.

III. Summary of significant accounting policies and accounting estimates (Continued)

24. Provisions

An obligation for additional losses of investees related to a contingency is recognized as a provision when all of the following conditions are satisfied:

(1) The obligation is a present obligation of the Group;

(2) It is probable that an outflow of economic benefits will be required to settle the obligation;

(3) The amount of the obligation can be measured reliably.

Provisions are initially measured at the best estimate of the payment to settle the associated obligations and consider the relevant risk, uncertainty and time value of money. If the impact of time value of money is significant, the best estimate is determined as its present value of future cash outflow. The Group reviews the carrying amount of provisions at the balance sheet date and adjusts the carrying amount to reflect the best estimate.

If the expenses for clearing of predictive liability is fully or partially compensated by a third party, and the compensated amount can be definitely received, it is recognized separated as asset. The compensated amount shall not be greater than the carrying amount of the predictive liability.

25. Share-based payment and equity instruments

(1) Category of share-based payment

Share-based payment is classified into cash-settled share-based payment and equity-based share-based payment. The group's share option scheme is paid by equity-based share-based.

(2) Fair value of equity instrument

For the existence of an active market for options and other equity instruments granted by the group, the fair value is determined at the active market quotations. For options and other equity instruments with no active market, option pricing model shall be used to estimate the fair value of the equity instruments. Factors as follows shall be taken into account using option pricing models: A、the exercise price of the option B、the validity of the option C、the current market price of the share D、the expected volatility of the share price E、predicted dividend of the share F、risk-free rate of the option within the validity period

(3) Recognition of vesting of equity instrument based on the best estimate

During the waiting period at each balance sheet date, the Group shall make the best available estimate of the number of equity instruments expected to vest and shall revise that estimate, if necessary, if subsequent information indicates that the number of equity instruments expected to vest differs from previous estimates. On vesting date, the entity shall revise the estimate to equal the number of equity instruments that ultimately vested.

(4) Accounting treatment of implementation, modification and termination of share-based payment

Equity-settled share-based payment is measured at the fair value of the equity instruments granted to employees. For the shares exercise immediately after the grant, the fair value of equity instrument at the grant date included in the relevant costs or expenses and increase in capital reserve accordingly. Within the vesting period, it will recognize the received service-related costs or expense and capital reserves for each reporting date based on the best estimate of the number of vested equity instruments on the grant date of the equity instruments value. After the vesting period, relevant costs or expenses and total shareholders' equity has been confirmed and will not be adjusted.

Cash-settled share-based payment is calculated by the fair value of liabilities assumed in accordance with the Group's shares or other equity instruments. For those exercised immediately after the grant, the fair value of the liability included in the relevant costs or expenses cause a corresponding increase in liabilities. For each reporting date in the vesting period, the best estimate of the vesting conditions in accordance with the Group is committed to the fair value of the amount of debt service will recognize the received costs or expenses and the corresponding liabilities. At each reporting date and the settlement date prior to the settlement of liabilities, the fair value of the liability is re-measured through profit or loss.

When there is changes in Group's share-based payment plans, if the modification increases the fair value of the equity instruments granted, corresponding recognition of service increase in accordance with the increase in the fair value of the equity instruments; if the modification increases the number of equity instruments granted, the increase in fair value of the equity instruments is recognized as a corresponding increase in service achieved. Increase in the fair value of equity instruments refer to the difference between the fair values of the modified date. If the modification reduces the total fair value of shares paid or not conductive to the use of other employees share-based payment plans to modify the terms and conditions of service, it will continue to be accounted for in the accounting treatment, as if the change had not occurred, unless the Group cancelled some or all of the equity instruments granted.

26. Revenue

Revenue is determined in accordance with the fair value of the consideration received or receivables for the sale of goods and services in the operating activities. the income of sales of goods is the net amount calculated as sales of products less sales allowance and sales return.

Revenue can be recognized when the economic benefit relevant with the transaction can flow to the company and the relevant revenue can be reliably measured and satisfies the recognition criteria of special revenue arising from various operating activities below.

III. Summary of significant accounting policies and accounting estimates (Continued)

26. Revenue (Continued)

(1) Sale of goods

Revenue from the sale of goods is recognized only when all of the following conditions are satisfied: the Group has transferred to the buyer the significant risks and rewards of ownership of the goods, the Group retains neither continuing managerial involvement nor effective control over the goods sold, and related income has been achieved or evidences of receivable have been obtained, and the associated costs can be measured reliably.

(2) Providing of services

Where the outcome of a transaction involving the providing of services can be estimated reliably, at the end of the period, revenue associated with the transaction is using the percentage of completion method.

Revenue associated with daily rate contract is recognized when the services are provided, other service income is recognized when the services are provided and consideration received or receivable is probable.

The stage of completion of a transaction involving the providing of services is determined according to the services performed to the total services to be performed.

The outcome of a transaction involving the providing of services can be estimated reliably only when all of the following conditions can be satisfied at the same time: 1. The amount of revenue can be measured reliably; 2. The associated economic benefits are likely to flow into the enterprise; 3. The stage of completion of the transaction can be measured reliably; 4. The costs incurred and to be incurred in the transaction can be measured reliably.

If the outcome of a transaction involving the providing of services cannot be estimated reliably, the revenue of providing of services is recognized at the service cost that incurred and is estimated to obtain compensation and the service cost incurred is recognized in profit or loss for the current period. If the service cost incurred is estimated to obtain compensation, revenue is not recognized.

(3) Transfer of the right to use assets

The Group will recognize revenue when the economic benefits related to transfer of the right to use assets can flow in and the amount of revenue can be measured reliably.

(4) Construction contracts

Where the outcome of a construction contract can be estimated reliably at the balance sheet date, revenues and expenses associated are recognized using the percentage of completion method. Where the outcome of a construction contract cannot be estimated reliably, it should be treated distinctively: if contract costs can be recovered, then the contract revenues is recognized according to the actual contract costs that can be recovered, the contract costs are identified as expenses in the current period; otherwise, contract costs are identified as expenses and revenues shall not be recognized.

If the estimated total costs exceed contract revenue, the Group recognizes estimated loss in profit or loss for the current period.

The stage of completion of an engineering construction contract is determined according to the proportion of accumulated actual contract costs to the estimated total costs or the proportion of accumulated actual contract costs to the estimated total costs. and the stage of completion of a geophysics or drilling engineering contract is determined according to surveys of the work performed.

The outcome of a construction contract can be estimated reliably only when all of the following conditions can be satisfied at the same time: A. The amount of contract revenue can be measured reliably; B. The associated economic benefits are likely to flow to the enterprise;C. The actual contract costs incurred can be distinguished clearly and measured reliably; D. The stage of completion of the contract and the costs need to be incurred to complete the contract can be measured reliably.

27. Government grants

A government grant shall be recognized only when the enterprise can comply with the conditions attaching to the grant and the enterprise can receive the grant.

If a government grant is in the form of a transfer of a monetary asset, the item is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, the item is measured at fair value, when fair value is not reliably determinable, the item is measured at RMB 1 of nominal amount.

Government grant related to assets represents the government grant received for acquisition, construction and other ways of form of long term assets. Except for these, all are government grant related to income.

Regarding to the government grant not clearly defined in the official documents and can form long term assets, the part of government grant which can be referred to the value of the assets is classified as government grant related to assets and the remaining part is government grant related to income. For the government grant that is difficult to distinguish, the entire government grant is classified as government grant related to income.

III. Summary of significant accounting policies and accounting estimates (Continued)

27. Government grants (Continued)

The government grant related to assets is recognized as deferred income and would be transferred to profit or loss in reasonable and systematic manner within the period of use of the relevant assets. The government grant related to income which use to compensate the relevant costs or losses incurred should be recognized in profit or loss for the current period or offset against relevant cost; the government grant related to income which use to compensate the relevant costs or losses for the subsequent period is recognized as deferred income and shall be recognized in profit or loss or offset against relevant cost during the relevant cost or loss confirmation period. Government grants measured in nominal terms are directly included in profit or loss for the current period. The Group has adopted a consistent approach to the same or similar government grant business.

The government grants related to daily activities are recognized as other gains or offset against relevant costs in accordance with the substance of economic business. Government grants that are not related to daily activities are recognized as non-operating income and expenses.

If the recognized government grants need to be refunded, adjust the book value of assets when the book value of assets is offset at the time of initial recognition; the balance of deferred income is offset against book balance of deferred income and the excess is recognized in profit or loss for the current period. Other circumstances, it is directly recognized in profit or loss for the current period.

28. Deferred tax assets and deferred tax liabilities

Tax expense comprises current tax expense and deferred tax expense. Current tax and deferred tax are included in profit or loss for the current period as tax expense, except for deferred tax related to transactions or events that are directly recognized in shareholders' equity which are recognized directly in shareholders' equity, and deferred tax arising from a business combination, which is adjusted against the carrying amount of goodwill.

Temporary differences arising from the difference between the carrying amount of an asset or liability and its tax base are recognized as deferred tax using the balance sheet liability method.

All the taxable temporary differences are recognized as deferred tax liabilities except for those incurred in the following transactions:

(1) The initial recognition of goodwill, and the initial recognition of an asset or liability in a transaction which is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) when the transaction occurs;

(2) The taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, and the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The Group recognizes a deferred tax asset for the carry forward of deductible temporary differences, deductible losses and tax credits to subsequent periods, to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, deductible losses and tax credits can be utilized, except for those incurred in the following transactions:

(1) The transaction is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) when the transaction occurs;

(2) The deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, the corresponding deferred tax asset is recognized when both of the following conditions are satisfied: it is probable that the temporary difference will reverse in the foreseeable future, it is probable that taxable profits will be available in the future, against which the temporary difference can be utilized.

At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, and their tax effect is reflected.

At the balance sheet date, the Group reviews the carrying amount of a deferred tax asset. If it is probable that sufficient taxable profits will not be available in future periods to allow the benefit of the deferred tax asset to be utilized, the carrying amount of the deferred tax asset is reduced. Any such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

29. Operating leases and finance leases

A finance lease is a lease that transfers in substance all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

(1) As lessor

In finance leases, at the beginning date of lease period, the Group will recognize the sum of minimum lease collection and initial direct costs as the recorded value of finance leases receivable and meanwhile is recorded as unguaranteed residual value; the difference between the sum of minimum lease collection, initial direct costs and unguaranteed residual value and their present value is recorded as unrecognized financing income. Unrecognized financing income are measured at amortized cost using the effective interest method in the periods of leasing and recognized in financing income for the current period.

Lease from operating leases is recognized in profit or loss on a straight-line basis over the lease term. The initial direct costs incurred are recognized in profit or loss for the current period.

III. Summary of significant accounting policies and accounting estimates (Continued)

29. Operating leases and finance leases (Continued)

(2) As lessee

In finance leases, at the beginning date of lease period, the Group will recognize the lower of the fair value of leased asset of the beginning date of lease period and the present value of minimum lease payment as the recorded value of the leased asset, their difference is recorded as unrecognized financing charges. Initial direct costs are recognized in leased assets' value. Unrecognized financing charges are measured at amortized cost using the effective interest method in the periods of leasing and recognized in financing charges for the current period. The Group depreciates the leased assets by adopting the depreciation policy consistent with self-owned fixed assets.

Lease from operating leases is recognized in the cost of relevant assets or profit or loss on a straight-line basis over the lease term. The initial direct costs incurred are recognized in profit or loss for the current period.

30. Safety costs

The Company accrued production safety fund according to the national regulations for high-risk industry. The production safety fund accrued is charged to the cost of related products, and recorded in the specific reserve. As production safety fund is utilised, if it is of expenditure nature, the cost is directly charged against the specific reserves. If it is used for construction, the cost being used is recorded in construction in progress, and transferred to fixed assets when it is ready for its intended use. Meanwhile, the cost of fixed asset is offset against the specific reserves and accumulated depreciation of the same amount is recognized, then the fixed asset is no longer.

31. Repurchase of shares

The repurchased shares prior to cancellation or transfer of shares are managed as treasury stocks, all costs incurred from repurchase of shares are recognized as the costs of treasury stocks. Considerations and transaction fee incurred from the repurchase of shares shall lead to the elimination of shareholders' equity and does not recognize profit or loss when shares of the company are repurchased, transferred or cancelled.

The difference between the actual amount received and the carrying amount of the treasury stock are recognized as capital reserve when the treasury stocks are transferred, if the capital reserve is not sufficient to be offset, the excess amount shall be recognized to offset surplus reserve and redistributed profit. When the treasury stocks are cancelled, the capital shall be eliminated according to the number of shares and par value of cancellation shares, the difference between the actual amount received and the carrying amount of the treasury stock are recognized as capital reserve, if the capital reserve is not sufficient to be offset, the excess amount shall be recognized to offset surplus reserve and redistributed profit.

32. Critical accounting judgments and estimates

The Group gives continuous assessment of the reasonable expectations of future events and the critical accounting estimates and key assumptions based on its historical experience and other factors.

The critical accounting estimates and key assumptions that are likely to lead to significant adjusted risks of the carrying amount of assets and liabilities for the next financial year are listed as follows:

(1) impairment of receivables

As described in Note III (12), receivables that are measured at amortisation cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is provided. Objective evidence of impairment includes observable data that comes to the attention of the Company about loss events such as a significant decline in the estimated future cash flow of an individual debtor or the portfolio of debtors, and significant changes in the financial condition that have an adverse effect on the debtor. If there is objective evidence of a recovery in value of receivables which can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed.

(2) Provision for diminution in value of inventories

As described in Note III (13), the net realisable value of inventories is under management's regular review, and as a result, provision for diminution in value of inventories is recognized for the excess of inventories' carrying amounts over their net realisable value. When making estimates of net realisable value, the Company takes into consideration the use of inventories held on hand and other information available to form the underlying assumptions, including the inventories' market prices and the Company's historical operating costs. The actual selling price, the costs of completion and the costs necessary to make the sale and relevant taxes may vary based on the changes in market conditions and product sale ability, manufacturing technology and the actual use of the inventories, resulting in the changes in provision for diminution in value of inventories. The net profit or loss may then be affected in the period when the provision for diminution in value of inventories is adjusted.

III. Summary of significant accounting policies and accounting estimates (Continued)

32. Critical accounting judgments and estimates (Continued)

(3) impairment of long-term assets

As described in Note III (21), long-term assets are reviewed at each balance sheet date to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is recognized.

(4) Depreciation and amortisation of assets such as fixed assets, intangible assets and long-term prepaid expenses

As described in Note III (16), (19) and (22), fixed assets, intangible assets and long-term prepaid expenses are depreciated and amortised over their useful lives after taking into account residual value. The estimated useful lives of the assets are regularly reviewed to determine the depreciation and amortisation costs charged in each reporting period. The useful lives of the assets are determined based on historical experiences of similar assets and the estimated technical changes, the amortisation periods for the long-term prepaid expenses are determined by the Company in accordance with the expected benefit period of each expense. If there have been significant changes in the factors used to determine the depreciation or amortisation, the rate of depreciation or amortisation is revised.

(5) Construction contracts

Contract revenue and costs from individual contracts is recognized under the percentage of completion method. The estimated total contract costs for the calculation of the percentage of completion is according to the management's expectation on the actual situation and past experience of the oil engineering projects. The reviews and revises the estimated total contract costs during the execution of construction contracts and such revisions may result in increase or decrease in revenues or costs and are reflected in different accounting periods.

(6) Pending claims

For the legal proceedings and claims, the Group derive the best estimate of committed losses to the related current obligations based on legal advices consulted and according to the process and solutions of the legal proceedings and claims. The estimated losses will change during the development of the legal proceedings and claims.

(7) Deferred income tax assets

Deferred tax assets relating to certain temporary differences and tax losses are recognized as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The management needs significant judgment to estimate the time and extent of the future taxable profits and tax planning strategy to recognise the appropriate amount of deferred income tax assets. Where the expectation is different from the original estimate of the future taxable profits, such differences will impact the recognition of deferred tax assets and taxation in the years when the estimates are changed.

(8) Taxation

There are various uncertainties on interpretation of the complicated tax jurisdictions (including related tax incentive regulations) and time and extent of the future taxable revenue. Regarding to various international business relationship and current contract complication, there may be adjustment to the recognized taxable income and expenses in the future due to the differences arising from actual operating results and its assumptions or estimated changes in the future. The Group has reasonably estimated the provision of taxation from the possible results of the tax authorities where the Group operates. Such provision of taxation is based on different factors, such as previous tax audit experience and the tax jurisdiction interpretation from taxable entity and related tax authorities. Since the Group operates in different tax regions, different interpretation may be resulted from various events.

33. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

Reasons and content of changes in accounting estimates	Affected items in report	Affected amount
According to provisions of the "Accounting Standard for Business Enterprises No. 16 - Government Grants (2017)", the treatment of government grants is changed from solely total-value based to the total-value based and net- value based. Meanwhile, the amortization method of deferred income arising from assets related government grants should be changed from straight line method to reasonable and systematic manner. The amendment is also applied to the disclosure of government grant. The revised standard is applied to government grants that haven't been totally amortized at 1 January 2017 and obtained in 2017. No additional information is required for new disclosures	Other gains	132,840

The above changes in accounting policy have no effect on the opening and ending balance of net assets and retained earnings.

IV. Types of taxes and tax rates

1. Major taxes and tax rate

Type of taxes	Tax base	Tax rate%
Value added tax	Taxable value added(for the calculation of the output VAT and deducted by the input VAT)	3、4、6、11、13 or 17
Urban maintenance and construction tax	Turnover tax payable	1、5、7
Educational surtax	Turnover tax payable	5
Income tax	Tax payable	25

Corporate income tax:

Taxpayer	Tax rate%
Sinopec Southwest Oil Engineering Company Limited	15、25
Sinopec Oil Engineering Design Company Limited	15
Sinopec Zhongyuan Oil Engineering Design Company Limited	15
Sinopec Henan Oil Engineering Design Company Limited	15
Sinopec Oil Engineering geophysical Company Limited	15

2. Tax incentives and approval documents

(1) Consumption tax refund of self-used refined oil

In accordance to "Notification of refund of consumption tax for own use refined oil during oil (gas) field production" (Cai Shui [2011] No.7)) issued by MOF and State Taxation Administration, from 1 January 2009, the oil (gas) field enterprises will be refunded the consumption tax after the actual payment of temporary consumption tax paid for the purchases of refined oil used in the exploitation of crude oil..

(2) Corporate income tax

In accordance to "Notification of tax policy issues on thorough implementation of western development strategy issued by MOF and State Taxation Administration"(Cai Shui[2011]No.58) and "Proclamation of corporate income tax issues on thorough implementation of western development strategy issued by State Taxation Administration"([2012]No.12),a subsidiary of the Group, Sinopec Southwest Oil Engineering Company Limited has enjoyed a preferential western development corporate income tax rate at 15% confirmed by "Permission of agreement that Sinopec Southwest Oil Engineering Company Limited enjoys preferential western development corporate income tax rate"(Cuan Guo Shui Zhi Fa[2014]No.8) issued by Sichuan province state taxation bureau directly-managed branch bureau.

In accordance to "Notification of publicity of proposed list of Shandong Province High-tech enterprises subject to review in 2015" (Lu Ke Zi [2015] No.154issued by Science and Technology Department of Shandong Province, Department of Finance of Shandong Province, The State Tax Administration of Shandong Province, The Local Tax Administration of Shandong Province, Sinopec Oil Engineering Design Company Limited has obtained High-tech enterprise accreditation and enjoy a preferential income tax rate at 15%.

In accordance to to "Notification of the list of the first batch of Henan Province High-tech enterprise subject to review in 2015" (Yu Gao Qi[2015]No.8) issued by Science and Technology Department of Henan Province, Henan Provincial Department of Finance, The State Tax Administration of Henan Province, The Local Tax Administration of Henan Province, Sinopec Zhongyuan Oil Engineering Design Company Limited has obtained High-tech enterprise accreditation and enjoy a preferential income tax rate at 15%.

In accordance to "Notification of the first batch of Henan Province High-tech enterprise subject to review in 2015" (Yu Ke[2015]No.19) issued by Science and Technology Department of Henan Province, Henan Provincial Department of Finance, The State Tax Administration of Henan Province, The Local Tax Administration of Henan Province, Sinopec Henan Oil Engineering Design Company Limited has obtained High-tech enterprise accreditation and enjoy a preferential income tax rate at 15%.

In accordance to "Notification of publicity of the second batch of proposed list of High-tech enterprises subject to review issued by Beijing Taxation Administration" (Jing Ke Fa [2015]No.548 issued by Science and Technology Department of Beijing Province, Department of Finance of Beijing Province, The State Tax Administration of Beijing Province, The Local Tax Administration of Beijing Province, Sinopec Oil Engineering geophysical Company Limited has obtained High-tech enterprise accreditation and enjoy a preferential income tax rate at 15%.

V. Notes to the consolidated financial statements

1. Cash at bank and on hand

Items	As at 30 June 2017			As at 31 December 2016		
	Original currency	Exchange rate	Amount (RMB)	Original currency	Exchange rate	Amount (RMB)
Cash on hand:	—	—	8,111	—	—	9,734
RMB	—	—	2,030	—	—	2,019
USD	368	6.7744	2,493	449	6.9370	3,115
EUR	46	7.7496	353	48	7.3068	353
BRL	20	2.0655	41	2	2.1170	5
DZD	3,817	0.0628	240	15,131	0.0626	947
SAR	368	1.8065	665	449	1.8497	830
KWD	7	22.3209	161	39	22.6293	882
KZT	14,932	0.0211	314	9,225	0.0208	192
AED	197	1.8445	363	—	—	—
Others	—	—	1,451	—	—	1,391
Cash at banks:	—	—	1,988,064	—	—	2,383,630
RMB	—	—	548,796	—	—	776,503
USD	135,866	6.7744	920,411	106,476	6.9370	738,624
EUR	48	7.7496	372	46	7.3068	337
BRL	346	2.0655	715	632	2.1170	1,337
DZD	995,912	0.0628	62,576	1,881,388	0.0626	117,762
SAR	16,922	1.8065	30,569	68,181	1.8497	126,116
KWD	10,330	22.3209	230,585	13,263	22.6293	300,137
KZT	487,437	0.0211	10,263	955,177	0.0208	19,892
AED	4,034	1.8445	7,440	—	—	—
Others	—	—	176,337	—	—	302,922
Among cash at bank: Related party	—	—	892,965	—	—	1,099,702
Including:RMB	—	—	51,579	—	—	163,100
USD	94,508	6.7744	640,237	82,657	6.9370	573,394
EUR	18	7.7496	136	—	—	—
SAR	23	1.8065	42	51,524	1.8497	95,305
KWD	8,810	22.3209	196,644	—	—	—
AED	2,346	1.8445	4,327	—	—	—
Others	—	—	—	—	—	267,903
Other monetary funds:	—	—	21,851	—	—	56,571
RMB	—	—	363	—	—	8,786
USD	2,646	6.7744	17,926	6,446	6.9370	44,717
DZD	8,444	0.0628	531	8,444	0.0626	529
KZT	25,525	0.0211	537	1,608	0.0208	33
AED	131	1.8445	243	131	1.8890	248
Others	—	—	2,251	—	—	2,258
Total:	—	—	2,018,026	—	—	2,449,935
Amount deposited abroad:	—	—	1,412,287	—	—	1,472,479

At 30 June 2017, the Group's restricted cash such as margin deposit is RMB 3,511 thousand (At 31 December 2016: RMB 3,012 thousand), there is no deposits pledged to banks for issuing bankers' acceptances.

V. Notes to the consolidated financial statements (Continued)

2. Notes receivable

Category	As at 30 June 2017	As at 31 December 2016
Bank acceptance bills	909,034	445,415
Trade acceptance bills	83,564	406,209
Total	992,598	851,624

(1) There is no pledged or overdue notes receivable at 30 June 2017 and 31 December 2016.

(2) As at 30 June 2017, the endorsed undue notes receivable.

Type	As at 30 June 2017	As at 31 December 2016
Bank acceptance bills	1,113,130	—
Trade acceptance bills	210,618	—
Total	1,323,748	—

(3) As at 30 June 2017, the five largest notes receivable that are not mature but have been endorsed to other parties are as follows:

Company name	Issuance date	Maturity date	Amount
Entity 1	29 June 2017	29 December 2017	8,099
Entity 2	31 March 2017	25 September 2017	5,000
Entity 3	31 March 2017	25 September 2017	5,000
Entity 4	20 January 2017	20 July 2017	5,000
Entity 5	20 January 2017	20 July 2017	5,000
Total			28,099

3. Accounts receivable

	As at 30 June 2017	As at 31 December 2016
Accounts receivable	17,984,811	25,084,707
Less: provision for bad debts	1,379,680	1,177,173
Net	16,605,131	23,907,534

V. Notes to the consolidated financial statements (Continued)

3. Accounts receivable (Continued)

(1) Accounts receivable disclosed by categories:

Type	As at 30 June 2017				
	Amount	Proportion %	Bad debt provision	Proportion %	Net carrying amount
Receivables which are individually significant and with provision made on an individual basis	1,009,786	5.61	292,244	28.94	717,542
Provision for bad and doubtful debts collectively					
Including: Ageing groups	9,639,526	53.60	1,087,436	11.28	8,552,090
Related party grouping	7,335,499	40.79	—	—	7,335,499
Subtotal	16,975,025	94.39	1,087,436	6.41	15,887,589
Receivables which are individually insignificant and with provision made on an individual basis	—	—	—	—	—
Total	17,984,811	100.00	1,379,680	7.67	16,605,131

Type	As at 31 December 2016				
	Amount	Proportion %	Bad debt provision	Proportion %	Net carrying amount
Receivables which are individually significant and with provision made on an individual basis	1,034,023	4.12	169,948	16.44	864,075
Provision for bad and doubtful debts collectively					
Including: Ageing groups	9,371,644	37.36	1,007,225	10.75	8,364,419
Related party grouping	14,679,040	58.52	—	—	14,679,040
Subtotal	24,050,684	95.88	1,007,225	4.19	23,043,459
Receivables which are individually insignificant and with provision made on an individual basis	—	—	—	—	—
Total	25,084,707	100.00	1,177,173	4.69	23,907,534

1) Receivables which are individually significant and with provision made on an individual basis

Accounts receivable (By entity)	Amount	Bad debt provision	Provision proportion	Provision reason
Entity A	1,009,786	292,244	28.94	Provision made on the basis of the expected loss rate

2) Group of ageing accounts receivable made provision for bad and doubtful debts by ageing analysis is as follows:

Ageing	As at 30 June 2017					As at 31 December 2016				
	Amount	Proportion %	Bad debt provision	Provision proportion	Net	Amount	Proportion %	Bad debt provision	Provision proportion	Net
Within 1 year	7,571,234	78.54			7,571,234	7,417,921	79.16			7,417,921
1 – 2 years	1,215,053	12.60	364,516	30.00	850,537	1,135,122	12.11	340,537	30.00	794,585
2 – 3 years	325,798	3.38	195,479	60.00	130,319	379,783	4.05	227,870	60.00	151,913
Over 3 years	527,441	5.48	527,441	100.00		438,818	4.68	438,818	100.00	—
Total	9,639,526	100.00	1,087,436	—	8,552,090	9,371,644	100.00	1,007,225	—	8,364,419

V. Notes to the consolidated financial statements (Continued)

3. Accounts receivable (Continued)

(2) Provision, recovery or reversal of bad debt

The total bad debt provision made at the current period is RMB 202,507 thousand(January 2016 to June:RMB 42,634thousand). During the reporting period, the Group did not have accounts receivable for which a full provision or a significant provision was made in the previous years that were recovered or reversed partly or in full amount.

(3) Written-off of accounts receivable

During the reporting period, there is no written-off of accounts receivable.

(4) The five largest accounts receivable are analyzed as follows:

Company Name	Relationship with the company	Amount	Percentage of total accounts receivable	Ending balance of bad debt provision
Entity A	Related party	6,035,932	33.56	—
Entity B	Related party	1,157,789	6.44	—
Entity C	Third party	1,090,786	6.07	97,590
Entity D	Third party	1,009,786	5.61	292,244
Entity E	Third party	800,777	4.45	20,426
Total		10,095,070	56.13	410,260

4. Prepayments

	As at 30 June 2017	As at 31 December 2016
Prepayments	514,166	374,398
Less: provision for bad debts	22,496	21,426
Net	491,670	352,972

(1) The ageing analysis of prepayments is as follows:

Ageing	As at 30 June 2017		As at 31 December 2016	
	Amount	Proportion %	Amount	Proportion %
Within 1 year	468,051	91.04	324,235	86.60
1 – 2 years	25,366	4.93	34,550	9.23
2 – 3 years	13,432	2.61	11,380	3.04
Over 3 years	7,317	1.42	4,233	1.13
Total	514,166	100.00	374,398	100.00

(2) The five largest prepayments are analyzed as follows:

The total amount of the five largest prepayments is RMB 152,171 thousand, percentage of total prepayments is 29.59%

Company Name	Relationship with the company	Amount	Percentage of total prepayments
Entity A	Third party	51,336	9.98
Entity B	Third party	34,050	6.62
Entity C	Related party	24,385	4.74
Entity D	Related party	22,400	4.36
Entity E	Related party	20,000	3.89
Total		152,171	29.59

V. Notes to the consolidated financial statements (Continued)

5. Other receivables

	As at 30 June 2017	As at 31 December 2016
Other receivables	3,930,560	3,325,742
Less: provision for bad debts	583,949	503,333
Net	3,346,611	2,822,409

(1) Other receivables disclosed by categories:

Type	As at 30 June 2017				
	Amount	Proportion %	Bad debt provision	Proportion %	Net carrying amount
Receivables which are individually significant and with provision made on an individual basis	26,197	0.67	26,197	100.00	
Provision for bad and doubtful debts collectively					
Including: Ageing groups	3,540,152	90.07	557,752	15.76	2,982,400
Related party grouping	364,211	9.26	—	—	364,210
Subtotal	3,904,363	99.33	557,752	14.29	3,346,610
Receivables which are individually insignificant and with provision made on an individual basis	—	—	—	—	—
Total	3,930,560	100.00	583,949	14.86	3,346,611

Type	As at 31 December 2016				
	Amount	Proportion %	Bad debt provision	Proportion %	Net carrying amount
Receivables which are individually significant and with provision made on an individual basis	27,797	0.84	27,797	100	
Provision for bad and doubtful debts collectively					
Including: Ageing groups	2,905,013	87.35	475,536	16.37	2,429,477
Related party grouping	392,932	11.81	—	—	392,932
Subtotal	3,297,945	99.16	475,536	14.42	2,822,409
Receivables which are individually insignificant and with provision made on an individual basis	—	—	—	—	—
Total	3,325,742	100.00	503,333	15.13	2,822,409

1) Receivables which are individually significant and with provision made on an individual basis

Accounts receivable (By entity)	Amount	Bad debt provision	Provision proportion	Provision reason
Entity A	26,197	26,197	100.00	The debtor has been insolvent and suffering losses for several years
Total:	26,197	26,197	100.00	

2) Group of ageing accounts receivable made provision for bad and doubtful debts by ageing analysis is as follows

Ageing	As at 30 June 2017					As at 31 December 2016				
	Amount	Proportion %	Bad debt provision	Provision proportion	Net	Amount	Proportion %	Bad debt provision	Provision proportion	Net
Within 1 year	2,631,232	74.32	—	—	2,631,232	2,213,730	76.21	—	—	2,213,730
1 – 2 years	467,340	13.20	140,202	30.00	327,138	240,634	8.28	72,190	30.00	168,444
2 – 3 years	60,074	1.70	36,044	60.00	24,030	118,258	4.07	70,955	60.00	47,303
Over 3 years	381,506	10.78	381,506	100.00	—	332,391	11.44	332,391	100.00	—
Total	3,540,152	100.00	557,752	—	2,982,400	2,905,013	100.00	475,536	—	2,429,477

V. Notes to the consolidated financial statements (Continued)

5. Other receivables (Continued)

(2) During the reporting period, the Group did not have other receivables for which a full provision or a significant provision was made in the previous years that were recovered or reversed partly or in full amount.

(3) During the reporting period, the Group didn't write off other receivables

(4) Other receivables disclosed by nature:

Items	As at 30 June 2017	As at 31 December 2016
Imprest	89,719	51,969
Guarantee	951,810	884,389
Amount paid on behalf	1,602,230	1,311,545
Temporary payment	679,419	704,098
Escrow funds	9,730	9,710
Deposits	38,784	46,722
Export tax refund receivable	10,581	6,712
Others	548,287	310,597
Total	3,930,560	3,325,742

(5) As at 30 June 2017, the five largest other receivables are analysed as follows:

Company Name	Relationship with the company	Nature	Amount	Percentage of total accounts receivable	Ending balance of bad debt provision
Entity A	Third party	Amount paid on behalf	918,307	23.36	—
Entity B	Third party	Temporary payment	294,032	7.48	38,822
Entity C	Related party	Amount paid on behalf、Guarantee	222,764	5.67	—
Entity D	Third party	Amount paid on behalf、Guarantee	217,095	5.52	—
Entity E	Third party	Amount paid on behalf、Guarantee	189,784	4.83	22,781
Total			1,841,982	46.86	61,603

6. Inventories

(1) Inventories by categories

Category	As at 30 June 2017			As at 31 December 2016		
	Cost	Provision for diminution in value	Carrying amount	Cost	Provision for diminution in value	Carrying amount
Raw materials	1,199,210	7,724	1,191,486	1,240,714	7,724	1,232,990
Work in progress	30,238	—	30,238	78,390	—	78,390
Finished goods	147,880	—	147,880	120,924	—	120,924
Turnover materials	20,583	—	20,583	20,120	—	20,120
Amounts due from customers for contract work	10,790,772	18,704	10,772,068	7,900,334	35,686	7,864,648
Others	6,629	—	6,629	1,305	—	1,305
Total	12,195,312	26,428	12,168,884	9,361,787	43,410	9,318,377

V. Notes to the consolidated financial statements (Continued)

6. Inventories (Continued)

(2) Provision for decline in the value of inventories is analyzed as follows:

Category		Increase during the period		Written back during the period		
	As at 1 January 2017	Provision	Others	Reversal or Write-off	Others	As at 30 June 2017
Raw materials	7,724	—	—	—	—	7,724
Amounts due from customers for contract work	35,686	—	—	—	16,982	18,704
Total	43,410	—	—	—	16,982	26,428

(3) Completed yet settled assets formed by construction contracts

Items	As at 30 June 2017
Contract cost incurred	47,559,196
Plus: recognized profit	639,545
Less: Loss on contracts	18,704
Less:Progress billings	37,407,969
Book value of completed yet settled assets formed by construction contracts	10,772,068

7. Non-current assets due within one year

	As at 30 June 2017	As at 31 December 2016
Long-term deferred expenses due within one year	951,689	1,011,028

8. Other current assets

Items	As at 30 June 2017	As at 31 December 2016
Excess value-added tax paid	546,674	325,005
Value-added tax to be certified	44,714	18,642
Prepaid VAT	229,907	65,073
Prepaid income tax	15,827	7,956
Total	837,122	416,676

9. Available-for-sale financial assets

(1) The situation of Available –for-sale financial assets

Items	As at 30 June 2017			As at 31 December 2016		
	Ending balance	Provision for diminution in value	Carrying amount	Ending balance	Provision for diminution in value	Carrying amount
Available-for-sale equity instruments	40,494	16,105	24,389	40,494	16,105	24,389
Including:based on cost	40,494	16,105	24,389	40,494	16,105	24,389
Total	40,494	16,105	24,389	40,494	16,105	24,389

V. Notes to the consolidated financial statements (Continued)

9. Available-for-sale financial assets (Continued)

(2) Available –for-sale of equity instruments measured at costs

Investee	Balance amount				Provision for diminution in value					
	As at 1 January 2017	Increase during the period	Decrease during the period	As at 30 June 2017	As at 1 January 2017	Increase during the period	Decrease during the period	As at 30 June 2017	Percentage of the shareholding held	cash dividend
SINO-THARWA DRILLING COMPANY	21,973	—	—	21,973	—	—	—	—	3.375	—
Shengli oilfield Niuzhuang Petroleum Development Co., Ltd	2,000	—	—	2,000	—	—	—	—	1.73	—
Dongying Kewei Intelligent Technology Co., Ltd	416	—	—	416	—	—	—	—	19.04	—
Zhongyuan Petroleum Equipment Co., Ltd	16,105	—	—	16,105	—	16,105	—	16,105	19	—
Total	40,494	—	—	40,494	—	16,105	—	16,105	—	—

10. Long-term equity investments

Name of company		The fluctuation of this period									
	As at 1 January 2017	Additional investment	Reduce investment	Investment gains and losses confirmed by the equity method	Adjustment of other comprehensive income	Changes in other equity	The issuance of profit	Impairment	Others	As at 30 June 2017	The ending balance of impairment
① Joint venture											
SinoFTS Petroleum Services Ltd. (SinoFTS)	177,531	—	—	-10,066	—	—	—	—	—	167,465	—
Zhong Wei Energy Service Co. Ltd. (A Sinopec – Weatherford Joint Venture)	17,416	—	—	-2,594	—	—	—	—	—	14,822	—
Sinopec Gulf Petroleum Engineering Services, LLC	13,383	—	—	—	—	—	—	—	—	13,383	—
Qianjiang HengYun Comprehensive Vehicle Performance Inspecting Company Limited	1,114	—	—	-285	—	—	—	—	—	829	—
Subtotal	209,444	—	—	-12,945	—	—	—	—	—	196,499	—
② Associates											
Sinopec International Trading (Nigeria) Company Limited	128	—	—	—	—	—	—	—	—	128	—
Hua Bei Ruida Oil Service Company Limited ("Ordos North")	3,614	—	—	—	—	—	—	—	—	3,614	—
Xinjiang North China Tianxiang Oil Service Company Limited ("Xinjiang North")	2,351	—	—	—	—	—	300	—	—	2,051	—
Zhenjiang Huajiang Oil and Gas Engineering Technology Service Co., Ltd	2,086	—	—	—	—	—	—	—	—	2,086	—
Henan Zhongyuan Oil & Gas Technology Service Co., Ltd	1,701	—	—	—	—	—	—	—	—	1,701	—
Henan Zhongyou Oil & Gas Technology Service Co., Ltd	2,005	—	—	—	—	—	—	—	—	2,005	—
Subtotal	11,885	—	—	—	—	—	300	—	—	11,585	—
Total	221,329	—	—	-12,945	—	—	300	—	—	208,084	—

There is no restriction on sale of the long-term equity investments held by the Group.

The informations of the Group's joint venture and associates refer to note VII.2.

V. Notes to the consolidated financial statements (Continued)

11. Fixed assets

(1) Fixed assets by categories

Cost:	Buildings	Equipment and others	Total
Cost:			
1. As at 31 December 2016	1,331,721	59,220,039	60,551,760
2. Increase in the year	—	94,599	94,599
(1) Purchase	—	94,599	94,599
3. Written back during the year	20,266	298,536	318,802
(1) Disposal or retirement	2,623	298,536	301,159
(2) Reclassify	17,643	—	17,643
4. As at 30 June 2017	1,311,455	59,016,102	60,327,557
Accumulated depreciation:			
1. As at 31 December 2016	391,255	31,074,187	31,465,442
2. Increase in the year	22,452	1,628,548	1,651,000
(1) Depreciation	22,452	1,628,548	1,651,000
3. Written back during the year	6,136	259,984	266,120
(1) Disposal or retirement	1,950	259,984	261,934
(2) Reclassify	4,186	—	4,186
4. As at 30 June 2017	407,571	32,442,751	32,850,322
Provision for impairment			
1. As at 31 December 2016	8,436	270,625	279,061
2. Increase in the year			
3. Written back during the year	—	7,735	7,735
(1) Disposal or retirement	—	7,735	7,735
4. As at 30 June 2017	8,436	262,890	271,326
Net carrying amount			
1. As at 30 June 2017	895,448	26,310,461	27,205,909
2. As at 31 December 2016	932,030	27,875,227	28,807,257

From January 2017 to June, depreciation of fixed assets amounted to RMB 1,651,000 thousand (2016: 1,626,646 thousand), were included in operating expense 1,638,230 thousand, selling expense 286 thousand and administrative expense 12,484 thousand (2016: 1,604,006 thousand, 296 thousand and 22,344thousand).

(2) Fixed assets rented under finance leases

Items	Cost	Accumulated depreciation	Provision for impairment	Net carrying amount
Equipment and others	77,897	18,410	—	59,487

(3) Fixed assets rented under Operating leases

Items	Carrying amount
Buildings	3,497
Equipment and others	411,894
Total	415,391

(4) The situation of premises without qualified ownership certificates

There had been a total amount of 32 premises without qualified ownership certificates up to 30 June 2017, totaling amount in cost of 443,698 thousand, in accumulated depreciation of 34,087 thousand and net book value of 409,611 thousand.

V. Notes to the consolidated financial statements (Continued)

12. Construction in progress

(1) Details of construction in progress

Items	As at 30 June 2017			As at 31 December 2016		
	Cost	Impairment	Net carrying amount	Cost	Impairment	Net carrying amount
Infrastructure improvement expenditure	25,599	3,502	22,097	21,711	3,502	18,209
Major Materials and equipment procurement projects	749,360	68,232	681,128	767,095	91,762	675,333
Other construction projects	173,896	—	173,896	173,304	—	173,304
Total	948,855	71,734	877,121	962,110	95,264	866,846

(2) The major construction projects in progress are set out as follows:

Project name	As at 1 January 2017	Additions	Transfer to fixed assets	Other deduction	Accumulated capitalized interest	Including current capitalized interest	Capitalised rate%	As at 30 June 2017
Shenli operating 90 meters	492,325	192	—	—	22,844	—	—	492,517
ERP construction project	18,841	2,356	—	—	—	—	—	21,197
No.3 drilling platform crane update project	149	—	—	—	—	—	—	149
Shengli submarine pipeline inspection	208	—	—	—	—	—	—	208
Total	511,523	2,548	—	—	22,844	—	—	514,071

Project name	Budget	Percentage of current input over budget (%)	Progress(%)	Sources of funds
Shenli operating 90 meters	700,000	70.36	70.36	Selfraised
ERP construction project	40,000	52.99	52.99	Selfraised
No.3 drilling platform crane update project	30,000	0.50	0.50	Selfraised
Shengli submarine pipeline inspection	15,000	1.38	1.38	Selfraised
Total	785,000	—	—	—

V. Notes to the consolidated financial statements (Continued)

13. Intangible assets

(1) Classification of intangible assets

Items	Patent rights	Land use rights	Computer software	Others	Total
Cost:					
1. As at 31 December 2016	186	123,174	141,972	73,884	339,216
2. Increase in the year	—	17,643	—	—	17,643
(1) Reclassify	—	17,643	—	—	17,643
3. Written back during the year	—	—	—	—	—
4. As at 30 June 2017	186	140,817	141,972	73,884	356,859
Accumulated amortization:					
1. As at 31 December 2016	56	14,996	94,774	44,065	153,891
2. Increase in the year	9	5,667	6,659	15,238	27,573
(1) Provision	9	1,481	6,659	15,238	23,387
(2) Reclassify	—	4,186	—	—	4,186
3. Written back during the year	—	—	—	—	—
4. As at 30 June 2017	65	20,663	101,433	59,303	181,464
Provision for impairment					
1. As at 31 December 2016	—	—	—	—	—
2. Increase in the year	—	—	—	—	—
3. Written back during the year	—	—	—	—	—
4. As at 30 June 2017	—	—	—	—	—
Carrying amount					
1. As at 30 June 2017	121	120,154	40,539	14,581	175,395
2. As at 31 December 2016	130	108,178	47,198	29,819	185,325

As at June 2017 and 31 December 2016, the above intangible assets were not pledged.

As at June 2017, there was no land use right without qualified ownership certificates.

For the six months ended 30 June 2017, amortisation of intangible assets amounted to RMB 23,387 thousand (For the six months ended 30 June 2016: 13,190 thousand), were included in profit and loss.

14. Long-term deferred expenses

Items	As at 31 December 2016	Increase in the year	Decrease in the year		As at 30June 2017
			Amortization in the year	Other decreases	
Special tools of petroleum engineering	3,114,838	172,431	631,848	55,713	2,599,708
Other tools of Petroleum engineering	488,589	50,152	153,768	9,539	375,434
Camping house	444,331	30,624	111,835	18,877	344,243
Other long-term deferred expenses	35,098	2,869	12,044	—	25,923
Total	4,082,856	256,076	909,495	84,129	3,345,308
Including:Amount due within one year	1,011,028	—	—	—	951,689
Due over one year	3,071,828	—	—	—	2,393,619

V. Notes to the consolidated financial statements (Continued)

15. Deferred income tax assets and deferred income tax liabilities

(1) Deferred income tax assets and deferred income tax liabilities without offsetting

Items	As at 30 June 2017		As at 31 December 2016	
	Deductible/taxable temporary differences	Deferred income tax assets/liabilities	Deductible/taxable temporary differences	Deferred income tax assets/liabilities
Deferred income tax assets				
Provision for assets impairment and influence on depreciation	173,558	43,389	204,823	51,206
provision for bad debts	550,847	134,776	542,097	132,342
Subtotal	724,405	178,165	746,920	183,548
Deferred income tax liabilities				
Revaluation of assets	105,897	25,930	110,059	26,929
Depreciation of fixed assets	1,957	351	1,957	351
Subtotal	107,854	26,281	112,016	27,280

(2) Details of unrecognized deferred income tax assets of deductible temporary differences and tax losses:

The tax losses of the Group can be carried forward to subsequent 5 years for deduction of the taxable profit in accordance with the PRC tax laws. According to the accounting policy of the Group, deferred tax assets are only recognized to the extent that it is probable that taxable profit will be available in the future.

Tax losses that are not recognized as deferred tax assets are analysed as follows:

Items	As at 30 June 2017	As at 31 December 2016
Deductible temporary differences	1,740,222	1,480,823
Tax losses	18,396,585	19,054,303
Total	20,136,807	20,535,126

(3) Tax losses that are not recognized as deferred tax assets will be expired as follows:

Years	As at 30 June 2017	As at 31 December 2016	Note
year 2017	—	944,730	
year 2018	1,143,155	1,143,155	
year 2019	1,551,644	1,551,644	
year 2020	783,452	783,452	
year 2021	12,456,813	14,631,322	
year 2022	2,461,521	—	
Total	18,396,585	19,054,303	

V. Notes to the consolidated financial statements (Continued)

16. Short-term loans

Items	Currency	As at 30 June 2017	As at 31 December 2016
Unsecured borrowings from related parties	RMB	10,804,400	9,175,114
	USD	8,029,019	7,858,617
Total		18,833,419	17,033,731

As at 30 June 2017, no assets of the Group were pledged.

As at 30 June 2017, the Group has no overdue short-term borrowings.

As at 30 June 2017, the interest rate range of short-term borrowings is 2.21%-3.92% (31 December 2016: 1.85%-4.20%)

17. Notes payable

Category	As at 30 June 2017	As at 31 December 2016
Bank acceptance bills	2,015,894	2,013,497

As at 30 June 2017 and 31 December 2016, there is no bank deposit pledged for bills payable

18. Accounts payable

Items	As at 30 June 2017	As at 31 December 2016
Payables for materials	7,377,248	8,254,619
Payables for construction	6,400,997	7,743,968
Payable for labour cost	7,537,203	8,663,426
Payables for equipment	2,270,333	3,031,689
Others	745,184	603,028
Total	24,330,965	28,296,730

Important accounts payable aged over one year:

Items	As at 30 June 2017	Overdue reasons
Entity A	68,651	Retention money、Unsettled
Entity B	66,488	Retention money、Unsettled
Entity C	59,386	Retention money、Unsettled
Entity D	52,789	Retention money、Unsettled
Entity E	51,423	Retention money、Unsettled
Total	298,737	

V. Notes to the consolidated financial statements (Continued)

19. Advances from customers

Items	As at 30 June 2017	As at 31 December 2016
Advances for construction labor	1,858,256	1,690,005
Amounts due to customers for contract work	6,936,834	8,983,973
Total	8,795,090	10,673,978

(1) Important advance from customers aged over one year:

Items	As at 30 June 2017	Overdue reasons
Entity A	134,918	Not yet finalised
Entity B	129,056	Not yet finalised
Entity C	116,447	Not yet finalised
Entity D	87,356	Not yet finalised
Entity E	77,988	Not yet finalised
Total	545,765	

(2) Completed yet settled assets formed by construction contracts

Items	As at 30 June 2017
Progress billings	28,261,666
Less:Contract cost incurred	19,553,322
plus recognized profit	1,771,510
Amounts due to settled yet completed contract work	6,936,834

20. Employee benefits payable

Items	As at 31 December 2016	Increase in the year	Decrease in the year	As at 30 June 2017
Short term employee benefits	171,657	4,857,375	4,750,335	278,697
Post-employment benefits	—	808,612	794,679	13,933
Termination benefits	—	8,708	8,708	—
Total	171,657	5,674,695	5,553,722	292,630

(1) Short-term employee benefits

Items	As at 31 December 2016	Increase in the year	Decrease in the year	As at 30 June 2017
Wages or salaries, bonuses, allowances and subsidies	29,054	3,098,792	3,039,118	88,728
Staff welfare	—	274,329	274,282	47
Social security contributions	895	409,881	402,251	8,525
Including: 1. Basic medical insurance	—	294,347	287,233	7,114
2. Supplementary medical insurance	872	44,613	45,221	264
3. Work-related injury insurance	—	30,880	30,127	753
4. Birth insurance	—	16,256	15,885	371
5. Other insurance	23	23,785	23,785	23
Housing funds	1,582	399,353	386,855	14,080
Labor union and employee education funds	128,960	80,814	65,733	144,041
Others	11,166	594,206	582,096	23,276
Total	171,657	4,857,375	4,750,335	278,697

As at 30 June 2017, no defaulted payables are included in the employee benefits payable, and the balance is expected to be distributed and used in 2017.

V. Notes to the consolidated financial statements (Continued)

20. Employee benefits payable (Continued)

(2) Post-employment benefits

Items	As at 31 December 2016	Increase in the year	Decrease in the year	As at 30 June 2017
Basic pension insurance	—	618,829	605,340	13,489
Unemployment insurance	—	26,509	26,068	441
Annuity	—	163,274	163,271	3
Total	—	808,612	794,679	13,933

The in-service employees of the Group are subject to basic pension and medical insurance, which are extracted and paid according to regulated rates and set up and governed by local government. In addition, the Company provides a supplementary defined contribution retirement plan for its employees at rates not exceeding 5% of their salaries. Employees who have served the Group for more than one year may participate in this plan. The assets of this plan are held separately from those of the Group in an independent fund administered by a committee consisting of representatives from the employees and the Group. A member of the above plans is entitled to a pension amount equal to a fixed proportion of the salary prevailing at his or her retirement date. The Group has no other material obligation for the payment of pension benefits associated with the basic and supplementary pension plans beyond the annual contributions described above.

(3) Termination benefits

Items	As at 31 December 2016	Increase in the year	Decrease in the year	As at 30 June 2017
Termination benefits	—	8,708	8,708	—

During this report, the Group paid 8,708 thousand compensation to the resigning employee for terminating labor relation.

21. Taxes payable

Items	As at 30 June 2017	As at 31 December 2016
VAT	471,161	634,768
Business tax	6,372	8,389
Corporate income tax	65,599	92,768
individual income tax	42,836	123,214
Urban maintenance and construction tax	42,774	52,592
Education surtax	24,619	31,513
Withholding tax	44,575	45,147
Others	50,323	61,948
Total	748,259	1,050,339

V. Notes to the consolidated financial statements (Continued)

22. Interest payable

Items	As at 30 June 2017	As at 31 December 2016
Interest payable of long term loan which interest paid by installment and principal paid at maturity date	95	3,181
Interest payable of short term loan	167	70,446
Total	262	73,627

23. Other payable

Items	As at 30 June 2017	As at 31 December 2016
Guarantee	492,743	525,496
Deposits	47,169	127,046
Amount paid on behalf	756,557	435,177
Temporary receipts	165,351	219,838
Escrow payments	19,390	33,676
Withheld payments	40,529	86,055
Sinopec Group capital restructuring funds	2,600,000	2,600,000
The net profit or loss during the reorganization	1,118,903	1,118,903
Others	514,179	395,487
Total	5,754,821	5,541,678

As at 30 June 2017, other payables with aging over 1 year with a carrying amount of RMB 4,464,024 thousand (31 December 2016: RMB 4,448,495 thousand). Those except the undisbursed amount due to the Sinopec group generated from capital restructuring funds and the net profit and loss at transition period, are mainly construction projects retention money, deposits, guarantee and so on. Those payables are unsettled due to the guarantee period isn't end or not yet reached the settlement period.

24. Non-current liabilities due within one year

Items	As at 30 June 2017	As at 31 December 2016
Long-term loans within one year	311,481	203,548
Long-term payables within one year	17,360	17,360
Total	328,841	220,908

(1) Long-term loans within one year

Items	As at 30 June 2017	As at 31 December 2016
Loans on credit	311,481	203,548

(2) Long-term payables within one year

Items	As at 30 June 2017	As at 31 December 2016
Payables of finance lease	17,360	17,360

V. Notes to the consolidated financial statements (Continued)

25. Other current liabilities

Items	As at 30 June 2017	As at 31 December 2016
Output VAT to be certified	58,622	15,267

26. Long-term loans

Items	As at 30 June 2017	Range of interest rate	As at 31 December 2016	Range of interest rate
Pledge loan	508,080	6.68%-6.83%	520,275	6.14%-6.69%
Loans on credit	623,103	3.23%-4.28%	446,343	4.73%-6.96%
Subtotal	1,131,183	—	966,618	—
Less: Long-term loans within one year	311,481	3.23%-4.28%	203,548	4.73%-6.96%
Total	819,702	—	763,070	—

The group has no overdue long-term loans at 30 June 2017.

27. Long-term payables

Items	As at 30 June 2017	As at 31 December 2016
Payables of finance lease	41,106	50,924
Others	19,522	24,077
Subtotal	60,628	75,001
Less: Long-term payables within one year	17,360	17,360
Total	43,268	57,641

28. Deferred income

Items	As at 30 June 2017	Increase for the period	Decrease for the period	As at 31 December 2016
Government grants related to assets	11,751	2,000	2,000	11,751
Government grants related to income	100,420	191,152	190,920	100,652
Total	112,171	193,152	192,920	112,403

Notes: The government grants which recognized as deferred income refer to Note IV.6. government grants

V. Notes to the consolidated financial statements (Continued)

29. Share capital (Unit: thousand shares)

As at 30 June 2017:

Items	As at 1 January 2017	Changes in current (+、-)		Subtotal	As at 30 June 2017
		Issued shares	Write off Repurchase of shares		
Held by state-owned legal person (A share)	10,259,328	—	—	—	10,259,328
RMB public shares (A share)	1,783,333	—	—	—	1,783,333
Foreign shares listed overseas (H share)	2,100,000	—	—	—	2,100,000
Total	14,142,661	—	—	—	14,142,661

As at 31 December 2016:

Items	As at 1 January 2016	Changes in current (+、-)		Subtotal	As at 31December 2016
		Convert capital reserve into share capital	Others		
Held by state-owned legal person (A share)	10,259,328	—	—	—	10,259,328
RMB public shares (A share)	1,783,333	—	—	—	1,783,333
Foreign shares listed overseas (H share)	2,100,000	—	—	—	2,100,000
Total	14,142,661	—	—	—	14,142,661

30. Capital reserve

As at 30 June 2017:

Items	As at 1 January 2017	Increase for the period	Decrease for the period	As at 30 June 2017
Share premium	8,826,247	—	—	8,826,247
Other capital reserve	70,985	9,048	—	80,033
Total	8,897,232	9,048	—	8,906,280

As at 31 December 2016:

Items	As at 1 January 2016	Increase for the period	Decrease for the period	As at 31 December 2016
Share premium	8,826,247	—	—	8,826,247
Other capital reserve	67,969	3,016	—	70,985
Total	8,897,216	3,016	—	8,897,232

Refer to Note XI.Payment of share option

V. Notes to the consolidated financial statements (Continued)

31. Special reserve

Items	As at 1 January 2017	Increase for the period	Decrease for the period	As at 30 June 2017
Special reserve	176,068	284,906	131,730	329,244

In accordance with PRC regulations, the Group appropriated production safety fund of RMB 284,906 thousand to specific reserve for the six months ended 30 June 2017 (2016: RMB 232,721 thousand), which was recognized in the cost of related products and the Specific reserve. For the six months ended 30 June 2017, the Group utilized production safety fund amounting to RMB 131,730 thousand (2016: RMB 161,443 thousand) which was of expenditure nature.

32. Surplus reserve

Items	As at 1 January 2017	Increase for the period	Decrease for the period	As at 30 June 2017
Statutory surplus reserve	200,383	—	—	200,383

In accordance with the Company Law and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the paid in capital after approval from the appropriate authorities

33. Retained earnings

Items	For the six months ended 30 June 2017	For the year ended 31 December 2016	Appropriation/ distribution ratio
Retained earnings at the end of last year	-14,973,476	1,141,287	—
Add: Net profit attributable to parent company	-2,285,324	-16,114,763	—
Less: Withdrawal of statutory surplus reserves	—	—	10%
Retained earnings	-17,258,800	-14,973,476	—
Including: Surplus reserve attributable to parent company extracted by subsidiaries	—	10,481	—

34. Revenue and cost of sales

Items	For the six months ended 30 June 2017		For the six months ended 30 June 2016	
	Revenue	Cost	Revenue	Cost
Major business	19,628,693	19,684,890	18,446,639	20,877,546
Other business	213,625	183,474	243,224	191,817
Total	19,842,318	19,868,364	18,689,863	21,069,363

Notes: The analysis information of the Group's revenue and cost by industry and region refer to Note IV.5

V. Notes to the consolidated financial statements (Continued)

34. Revenue and cost of sales (Continued)

(1) Major business

Industry	For the six months ended 30 June 2017		For the six months ended 30 June 2016	
	Revenue	Cost	Revenue	Cost
Geophysics	1,948,440	1,856,472	2,046,124	2,381,867
Drilling Engineering	11,609,081	11,760,883	9,091,487	10,851,274
Logging and Mud Logging	654,752	668,816	534,741	786,035
Special Down-hole Operations	1,529,318	1,686,145	1,861,348	2,128,123
Engineering Construction	3,398,822	3,179,703	4,615,478	4,428,326
Others	488,280	532,871	297,461	301,921
Total	19,628,693	19,684,890	18,446,639	20,877,546

(2) Business revenue (Classified by area)

Area	For the six months ended 30 June 2017	For the six months ended 30 June 2016
China mainland	13,428,689	11,646,416
Hong Kong, Macao, Taiwan and overseas	6,200,004	6,800,223
Total	19,628,693	18,446,639

35. Tax and surcharge

Items	For the six months ended 30 June 2017	For the six months ended 30 June 2016
Business tax	—	44,925
Urban maintenance and construction tax	21,851	56,266
Education surtax	22,837	37,364
Overseas tax	65,547	59,941
Land use tax	43,387	17,318
Stamp duty	6,264	2,343
Others	11,661	5,257
Total	171,547	223,414

Notes: The provision and payment standards of tax and surcharges refer to Note IV.Taxation.

V. Notes to the consolidated financial statements (Continued)

36. Selling expenses

Items	For the six months ended 30 June 2017	For the six months ended 30 June 2016
Freight	626	1,531
Staff costs	15,668	17,187
Depreciation	286	296
Transportation	2,019	1,718
Storage charges	11	13
Sales service fees	1,419	1,734
Business promotion fee	151	176
Office expense	478	989
Others	712	1,153
Total	21,370	24,797

37. General and administrative expenses

Items	For the six months ended 30 June 2017	For the six months ended 30 June 2016
Repair and maintenance	87,079	90,397
Staff costs	385,388	375,329
Integrated service	779,812	786,120
Research and development expenses	51,138	70,157
Taxes	9,734	44,013
Transportation	27,857	28,616
Rental expenses	18,182	14,301
Depreciation and amortization	18,386	26,648
Consultation	3,722	3,491
Property insurance	5,548	3,538
Others	98,215	97,554
Total	1,485,061	1,540,164

V. Notes to the consolidated financial statements (Continued)

38. Finance costs

Items	For the six months ended 30 June 2017	For the six months ended 30 June 2016
Interest expenses	278,906	225,192
Less: Interest capitalized	—	1,911
Less: Interest income	8,393	9,196
Exchange losses/(gains)	-61,711	-36,903
Bank charges and others	39,181	32,914
Total	247,983	210,096

39. Impairment losses on assets

Items	For the six months ended 30 June 2017	For the six months ended 30 June 2016
Provision for bad debts	284,193	68,130

40. Investment income

Items	For the six months ended 30 June 2017	For the six months ended 30 June 2016
Investment income from long-term equity investments under equity method	-12,945	-9,370
Investment income from available-for-sale financial assets	—	500
Entrusted investment and financing	67	15,549
Total	-12,878	6,679

41. Other gains

Items	For the six months ended 30 June 2017	For the six months ended 30 June 2016	Related to assets/income
Consumption tax refund	117,307	—	Related to income
National special research	4,138	—	Related to income
Other government grants	11,395	—	Related to income
Total	132,840	—	

Note:
(1) Details of government grants refer to Note XIV.6.

V. Notes to the consolidated financial statements (Continued)

42. Non-operating income

Items	For the six months ended 30 June 2017	For the six months ended 30 June 2016	Recognized as non-recurring income
Total gains from disposal of non-current assets	4,986	6,084	4,986
Including:Gains from disposal of fixed assets	4,484	1,129	4,484
Others	502	4,955	502
Government grants	60,080	25,605	60,080
Penalty income	542	21,450	542
Waived payables	1,090	11,009	1,090
Compensation received	3,561	1,017	3,561
Others	23,427	4,571	23,427
Total	93,686	69,736	93,686

Breakdown of government grants:

Items	For the six months ended 30 June 2017	For the six months ended 30 June 2016	Related to assets/income
Compensation of relocation	—	104	Related to assets
Compensation for land attachment demolition of surrounding river system in Estuary area	2,000	—	Related to assets
Land compensation	1,743	—	Related to income
Subsidy funds for resettlement	56,337	—	Related to income
National special research	—	11,206	Related to income
Other government grants	—	14,295	Related to assets
Total	60,080	25,605	

43. Non-operating expenses

Items	For the six months ended 30 June 2017	For the six months ended 30 June 2016	Recognized as non-recurring income
Loss on disposal of non-current assets	37,960	5,679	37,960
Including:Loss on disposal of fixed assets	37,960	4,340	37,960
Others	—	1,339	—
Donation	—	225	—
Fixed assets written off	497	—	497
Penalty	4,745	2,219	4,745
Compensation	3,958	5,617	3,958
Others	16,274	12,868	16,274
Total	63,434	26,608	63,434

V. Notes to the consolidated financial statements (Continued)

44. Income tax expense

(1) Details of income taxes expenses

Items	For the six months ended 30 June 2017	For the six months ended 30 June 2016
Current tax in accordance with tax laws and related regulations	194,986	115,863
Deferred income tax	4,384	-2,653
Total	199,370	113,210

(2) Reconciliation between income tax expenses and accounting profits is as follows:

Items	For the six months ended 30 June 2017	For the six months ended 30 June 2016
Profit before income tax	-2,085,986	-4,396,294
Taxation calculated at the statutory tax rate	-521,497	-1,099,074
Effect of other tax rates used by certain subsidiaries	15,886	5,474
Adjustments of current tax in previous years	13,442	-518
Equity method accounting for the joint venture and associates' profit or loss	3,236	2,342
Non-taxable income (expressed in "-")	—	-1,432
Reversal of previously recognized deferred tax assets	7,816	2,427
Effect of utilization of unrecognized tax losses and deductible temporary differences	-7,601	-7,162
Effect of unrecognized tax losses and deductible temporary differences	680,230	1,209,673
Others	7,858	1,480
Income tax expense	199,370	113,210

V. Notes to the consolidated financial statements (Continued)

45. Notes to Cash Flow Statement

(1) Cash received from other operating activities

Items	For the six months ended 30 June 2017	For the six months ended 30 June 2016
Amount paid on behalf	245,380	12,301
Government grants	75,613	31,260
Temporary receipt and payment	198,244	781,578
Guarantee	155,036	211,563
Compensation	34,142	22,467
Others	19,246	46,636
Total	727,661	1,105,805

(2) Cash paid for other operating activities

Items	For the six months ended 30 June 2017	For the six months ended 30 June 2016
Temporary receipt and payment	358,872	920,052
Travel expense	33,974	49,171
Repair charge	87,147	90,441
Business entertainment	12,363	11,950
Guarantee	237,163	273,513
Handling charges	18,002	36,002
Integrated service	779,812	786,120
Others	293,656	38,455
Total	1,820,989	2,205,704

(3) Cash received from other financing activities

Items	For the six months ended 30 June 2017	For the six months ended 30 June 2016
Interest received from selfraised funds special deposit	3,038	1,285

(4) Cash paid for other financing activities

Items	For the six months ended 30 June 2017	For the six months ended 30 June 2016
Finance lease expenses	11,690	10,900
Notes acceptance fees	12,582	20
Others	5,064	173
Total	29,336	11,093

V. Notes to the consolidated financial statements (Continued)

46. Supplement information to Cash Flow Statement

(1) Supplement information to Cash Flow Statement:

Supplement information	For the six months ended 30 June 2017	For the six months ended 30 June 2016
1.Reconciliation of net profits to cash flows from operating activities:		
Net profit	-2,285,356	-4,509,504
Add: Provision for impairment losses on assets	284,193	68,130
Depreciation of fixed assets, depreciation of investment property, depreciation of oil and gas assets, depreciation of productive biological assets	1,651,000	1,626,646
Amortization of intangible assets	23,387	13,190
Amortization of long-term deferred expenses	909,495	896,496
Losses on disposal of fixed assets, intangible assets and other long-term assets (Gain as in "-")	32,974	-406
Losses on retirement of fixed assets (Gain as in "-")	—	—
Fair value losses (Gain as in "-")	—	—
Finance costs (Income as in "-")	198,142	178,211
Investment losses (Income as in "-")	12,878	-6,679
Decrease in deferred tax income assets (Increase as in "-")	5,383	-1,585
Increase in deferred income tax liabilities (Decrease as in "-")	-998	-1,067
Decrease in inventories (Increase as in "-")	-2,899,653	-1,691,187
Decrease in operating receivables (Increase as in "-")	5,838,080	8,196,520
Increase in operating payables (Decrease as in "-")	-5,920,063	-7,950,667
Others	162,224	71,278
Net cash flows from operating activities	-1,988,314	-3,110,624
2.Significant investment or finance activities not involving cash:		
Conversion of debt into capital	—	—
Convertible bonds due within one year	—	—
Fixed assets under financing lease	—	—
3.Net changes in cash and cash equivalents:		
Closing balance of cash	2,014,515	2,404,398
Less: Opening balance of cash	2,446,923	1,993,209
Add: Closing balance of cash equivalents	—	—
Less: Opening balance of cash equivalents	—	—
Net decrease/(increase) in cash and cash equivalents	-432,408	411,189

V. Notes to the consolidated financial statements (Continued)

46. Supplement information to Cash Flow Statement (Continued)

(2) Composition of cash and cash equivalents

Items	As at 30 June 2017	As at 31 December 2016
1.Cash	2,014,515	2,446,923
Including:Cash in hand	8,111	9,734
Cash at bank	1,988,063	2,383,630
Other monetary funds	18,341	53,559
2.Cash equivalents	—	—
3.Closing balance of cash and cash equivalents	2,014,515	2,446,923
4.Restricted funds	3,511	3,012
5.Balance of cash on hand and at bank	2,018,026	2,449,935

47. Restricted assets

Items	As at 30 June 2017	Restricted reasons
Cash at bank and on hand	3,511	Guarantee

48. Foreign currency items

Items	Original	Exchange rate	Amount (RMB)
Cash at bank and on hand			1,466,838
Including:USD	138,880	6.7744	940,830
EUR	94	7.7496	725
BRL	366	2.0655	756
DZD	1,008,173	0.0628	63,347
KWD	10,338	22.3209	230,746
KZT	527,895	0.0211	11,115
SAR	17,290	1.8065	31,234
AED	4,362	1.8445	8,046
Others	—	—	180,039
Accounts receivable			6,603,006
Including:USD	736,912	6.7744	4,992,134
EUR	5,879	7.7496	45,557
BRL	591	2.0655	1,221
DZD	1,429,246	0.0628	89,804
KWD	31,853	22.3209	710,983
KZT	9,351,023	0.0211	196,886
SAR	221,512	1.8065	400,159
BOB	31,374	0.9804	30,759
Others	—	—	135,503

V. Notes to the consolidated financial statements (Continued)

48. Foreign currency items (Continued)

Items	Original	Exchange rate	Amount (RMB)
Other receivables			9,084,840
Including:USD	1,100,973	6.7744	7,458,433
EUR	152	7.7496	1,181
BRL	38,949	2.0655	80,450
DZD	346,943	0.0628	21,799
KWD	15,821	22.3209	353,148
KZT	1,381,627	0.0211	29,090
SAR	576,925	1.8065	1,042,215
BOB	46,933	0.9804	46,012
Others	—	—	52,512
Accounts payable			1,561,883
Including: USD	140,937	6.7744	954,762
BRL	24,339	2.0655	50,272
DZD	778,336	0.0628	48,905
KWD	3,175	22.3209	70,880
KZT	921,457	0.0211	19,401
SAR	213,715	1.8065	386,073
BOB	3,660	0.9804	3,588
Others	—	—	28,002
Other payables			7,387,584
Including: USD	918,298	6.7744	6,220,917
EUR	224	7.7496	1,738
BRL	1,152	2.0655	2,380
DZD	484,524	0.0628	30,444
KWD	11,281	22.3209	251,812
KZT	1,537,315	0.0211	32,368
SAR	434,619	1.8065	785,134
BOB	14,913	0.9804	14,620
Others	—	—	48,171
Dividend payable			204
Including: USD	30	6.7744	204
Short-term loans			8,029,019
Including: USD	1,185,200	6.7744	8,029,019
Long-term loans			1,051,184
Including: USD	155,170	6.7744	1,051,184

VI. Changes in scope of consolidation

There are no changes in scope of consolidation for the 6 months ended 30 June 2017.

VII. Equities in other entities

1. Equities in principal subsidiaries

Name	Place of Major operation activities	Place of registration	Nature of business	% of shareholding held directly	% of shareholding held indirectly	Ways of acquisition
Sinopec Oilfield Service Corporation	China	Beijing	Petroleum Engineering	100		Business combination under common control
Sinopec Shengli Petroleum Engineering Corporation	China	Dongying, Shandong	Petroleum Engineering	100		Business combination under common control
Sinopec Zhongyuan Petroleum Engineering Corporation	China	Puyagn, Henan	Petroleum Engineering	100		Business combination under common control
Sinopec Jianghan Petroleum Engineering Corporation	China	Qianjiang, Hubei	Petroleum Engineering	100		Business combination under common control
Sinopec East China Petroleum Engineering Corporation	China	Nanjing, Jiangsu	Petroleum Engineering	100		Business combination under common control
Sinopec North China Petroleum Engineering Corporation	China	Zhengzhou, Henan	Petroleum Engineering	100		Business combination under common control
Sinopec South West Petroleum Engineering Corporation	China	Chengdu, Sichuan	Petroleum Engineering	100		Business combination under common control
Sinopec Geophysical Corporation	China	Beijing	Geophysical prospecting	100		Business combination under common control
Sinopec Petroleum Engineering and Construction Corporation	China	Beijing	Engineering and Construction	100		Business combination under common control
Sinopec Offshore Petroleum Engineering Corporation	China	Shanghai	Offshore Petroleum Engineering	100		Business combination under common control
Sinopec International Petroleum Service Corporation	China	Beijing	Petroleum Engineering	100		Business combination under common control

2. Equities in joint ventures and associates

(1) Principal joint ventures and associates

Name	Place of major operational activities	Place of registration	Nature of business	% of shareholding held Directly	% of shareholding held Indirectly	Method of accounting
① Joint ventures						
SinoFTS Petroleum Services Ltd. (SinoFTS)	Beijing	Beijing	Petroleum service	55.00		Equity method
Zhong Wei Energy Service Co. Ltd. (A Sinopec – Weatherford Joint Venture)	Beijing	Beijing	Oilfield Service	50.00		Equity method

The Group holds 55% shareholding of and 50% voting rights of SinoFTS. Both parties to the joint venture must reach an agreement when an essential financial and operation decision is supposed to be made.

Ⅶ. Equities in other entities (Continued)

2. Equities in joint ventures and associates (Continued)

(2) Financial information of principal joint ventures

Items	SinoFTS		Zhong Wei Energy Service Co. Ltd.	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Current assets:	132,726	124,168	73,073	91,745
Cash and cash equivalents	41,085	6,367	4,402	2,531
Non-current assets	234,919	243,480	6,389	6,409
Total assets	367,645	367,648	79,462	98,154
Current liabilities	54,503	23,934	49,816	63,321
Non-current liabilities	6,177	18,448	—	—
Total liabilities	60,680	42,382	49,816	63,321
Net assets	306,965	325,266	29,645	34,833
Shareholder's equity	168,831	178,896	14,823	17,416
Carrying amount of equity investment in joint ventures	167,465	177,531	14,822	17,416

Items	SinoFTS For the 6 months ended 30 June		Zhong Wei Energy Service Co. Ltd. For the 6 months ended 30 June	
	2017	2016	2017	2016
Revenue	36,172	1,333	7,158	35,656
Finance costs	536	369	-56	-219
Income tax expense	—	—	—	—
Net profit	-18,302	-16,391	-5,188	-1,074
Other comprehensive income	—	—	—	—
Total comprehensive income	-18,302	-16,391	-5,188	-1,074
Dividend received from joint ventures	—	—	—	—

(3) Financial information of other joint ventures and associates

Items	For the current period and the closing balance	For the previous period and the opening balance
Joint ventures		
Total investment from the Group	14,212	14,497
Equity contributed to the Group		
Net profit	-285	52
Other comprehensive income	—	—
Total comprehensive income	-285	52
Associates:		
Total investment from the Group	11,585	11,885
Equity contributed to the Group:		
Net profit	840	410
Other comprehensive income	—	—
Total comprehensive income	840	410

Ⅷ. Financial instruments and risk management

The major financial instruments of the Group include cash at bank and on hand, accounts receivable, notes receivable, other receivables, other current assets, available-for-sale financial assets, accounts payable, interest payable, notes payable, employee benefits payable, dividend payables, other payables, short-term borrowings, non-current liabilities within one year, long-term borrowings, long-term payables. The details of these financial instruments are disclosed in the respective notes. The financial risk of these financial instruments and financial management policies used by the Group to minimize the risk are disclosed as below. The management manages and monitors the exposure of these risks to ensure the above risks are controlled in the limited range.

1. Objectives and policies of financial risk management

The Group's objective in risk management is to obtain an appropriate equilibrium between risk and return. It also focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Based on the objectives of financial risk management, certain policies are made to recognize and analyze risk and internal control procedures is designed according to the proper acceptable level of risk, in order to monitor the risk position of the Group. Both the policies and internal control will be reviewed and revised regularly to adapt the changes of the market and business activities of the Group. The performance of internal control system will be reviewed regularly or randomly whether it is in accordance with the financial management policies.

The Group's financial instrument risks mainly include interest rate risk, exchange rate risk, credit risk and liquidity risk.

(1) Market risk

Market risk, includes interest rate risk, exchange rate risk and other price risks, refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate because of the changes in market price.

Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate because of the floating rate. Interest rate risk arises from recognized interest-bearing financial instrument and unrecognized financial instrument (e.g. loan commitments).

The Group's interest rate risk arises from short-term borrowings, long-term bank loans and other interest-bearing liabilities. Financial liabilities issued at floating rate expose the Group to cash flows interest rate risk. Financial liabilities issued at fixed rate expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. At the same time, the Group monitors and maintains the combined financial instruments of fixed rate and floating rate.

The Group's finance department continuously monitors the interest rate position of the Group. Increase in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial position. The Group's management will make decisions with reference to the latest market conditions. The Group may enter into interest swap agreement to mitigate its exposure to the interest rate risk.For the year ended 31 December 2016 and the 6 months ended 30 June 2017, the Company did not enter into any interest rate swap arrangements. The fair value interest rate risk of the deposit with bank was not principal because the fixed term deposits are short-term deposits etc.

Interest-bearing financial instruments held by the Group:

Items	30 June 2017	30 June 2016
Fixed interest rate financial instruments		
Financial instruments		
including: Cash and cash equivalents	293,948	461,775
Financial liabilities		
Including: Short-term borrowings	10,140,000	7,680,000
Long-term borrowings	80,000	—
Long-term payables	41,106	50,924
Floating interest rate financial instruments		
Financial assets		
including: Cash and cash equivalents	1,988,160	1,591,941
Financial liabilities		
Including: Short-term borrowings	9,353,731	6,884,988
Long-term borrowings	966,618	688,969

As at 30 June 2017, it is estimated that a general increase or decrease of 50 basis points in variable interest rates, while all other variables held constant, would decrease or increase the Group's net profit and shareholder's equity for the year by approximately RMB35,374 thousand (31 December 2016: RMB38,701 thousand).

The financial instruments held by the Group at the date of balance sheet expose the Group to fair value interest rate risk. Under the hypothesis of a floating interest rate at the date of balance sheet, the effect to the net profit and shareholder's equity illustrated in the sensitivity analysis as above is arose from the recalculation of these financial instrument issued at new interest rates. The non-derivative tools issued at floating interest rate held by the Group at the date of balance sheet expose the Group to cash flow interest rate risk. The effect to the net profit and shareholder's equity illustrated in the sensitivity analysis as above is arose from the effect to the annual estimate amount of interest expenses or revenues at the floating interest rate. The analysis of the previous period is based on the same hypothesis and method.

Ⅷ. Financial instruments and risk management (Continued)

1. Objectives and policies of financial risk management (Continued)

(1) Market risk (Continued)

Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. Foreign currency risk arises from the functional currency denominated financial instrument measured at individual entity.

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. The Group is exposed to foreign currency risk arising from the recognized assets and liabilities, and future transactions denominated in foreign currencies, primarily with respect to US dollars, Saudi riyals, Kuwait dinars and Brazil reals.

The foreign currency assets and foreign currency liabilities include the following assets and liabilities denominated in foreign currencies such as cash and cash equivalents, accounts receivable, prepayments, other receivables, account payables, other payables, advances from customers, short-term borrowings and long-term borrowings.

The following table details the recognized assets or liabilities denominated in currencies other than RMB as at the balance sheet date:

Items	Liabilities denominated in currencies other than RMB		Assets denominated in currencies other than RMB	
	As at 30 June 2017	As at 31 December 2016	As at 30 June 2017	As at 31 December 2016
USD	16,256,086	9,828,929	13,391,397	6,405,103
SAR	1,171,207	580,760	1,473,608	950,792
KWD	322,692	82,817	1,294,877	1,044,885
BRL	52,652	51,017	82,427	81,267
Others	227,237	116,667	912,375	902,683
Net exposure in RMB	18,029,874	10,660,190	17,154,684	9,384,730

The Group's finance department is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies. The Group may consider entering into forward exchange agreements or currency swap agreements to mitigate the foreign currency risk. The Group has not entered into any forward exchange agreements or currency swap agreements in the 6 months ended 2017 and the year ended 2016.

The following table illustrates the Group's net profit to a possible change in floating interest rates while other variables were held constant:

Increase/decrease in net profits	As at 30 June 2017		As at 31 December 2016	
Appreciation in USD	5%	-107,426	5%	-128,393
Depreciation in USD	-5%	107,426	-5%	128,393
Appreciation in SAR	5%	11,340	5%	13,876
Depreciation in SAR	-5%	-11,340	-5%	-13,876
Appreciation in KWD	5%	36,457	5%	36,078
Depreciation in KWD	-5%	-36,457	-5%	-36,078
Appreciation in BRL	5%	1,117	5%	1,134
Depreciation in BRL	-5%	-1,117	-5%	-1,134

(2) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group.

Credit is managed on the grouping basis. Credit risk is mainly arises from cash at bank and accounts receivable etc.

The Group expects that there is no significant credit risk associated with cash at bank and notes receivables since they are either deposited or will be accepted by the sate-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

In addition, the Group has policies to limit the credit risk exposure on accounts receivable and other receivables. The Group assesses the credit quality of and sets credit limits on it customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

The highest credit risk exposed to the Group is limited to the carrying amount of each financial instrument illustrated in the balance sheet. The Group would not provide any guarantee that might cause credit risk to the Group.

Ⅷ. Financial instruments and risk management (Continued)

1. Objectives and policies of financial risk management (Continued)

(3) Liquidity risk

Liquidity risk refers to the risks that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or other financial assets.

Cash flow forecasting is performed by Group's finance department. The Group's finance management monitors cash and cash equivalents to meet operational needs and reduce the effect of floating cash flow. The department monitors the usage of bank loan so that the Group does not breach borrowing limits or covenants while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institute to meet the short-term and long-term liquidity requirements.

The financial assets and liabilities of the Group at the balance sheet date are analyzed by their maturity date below at their undiscounted contractual cash flows:

	As at 30 June 2017				
Items	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total amount
Financial assets:					
Cash and cash equivalents	2,018,026	—	—	—	2,018,026
Notes receivable	992,598	—	—	—	992,598
Accounts receivable	16,605,131	—	—	—	16,605,131
Interests receivable	23	—	—	—	23
Other receivables	3,346,611	—	—	—	3,346,611
Non-current assets due within one year	951,689	—	—	—	951,689
Other current assets	837,122	—	—	—	837,122
Total assets	24,751,200	—	—	—	24,751,200
Financial liabilities:					
Short-term borrowings	18,833,419	—	—	—	18,833,419
Notes payable	2,015,894	—	—	—	2,015,894
Accounts payable	24,330,965	—	—	—	24,330,965
Employee benefits payable	292,630	—	—	—	292,630
Tax payable	748,259	—	—	—	748,259
Interest payables	262	—	—	—	262
Other payables	5,754,821	—	—	—	5,754,821
Non-current liabilities due within 1 year	328,841	—	—	—	328,841
Long-term borrowings	—	311,622	—	508,080	819,702
Long-term payables	—	17,360	25,908	—	43,268
Financial lease payables of unrecognized financial expenses	2,767	1,465	244	—	4,476
Total liabilities	52,307,858	330,447	26,152	508,080	53,172,537

VIII. Financial instruments and risk management (Continued)

1. Objectives and policies of financial risk management (Continued)

(3) Liquidity risk (Continued)

The financial assets and liabilities of the Group at 31 December 2016 are analyzed by their maturity date below at their undiscounted contractual cash flows as follows:

Items	As at 31 December 2016				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total amount
Financial assets:					
Cash and cash equivalents	2,449,935	—	—	—	2,449,935
Notes receivable	851,624	—	—	—	851,624
Accounts receivable	23,907,534	—	—	—	23,907,534
Interests receivable	23	—	—	—	23
Other receivables	2,822,409	—	—	—	2,822,409
Non-current assets due within one year	1,011,028	—	—	—	1,011,028
Other current assets	416,676	—	—	—	416,676
Total assets	31,459,229	—	—	—	31,459,229
Financial liabilities:					
Short-term borrowings	17,033,731	—	—	—	17,033,731
Notes payable	2,013,497	—	—	—	2,013,497
Accounts payable	28,296,730	—	—	—	28,296,730
Employee benefits payable	171,657	—	—	—	171,657
Tax payable	1,050,339	—	—	—	1,050,339
Interest payables	73,627	—	—	—	73,627
Other payables	5,541,678	—	—	—	5,541,678
Non-current liabilities due within 1 year	220,908	—	—	—	220,908
Long-term borrowings	—	242,795	—	520,275	763,070
Long-term payables	—	17,360	40,281	—	57,641
Financial lease payables of unrecognized financial expenses	3,418	2,116	813	—	6,347
Total liabilities	54,405,585	262,271	41,094	520,275	55,229,225

Ⅷ. Financial instruments and risk management (Continued)

2. Capital management

The capital management policies are made to keep the continuous operation of the Group, to enhance the return to shareholders, to benefit other related parties and to maintain the best capital structure to minimize the cost of capital.

For the maintenance or adjustment of the capital structure, the Group might adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or make an asset disposal to reduce the liabilities.

The Group monitors the performance of capital management with capital-to-debt ratio. The ratio is calculated as Net liabilities/Total capital. The Net liabilities are calculated as total borrowings – cash in Cash flow statement. Total borrowing includes short-term borrowings, long-term borrowings due within 1 year, bonds payables and long-term borrowings. Total assets equals to the sum of the shareholders' equity and net liabilities. The shareholders' equity includes minority interest and equity attributed to the parent company.

As at the date of balance sheet, the debt to equity ratio is as below:

Items	As at 30 June 2017	As at 31 December 2016
Short-term borrowings	18,833,419	17,033,731
Long-term borrowings due within 1 year	311,481	203,548
Long-term payables due within 1 year	17,360	17,360
Long-term borrowings	819,702	763,070
Long-term payables	23,746	33,564
Less: cash and cash equivalents	2,014,515	2,446,923
Net debt	17,991,193	15,604,350
Shareholder's equity	6,318,460	8,441,592
Total equity	24,309,653	24,045,942
Debt to equity ratio	74.01	64.89

Ⅸ. Fair value

Fair value hierarchies are categorized into three levels as the lowest level input that is significant to the entire fair value measurement.

Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: inputs are unobservable inputs for the asset or liability.

X. Related parties and transaction

1. Particulars of parent company

Name Of parent company	Place of registration	Nature of business	Registered capital	Percentage of the Company shareholding held by parent company %	Percentage of the Company voting power held by parent company %
China Petrochemical Corporation	22 Chaoyangmen North Street, Chaoyang District Beijing	Exploring for, extracting and selling crude oil and natural gas; production, sale and transport of petro-chemical, chemical fibres and other chemical products; pipe transport of crude oil and natural gas; research, development and application of new technologies and information.	274.866 billion	65.22	65.22

The Company's ultimate controlling party is Sinopec Group.

Changes of registered capital of parent company during the reporting period

As at 31 December 2016	Addition	Deduction	As at 30 June 2017
274.866 billion	—	—	274.866 billion

X. Related parties and transaction (Continued)

2. Subsidiaries

Details of principal subsidiaries refer to Note VII.1.

3. Joint ventures and associates

Details of principal joint ventures and associates refer to Note VII.2.

Other joint ventures and associates which have related party transactions for the current period or balances brought forward from the prior period arising with the Group are as follows:

Names of joint ventures or associates	Relationship with the Group
Sinopec Bayshore Petroleum Service Co., LTD	Joint venture
Qianjiang Hengyun Motor Vehicle Performance Testing Corporation	Joint venture
Huabei Ruida Oil Service Company Limited	Associate
Xinjiang North China Tianxiang Oil Service Company Limited	Associate
Zhenjiang Huajiang Oil & Gas Engineering Technology Service Co., Ltd	Associate
Henan Zhongyuan Oil & Gas Engineering Technology Service Co., Ltd	Associate
Oil & Gas Engineering Technology Service Co., Ltd	Associate

4. Other related parties of the Group

Names of other related parties	Relationships with the Group
China Petroleum & Chemical Corporation	Controlled by Sinopec Group
Sinopec Shengli Petroleum Administrative Bureau	Controlled by Sinopec Group
Sinopec Zhongyuan Petroleum Explorative Bureau	Controlled by Sinopec Group
Sinopec Jianghan Petroleum Administrative Bureau	Controlled by Sinopec Group
Sinopec Henan Petroleum Explorative Bureau	Controlled by Sinopec Group
Sinopec Jiangsu Petroleum Explorative Bureau	Controlled by Sinopec Group
Sinopec Star Petroleum Co., LTD	Controlled by Sinopec Group
Sinopec East China Petroleum Bureau	Controlled by Sinopec Group
Sinopec North China Petroleum Bureau	Controlled by Sinopec Group
Sinopec Southwest Petroleum Bureau	Controlled by Sinopec Group
Sinopec Northeast Petroleum Bureau	Controlled by Sinopec Group
Sinopec Pipeline Storage & Transportation Company	Controlled by Sinopec Group
Sinopec Shanghai Offshore Petroleum Bureau	Controlled by Sinopec Group
Sinopec International Petroleum Exploration And Production Corporation	Controlled by Sinopec Group
Sinopec Finance Co., LTD	Controlled by Sinopec Group
Sinopec Century Bright Capital Investment Limited	Controlled by Sinopec Group
Sinopec Assets Operating And Management Company	Controlled by Sinopec Group
CITIC Group Corporation	Shareholder with 5% of voting rights
China CITIC Bank	Subsidiary of CITIC Group Corporation
Director、General Manager、Chief Financial Office And the Secretary of the Board of Directors	Key Managers

X. Related parties and transaction (Continued)

5. Transactions with related parties

(1) Details of related purchase and sales

1) Purchase of goods

Related party	Type of the transaction	For the 6 months ended 30 June 2017	For the 6 months ended 30 June 2016
Sinopec Group and its subsidiaries	Purchases of materials and equipments	1,645,866	1,780,318

2) Sales of goods

Related party	Type of the transaction	For the 6 months ended 30 June 2017	For the 6 months ended 30 June 2016
Sinopec Group and its subsidiaries	Sales of goods	46,163	50,172

(2) Details of related rendering of engineering services

1) Rendering of engineering services:

Related party	Type of the transaction	Pricing policy and procedure for decision-making	For the 6 months ended 30 June 2017	For the 6 months ended 30 June 2016
Sinopec Group and its subsidiaries	Total		10,665,334	9,119,567
	Geophysical exploration	Based on normal commercial terms or relevant agreements	1,310,483	974,294
	Drilling	Based on normal commercial terms or relevant agreements	6,067,061	3,944,805
	Logging and mud-logging	Based on normal commercial terms or relevant agreements	466,602	346,490
	Special down-hole service	Based on normal commercial terms or relevant agreements	912,591	1,284,632
	Engineering & construction	Based on normal commercial terms or relevant agreements	1,822,245	2,462,222
	Other services	Based on normal commercial terms or relevant agreements	86,352	107,124

2) Receiving of services

Related party	Type of the transaction	Pricing policy and procedure for decision-making	For the 6 months ended 30 June 2017	For the 6 months ended 30 June 2016
Joint ventures and associates	Services	Based on normal commercial terms or relevant agreements	340,557	—

(3) Details of related comprehensive services

Related party	Type of the transaction	Pricing policy and procedure for decision-making	Amount of the year ended 30 June 2017	Amount of the year ended 30 June 2016
Sinopec Group and its subsidiaries	Purchase of other comprehensive resident services	Based on normal commercial terms or relevant agreements	779,812	786,120
	Purchase of other comprehensive resident services	Based on normal commercial terms or relevant agreements	68,119	18,045

(4) Details of related party leases

The Group as a lessee

Name of lessor	Type of leasing assets	Pricing policy and procedure for decision-making	Leasing expense for the current period	Leasing expense for the previous period
Sinopec Group and its subsidiaries	Land and buildings	Based on normal commercial terms or relevant agreements	26,763	26,670

X. Related parties and transaction (Continued)

5. Transactions with related parties (Continued)

(5) Related party guarantees

1) the Group as a guarantee

Guarantor	Type of guarantee	Amount of guarantee	Beginning date	Maturity date	Status of Guarantee
Sinopec Group	Performance guarantee	USD 210,000 thousand	June 2013	January 2018	Incomplete

2) the Group as a guarantor

Guarantee	Type of guarantee	Amount of guarantee	Beginning date	Maturity date	Status of Guarantee
Sinopec International Petroleum Service Corporation	Performance guarantee	USD 588,000 thousand	May 2015	October 2020	Incomplete
Sinopec International Petroleum Service Corporation	Performance guarantee	USD 61,830 thousand	February 2016	August 2019	Incomplete

(6) Related financial services

Related party	Content of related transaction	Pricing policy and procedure for decision-making	For the 6 months ended 30 June 2017	For the 6 months ended 30 June 2016
Subsidiaries of Sinopec Group	Deposit interest income	Based on normal commercial terms	245	2,192
	Entrusted loans interest income	Based on normal commercial terms or relevant agreements	67	15,549
Sinopec Group and its subsidiaries	Loan interest expense	Based on normal commercial terms or relevant agreements	277,066	219,946
	Obtaining the borrowings	Based on normal commercial terms or relevant agreements	28,945,143	27,052,059
	Payment of the loan	Based on normal commercial terms or relevant agreements	26,837,186	23,206,326
CITIC Bank	Deposit interest income	Based on normal commercial terms	—	—

(7) Security fund

Related party	Content of related transaction	Pricing policy and procedure for decision-making	For the 6 months ended 30 June 2017	For the 6 months ended 30 June 2016
Sinopec Group	Security fund expenditure	Based on relevant agreements	1,100	44,114
	Return on security fund	Based on relevant agreements	—	43,990

(8) Remuneration of key management personnel

The remuneration payment of the Group's key management personnel is as follows:

Item	For the 6 months ended 30 June 2017	For the 6 months ended 30 June 2016
Remuneration	4,373	4,657
Retirement scheme contribution	370	365
Share options	9,048	—
Total	13,791	5,022

X. Related parties and transaction (Continued)

6. Receivables from and payables to related parties

(1) Amounts receivable of related parties

Items	Related party	As at 30 June 2017		As at 31 December 2016	
		Balance	Provision for bad debt	Balance	Provision for bad debt
Bank deposit	Sinopec Finance Co., LTD	46,643	—	178,446	—
	Sinopec Century Bright Capital Investment Limited	846,321	—	921,255	—
	CITIC Bank	—	—	1	—
Amounts receivable	Sinopec Group and its subsidiaries	7,193,722	—	14,464,757	—
	Joint ventures of the Group	2,655	—	13	—
	Joint ventures and associates of Sinopec Group	139,122	—	214,270	—
Prepayments	Sinopec Group and its subsidiaries	78,171	—	19,144	—
	Joint ventures of the Group	9,406	—	7,145	—
Other receivables	Sinopec Group and its subsidiaries	339,399	—	366,978	—
	Joint ventures of the Group	188	—	10,758	—
	Joint ventures and associates of Sinopec Group	24,623	—	15,196	—

(2) Payables to related parties

Items	Related party	As at 30 June 2017	As at 31 December 2016
Amounts payable	Sinopec Group and its subsidiaries	1,501,533	1,979,856
	Joint ventures of the Group	63,156	85,043
	Joint ventures and associates of Sinopec Group	6,986	58,918
Advances from customers	Sinopec Group. and its subsidiaries	6,083,791	8,584,825
	Joint ventures and associates of Sinopec Group	10,702	9,909
Other payables	Sinopec Group and its subsidiaries	3,791,153	3,781,374
Short-term borrowings	Sinopec Finance Co., LTD	9,140,000	1,180,000
	Sinopec Century Bright Capital Investment Limited	8,693,419	9,353,731
	Sinopec Group	1,000,000	6,500,000
Interest payable	Sinopec Group and its subsidiaries	262	73,627
Long-term loan	Sinopec Finance Co., LTD	80,000	80,000
	Sinopec Century Bright Capital Investment Limited	543,103	366,343

XI. Payment of share option

1. General information of payment of share options

On 1 November 2016, the Proposal regarding the Adjustment of the List of Participants and the Number of the Share Option under the Proposed Grant of the Share Option Incentive Scheme and the Proposal regarding the Proposed Grant under the Share Option Incentive Scheme were reviewed and adopted at the 14th meeting of the Eighth Session of the board of directors of Sinopec Oilfield Service Corporation.

The Company granted 49,050,000 A share options (0.3469% of the total share capital of the company) to 477 employees on the grant date, 1 November 2016. The Exercise Price of the Proposed Grant shall be RMB5.63 per share. The Company may only grant options under the Scheme to the Participants provided that both the Company and the Participants have fulfilled the following conditions:

The Company's compound growth rate for 2017、2018、2019 shall not be less than 6% (on the base of the Company's total profit for 2015)

II. The Company's EOE for 2017、2018、2019 shall not be less than 32%;

The performance conditions of item I and II are no less than the average performance level of the target enterprise.

III. The Economic Value Added for 2017、2018、2019 reaches the performance objective set by China Petrochemical Corporation, and ΔEVA shall be more than 0.

As at 30 June 2017, the exercise date and exercise price of the share options are as follows, the share options will expire in 12 months after the exercise date:

Exercise date	Exercise price (RMB per share)	Number of share options
1 November 2018	5.63	14,715,000.00
1 November 2019	5.63	14,715,000.00
1 November 2020	5.63	19,620,000.00

2. Changes of share options for 2016

	For the 6 months ended 30 June 2017
Number of share options at 1 January 2017	—
Number of share options granted in the period	49,050,000
Number of share options exercised in the period	—
Number of share options lapsed in the period	—
Number of share options in the end of balance sheet date	49,050,000

3. Calculation of the fair value of the share options on the Grant Date

The Company has elected the Black-Scholes option pricing model to calculate the fair value of the share option. On the Grant Date of the Share Options, the principle figures are as follows:

Exercise price for the Proposed Grant(RMB: yuan)	5.63
Validity period of the share options(year)	3-5
Closing price of A share(RMB: yuan)	3.96
Expected volatility	46.17%
Expected dividend yield ratio	0
Risk-free rate of interest during the validity period	2.3407%-2.4518%

The fair value of share options calculated with the figures above is RMB54.2292 million.

4. The impact on financial condition and operating results under the Share Option Scheme:

	For the 6 months ended 30 June 2017
The cost of equity-settled share-based payment within the period	9,048
The accumulated amount of equity-settled share-based payment in capital reserves	9,048

XII. Commitments and contingencies

1. Principle commitments

(1) Capital commitments

Capital commitments contracted for but not yet necessary to be recognized on the balance sheet	As at 30 June 2017	As at 31 December 2016
Land and buildings, plant & machineries	655,612	640,414

(2) Operating lease commitments

On the balance sheet date, the future minimum lease payment under the sighed irrevocable operating leases contracts are summarized as follows:

Minimum lease payment under irrevocable operating lease contracts	As at 30 June 2017	As at 31 December 2016
Within one year	159,313	294,430
Between one and two years	43,779	46,589
Between three and four years	31,920	36,139
After four years	99,321	41,058
Total	334,333	418,216

(3) Investment commitments

As at 30 June 2017, the outstanding commitments in respect of the Group's investment in associates which is not provided in the financial statements is RMB 129,625 thousand. (31 December 2016: RMB 129,625 thousand)

(4) Fulfillment of commitments for the previous period

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

2. Contingency

(1) Contingent liabilities due to pending actions

The Group might involve in disputes, litigations and claims for compensation with customers, sub-contractors and suppliers in the ordinary course of business. Management has assessed the possibility of adverse results of these contingencies, litigations or other proceedings and believes that any resulting liabilities will not have material adverse effect on the financial position, operating results or cash flow of the Group.

(2) Contingent liabilities guarantee provided for other entities and its financial effects

As at 30 June 2017, there is no contingent liability from guarantee provided for other entities.

As at 30 June 2017, Sinopec Oilfield Service Company Limited, the subsidiary of the Company, has provided amount of USD 649,830 thousand guarantee to its subsidiaries (31 December 2016: USD 649,830 thousand).

(3) Overseas tax penalties

On 7 February 2014, Federal Tax Administration of Rio de Janeiro conducted a tax audit on the Brazilian subsidiary of International Engineering. On 11 February 2014, the Brazilian subsidiary of International Engineering received a notice of the tax payments and penalties from Federal Tax Administration of Rio de Janeiro with total amount of BRL 80,459,100 (equivalent to USD 33,524,600, including tax of BRL 36,467,100, interest of BRL 13,929,800 and tax penalties of BRL 30,062,200. According to the legal opinion of the Brazilian subsidiary of International Engineering, the Brazilian subsidiary of International Engineering has administratively replied to such tax penalties and no final results can be predicted up to the report date. Even if Federal Tax Administration of Rio de Janeiro has made unfavorable decision against the Brazilian subsidiary of International Engineering, the Brazilian subsidiary of International Engineering still has the right for the administrative legal proceedings to the local court. Since the tax penalties are not predictable, SOSC Group did not provide the provision of such incident.

(4) Other contingent liabilities

With respect to uncertainties about enterprise income tax differences arising from 2006 and before as originated from a tax circular (Circular No. 644) issued by the State Administrative of Taxation in June 2007, the Company has been informed the relevant tax authority to settle the corporation income tax ("CIT") for 2007 at a rate of 33 percent. To date, the Company has not been requested to pay additional CIT in respect of any years prior to 2007. There is no further development of this matter during the 6 months ended 30 June 2017. No provision has been made in the financial statements for this uncertainty for tax year prior to 2007 for the reason that management believes it cannot reliably estimate the amount of the obligation, if any, that might exist.

XIII. Post balance sheet date events

As at 29 August 2017, there are no other events after balance sheet date to be disclosed in the Group.

XIV. Other significant events

1. Correction of errors

There is no correction of errors during the reporting period.

2. Significant debt restructuring

There is no significant debt restructuring during the reporting period.

3. The main contents and major changes of pension plan

The main contents of pension plan refer to Note.III. 23(3).

4. Discontinued operation

There is no discontinued operations during the reporting period.

5. Segment information

The Group has identified five reportable segments based on the internal structure, management requirements and internal reporting policy. The reportable segments are: geophysics, drilling engineering, logging and mud logging, special down-hole operations, engineering construction. The segment information is prepared based on the financial information of the Company's daily management requirements. The Company's executive management reviews reportable segments' financial information periodically for the purposes of allocating resources and assessing the performance.

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

The resources related to long-term equity investment and investment (loss)/income on joint venture, income tax expenses as well as shared assets of all segments are centrally managed and accounted for by the Company, and thus are not allocated among segments.

The segment information is disclosed in accordance with the accounting policies and measurement standards reported to management by each segment. These accounting policies and measurement standards are consistent with the accounting policies and measurement standards of preparation of the financial statements.

XIV. Other significant events (Continued)

5. Segment information (Continued)

(1) Segment profit or loss, assets and liabilities

For the 6 months ended 30 June 2017 and as at 30 June 2017	Geophysics	Drilling engineering	logging and mud logging	Special down-hole operations	Engineering construction	Others	Elimination	Total
Revenue	1,954,706	11,773,564	822,556	1,545,881	3,462,914	726,603	-443,906	19,842,318
Including:External revenue	1,952,617	11,681,646	655,510	1,533,586	3,443,066	575,893	—	19,842,318
Including: Inter-segment revenue	2,089	91,918	167,046	12,295	19,848	150,710	-443,906	—
Including: Major business revenue	1,950,529	11,700,999	821,798	1,541,613	3,418,670	638,990	-443,906	19,628,693
Cost of sales	1,859,088	11,871,694	836,297	1,699,299	3,263,657	782,235	-443,906	19,868,364
Including:Major business cost	1,858,561	11,852,801	835,862	1,698,440	3,199,551	683,581	-443,906	19,684,890
Operating expenses	191,419	1,042,263	127,427	300,685	510,174	38,186	—	2,210,154
Operating profit/(loss)	-95,801	-1,140,393	-141,168	-454,103	-310,917	-93,818	—	-2,236,200
Total assets	4,965,442	39,221,241	2,205,515	7,845,518	16,714,493	22,422,597	-24,895,889	68,478,917
Total liabilities	3,452,015	28,616,654	891,579	3,356,465	22,569,787	28,169,846	-24,895,889	62,160,457
Supplementary information:								
Capital expenditure	20,496	61,837	5,562	7,453	957	8,569	—	104,874
Depreciation and amortization	258,780	1,725,719	122,050	281,435	119,997	75,901	—	2,583,882
Impairment loss on assets	-1,714	26,594	-3,855	118,631	149,330	-4,793	—	284,193

For the 6 months ended 30 June 2016 and as at 30 June 2016	Geophysics	Drilling engineering	logging and mud logging	Special down-hole operations	Engineering construction	Others	Elimination	Total
Revenue	2,046,124	9,096,997	540,231	1,869,564	4,705,921	583,159	-152,133	18,689,863
Including:External revenue	2,046,124	9,091,487	534,741	1,861,348	4,615,478	540,685	—	18,689,863
Including: Inter-segment revenue	—	5,510	5,490	8,216	90,443	42,474	-152,133	—
Including: Major business revenue	2,046,124	9,096,997	540,231	1,869,565	4,705,921	339,934	-152,133	18,446,639
Cost of sales	2,381,867	10,856,784	791,525	2,136,339	4,518,769	536,212	-152,133	21,069,363
Including:Major business cost	2,381,867	10,856,784	791,525	2,136,339	4,518,769	344,395	-152,133	20,877,546
Operating expenses	203,416	777,236	137,067	148,303	508,861	285,039	—	2,059,922
Operating profit/(loss)	-539,159	-2,537,023	-388,361	-415,078	-321,709	-238,092	—	-4,439,422
Total assets	5,912,416	36,562,033	2,766,554	8,890,094	20,066,147	15,513,619	-12,233,603	77,477,260
Total liabilities	3,622,280	22,432,417	1,136,330	3,826,602	21,070,818	17,423,689	-12,233,603	57,278,533
Supplementary information:								
Capital expenditure	41,689	175,646	4,185	41,141	984	5,995	—	269,640
Depreciation and amortization	306,728	1,561,537	140,932	282,807	124,171	120,157	—	2,536,332
Impairment loss on assets	2,984	24,044	-1,594	2,770	47,736	-7,810	—	68,130

XIV. Other significant events (Continued)

5. Segment information (Continued)

(2) Other segment information

1) External revenue of goods and services

Item	For the 6 months ended 30 June 2017	For the 6 months ended 30 June 2016
Geophysics	1,952,617	2,046,124
Drilling engineering	11,681,646	9,091,487
Logging and mud logging	655,510	534,741
Special down-hole operations	1,533,586	1,861,348
Engineering construction	3,443,066	4,615,478
Others	575,893	540,685
Total	19,842,318	18,689,863

2) Geographical information

For the 6 months ended 30 June 2017 and as at 30 June 2017	PRC	Other countries or regions	Total
External revenue	13,629,171	6,213,147	19,842,318
Non-current assets	26,696,539	4,370,623	31,067,164

For the 6 months ended 30 June 2016 and as at 30 June 2016	PRC	Other countries or regions	Total
External revenue	11,889,640	6,800,223	18,689,863
Non-current assets	29,137,275	4,933,414	34,070,689

3) The dependence of principle customers

A single customer contributed over 50% of the total revenue of the Group.

6. Government grants

(1) Government grants which recognized as deferred income shall be subsequently measured via total-value method.

Government grants projects	category	As at 31 December 2016	Increase in current year	Amount recognized in current profit or loss	Other variations	As at 30 June 2017	Presentation item in current income statements	Related to assets/income
The plan of developing radar imaging prototype	financial appropriation	3,790	—	—	—	3,790		Related to assets
Compensation of relocation	financial appropriation	5,561	—	—	—	5,561		Related to assets
Compensation for land attachment demolition of surrounding river system in Estuary area	financial appropriation	—	2,000	2,000	—	—	Non-operating income	Related to assets
Zhongyi oil equipment project allocations	financial appropriation	2,400	—	—	—	2,400		Related to assets
National special research	financial appropriation	97,481	4,370	4,138	—	97,713	Other gains	Related to income
National High-tech R&D Program (863 Program)	financial appropriation	384	—	—	—	384		Related to income
Consumption tax refund	Tax refund	—	117,307	117,307	—	—	Other gains	Related to income
subsidy funds for resettlement	financial appropriation	—	56,337	56,337	—	—	Other gains	Related to income
Land compensation	financial appropriation	—	1,743	1,743	—	—	Non-operating income	Related to income
Other government grants	financial appropriation	2,555	11,395	11,395	—	2,555	Non-operating income	Related to income
Total		112,171	193,152	192,920	—	112,403		

XIV. Other significant events (Continued)

6. Government grants (Continued)

(2) Government grants that recognized in current profit and loss are measured via total-value method.

Government grants projects	category	Amount recognized in current profit or loss	Presentation item in current income statement	Related to assets/income
Compensation for land attachment demolition of surrounding river system in Estuary area	financial appropriation	2,000	Non-operating income	Related to assets
National special research	financial appropriation	4,138	Other gains	Related to income
Consumption tax refund	Tax refund	117,307	Other gains	Related to income
subsidy funds for resettlement	financial appropriation	56,337	Non-operating income	Related to income
Land compensation	financial appropriation	1,743	Non-operating income	Related to income
Other government grants	financial appropriation	11,395	Other gains	Related to income
Total		192,920		

XV. Notes to parent company's financial statements

1. Cash at bank and on hand

	As at 30 June 2017			As at 31 December 2016		
Item	Original currency	Exchange rate	Amount (RMB)	Original currency	Exchange rate	Amount (RMB)
Cash at banks:	—	—	254,982	—	—	382,997
RMB	—	—	254,982	—	—	382,997

As at 30 June 2017, there is no deposits in the related party of China CITIC Bank and Sinopec Finance Company Limited ("Sinopec Finance").

As at 30 June 2017, there is no deposits pledged to banks for issuing bankers' acceptances.

2. other receivables

	As at 30 June 2017	As at 31 December 2016
Other receivables	5,308,858	5,179,627
Less: provision for bad debts	—	—
Net amount	5,308,858	5,179,627

XV. Notes to parent company's financial statements (Continued)

2. other receivables (Continued)

(1) Other receivables disclosed by categories

Category	As at 30 June 2017				
	Amount	Proportion %	Bad debt provision	Proportion %	Net amount
Receivables which are individually significant and with provision made on an individual basis	—	—	—		—
Provision for bad and doubtful debts collectively					
Including: Ageing groups	—	—	—	—	—
Related party grouping	5,308,858	100.00	—	—	5,308,858
Subtotal	5,308,858	100.00	—	—	5,308,858
Receivables which are individually insignificant and with provision made on an individual basis	—	—	—	—	—
Total	5,308,858	100.00	—	—	5,308,858

Category	As at 31 December 2016				
	Amount	Proportion %	Bad debt provision	Proportion %	Net amount
Receivables which are individually significant and with provision made on an individual basis	—	—	—	—	—
Provision for bad and doubtful debts collectively					
Including: Ageing groups	—	—	—	—	—
Related party grouping	5,179,627	100.00	—	—	5,179,627
Subtotal	5,179,627	100.00	—	—	5,179,627
Receivables which are individually insignificant and with provision made on an individual basis	—	—	—	—	—
Total	5,179,627	100.00	—	—	5,179,627

1) As at 30 June 2017 and 31 December 2016, there is no other receivables that individually significant and provision for bad and doubtful debts individually.

2) As at 30 June 2017 and 31 December 2016, there is no other receivables divided into ageing groups.

(2) During the reporting period, the Company did not have other receivables for which a full provision or a significant provision was made in the previous years that were recovered or reversed partly or in full amount.

XV. Notes to parent company's financial statements (Continued)

3. Long-term equity investment

Item	As at 30 June 2017			As at 31 December 2016		
	Carrying amount	Provision for impairment loss	Net carrying amount	Carrying amount	Provision for impairment loss	Net carrying amount
Investments in subsidiaries	20,215,327	—	20,215,327-	20,215,327		20,215,327

4. Other payables

Item	As at 30 June 2017	At 31 December 2016
The net profit or loss during the material assets reorganization	1,118,903	1,118,903
Others	12,500	899
Total	1,119,802	1,119,802

As at 30 June 2017, other payables with aging over 1 year with a carrying amount of RMB 1,119,802 thousand (As at 31 December 2016: 1,119,802 thousand) are net profit/loss during material assets reorganization in 2014 due to Sinopec Group which are unsettled

5. General and administrative expenses

Item	For the 6 months ended 30 June 2017	For the 6 months ended 30 June 2016
Conference cost	859	1,039
Travel expenses	50	—
Printing fee	5	—
Directors' membership dues	150	150
Audit fee	11,600	—
Consulting expenses	13	230
Group membership dues	581	20
Employee compensation	9,048	—
Others	193	1,311
Total	22,499	2,750

6. Finance cost

Item	For the 6 months ended 30 June 2017	For the 6 months ended 30 June 2016
Interest expenses	—	—
Less: Interest income	3,038	2,313
Exchange losses/(gains)	—	—
Bank charges and others	2	1
Total	-3,036	-2,312

XV. Notes to parent company's financial statements (Continued)

7. Share capital (Unit: thousand shares)

As at 30 June 2017:

Item	As at 1 January 2017	Changes in current (+、-) Issued shares	Written off Repurchase of shares	Subtotal	As at 30 June 2017
Held by state-owned legal person (A share)	**10,259,328**	—	—	—	**10,259,328**
RMB public shares (A share)	**1,783,333**	—	—	—	**1,783,333**
Foreign shares listed overseas (H share)	**2,100,000**	—	—	—	**2,100,000**
Total	**14,142,661**	—	—	—	**14,142,661**

As at 31 December 2016:

Items	As at 1 January 2016	Changes in current (+、-) Issued shares	Written off Repurchase of shares	Subtotal	As at 31 December 2016
Held by state-owned legal person (A share)	10,259,328	—	—	—	10,259,328
RMB public shares (A share)	1,783,333	—	—	—	1,783,333
Foreign shares listed overseas (H share)	2,100,000	—	—	—	2,100,000
Total	14,142,661	—	—	—	14,142,661

8. Capital reserve

At 30 June 2017:

Items	As at 1 January 2017	Increase for the period	Decrease for the period	As at 30 June 2017
Share premium	**11,683,349**	—	—	**11,683,349**
Other capital reserve	**70,985**	**9,048**	—	**80,033**
Total	**11,754,334**	**9,048**	—	**11,763,382**

At 31 December 2016:

Items	As at 1 January 2016	Increase for the period	Decrease for the period	As at 31 December 2016
Share premium	11,683,349	—	—	11,683,349
Other capital reserve	67,969	3,016	—	70,985
Total	11,751,318	3,016	—	11,754,334

XV. Notes to parent company's financial statements (Continued)

9. Surplus reserve

Items	As at December 2016	Increase for the period	Decrease for the period	As at 30 June 2017
Statutory surplus reserve	200,383	—	—	200,383
Total	200,383	—	—	200,383

10. Retained earnings

Items	For the six months ended 30 June 2017	For the year ended 31 December 2016	Appropriation/ distribution ratio
Undistributed profits at the beginning of the year	-1,439,418	-1,422,273	—
Add:Net profit attributable to parent company	-19,463	-17,145	—
Less: Withdrawal of statutory surplus reserves	—	—	10%
Retained earnings at the end of the year	-1,458,881	-1,439,418	—

11. Notes to Cash Flow Statement

(1) Cash received from other operating activities

Item	For the 6 months ended 30 June 2017	For the year ended 31 December 2016
Transactions with subsidiaries	—	90,919

(2) Cash paid for other operating activities

Item	For the six months ended 30 June 2017	For the year ended 31 December 2016
Transactions with subsidiaries	130,927	—
Other	126	1,099
Total	131,053	1,099

(3) Cash received from other financing activities

Item	For the 6 months ended 30 June 2017	For the year ended 31 December 2016
Interest received from self-raised funds special deposit	3,038	1,285

XV. Notes to parent company's financial statements (Continued)

12. Supplement information to cash flow statement

(1) Supplement information to cash flow statement

Supplement information	For the six months ended 30 June 2017	For the year ended 31 December 2016
1、 Reconciliation of net profits to cash flows from operating activities:		
Net profit	-19,463	-472
Finance expense(Gain as in "-")	-3,038	-1,285
Decrease in operating receivables (Increase as in "-")	-129,230	91,513
Increase in operating payables (Decrease as in "-")	11,630	30
Others	9,048	—
Net cash flows from operating activities	-131,053	89,786
2、 Significant investment or financing activities not involving cash		
Transfer of assets to Sinopec Group	—	—
Revaluation gains	—	—
Fixed assets acquired under finance leases	—	—
3、 Net changes in cash and cash equivalents:		
Closing balance of cash	254,982	510,189
Less: Opening balance of cash	382,997	419,118
Add: Closing balance of cash equivalents	—	—
Less: Opening balance of cash equivalents	—	—
Net decrease/(increase) in cash and cash equivalents	-128,015	91,071

(2) Composition of cash and cash equivalents

Item	For the six months ended 30 June 2017	For the year ended 31 December 2016
1.Cash	254,982	510,189
Including: Cash in hand	—	—
Cash at bank	254,982	510,189
2.Closing balance of cash and cash equivalents	254,982	510,189
3、Add:restricted deposit	—	—
4、Closing balance of cash at bank and cash on hand	254,982	510,189

XVI. Supplementary information

1. Details of non-recurring gains or losses

Item	For the six months ended 30 June 2017	Notes
Gain or loss on disposal of non-current assets	-32,974	
Government grants recognized in profit or loss for the year/period	75,613	
Gain from entrusted investment and financing	66	
Non-operating income/(expenses) except the above	3,146	
Total non-recurring gains or losses	45,851	
Less: Effects of income tax on non-recurring gains or losses	2,501	
Net non-recurring gains or losses	43,350	
Less: Effects of non-recurring gains or losses attributable to the minority shareholders of the Company (after tax)		
Non-recurring gains or losses attributable to the shareholders of the Company	43,350	

2. Return on net assets and earnings/(loss) per share

Profit of reporting period	Weighted average return on net assets%	Earnings/(loss) per share	
		Basic earnings/(loss)	Diluted earnings/(loss)
		(Yuan/share)	(Yuan/share)
Net profit attributable to the Company's ordinary equity shareholders	-31.30	-0.16	-0.16
Net loss attributable to the Company's ordinary equity shareholders after deduction of non-recurring profit or loss	-31.90	-0.16	-0.16

3. Differences between local and overseas accounting standards

(1) Reconciliation of differences between CASBE and IFRS financial statements

	Net profit attributed to parent company		Net assets attributed to parent company	
	For the six months ended 30 June 2017	For the year ended 31 December 2016	For the six months ended 30 June 2017	For the year ended 31 December 2016
Based on CASBE	-2,285,324	-4,509,421	6,319,768	8,442,868
Adjusted items and amounts in accordance with IFRS:				
Special reserve	153,176	71,278	—	—
Based on IFRS	-2,132,148	-4,438,143	6,319,768	8,442,868

(2) Note:

(a) Special reserve

In accordance to CASBE, provision of safety fund according to the PRC regulation is recognized to the profit or loss in the current period and at the same time included in the "special reserve" account. When safety costs and maintenance funds provided are used according to the specified scope, payment of expenses is directly offset against the special reserve; payment in formation of fixed assets is first imputed through "construction in progress" account, then recognized as fixed assets when the project is completed to its intended use state; meanwhile, offset the special reserve according to the cost in formation of the fixed assets and recognize the same amount of accumulated depreciation. The fixed assets will no longer depreciate in the subsequent accounting periods. According to IFRSs, expenditure in cost nature is recognized in the profit or loss and expenditure in capital nature is recognized as fixed assets when incurred and depreciate in the corresponding depreciation method.

Sinopec Oilfield Service Corporation

29 August 2017

Prepared in accordance with International Financial Reporting Standards (Unaudited)

Grant Thornton
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Independent Review Report

To the Board of Directors of Sinopec Oilfield Service Corporation
(Established in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial information of Sinopec Oilfield Service Corporation (the "Company") and its subsidiaries set out on pages 119 to 143, which comprises the condensed consolidated statement of financial position as at 30 June 2017, and the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six months then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34.

Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Grant Thornton Hong Kong Limited

Certified Public Accountants

Level 12

28 Hennessy Road

Wanchai

Hong Kong

29 August 2017

Shaw Chi Kit

Practising Certificate No.: P04834

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2017

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

Chairman of the Board:

JIAO Fangzheng

Vice Chairman and General Manager:

SUN Qingde

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the Company								
	Share capital	Share premium	Other capital reserve	Surplus reserve	Specific reserve	Retained earnings/ (Accumulated losses)	Total	Non-controlling interests	Total equity
	RMB'000 (Note 21)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	**14,142,661**	**8,826,247**	**70,985**	**200,383**	**176,068**	**(14,973,476)**	**8,442,868**	**(1,276)**	**8,441,592**
Loss and total comprehensive expense for the period	**—**	**—**	**—**	**—**	**—**	**(2,132,148)**	**(2,132,148)**	**(32)**	**(2,132,180)**
Transactions with owners:									
Equity settled share-based transaction (Note 22)	**—**	**—**	**9,048**	**—**	**—**	**—**	**9,048**	**—**	**9,048**
Appropriation of specific reserve	**—**	**—**	**—**	**—**	**284,906**	**(284,906)**	**—**	**—**	**—**
Utilisation of specific reserve	**—**	**—**	**—**	**—**	**(131,730)**	**131,730**	**—**	**—**	**—**
Total transactions with owners	**—**	**—**	**9,048**	**—**	**153,176**	**(153,176)**	**9,048**	**—**	**9,048**
At 30 June 2017 (Unaudited)	**14,142,661**	**8,826,247**	**80,033**	**200,383**	**329,244**	**(17,258,800)**	**6,319,768**	**(1,308)**	**6,318,460**
At 1 January 2016	14,142,661	8,826,247	67,969	200,383	259,547	1,141,287	24,638,094	(1,141)	24,636,953
Loss and total comprehensive expense for the period	—	—	—	—	—	(4,438,143)	(4,438,143)	(83)	(4,438,226)
Transactions with owners:									
Appropriation of specific reserve	—	—	—	—	232,721	(232,721)	—	—	—
Utilisation of specific reserve	—	—	—	—	(161,443)	161,443	—	—	—
Total transactions with owners	—	—	—	—	71,278	(71,278)	—	—	—
At 30 June 2016 (Unaudited)	14,142,661	8,826,247	67,969	200,383	330,825	(3,368,134)	20,199,951	(1,224)	20,198,727

CONDSENDED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

1 GENERAL INFORMATION, THE REORGANISATION AND BASIS OF PRESENTATION

1.1 General information and the Reorganisation

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

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

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

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

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

1.2 Basis of presentation

As at 30 June 2017, the Group had net current liabilities of approximately RMB24,688,796,000 (31 December 2016: RMB24,959,998,000) and capital commitments of approximately RMB 656 million; and it had a net loss of RMB2,132,180,000 for the period then ended. The directors of the Company have performed an assessment that operating cash inflows in the next twelve months is expected, and most of the Group's borrowings are sourced from Sinopec Group and its subsidiaries, where the Group maintains ongoing good relationship with these companies, which enables the Group to secure sufficient financial support from these companies. The Company obtained a line of credit of RMB10.5 billion and USD1.7 billion (Total: approximately RMB22 billion) from the Sinopec Group's subsidiaries and the management and those charged with governance are satisfied that the Group is able to operate as a going concern with the line of credit. To obtain sufficient credits facilities, the Group will diversify its source of finance by exploring and developing good relationship with listed and state-owned financial institutions. The directors of the Company are in the opinion that the above measures are sufficient to meet with the expected liquidity and capital requirements, and considered that going concern basis is appropriate for the preparation of this interim financial information.

1.3 Financial information

This interim financial information is presented in RMB, unless otherwise stated. This interim financial information has been approved and authorised for issue by the Board of Directors on 29 August 2017.

This interim financial information for the six months ended 30 June 2017 has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

3 CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATES

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

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

4 REVENUE

The Group's revenue is as follows:

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

5 SEGMENT INFORMATION

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

Five reportable operating segments are as follows:

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

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

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

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

5 SEGMENT INFORMATION (Continued)

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

(a) Segment results, assets and liabilities

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

	Geophysics	Drilling engineering	Logging and mud logging	Special downhole operations	Engineering construction	Unallocated	Eliminated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the six months ended 30 June 2017 (Unaudited)								
Segment revenue and results								
Revenue from external customers	1,952,617	11,681,646	655,510	1,533,586	3,443,066	575,893	—	19,842,318
Inter-segment revenue	2,089	91,918	167,046	12,295	19,848	150,710	(443,906)	—
Reportable segment revenue	1,954,706	11,773,564	822,556	1,545,881	3,462,914	726,603	(443,906)	19,842,318
Reportable segment loss	(82,019)	(1,036,260)	(128,239)	(431,032)	(309,041)	(109,311)	—	(2,095,902)
Other income	17,869	118,166	2,809	13,763	71,689	2,230	—	226,526
Other expenses	(4,016)	(50,200)	(1,246)	(2,782)	(3,989)	(1,201)	—	(63,434)
Loss before income tax	(68,166)	(968,294)	(126,676)	(420,051)	(241,341)	(108,282)		(1,932,810)
Income tax expense								(199,370)
Loss for the period								(2,132,180)
Supplementary information								
Depreciation and amortisation								
– Property, plant and equipment	239,193	903,711	97,612	234,435	103,154	72,895	—	1,651,000
– Other non-current assets	19,326	806,849	23,961	45,615	13,669	75	—	909,495
– Prepaid land leases	—	211	208	871	191	—	—	1,481
– Intangible assets	261	14,948	269	514	2,983	2,931	—	21,906
Capital expenditure								
– Property, plant and equipment	20,496	61,837	5,562	7,453	957	8,569	—	104,874
Impairment loss on/(Reversal of) trade receivables	(996)	24,480	(3,967)	118,451	60,244	4,295	—	202,507
Impairment loss on/(Reversal of) other receivables	(718)	2,114	112	180	89,086	(9,088)	—	81,686
As at 30 June 2017 (Unaudited)								
Assets								
Segment assets	4,965,442	39,221,241	2,205,515	7,845,518	16,714,493	22,422,597	(24,895,889)	68,478,917
Liabilities								
Segment liabilities	3,452,015	28,616,654	891,579	3,356,465	22,569,787	28,169,846	(24,895,889)	62,160,457

5 SEGMENT INFORMATION (Continued)

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

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

	Geophysics	Drilling engineering	Logging and mud logging	Special downhole operations	Engineering construction	Unallocated	Eliminated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the six months ended 30 June 2016 (Unaudited)								
Segment revenue and results								
Revenue from external customers	2,046,124	9,091,487	534,741	1,861,348	4,615,478	540,685	—	18,689,863
Inter-segment revenue	—	5,510	5,490	8,216	90,443	42,474	(152,133)	—
Reportable segment revenue	2,046,124	9,096,997	540,231	1,869,564	4,705,921	583,159	(152,133)	18,689,863
Reportable segment loss	(535,038)	(2,477,582)	(388,361)	(415,078)	(313,992)	(238,093)	—	(4,368,144)
Other income	271	26,985	376	1,961	16,543	23,600	—	69,736
Other expenses	(2,155)	(11,719)	(2,012)	(2,956)	(6,389)	(1,377)	—	(26,608)
Loss before income tax	(536,922)	(2,462,316)	(389,997)	(416,073)	(303,838)	(215,870)	—	(4,325,016)
Income tax expense								(113,210)
Loss for the period								(4,438,226)
For the six months ended 30 June 2016 (Unaudited)								
Supplementary information								
Depreciation and amortisation								
– Property, plant and equipment	252,833	829,757	102,097	222,695	107,431	111,833	—	1,626,646
– Other non-current assets	53,564	725,035	38,124	58,863	14,243	6,667	—	896,496
– Prepaid land leases	—	208	208	716	224	—	—	1,356
– Intangible assets	331	6,537	503	533	2,273	1,657	—	11,834
Capital expenditure								
– Property, plant and equipment	41,689	175,646	4,185	41,141	984	5,995	—	269,640
– Prepaid land leases	—	—	—	6,040	—	—	—	6,040
– Long-term investment	—	—	—	—	—	4,000	—	4,000
Impairment loss on/(Reversal of) trade receivables	1,880	15,148	(1,004)	1,745	30,074	(5,209)	—	42,634
Impairment loss on/(Reversal of) other receivables	1,104	8,896	(590)	1,025	17,662	(2,601)	—	25,496
As at 31 December 2016 (Audited)								
Assets								
Segment assets	5,757,665	36,873,638	3,477,663	9,009,124	18,465,114	18,576,616	(17,666,654)	74,493,166
Liabilities								
Segment liabilities	4,027,462	22,347,804	1,999,770	4,307,503	23,986,109	27,049,580	(17,666,654)	66,051,574

5 SEGMENT INFORMATION (Continued)

(b) Geographical information

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

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

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

(c) Major customer

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

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

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

6 FINANCE EXPENSES - NET

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

Note:

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

7 IMPAIRMENT LOSSES ON ASSETS

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

8 OTHER INCOME

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

9 OTHER EXPENSES

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

10 LOSS BEFORE INCOME TAX

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

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

11 INCOME TAX EXPENSE

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

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

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

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

12 LOSS PER SHARE

(a) Basic

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

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

(b) Diluted

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

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

13 DIVIDENDS

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

14 EMPLOYMENT BENEFITS

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

Note:

(a) Retirement benefits

As stipulated by the regulations of the PRC, the Group participates in basic defined contribution retirement schemes organised by respective municipal government under which it is governed. As at 30 June 2017, the Group and the employees pay 20% and 8% (31 December 2016: 20% and 8%) of salary respectively to basic defined contribution plan.

In addition, the Group provides a supplementary defined contribution retirement plan for its staff at rates not exceeding 5% of the salaries. Employees who have served the Group for one year or more are entitled to participating in this plan. The funds of this plan are held separately from the Group in an independent fund administered by a committee consisting of representatives from the employees and the Group.

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

15 PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 June 2017

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

15 PROPERTY, PLANT AND EQUIPMENT (Continued)

For the six months ended 30 June 2016

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

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

16 PREPAID LAND LEASES

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

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

17 NOTES AND TRADE RECEIVABLES

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

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

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

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

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

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

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

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

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

17 NOTES AND TRADE RECEIVABLES (Continued)

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

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

18 PREPAYMENT AND OTHER RECEIVABLES

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

Note:

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

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

(c) The amounts due from related parties are unsecured, interest free and repayable on demand.

(d) The carrying amounts of the Group's prepayments and other receivables as at 30 June 2017 and 31 December 2016 approximate their fair values.

18 PREPAYMENT AND OTHER RECEIVABLES (Continued)

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

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

19 CONTRACT WORK-IN-PROGRESS

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

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

20 INVENTORIES

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

21 SHARE CAPITAL

	As at 30 June 2017		As at 31 December 2016	
	Number of shares	Share capital	Number of shares	Share capital
	Share	RMB'000 (Unaudited)	Share	RMB'000 (Audited)
Registered, issued and paid:				
– Domestic non-public legal person shares of RMB1.00 each	10,259,327,662	10,259,328	10,259,327,662	10,259,328
– Social public A shares of RMB1.00 each	1,783,333,333	1,783,333	1,783,333,333	1,783,333
– H shares of RMB1.00 each	2,100,000,000	2,100,000	2,100,000,000	2,100,000
	14,142,660,995	14,142,661	14,142,660,995	14,142,661

22 SHARE-BASED PAYMENTS

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

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

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

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

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

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

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

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

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

The significant inputs into the model were as follows:

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

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

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

23 NOTES AND TRADE PAYABLES

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

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

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

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

24 DEPOSITS RECEIVED AND OTHER PAYABLES

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

24 DEPOSITS RECEIVED AND OTHER PAYABLES (Continued)

Note:

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

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

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

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

25 BORROWINGS

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

Note:

(a) Bank loans

The bank loans of the Group are repayable as follows:

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

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

(b) Loans from related parties

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

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

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

25 BORROWINGS (Continued)

Note: (Continued)

(c) Finance lease liabilities

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

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

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

26 COMMITMENTS

(a) Capital commitments

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

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

(b) Operating lease commitments

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

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

The Group leases various residential properties, office, equipments and leased land under non-cancellable operating lease agreements. The leases run for an initial period of 1 to 24 years (31 December 2016: 1 to 25 years), with an option to renew the leases and renegotiate the terms at the expiry date or at dates mutually agreed between the Group and respective landlords/lessors. None of the leases include contingent rentals.

26 COMMITMENTS (Continued)

(c) Investment commitments

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

(d) Fulfillment of commitments for the previous period

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

27 CONTINGENCIES

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

28 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

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

In addition to the related party transactions and balances shown elsewhere in this interim financial information, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, including other state-owned enterprises, for the six months ended 30 June 2017 and 2016.

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

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

28 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	
	2017	2016
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Purchases of materials		
– Sinopec Group and its subsidiaries	1,645,866	1,780,318
Sales of products		
– Sinopec Group and its subsidiaries	46,163	50,172
Rendering of engineering services		
– Sinopec Group and its subsidiaries	10,665,334	9,119,567
Receiving of community services		
– Sinopec Group and its subsidiaries	779,812	786,120
Receiving of integrated services		
– Sinopec Group and its subsidiaries	68,119	18,045
Rental expenses		
– Sinopec Group and its subsidiaries	26,763	26,670
Interest income from entrusted loans		
– Sinopec Group's subsidiaries	67	15,549
Deposits interest income		
– Sinopec Group's subsidiaries	245	2,192
Loans interest expenses		
– Sinopec Group and its subsidiaries	277,066	219,946
Borrowings obtained		
– Sinopec Group and its subsidiaries	28,945,143	27,052,059
Borrowings repaid		
– Sinopec Group and its subsidiaries	26,837,186	23,206,326
Safety and insurance fund expenses		
– Sinopec Group	1,100	44,114
Safety and insurance fund refund		
– Sinopec Group	—	43,990

28 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

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

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

(c) Remuneration of key management personnel

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

	For the six months ended 30 June	
	2017	2016
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Fee	300	300
Salaries, allowances and bonus	4,073	4,357
Contributions to pension plans	370	365
Share-based payments	9,048	—
	13,791	5,022

(d) Related party guarantee

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

Section 9 Documents Available for Inspection

The following documents will be available for inspection at the legal address of the Company from 30 August 2017 (Wednesday) upon requests from related supervisory institutes and shareholders in accordance with the Articles of Association of the Company and the relevant regulations:

1. The original copy of the interim report for the six months ended 30 June 2017 signed by the Chairman and General Manager of the Company;
2. The financial report of the Company for the six months ended 30 June 2017 signed by the Legal Representative, General Manager, Chief Financial Officer and the person in charge of the accounts;
3. The Articles of Association of the Company;
4. The original manuscripts of all the documents and announcements disclosed by the Company in the newspapers designated by the CSRC during the report period.

* This interim report has been drafted in both English and Chinese. In the event that different interpretation occurs, with the exception of the interim financial report prepared in accordance with IFRS, the Chinese version will prevail.