中石化煉化工程（集團）股份有限公司
SINOPEC ENGINEERING (GROUP) CO., LTD.

Stock Code: 2386

BUILDING ON OUR CORE STRENGTHS TO ENSURE SUSTAINABLE BUSINESS EXCELLENCE

2015 INTERIM REPORT

IMPORTANT NOTICE

The board of directors (the "Board") and the directors (the "Directors") of SINOPEC ENGINEERING (GROUP) CO., LTD. ("SINOPEC SEG" or the "Company") warrant that there are no false representations, misleading statements, or material omission contained in this interim report, and hereby are jointly and severally liable for the authenticity, accuracy and completeness of the content hereof. Directors, Ms. SUN Lili and Mr. WU Derong, were not able to attend the sixteenth meeting of the First Session of the Board (the "Meeting") due to official duties. Directors, Ms. SUN Lili and Mr. WU Derong authorised Mr. LI Guoqing and Mr. YAN Shaochun, respectively, to represent them, and to vote on their behalves at the Meeting. Mr. ZHANG Jianhua, Chairman of the Board, Mr. YAN Shaochun, Director and President, Mr. JIA Yiqun, Chief Financial Officer, and Mr. WANG Yi, head of the finance department, warrant the authenticity and completeness of the financial statements contained in this interim report.

The interim financial statements for the six months ended 30 June 2015 (the "Reporting Period") of SINOPEC SEG and its subsidiaries (the "Group"), prepared in accordance with the International Financial Reporting Standards, were audited by Grant Thornton Hong Kong Limited, which has issued standard unqualified audit report.

This interim report contains forward-looking statements. All statements, other than statements of historical facts that address business activities, events or developments that the Group expects or anticipates will or may occur in the future (including but not limited to projections, targets, estimates and business plans) are considered forward-looking statements. The Group's actual results or developments may differ materially from those indicated by these forward-looking statements as a result of various factors and uncertainties. The Group makes the forward-looking statements referred to herein as at 28 August 2015 and, unless otherwise required by regulatory authorities, the Group undertakes no obligation or responsibility to update these statements.


1302-T-2018

CONTENTS

COMPANY PROFILE

The Group is an international engineering corporation, with the leading edge in the PRC. The Group provides engineering services for a broad range of industries including oil refining, petrochemicals, new coal chemicals, inorganic chemicals, pharmaceutical chemicals, clean energy, storage and transportation engineering, environmental protection and energy saving engineering, with a complete service chain involving research, development and licensing, preliminary consultation, financing assistance, design, procurement, construction and pre-commissioning/start-up services. With its industry experience of more than 60 years and continual innovation in technical expertise, the Group has achieved great success in the design and construction of large-scale and complex oil refining, petrochemical and new coal chemical projects, and possesses strong competitiveness.

The Group will focus on development strategies which are "energy and chemical-oriented, innovation-driven, globalisation-targeted and value-focused", and strive to achieve a corporate vision of "building a world-class engineering company".

BASIC INFORMATION OF THE COMPANY

LEGAL NAME
中石化煉化工程 (集團) 股份有限公司

CHINESE ABBREVIATION
中石化煉化工程

ENGLISH NAME
SINOPEC ENGINEERING (GROUP) CO., LTD.

ENGLISH ABBREVIATION
SINOPEC SEG

LEGAL REPRESENTATIVE
Mr. ZHANG Jianhua

AUTHORISED REPRESENTATIVES
Mr. YAN Shaochun

Mr. SANG Jinghua

SECRETARY TO THE BOARD
Mr. SANG Jinghua

REGISTERED ADDRESS
A6 Huixindong Street, Chaoyang District, Beijing, the PRC

PLACE OF BUSINESS AND CORRESPONDENCE ADDRESS
Tower B, No.19, Anyuan, Anhui Beili, Chaoyang District, Beijing, the PRC

Postcode: 100101

Tel: +86 10-6499-8114

Website: www.segroup.cn

E-mail: seg.ir@sinopec.com

WEBSITES PUBLISHING THIS INTERIM REPORT
Website Designated by The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”):

http://www.hkex.com.hk

The Company’s Website:

http://www.segroup.cn

PLACE WHERE THIS INTERIM REPORT IS AVAILABLE FOR INSPECTION

Office of the Board

SINOPEC ENGINEERING (GROUP) CO., LTD.

Tower B, No.19, Anyuan, Anhui Beili,
Chaoyang District, Beijing, the PRC

PLACE OF LISTING OF SHARES, STOCK NAME AND STOCK CODE

H Shares: the Hong Kong Stock Exchange

Stock name: SINOPEC SEG

Stock code: 2386

ENTERPRISE LEGAL BUSINESS LICENSE REGISTRATION NO.

100000000041054

TAXATION REGISTRATION NO.

110105710934908

ORGANISATION CODE

71093490-8

NAMES AND ADDRESSES OF AUDITORS

Domestic:

Grant Thornton China (Special General Partnership)

4th, 5th and 10th Floor, Scitech Place,
22 Jianguomen Wai Avenue, Chaoyang District,
Beijing, the PRC

Overseas:

Grant Thornton Hong Kong Limited

Level 12, 28 Hennessy Road, Wan Chai, Hong Kong

NAME AND ADDRESS OF HONG KONG LEGAL ADVISOR

Kirkland & Ellis

26th Floor, Gloucester Tower, The Landmark,
15 Queen's Road Central, Hong Kong

PRINCIPAL FINANCIAL DATA AND INDICATORS

Principal Financial Data and Indicators

Financial Data and Indicators Prepared in Accordance with International Financial Reporting Standards ("IFRS")

Unit: RMB'000

Items	As at 30 June 2015	As at 31 December 2014	Changes from the end of the previous year (%)
Total assets	55,215,602	52,084,595	6.0
Total equity attributable to equity holders of the Company	23,732,156	22,869,116	3.8
Net assets per share attributable to equity holders of the Company (RMB)	5.36	5.16	3.8

Unit: RMB'000

Items	For the six months ended 30 June		Changes over the same period of the previous year (%)
	2015	2014	
Revenue	20,905,016	22,649,791	(7.7)
Gross profit	3,020,616	3,028,896	(0.3)
Operating profit	1,922,471	2,232,326	(13.9)
Profit before taxation	2,118,858	2,484,611	(14.7)
Net profit attributable to equity holders of the Company	1,710,683	1,877,478	(8.9)
Basic earnings per share (RMB)	0.39	0.42	(8.9)
Net cash flow generated from/(used in) operating activities	766,066	(346,241)	—
Net cash flow generated from/(used in) operating activities per share (RMB)	0.17	(0.08)	—

Items	For the six months ended 30 June 2015	2014
Gross profit margin (%)	14.4	13.4
Net profit margin (%)	8.2	8.3
Return on assets (%)	3.2	3.9
Return on equity (%)	7.2	8.6
Return on invested capital (%)	7.4	8.8

Item	As at 30 June 2015	As at 31 December 2014
Asset-liability ratio (%)	57.0	56.1

CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

Changes in Share Capital and Shareholdings of Substantial Shareholders

1 Changes in the Share Capital of the Company

Unit: Share

	As at 31 December 2014		Increase/Decrease during the Reporting Period (+, -)			As at 30 June 2015	
	Number	Percentage (%)	New shares issued	Others	Subtotal	Number	Percentage (%)
Promoter shares (Domestic Shares)	2,967,200,000	67.01	—	—	—	2,967,200,000	67.01
Foreign shares listed overseas (H Shares)	1,460,800,000	32.99	—	—	—	1,460,800,000	32.99
Total number of shares	4,428,000,000	100.00	—	—	—	4,428,000,000	100.00

2 Shareholdings of Substantial Shareholders

As at the end of the Reporting Period, there were a total of 1,210 shareholders of the Company. The public float of the Company satisfied the minimum requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules").

(1) Shareholdings of the top ten shareholders

Unit: Share

Name of Shareholders	Increase/ Decrease during the Reporting Period (+,-)	Number of Domestic Shares held at the end of the Reporting Period	Number of H Shares held at the end of the Reporting Period	Percentage at the end of the Reporting Period	
				In total share capital (%)	In relevant class of shares (%)
China Petrochemical Corporation [(1)]	—	2,967,200,000	—	67.01	100.00
HKSCC NOMINEES LIMITED	-6,264,100	—	1,446,080,900	32.66	98.99
HIGH SUMMIT GROUP LIMITED	0	—	3,000,000	0.07	0.21
HUNG LAI SHUEN	+2,000,000	—	2,000,000	0.05	0.14
TANG KEUNG LAM	0	—	2,000,000	0.05	0.14
ZHANG SAIYU	+1,200,000	—	1,200,000	0.03	0.08
TANG CHEUK LOI	+1,000,000	—	1,000,000	0.02	0.07
TANG HIU TUNG	+1,000,000	—	1,000,000	0.02	0.07
TANG YAT FEI	+1,000,000	—	1,000,000	0.02	0.07
TANG'S INVESTMENTS LIMITED	0	—	1,000,000	0.02	0.07
Statement on the connected relationship or action in concert among or between the aforementioned shareholders	The Company is not aware of any connection or action in concert among or between the aforementioned top ten shareholders.				

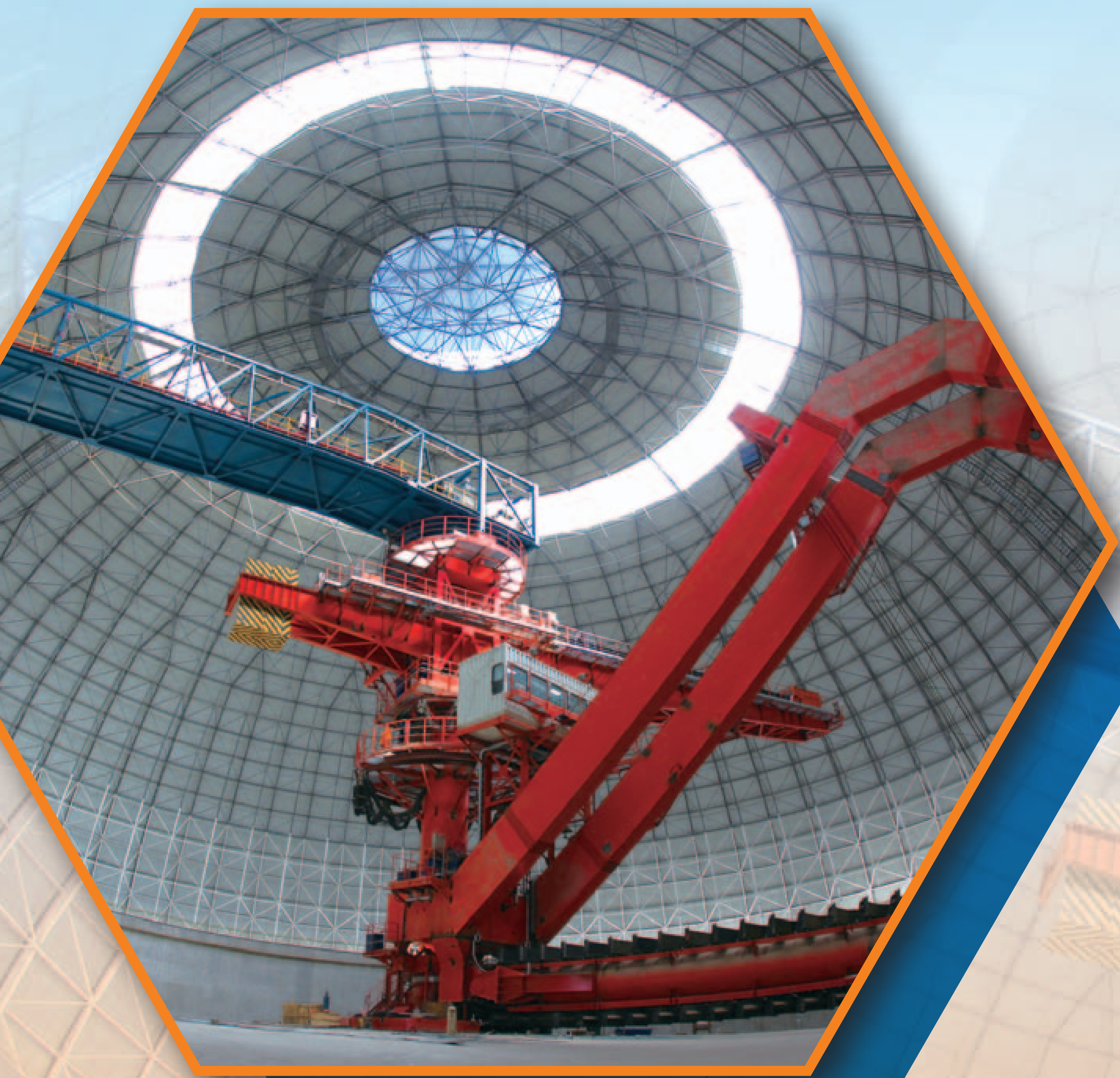
(2) Information disclosed according to the Securities and Futures Ordinance

Except for the information disclosed below, as at the end of the Reporting Period, so far as is known to the Board of the Company, no person (other than a Director, chief executive of the Company or supervisor (the "Supervisor") of the Company) had an interest or short position in the shares or underlying shares and debentures of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO") or, was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at the general meetings of any other member of the Company:

Name of Shareholders	Class of shares	Capacity	Number of Shares with interests held or regarded as being held (Share)	Percentage in shares of the Company of the same class (%) (7)	Percentage in the total share capital of the Company (%) (8)
China Petrochemical Corporation (1)	Domestic Share	Beneficial owner/Interests of controlled corporation	2,967,200,000(L)	100.00(L)	67.01(L)
National Council for Social Security Fund of the PRC (2)	H Share	Beneficial owner	131,468,000(L)	9.00(L)	2.97(L)
State Administration of Foreign Exchange of the PRC (3)	H Share	Interests of controlled corporation	131,756,000(L)	9.02(L)	2.98(L)
JPMorgan Chase & Co. (4)	H Share	Trustee/Interests of controlled corporation	104,200,769(L) 715,530(S) 100,587,239(P)	7.13(L) 0.04(S) 6.88(P)	2.35(L) 0.02(S) 2.27(P)
Value Partners Group Limited (5)	H Share	Interests of controlled corporation	89,293,000(L)	6.11(L)	2.02(L)
Templeton Global Advisors Limited (6)	H Share	Investment manager	78,865,000(L)	5.40(L)	1.78(L)

Notes: (L): long position; (S): short position; (P): lending pool.

Note:
(1) China Petrochemical Corporation ("Sinopec Group") directly and/or indirectly holds 2,967,200,000 domestic shares of the Company, representing 100.00% of the Domestic Shares and approximately 67.01% of the total share capital of the Company, respectively. Sinopec Assets Management Co., Ltd. is a wholly-owned subsidiary of Sinopec Group and directly holds 59,344,000 Domestic Shares, representing 2.00% of the Domestic Shares and approximately 1.34% of the total share capital of the Company, respectively. For the purposes of the SFO, Sinopec Group is also deemed to be interested in the Domestic Shares held by Sinopec Assets Management Co., Ltd.
(2) The information is based on the Corporate Substantial Shareholders Notice dated 19 November 2013 and filed by the National Council for Social Security Fund of the PRC with the Hong Kong Stock Exchange.
(3) According to the Corporate Substantial Shareholders Notices dated 4 June 2013 and filed by each of (i) the State Administration of Foreign Exchange of the PRC ("SAFE"), (ii) Pagoda Tree Investment Company Limited (華馨投資有限公司), (iii) Compass Investment Company Limited (博遠投資有限公司), (iv) GUOXIN International Investment Corporation Limited (國新國際投資有限公司) and (v) Metroson Holdings Corporation Limited (都盛控股有限公司), with the Hong Kong Stock Exchange, Metroson Holdings Corporation Limited directly holds 131,756,000 H shares of the Company. As each of Pagoda Tree Investment Company Limited, Compass Investment Company Limited, GUOXIN International Corporation Limited and Metroson Holdings Corporation Limited is a subsidiary directly or indirectly controlled by SAFE, each of SAFE, Pagoda Tree Investment Company Limited, Compass Investment Company Limited and GUOXIN International Investment Corporation Limited is deemed interested in the long positions held by Metroson Holdings Corporation Limited for the purposes of the SFO.
(4) The information is based on the Corporate Substantial Shareholders Notice dated 17 March 2015 and filed by JPMorgan Chase & Co. with the Hong Kong Stock Exchange.
(5) The information is based on the Corporate Substantial Shareholders Notice dated 8 June 2015 and filed by Value Partners Group Limited with the Hong Kong Stock Exchange.
(6) The information is based on the Corporate Substantial Shareholders Notice dated 1 April 2015 and filed by Templeton Global Advisors Limited with the Hong Kong Stock Exchange.
(7) It is calculated on the basis that the Company has issued 2,967,200,000 Domestic Shares or 1,460,800,000 H Shares.
(8) It is calculated on the basis that the Company has issued 4,428,000,000 shares in total.



BUSINESS REVIEW AND PROSPECTS

During the first half of 2015, faced with unfavourable external environment, the Group has taken the initiative to respond to market changes by integrating advantageous resources of marketing, intensifying advertising and promotion efforts, vigorously exploring new markets, strengthening precised management and enhancing project process control, and has achieved hard-won performance under relatively difficult circumstances. During the Reporting Period, the Group recognised a revenue of RMB20.905 billion, with the Group's profit attributable to shareholders being RMB1.711 billion, the value of new contracts entered into by the Company reaching RMB27.852 billion. As at the end of the Reporting Period, the Group's backlog was RMB110.869 billion. During the Reporting Period, the new contracts entered into by the Group has surpassed the half of annual target, and the value of backlog has maintained a steady growth. The projects being implemented by the Group are progressing smoothly and the safety, quality and schedule of which are under full control. During the second half of the year, while consolidating our market edge in conventional industries, e.g. the oil refining and petrochemical industry, the Group will continue to build total solutions for industries such as the new coal chemical industry, the new energy and environment protection and energy-saving industries; to create an innovation system focusing on technology innovation power; to further promote the specialised reorganisation to optimise allocation of resources; to continue to deepen reform of system and mechanism while implementing the "13th Five Year Plan" of the Group; and to strive to establish a set of effective new systems and institutions, as well as the group management and control system for the long-term development of the Group so as to enhance overall profitability and risk management, and to create greater returns for our shareholders.

1 Business Review

(1) Market Environment

In the first half of 2015, the world economy was still in deep adjustment, and economic recovery was slow and tortuous. The exchange rates of major countries changed relatively frequently, and the global price of bulk commodities experienced a sharp decline. Since China's economy faced such great downward pressure, the Chinese government released and implemented, without delay, a series of policies to stimulate economic growth, which propelled structural adjustment steadily and boosted the driving force of economic development. In the first half of 2015, China's GDP reached 7.0%, showing that China's economy had a trend of slow, yet stable development.

In the first half of 2015, the international oil price fluctuated significantly at a relatively low price. Oversupply of global oil persisted, and recovery in oil price was difficult within a short period of time. Currently, low crude oil price severely affected the profitability of new coal chemical projects in China. In the first half of 2015, the number of new investment projects in new coal chemical industry decreased sharply, which affected the industry development, but preliminary work of new coal chemical projects in a few places that are rich in coal was still moving forward. At the same time, although integrated oil companies reduced capital expenditure, downstream performance generally improved, and the improvement in quality of oil products accelerated. After the overall performance has improved, investment opportunities are expected to occur for the downstream oil refining and petrochemical industry.

In the first half of 2015, China's National Development and Reform Commission issued the "Layout Scheme for the Petroleum and Chemical Industry", and made overall arrangements for the petroleum and chemical industry, with the purpose of promoting green, safe and efficient development in the industry through scientific and rational planning, optimizing and adjusting its layout, and simplifying approval procedures. The oil refining and petrochemical industries belong to capital and technology intensive industries, featuring great investment intensity and high connectivity. Currently, quality of oil products is improving at a rapid pace, while chemical raw materials, such as ethylene and paraxylene, remain scarce. The difficult situation that the engineering market is expected to improve. It is predicted that the implementation of this Scheme would not only promote the transformation and upgrading of the oil refining, petrochemical and related industries, but also would have an important role in stimulating social investment and stabilising economic growth.

In early 2015, the working report of the State Council of China had made overall arrangements for the environmental protection and energy saving industries, including pollution prevention, environmental law enforcement, environmental taxation law establishment, ecological protection, industrial development and many other aspects. At the end of 2014 and the first half of 2015, relevant laws, regulations and industry policies were issued or implemented. For example, the "Proposal by the General Office of the State Council concerning the Third Parties Treatment of Environment Pollution" was released at the end of 2014; the "Implementation of Energy-Efficiency Leader Scheme" was brought out at the end of 2014; the new "Environmental Protection Law of the People's Republic of China" was officially put into effect in January 2015; the "Plan on Preventing and Controlling Water Pollution" was publicized in April 2015; the "Opinions of CPC Central Committee and State Council on Accelerating Ecological Development" was published in April 2015. Driven by a series of intensive policies, the market demand of the environmental protection and energy saving industry may be further released and investment power could be further stimulated.

(2) Operation Overview

During the Reporting Period, the Group's total revenue and net profits attributable to the Company's shareholders were RMB20.905 billion and RMB1.711 billion, respectively. As at the end of the Reporting Period, the Group's backlog was RMB110.869 billion. The value of new contracts entered into during the Reporting Period was RMB27.852 billion.

The business of the Group is mainly comprised of four segments: (1) Engineering, consulting and licensing; (2) EPC Contracting; (3) Construction; and (4) Equipment manufacturing.

The following table sets forth the revenue (before/after inter-segment elimination) generated from each of the segments and their respective percentage (before inter-segment elimination) of the Group's total revenue during the periods indicated:

	For the six months ended 30 June				
	2015		2014		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB'000)	(%)	(RMB'000)	(%)	(%)
Engineering, consulting and licensing	**1,337,392**	**5.9**	1,688,536	6.9	(20.8)
EPC Contracting	**12,891,709**	**57.0**	13,366,117	54.6	(3.5)
Construction	**8,008,090**	**35.4**	9,091,497	37.2	(11.9)
Equipment manufacturing	**388,814**	**1.7**	318,231	1.3	22.2
Subtotal	**22,626,005**	**100.0**	24,464,381	100.0	N/A
Total after inter-segment elimination (1)	**20,905,016**	**N/A**	22,649,791	N/A	(7.7)

Note:
(1) The total after inter-segment elimination means the aggregate revenue generated from each business segment after inter-segment elimination to exclude the impact of inter-segment transactions. Inter-segment elimination mainly arises from the inter-segment sales to the EPC Contracting segment made by the construction and equipment manufacturing segments.

During the Reporting Period, the total revenue of the Group was RMB20.905 billion, a decrease of 7.7% from the same period of the previous year, which was mainly because several large Engineering, Procurement and Construction Contracting ("EPC Contracting") projects were in the finishing stage, including Sinochem Quanzhou 12 million tons per annum ("Mtpa") Oil Refining Complex ("Sinochem Quanzhou Project"), Yuanba Gas Field Natural Gas Purification Complex of Sinopec ("Yuanba Natural Gas Purification Project") and Aromatics Project of Kazakhstan Atyrau Refinery. As a result, there are less income recognised and less business volume in construction segment on a period-on-period basis.

The following table sets forth the revenue generated from the different industries in which the Group's clients operate for the periods indicated:

	For the six months ended 30 June				
	2015		2014		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB'000)	(%)	(RMB'000)	(%)	(%)
Oil refining	2,421,511	11.6	4,958,237	22.0	(51.2)
Petrochemicals	5,999,942	28.7	9,070,325	40.0	(33.9)
New coal chemicals	8,492,715	40.6	4,875,378	21.5	74.2
Other industries	3,990,848	19.1	3,745,851	16.5	6.5
Subtotal	20,905,016	100.0	22,649,791	100.0	(7.7)

The Group derived its revenue mainly from services provided to clients in the oil refining, petrochemical, new coal chemical and other industries. During the Reporting Period, since large contracting projects in the oil refining and petrochemical industries were in the starting stage or in the finishing stage, the Company's revenue from the oil refining industry was RMB2.422 billion, representing a decline of 51.2% as compared with that of the same period of the previous year. The revenue derived from the petrochemical industry was RMB6.000 billion, representing a decline of 33.9% as compared with that of the same period of the previous year. The revenue derived from the new coal chemical industry was RMB8.493 billion, representing an increase of 74.2% as compared with that of the same period of the previous year. This was mainly due to the revenue growth of coal chemical projects such as Coal Chemical Complex of Zhongtian Hechuang Energy Co., Ltd. ("Zhongtian Hechuang Coal Chemical Project"), 700 kilotons per annum ("Ktpa") coal-to-olefin project of Pucheng Clean Energy Chemical Co., Ltd. ("Shaanxi Pucheng DMTO Project"), DMTO and Polyolefin Projects of Zhejiang Xingxing New Energy Co., Ltd. ("Zhejiang Xingxing Energy DMTO Project"), etc. The revenue derived from clean energy LNG project and other industries was RMB3.991 billion, representing an increase of 6.5% as compared with that of the same period of the previous year.

The following table sets forth the Group's revenue generated in the PRC and overseas for the periods indicated:

	For the six months ended 30 June				
	2015		2014		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB'000)	(%)	(RMB'000)	(%)	(%)
PRC	18,062,063	86.4	19,361,471	85.5	(6.7)
Overseas	2,842,953	13.6	3,288,320	14.5	(13.5)
Subtotal	20,905,016	100.0	22,649,791	100.0	(7.7)

During the Reporting Period, the overseas revenue of the Group was RMB2.843 billion, representing a decrease of 13.5% as compared with that of the same period of the previous year because large overseas EPC projects such as Malaysian Project, Aromatics Project of Kazakhstan Atyrau Refinery, etc. were mainly in the starting stage or in the finishing stage.

As at the end of the Reporting Period, the backlog of the Group amounted to RMB110.869 billion, representing an increase of 6.7% as compared with that of 31 December 2014, or 2.2 times of the total revenue of RMB49.346 billion in 2014. During the Reporting Period, the value of new contracts amounted to RMB27.852 billion, representing an increase of 9.4% as compared with that of the same period of the previous year.

During the Reporting Period, the Group entered into the following representative domestic projects: the EPC Contracting project for the engineering of receiving terminal stations of Guangxi LNG Project of Beihai Liquefied Natural Gas Co., Ltd. of Sinopec ("Guangxi LNG Project"), the EPC Contracting project for the engineering of receiving terminal stations of Tianjin LNG Project of Tianjin Liquefied Natural Gas Co., Ltd. of Sinopec ("Tianjin LNG Project"), the EPC Contracting project of Anqing 250 Ktpa Butanol and Octanol Project for Sinopec Anqing branch ("Anqing Butanol and Octanol Project"), the second and third production line design contract of Phase I of Shenhua direct coal liquefaction project for Ordos branch of China Shenhua Coal To Liquid and Chemical Co., Ltd. ("Shenhua Direct Coal to Liquid Design Project") and etc.

Representative overseas projects included the utilities and infrastructure of the Saudi phosphate fertiliser project of Saudi Arabian Mining Co. ("Saudi Phosphate Fertiliser Project"), the polypropylene EPCC project of Thailand IRPC Public Company Limited ("Thailand PP Project") and etc.

During the Reporting Period, the Group's capital expenditure was RMB114 million, which was mainly used to procure and update construction equipment, to improve the conditions of infrastructure and to establish pilot unit.

(3) Business Highlights

Successful Implementation of Major Projects

Zhongtian Hechuang Coal Chemical Project: Please refer to the announcement dated 26 December 2013 published by the Company for further details. As at the end of the Reporting Period, detailed design of this project had been completed. Site construction and installation had been in full swing, and at present, approximately 60% of the overall progress of the project has been completed.

The 500 Ktpa plastics engineering project of Inner Mongolia China Coal Mengda New Energy Chemical Industry Co., Ltd.: The scope of work under the contract for this project mainly includes the EPC Contracting for a 1.8 Mtpa methanol-to-olefin (DMTO) unit, a 300 Ktpa polyolefin unit, a 600 Ktpa olefin separation unit, etc. Handover of the project was finished successfully within the Reporting Period.

4 Mtpa coal indirect liquefaction demonstration project of Shenhua Ningxia Coal Industry Group: The scope of work under the contract for this project mainly includes EP Contracting for the air separation and 4 Mpta coal tar hydrogenation. As at the end of the Reporting Period, approximately 80% of the overall progress of the project had been completed.

1.7 Mtpa coal methanol and olefin conversion projects of Zhongan Joint Coal Chemical Co., Ltd.: Please refer to the announcement dated 24 November 2014 published by the Company for details. As at the end of the Reporting Period, approximately 30% of detailed design of the project had been completed. Piling and structure installation have been commenced.

Shandong LNG Project of Sinopec: The scope of work under the contract for this project mainly includes the EPC Contracting for first-phase wharf, receiving station, 1-3# storage tank and second-phase 4# storage tank, and light hydrocarbon recovery. As at the end of the Reporting Period, first-phase of the project had been put into normal operation, and handover of the second-phase of the project was finished successfully.

Malaysia Project: Please refer to the announcement dated 29 August 2014 published by the Company for details. As at the end of the Reporting Period, the project was in the detailed design stage, critical equipment had been ordered, and site work had been launched.

Aromatics Project of Kazakhstan Atyrau Refinery: The scope of work under the contract for this project mainly includes EPCC of a 1 Mtpa continuous catalytic reforming unit, a 500 Ktpa aromatics extraction, a 500 Ktpa PX unit and utilities, etc. As at the end of the Reporting Period, the project was handed over, and some units were put into operation.

FCC Project of Kazakhstan Atyrau Refinery: The scope of work under the contract for this project mainly includes 13 process units, including 2.43 Mtpa FCC unit, and EPCC of 47 utilities units. As at the end of the Reporting Period, approximately 60% of the overall progress of the project had been completed.

U.S. JUMBO PTA and PET Project: The scope of work under the contract for this project includes EPC Contracting for 1.2 Mtpa PTA units, a 1 Mtpa PET unit, utilities and facilities. As at the end of the Reporting Period, the safety, quality and progress of this project were generally under control. On-site work has commenced as planned.

Market development braved difficulties

In the first half of 2015, under the influence of low oil prices, there was a decline in the capital expenditure of domestic large oil companies on oil refining and petrochemical engineering projects. The improvement in oil product quality has accelerated; the new coal chemical market was facing severe challenge, and investment for some projects under tracking was delayed. Faced with relatively difficult market condition, the Group exploited its overall advantage of its industry chain, business chain and technical chain, and reinforced market expansion. During the Reporting Period, the value of new contracts signed by the Group was RMB27.852 billion, which is approximately 51.3% of the annual target of signed new contracts. In particular, newly-signed domestic contracts were of RMB21.394 billion and overseas contracts were of approximately USD1.041 billion.

Domestically, during the Reporting Period, the Group has newly signed contracts for a number of large projects, such as Guangxi LNG Project with a contract value of RMB4.705 billion; Tianjin LNG Project with a contract value of RMB5.600 billion; Anqing Butanol and Octanol Project with a contract value of RMB471 million; Shenhua Direct Coal to Liquid Design Project with a contract value of RMB370 million and, etc.

Overseas, during the Reporting Period, the Group newly signed contracts for a number of large projects, such as Saudi Phosphate Fertiliser Project with a contract value of USD471 million; Thailand PP Project with a contract value of USD220 million.

In addition to above projects, the Group has also tracked some oil refining, petrochemical, new coal chemical, environmental protection and energy saving projects, which are expected to be signed in the future.

Leading Technologies

Steady progress of the R&D of major technologies developed along with the key projects.

The above picture shows the 200 Ktpa syngas-to-glycol industrial demonstration plant of Sinopec Hubei Fertiliser

200 Ktpa syngas-to-glycol industrial demonstration plant packaged technology development: During the Reporting Period, 200 Ktpa syngas-to-glycol industrial demonstration plant of Sinopec Hubei Fertiliser completed the transformation of by-product value added technologies, and is preparing for production equipment assessment, which provides conditions for technical identification of equipment and technology popularisation.

The above picture shows the Sinopec Yuanba Natural Gas Process Plant Project

Yuanba natural gas purification technology development and industrial application: During the Reporting Period, the fourth combined unit of Sinopec Yuanba Natural Gas Process Plant had been officially put into operation and full load calibration had been conducted. Thus, natural gas purification project on Yuanba Gas Field has been finally put into operation.

Development of packaged technology of producing 100 Ktpa propyleneoxide by hydrogen peroxide solution: During the Reporting Period, trail production and optimisation of many technologies have conducted for Sinopec Changling Refining and Chemical Engineering's project of obtaining 100 Ktpa propyleneoxide by hydrogen peroxide solution. Such technology is cleaner and more efficient than conventional technology. 5% hydrogen peroxide has been produced since the unit of hydrogen peroxide has been successfully start-up.

Development of SE coal slurry gasification packaged technology: During the Reporting Period, this technology was in the stage of industrial application and the basic design of industrialisation project. It is the new gasification technology developed by the Group after the successful development of the cold-wall single-nozzle pulverised coal pressurised gasification technology (SE-Orient gasifier) packaged technology.

Innovative results were achieved in research and development of environmental protection and energy saving technology.

Development of process package of getting sulfur-based compound fertilisers by directly mineralising phosphorus gypsum with Exhaust CO_2: During the Reporting Period, the process technology passed the evaluation organised by the Technology Department of Sinopec Group. This emission reduction technology is suitable for direct use of low-concentration CO_2, achieving the goal of dealing with waste with waste itself.

Energy efficiency improvement of refinery enterprises and low-carbon technology: During the Reporting Period, the Group made comprehensive optimisation for Sinopec Jinling Petrochemical Refinery branch by analysing and adjusting process flow, steam power system, fuel gas and hydrogen system and other systems, comprehensive optimisation of the whole plant energy use, realising the goal of comprehensive energy saving.

The sludge drying project of Sinopec Jiujiang branch, being a contract management pilot project, has been set up officially at present.

Technological innovation of SINOPEC Engineering Group Luoyang Technology Research and Development Center (R&D Center) achieved effect.

The Group and ExxonMobil Research and Engineering Company ("EMRE Company") signed the Methanol to Gasoline Technology Development Cooperation Agreement on 13 April 2014, which aimed to jointly develop a new fluidised bed MTG (FMTG) technology with conditions for commercialised operation, by virtue of rich experience of both parties in development of methanol to gasoline (MTG) and fluidised bed, thus providing a new choice for new coal chemical application. During the Reporting Period, research on FMTG technology at the R&D Center made important progress, with relevant tests done in full swing which involved finishing the cold model test, completing the construction of the pilot plant, feeding the technology with methanol and producing qualified gasoline, relevant tests were made in full swing.

Technology licensing was conducted effectively. During the Reporting Period, the amount of newly signed technology licensing contract was RMB76 million.

Good momentum kept in patent applications. During the Reporting Period, 273 pieces of new patent applications were completed (including 85 invention patents), and 266 patents were authorised.

Achieving Numerous Fruitful Results in Technology Innovation. During the Reporting Period, the Group won 41 provincial (ministry and above) level scientific and technological progress awards, among which four scientific achievements received national recognition for science and technology progress in 2014. The "DMTO" technology project engaged and developed by the Group was awarded the first prize of National Technical Invention; the "Design, Manufacturing and Maintenance of Important Pressure Vessel under Extreme Conditions" engaged by the Group was awarded the first prize of the State Scientific and Technological Progress; the "R&D and Application of New Technology on Emission-Reduction of Fine Particulate Pollutants in Major Chemical Engineering Equipment" engaged by the Group was awarded the second prize of the National Technical Invention; the "Technology Innovation and Industrial Application of Full High Efficiency Processing of Peracid Heavy Crude Oil" engaged by the Group was awarded the second prize of the State Scientific and Technological Progress. In addition, development and application of key technologies in aromatics won the scientific and technological progress special award from Sinopec Group, while 16 projects including Wuhan Ethylene project won the superior quality project award from Sinopec Group.

Environmental protection and energy saving was promoted constantly

The Group actively followed the national development direction of energy saving and environmental protection industries, and vigorously pushed energy saving and environmental protection business. It actively promoted its own technologies, and carried out strategic cooperation with well-known domestic and foreign technology licensors, providing customers with an integrated solution, which covered flue gas desulfurisation and denitrification, sewage treatment, sludge reduction and drying, soil cleaning-up, CO_2 recycling, low temperature waste heat power generation and other fields. The Group was actively involved in Sinopec's "Clear Water & Blue Sky Plan" and "Energy Efficiency Doubling", and explored and implemented new business models regarding contract energy management and contract environmental protection management, and provided energy saving diagnosis and optimisation services for enterprises, further developing environmental protection and energy saving business. During the Reporting Period, the Group signed new environmental protection business contracts valued at approximately RMB774 million, which was mainly from flue gas desulfurisation and denitrification projects, and new energy saving business contracts valued at approximately RMB110 million, which was mainly from energy saving reform projects.

The above picture shows the low-temperature thermal-energy power generation by hot water at Sinopec Hainan Refinery Co., Ltd.,

During the Reporting Period, the Group carried out multi-level exchanges and cooperation with many domestic and foreign environmental protection and energy saving technology licensors, to build and improve its technology chain and service chain in the field of environmental protection and energy saving. The Group created a new cooperation mode by signing strategic cooperation agreements with partners, and jointly promoted pilot projects. For example, the Group signed the "Energy Saving Service Cooperation Agreement" with Zhejiang Kaishan Compressor Co., Ltd. ("Kaishan Compressor") to jointly promote the application of "low-energy-level energy recycling technology" in the chemical refinery industry; subsequent to the application of the low-temperature thermal-energy power generation by hot water at Sinopec Hainan Refinery branch, it promoted the application of the low-temperature thermal-energy power generation by hot oil at Sinopec Beijing Yanshan Company. It signed a cooperation agreement on sewage processing/sewage zero discharge with the GE company to jointly develop the sewage processing market; it pushed the cooperation with UK PIL company in cooperation with overall plant-wide energy saving optimisation, and is taking forward a number of overall plant-wide energy saving planning and optimisation projects currently; in addition, the Group also actively promoted the exchange and cooperation with China University of Petroleum on biomass fermentation technology.

Intensified Enterprise Reform

We have extensively promoted resource optimisation and reform and restructuring according to the vision of "building a world-class engineering company" and the developmental mode of "integrated operation and group-oriented management and control". During the Reporting Period, the Group, choosing professional reorganisation as a breakthrough, launched to deepen reform and optimise resources, and accelerated the restructuring reform of Sinopec Heavy Lifting and Transportation Co., Ltd., R&D Center, Sinopec Engineering Group Saudi Arabia Co., Ltd., which effectively stimulated the optimisation of resource allocation and improved comprehensive competitiveness of the Group.

Safe Operations Remained Stable

During the Reporting Period, in terms of the QHSE management, the Group carried out comprehensive and strict management of activities, paid close attention to the implementation of policies and assignment of responsibilities, and based on the principle of strengthening management and implementation of responsibilities, implemented the requirements for full participation, assignment of responsibilities, perfection of systems, continual improvement, process control and serving clients. Through activities such as signing QHSE liability statements, conducting training, supervision and inspections, the Group carefully looked for weak links and managed the QHSE supervision and management of direct operation segments properly. As a result, the basic management work was further enhanced, and the quality, safety and overseas public security of the projects under construction were under full control.

As at the end of the Reporting Period, no safety, quality and overseas public security accident has happened in the project under execution owing to conscientiousness and strict management of all employees of the Group, and 109.67 million safe man hours in accumulation have been realised by the Group.

2 Business Prospects

Looking to the second half of 2015, the world economic recovery is still uncertain, and China's economy should still face downward pressure. In the short term, although China's economy is growing slowly, structural adjustment is promoted steadily and although investment growth is slow, consumption growth is relatively stable, and new plans to deepen the enterprise reform are expected to be released; in the medium to long term, with the advancement of industrialisation, urbanisation and informatisation in China, reform dividends will be released continually, China's petroleum and chemical industry development and structure adjustment will be implemented gradually in the future. In the second half of 2015, the energy industry served by the Group will still face a grim situation of slack demand and sluggish investment. The Group will correctly face such a situation, seize opportunities and meet challenges.

In terms of Chinese market development, the Group will strive to build an integrated solution for new coal chemical and new energy, environmental protection and energy saving industries, and constantly improve its technology chain and service chain to expand its differential advantages; it will create new business areas and business models, and promote in-depth cooperation with partners in emerging fields, jointly developing new markets.

In terms of overseas market development, the Group will focus on markets of peripheral countries of "Belt and Road", make use of "Belt and Road", "Silk Road Fund" and relevant preferential financial policies offered by the "Asian Infrastructure Investment Bank" (AIIB) and a series of encouraging policies of insurance agencies for Chinese contractors on export credit, the Group contributes to optimising resource allocation, exploring markets in Central Asia, Southeast Asia, South Asia and other regions in further on the basis of consolidating the conventional market in the Middle East.

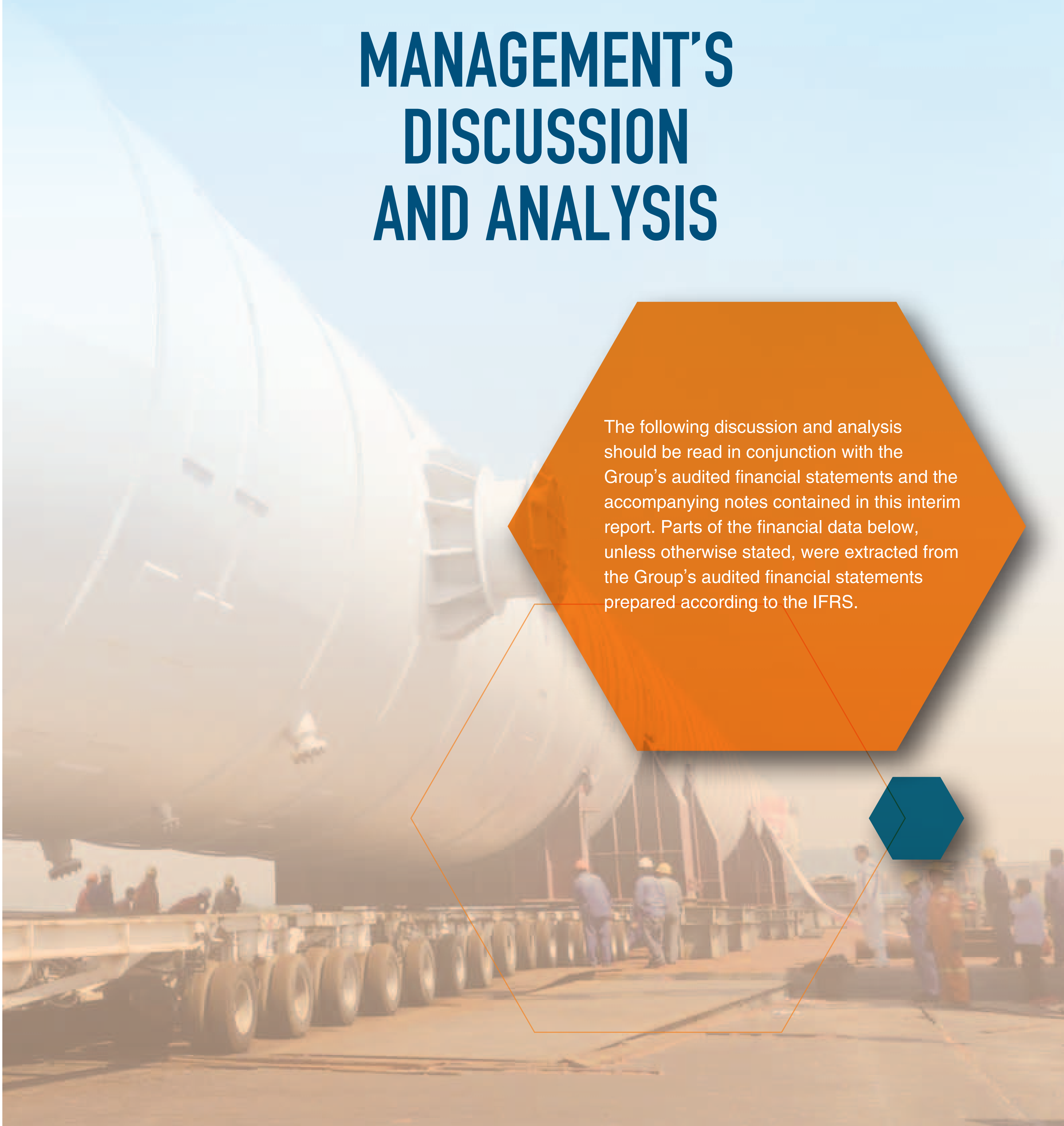
In terms of project management, the Group will give full play to its advantage of integrated management to ensure smooth project implementation and improve its performance capacity; strengthen project implementation process control, and perfect the integrated management system combining project cost estimate, budget and control to improve its project cost control level; reinforce subcontract management, and realise resource sharing, so as to reduce cost and increase benefit; establish an integrated overseas project management mechanism, increase resource deployment and risk control, and improve overseas project profitability.

In terms of technology development, the Group will build an innovation system centering on technical innovation around innovation drive, i.e., leading market expand by innovation, strengthening competitive capability by innovation, and promoting value upgrade by innovation; guarantee smooth project implementation through existing technology advantage, thus ensuring its short-term benefits; provide support for market competition by improving its technology innovation capacity, thus ensuring long-term development of the Group; strengthen its technologies through "deep cooperation, priority breakthrough, collaborative innovation and future leading", and improve its capabilities of "building a world-class engineering company".

In terms of environmental protection and energy saving, the Group will integrate its special technologies, and strengthen the cooperation with technology owners at home and abroad to jointly developing new technology, equipment and materials, thus creating an environmental energy saving overall solution; increase market publicity and promotion activities, carry out target customer development, and promote the implementation and popularity of such overall solution; drive the research and application of new business model, such as contract energy management and contract environmental protection management, and facilitate the implementation of pilot projects under the premise of full assessment and controllable risk.

In terms of strategic planning, the Group will make a good "13th Five Year" development planning. It will make overall plans for domestic business and international business, stock optimisation and incremental development, traditional business and emerging business, production operation and value management, current benefit and long-term need to promote professional restructuring, and strive to further optimise its development strategies. The Group will optimise resource utilisation based on the market, strengthen market value management through the advancement of technology and management innovation and the team quality, spare no effort to improve the quality and efficiency of development, and constantly increase its core competitiveness, sustainable development capacity and anti-risk capacity.

MANAGEMENT'S DISCUSSION AND ANALYSIS



The following discussion and analysis should be read in conjunction with the Group's audited financial statements and the accompanying notes contained in this interim report. Parts of the financial data below, unless otherwise stated, were extracted from the Group's audited financial statements prepared according to the IFRS.

1 Consolidated Results of Operations

The following table sets forth the consolidated statement of comprehensive income of the Group for the indicated periods:

	For the six months ended 30 June				
	2015		2014		
	Amount	Percentage of total revenue	Amount	Percentage of total revenue	Change
	(RMB'000)	(%)	(RMB'000)	(%)	(%)
Revenue	20,905,016	100.0	22,649,791	100.0	(7.7)
Cost of sales	(17,884,400)	(85.6)	(19,620,895)	(86.6)	(8.9)
Gross profit	3,020,616	14.4	3,028,896	13.4	(0.3)
Other income	51,978	0.2	115,760	0.5	(55.1)
Selling and marketing expenses	(42,196)	(0.2)	(48,823)	(0.2)	(13.6)
Administrative expenses	(473,621)	(2.3)	(455,115)	(2.0)	4.1
Research and development costs	(459,712)	(2.2)	(312,295)	(1.4)	47.2
Other operating expenses	(175,148)	(0.8)	(96,392)	(0.4)	81.7
Other gains - net	554	0.0	295	0.0	87.8
Operating profit	1,922,471	9.2	2,232,326	9.9	(13.9)
Finance income	238,615	1.1	301,042	1.3	(20.7)
Finance expenses	(47,570)	(0.2)	(55,589)	(0.2)	(14.4)
Finance income - net	191,045	0.9	245,453	1.1	(22.2)
Share of (losses)/profits of joint ventures	(265)	(0.0)	1,314	0.0	—
Share of profits of associates	5,607	0.0	5,518	0.0	1.6
Profit before taxation	2,118,858	10.1	2,484,611	11.0	(14.7)
Income tax expense	(408,070)	(2.0)	(607,068)	(2.7)	(32.8)
Profit for the period	1,710,788	8.2	1,877,543	8.3	(8.9)
Fair value losses on available-for-sale financial assets	0	0.0	(776)	0.0	—
Losses on revaluation of retirement benefit plans obligations	(19,044)	(0.1)	(111,673)	(0.5)	(82.9)
Exchange differences arising on translation of foreign operations	(563)	(0.0)	(6,793)	(0.0)	(91.7)
Total comprehensive income for the period	1,691,181	8.1	1,758,301	7.8	(3.8)

(1) Revenue

The revenue of the Group decreased by 7.7% from RMB22.650 billion for the six months ended 30 June 2014 to RMB20.905 billion for the six months ended 30 June 2015, since the large EPC of oil refining and petrochemical industries were mainly in the starting stage or in the finishing stage, leading to income being reduced on a period-on-period basis.

(2) Cost of sales

The cost of sales of the Group decreased by 8.9% from RMB19.621 billion for the six months ended 30 June 2014 to RMB17.884 billion for the six months ended 30 June 2015. It is mainly because the sub-contracting cost and procurement purchase cost of materials and equipment have been reduced.

(3) Gross profit

The gross profit of the Group was RMB3.021 billion, which is basically the same on a period-on-period basis; the gross profit margin increased from 13.4% in the same period of last year to 14.4% in the Reporting Period, which mainly benefited from the gross profit contributed by the coal chemical industry project in Zhongtian Hechuang Coal Chemical Project, Zhejiang Xingxing Energy DMTO Project and Shaanxi Pucheng DMTO Project, etc.

(4) Other income

The other income of the Group decreased by 55.1% from RMB116 million for the six months ended 30 June 2014 to RMB52 million for the six months ended 30 June 2015. The net loss on foreign exchange is mainly because of depreciation of exchange rate within the Reporting Period.

(5) Selling and marketing expenses

The selling and marketing expenses of the Group decreased by 13.6% from RMB49 million for the six months ended 30 June 2014 to RMB42 million for the six months ended 30 June 2015.

(6) Administrative expenses

The administrative expenses of the Group increased by 4.1% from RMB455 million for the six months ended 30 June 2014 to RMB474 million for the six months ended 30 June 2015.

(7) Research and development costs

The research and development costs of the Group increased by 47.2% from RMB312 million for the six months ended 30 June 2014 to RMB460 million for the six months ended 30 June 2015. The increase was mainly because the Group continued making large investments in R&D in order to maintain its advantage position in the engineering technology.

(8) Other operating expenses

The other operating expenses of the Group increased by 81.7% from RMB96 million for the six months ended 30 June 2014 to RMB175 million for the six months ended 30 June 2015, mainly because of increased provision for impairment of receivables.

(9) Other gains - net

The net other gains of the Group for the six months ended 30 June 2015 was RMB0.5540 million, up from RMB0.2950 million for the same period in 2014.

(10) Operating profit

Due to the above reasons, the operating profit of the Group decreased by 13.9% from RMB2.232 billion for the six months ended 30 June 2014 to RMB1.922 billion for the six months ended 30 June 2015.

(11) Finance income - net

The net finance income of the Group decreased by 22.2% from RMB245 million for the six months ended 30 June 2014 to RMB191 million for the six months ended 30 June 2015, mainly because of the reduction of fixed deposit and deposit rate.

(12) Income tax expense

The Group's income tax expenses decreased by 32.8% from RMB607 million for the six months ended 30 June 2014 to RMB408 million for the six months ended 30 June 2015, while the integrated income tax rate decreased from 24.4% in the same period of last year to 19.3%, since several subsidiaries of the Group have been qualified as new high-tech enterprises, allowing them to enjoy concessional income tax rates.

(13) Profit for the period

Due to the above reasons, the net profit in the Reporting Period of the Group declined by 8.9% from RMB1.878 billion for the six months ended 30 June 2014 to RMB1.711 billion for the six months ended 30 June 2015.

(14) Total comprehensive income for the period

As a combined result of the reasons above and the effect of other comprehensive income of the Group, the total amount of the comprehensive income in the Reporting Period of the Group declined by 3.8% from RMB1.758 billion for the six months ended 30 June 2014 to RMB1.691 billion for the six months ended 30 June 2015.

2 Discussion on the Results by Business Segments

The following table sets forth the revenue, gross profit, gross profit margin, operating profit and operating profit margin of each of our business segments for the periods indicated:

	Segment revenue		Segment gross profit		Segment gross profit margin		Segment operating profit		Segment operating profit margin	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	(RMB'000)		(RMB'000)		(%)		(RMB'000)		(%)	
Engineering, consulting and licensing	1,337,392	1,688,536	603,474	837,266	45.1	49.6	264,718	607,043	19.8	36.0
EPC Contracting	12,891,709	13,366,117	1,893,835	1,732,626	14.7	13.0	1,352,580	1,333,250	10.5	10.0
Construction	8,008,090	9,091,497	504,222	456,282	6.3	5.0	278,414	288,270	3.5	3.2
Equipment manufacturing	388,814	318,231	19,085	2,722	4.9	0.9	781	(9,171)	0.2	(2.9)
Unallocated	N/A	N/A	N/A	N/A	N/A	N/A	25,978	12,934	N/A	N/A
Subtotal	22,626,005	24,464,381	3,020,616	3,028,896	N/A	N/A	1,922,471	2,232,326	N/A	N/A
Total after inter-segment elimination (3)	20,905,016	22,649,791	3,020,616	3,028,896	14.4(1)	13.4(1)	1,922,471	2,232,326	9.2(2)	9.9(2)

(1) Total gross profit margin is calculated based on total gross profit divided by total revenue, and total revenue is the gross earnings generated after inter-segment elimination in all the business segments.

(2) Total operating profit margin is calculated based on the total operating profit divided by total revenue, and total revenue is the gross earnings generated after inter-segment elimination in all the business segments.

(3) Inter-segment elimination is mainly caused by the inter-segment sales made by the Construction and Equipment Manufacturing segments to the EPC Contracting segment. Other information on inter-segment sales is set out in Note 7 to the Financial Statements contained in this interim report.

Engineering, Consulting and Licensing

The operating results of the Group's Engineering, Consulting and Licensing business are as follows:

	For the six months ended 30 June			
	2015		2014	
	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue
	(RMB'000)	(%)	(RMB'000)	(%)
Revenue	1,337,392	100.0	1,688,536	100.0
Cost of sales	(733,918)	(54.9)	(851,270)	(50.4)
Gross profit	603,474	45.1	837,266	49.6
Selling and marketing expenses	(2,577)	(0.2)	(2,605)	(0.2)
Administrative expenses	(39,786)	(3.0)	(39,015)	(2.3)
Research and development costs	(285,920)	(21.4)	(197,125)	(11.7)
Other income and expenses	(10,473)	(0.8)	8,522	0.5
Operating profit	264,718	19.8	607,043	36.0

(1) Revenue

The revenue generated from the Group's Engineering, Consulting and Licensing segment decreased by 20.8% from RMB1.689 billion for the six months ended 30 June 2014 to RMB1.337 billion for the six months ended 30 June 2015. This was mainly because (1) the number of newly signed contracts for engineering business decreased; and (2) a few engineering projects in hand were in the detailed design phase and the execution periods were relatively long.

(2) Cost of sales

The cost of sales of the Group's Engineering, Consulting and Licensing segment declined by 13.8% from RMB851 million for the six months ended 30 June 2014 to RMB734 million for the six months ended 30 June 2015. A main reason is that there was a decline in revenue.

(3) Gross profit

The gross profit of the Group's Engineering, Consulting and Licensing segment declined by 27.9% from RMB837 million for the six months ended 30 June 2014 to RMB603 million for the six months ended 30 June 2015. A main reason is that on the one hand, there was a decline in revenue of this segment; on the other hand, because of the impact of employee benefits and other fixed expenses, which caused the decrease of cost of sales of this segment to be less than that of the revenue. During the Reporting Period, gross profit margin of the Group's Engineering, Consulting and Licensing segment was 45.1%, maintaining at a relatively high level.

(4) Selling and marketing expenses

The selling and marketing expenses of the Group's Engineering, Consulting and Licensing segment were RMB2.5772 million, basically the same as that of the same period of the previous year.

(5) Administrative expenses

The administrative expenses of the Group's Engineering, Consulting and Licensing segment were RMB40 million, basically the same as that of the same period of the previous year.

(6) Research and development costs

The research and development costs of the Group's Engineering, Consulting and Licensing segment increased by 45.0% from RMB197 million for the six months ended 30 June 2014 to RMB286 million for the six months ended 30 June 2015. The increase was mainly because the Group continued making large investments in R&D in order to maintain its advantage in the engineering technology.

(7) Operating profit

Due to the above reasons, the operating profit of the Group's Engineering, Consulting and Licensing segment decreased by 56.4% from RMB607 million for the six months ended 30 June 2014 to RMB265 million for the six months ended 30 June 2015.

EPC Contracting

The operating results of the Group's EPC Contracting business are as follows:

	For the six months ended 30 June			
	2015		2014	
	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue
	(RMB'000)	(%)	(RMB'000)	(%)
Revenue	12,891,709	100.0	13,366,117	100.0
Cost of sales	(10,997,874)	(85.3)	(11,633,491)	(87.0)
Gross profit	1,893,835	14.7	1,732,626	13.0
Selling and marketing expenses	(24,683)	(0.2)	(30,795)	(0.2)
Administrative expenses	(232,778)	(1.8)	(231,473)	(1.7)
Research and development costs	(160,349)	(1.2)	(104,770)	(0.8)
Other income and expenses	(123,445)	(1.0)	(32,338)	(0.2)
Operating profit	1,352,580	10.5	1,333,250	10.0

(1) Revenue

The revenue generated from the Group's EPC Contracting segment decreased by 3.5% from RMB13.366 billion for the six months ended 30 June 2014 to RMB12.892 billion for the six months ended 30 June 2015. Since the large EPC of oil refining and petrochemical industries are mainly in the starting stage or in the finishing stage, the income reduced on a period-on-period basis.

(2) Cost of sales

The cost of sales of the Group's EPC Contracting segment decreased by 5.5% from RMB11.633 billion for the six months ended 30 June 2014 to RMB10.998 billion for the six months ended 30 June 2015. This was mainly due to the decreased costs of procurement of equipment and sub-contracting.

(3) Gross profit

The gross profit of the Group's EPC Contracting segment increased by 9.3% from RMB1.733 billion in the same period of last year to RMB1.894 billion, and the gross profit margin increased from 13.0% in the same period of last year to 14.7% in the Reporting Period, mainly benefiting from the gross profit contributed by the coal chemical industry project in Zhongtian Hechuang Coal Chemical Project, Zhejiang Xingxing Energy DMTO Project and Shaanxi Pucheng DMTO Project, etc.

(4) Selling and marketing expenses

The selling and marketing expenses of the Group's EPC Contracting segment were RMB25 million.

(5) Administrative expenses

The administrative expenses of the Group's EPC Contracting segment were RMB233 million, basically the same as that of the same period of the previous year.

(6) Research and development costs

The research and development costs of the Group's EPC Contracting segment increased by 53.0% from RMB105 million for the six months ended 30 June 2014 to RMB160 million for the six months ended 30 June 2015. The increase was mainly because the Group continued to make large investments in R&D.

(7) Operating profit

Due to the above reasons, the operating profit of the Group's EPC Contracting segment increased by 1.4% from RMB1.333 billion for the six months ended 30 June 2014 to RMB1.353 billion for the six months ended 30 June 2015.

Construction

The operating results of the Group's Construction business are as follows:

	For the six months ended 30 June			
	2015		2014	
	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue
	(RMB'000)	(%)	(RMB'000)	(%)
Revenue	8,008,090	100.0	9,091,497	100.0
Cost of sales	(7,503,868)	(93.7)	(8,635,215)	(95.0)
Gross profit	504,222	6.3	456,282	5.0
Selling and marketing expenses	(13,390)	(0.2)	(13,877)	(0.2)
Administrative expenses	(188,687)	(2.4)	(173,002)	(1.9)
Research and development costs	(13,156)	(0.2)	(10,224)	(0.1)
Other income and expenses	(10,575)	(0.1)	29,091	0.3
Operating profit	278,414	3.5	288,270	3.2

(1) Revenue

The revenue generated from the Group's Construction segment decreased by 11.9% from RMB9.091 billion for the six months ended 30 June 2014 to RMB8.008 billion for the six months ended 30 June 2015. This is mainly because of the decrease in business volume of the segment.

(2) Cost of sales

The cost of sales of the Group's Construction segment decreased by 13.1% from RMB8.635 billion for the six months ended 30 June 2014 to RMB7.504 billion for the six months ended 30 June 2015. This is mainly because of income reduction.

(3) Gross profit

The gross profit of the Group's Construction segment increased by 10.5% from RMB456 million for the six months ended 30 June 2014 to RMB504 million for the six months ended 30 June 2015. Furthermore, the gross profit margin increased from 5.0% for the six months ended 30 June 2014 to 6.3% for the six months ended 30 June 2015.

(4) Selling and marketing expenses

The selling and marketing expenses of the Group's Construction segment decreased by 3.5% from RMB14 million for the six months ended 30 June 2014 to RMB13 million for the six months ended 30 June 2015, basically the same as that of the same period of the previous year.

(5) Administrative expenses

The administrative expenses of the Group's Construction segment increased by 9.1% from RMB173 million for the six months ended 30 June 2014 to RMB189 million for the six months ended 30 June 2015, mainly because of the additional costs of the newly built office facilities.

(6) Research and development costs

The research and development costs of the Group's Construction segment increased by 28.7% from RMB10 million for the six months ended 30 June 2014 to RMB13 million for the six months ended 30 June 2015. The increase was mainly due to the Group's intensified investment in research and development.

(7) Operating profit

Due to the above reasons, the operating profit of the Group's Construction segment decreased by 3.4% from RMB288 million for the six months ended 30 June 2014 to RMB278 million for the six months ended 30 June 2015.

Equipment Manufacturing

The operating results of the Group's Equipment Manufacturing business are as follows:

	For the six months ended 30 June			
	2015		2014	
	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue
	(RMB'000)	(%)	(RMB'000)	(%)
Revenue	**388,814**	**100.0**	318,231	100.0
Cost of sales	**(369,729)**	**(95.1)**	(315,509)	(99.1)
Gross profit	**19,085**	**4.9**	2,722	0.9
Selling and marketing expenses	**(1,546)**	**(0.4)**	(1,546)	(0.5)
Administrative expenses	**(12,370)**	**(3.2)**	(11,625)	(3.7)
Research and development costs	**(287)**	**(0.1)**	(176)	(0.1)
Other income and expenses	**(4,101)**	**(1.1)**	1,454	0.5
Operating profit/(loss)	**781**	**0.2**	(9,171)	(2.9)

(1) Revenue

The revenue generated from the Group's Equipment Manufacturing segment increased by 22.2% from RMB318 million for the six months ended 30 June 2014 to RMB389 million for the six months ended 30 June 2015, mainly due to the increase in business volume of the segment.

(2) Cost of sales

The cost of sales of the Group's Equipment Manufacturing segment increased by 17.2% from RMB316 million for the six months ended 30 June 2014 to RMB370 million for the six months ended 30 June 2015. It is mainly due to the increase in business volume.

(3) Gross profit

The gross profit of the Group's Equipment Manufacturing segment increased from RMB3 million for the six months ended 30 June 2014 to RMB19 million for the six months ended 30 June 2015.

(4) Selling and marketing expenses

The selling and marketing expenses of the Group's Equipment Manufacturing segment were RMB2 million for the six months ended 30 June 2015, basically the same as that of the same period of the previous year.

(5) Administrative expenses

The administrative expenses of the Group's Equipment Manufacturing segment were RMB12 million for the six months ended 30 June 2015, basically the same as that of the same period of the previous year.

(6) Research and development costs

The research and development costs of the Group's Equipment Manufacturing segment increased from RMB0.176 million for the six months ended 30 June 2014 to RMB0.287 million for the six months ended 30 June 2015.

(7) Operating profit/(loss)

Due to the above reasons, the operating profit of the Group's Equipment Manufacturing segment changed from a loss of RMB9.1710 million for the six months ended 30 June 2014 to a profit of RMB0.7808 million for the six months ended 30 June 2015, turn around for the deficits.

3 Discussion on the results by other classification

The following table sets forth the revenue generated from different industries in which the Group's clients operate:

	For the six months ended 30 June				
	2015		2014		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB'000)	(%)	(RMB'000)	(%)	(%)
Oil refining	2,421,511	11.6	4,958,237	22.0	(51.2)
Petrochemicals	5,999,942	28.7	9,070,325	40.0	(33.9)
New coal chemicals	8,492,715	40.6	4,875,378	21.5	74.2
Other industries	3,990,848	19.1	3,745,851	16.5	6.5
Subtotal	20,905,016	100.0	22,649,791	100.0	(7.7)

The Group derived its revenue mainly from services provided to clients in the oil refining, petrochemicals, new coal chemicals and other industries. During the Reporting Period, since the large EPC of oil refining and petrochemical industries are mainly in the starting stage or in the finishing stage, the Company's revenue from the oil refining industry was RMB2.422 billion, representing a decline of 51.2% as compared with the same period of the previous year; the revenue derived from the petrochemical industry was RMB6.000 billion, representing a decline of 33.9% as compared with the same period of the previous year; the revenue derived from the new coal chemical industry was RMB8.493 billion, representing an increase of 74.2% as compared with the same period of the previous year. This was mainly due to the revenue growth of coal chemical projects such as Zhongtian Hechuang Coal Chemical Project, Shaanxi Pucheng DMTO Project and Zhejiang Xingxing Energy DMTO Project, etc.; the revenue derived from other industries was RMB3.991 billion, representing an increase of 6.5% as compared with the same period of the previous year, which was mainly due to the revenue growth of clean energy projects.

The following table sets forth the revenue generated from different regions where the Group's clients operate:

	For the six months ended 30 June				
	2015		2014		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB '000)	(%)	(RMB '000)	(%)	(%)
PRC	18,062,063	86.4	19,361,471	85.5	(6.7)
Overseas	2,842,953	13.6	3,288,320	14.5	(13.5)
Subtotal	20,905,016	100.0	22,649,791	100.0	(7.7)

During the Reporting Period, the Group received RMB18.062 billion from the PRC, which constitutes 86.4% of the total revenue and represents a decrease of 6.7% on a period-on-period basis; the Group's revenue generated overseas was RMB2.843 billion, constituting 13.6% of the total revenue and representing a fall of 13.5% on a period-on-period basis.

The following table sets forth the revenue generated from services provided by the Group for (i) Sinopec Group and its associates, and (ii) non-Sinopec Group and its associates:

	For the six months ended 30 June				
	2015		2014		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB '000)	(%)	(RMB '000)	(%)	(%)
Sinopec Group and its associates	9,353,922	44.7	8,737,138	38.6	7.1
Non-Sinopec Group and its associates	11,551,094	55.3	13,912,653	61.4	(17.0)
Subtotal	20,905,016	100.0	22,649,791	100.0	(7.7)

During the Reporting Period, the income from Sinopec Group and its associates was RMB9.354 billion, representing an increase of 7.1% as compared with the same period of the previous year, which was mainly because projects such as Zhongtian Hechuang Coal Chemical were progressing smoothly; the revenue from non-Sinopec Group and its associates was RMB11.551 billion, representing a decrease of 17.0% as compared with the same period of the previous year, which was mainly due to the fact that EPC Contracting projects such as Sinochem Quanzhou Project and Aromatics Project of Kazakhstan were entering the finishing stage.

4 Discussion on the backlog and new contracts

The following table sets forth the total value of backlog for each business segment of the Group as at the dates indicated:

	As at 30 June 2015 (RMB'000)	As at 31 December 2014 (RMB'000)	Change (%)
Engineering, consulting and licensing	6,899,713	6,514,745	5.9
EPC Contracting	87,912,160	82,079,668	7.1
Construction	15,936,730	15,191,362	4.9
Equipment manufacturing	120,373	136,508	(11.8)
Total	110,868,976	103,922,283	6.7

The following table sets forth the total value of backlog categorised by the industries in which the Group's clients operate as at the dates indicated:

	As at 30 June 2015 (RMB'000)	As at 31 December 2014 (RMB'000)	Change (%)
Oil refining	25,946,177	26,639,953	(2.6)
Petrochemicals	22,844,744	23,600,743	(3.2)
New coal chemicals	43,360,089	47,261,719	(8.3)
Other industries	18,717,966	6,419,869	191.6
Total	110,868,976	103,922,283	6.7

The following table sets forth the total value of the projects in backlog by regions as at the dates indicated:

	As at 30 June 2015 (RMB'000)	As at 31 December 2014 (RMB'000)	Change (%)
PRC	80,621,162	77,288,816	4.3
Overseas	30,247,814	26,633,467	13.6
Total	110,868,976	103,922,283	6.7

The following table sets forth the total value of backlog categorised by the clients of each of (i) Sinopec Group and its associates, and (ii) non-Sinopec Group and its associates as at the dates indicated:

	As at 30 June 2015	As at 31 December 2014	Change
	(RMB'000)	(RMB'000)	(%)
Sinopec Group and its associates	48,696,166	41,346,352	17.8
Non-Sinopec Group and its associates	62,172,810	62,575,932	(0.6)
Total	110,868,976	103,922,283	6.7

As at the end of the Reporting Period, the value of the Group's backlog totaled RMB110.869 billion, an increase of 6.7% from that as at 31 December 2014, representing 2.2 times the annual revenue of RMB49.346 billion in 2014.

The following table details the total value of new contracts entered into categorised by the Group's each business segment in the periods indicated:

	For the six months ended 30 June		
	2015	2014	Change
	(RMB'000)	(RMB'000)	(%)
Engineering, consulting and licensing	1,722,360	2,140,715	(19.5)
EPC Contracting	18,724,200	12,780,365	46.5
Construction	7,379,209	10,444,423	(29.3)
Equipment manufacturing	25,940	82,254	(68.5)
Total	27,851,709	25,447,757	9.4

The following table sets forth the total value of new contracts entered into by the Group categorised by the industries in which the Group's clients operate in the periods indicated:

	For the six months ended 30 June		
	2015	2014	Change
	(RMB'000)	(RMB'000)	(%)
Oil refining	1,727,736	6,764,144	(74.5)
Petrochemicals	5,243,943	3,598,281	45.7
New coal chemicals	4,591,085	8,063,273	(43.1)
Other industries	16,288,945	7,022,059	132.0
Total	27,851,709	25,447,757	9.4

The following table sets forth the total value of new contracts entered into by the Group by regions in the periods indicated:

	For the six months ended 30 June		
	2015	2014	Change
	(RMB'000)	(RMB'000)	(%)
PRC	21,394,409	22,671,401	(5.6)
Overseas	6,457,300	2,776,356	132.6
Total	27,851,709	25,447,757	9.4

The following table sets forth the total value of new contracts entered into by the Group categorised by the clients of each of (i) Sinopec Group and its associates, and (ii) the non-Sinopec Group and its associates in the periods indicated:

	For the six months ended 30 June		
	2015	2014	Change
	(RMB'000)	(RMB'000)	(%)
Sinopec Group and its associates	16,703,736	8,950,193	86.6
Non-Sinopec Group and its associates	11,147,973	16,497,564	(32.4)
Total	27,851,709	25,447,757	9.4

During the Reporting Period, the value of the Group's new contracts was RMB27.852 billion, representing an increase of 9.4% as compared with RMB25.448 billion for the same period in 2014, mainly due to the rapid increase of the clean energy LNG project, and new contracts from overseas markets during the Reporting Period.

5 Assets, Liabilities, Equity and Cash Flows

The Group's funds mainly come from operating activities and are primarily used for working capital and capital expenditure.

(1) Assets, Liabilities and Equity

Units: RMB'000

	As at 30 June 2015	As at 31 December 2014	Changes
Total assets	55,215,602	52,084,595	3,131,007
Current assets	47,344,269	44,032,264	3,312,005
Non-current assets	7,871,333	8,052,331	(180,998)
Total liabilities	31,479,883	29,212,021	2,267,862
Current liabilities	28,677,990	26,347,950	2,330,040
Non-current liabilities	2,801,893	2,864,071	(62,178)
Non-controlling interests	3,563	3,458	105
Net assets	23,735,719	22,872,574	863,145
Total equity attributable to shareholders of the Company	23,732,156	22,869,116	863,040
Share capital	4,428,000	4,428,000	0
Reserves	19,304,156	18,441,116	863,040

As at the end of the Reporting Period, the total assets of the Group were RMB55.216 billion, the total liabilities were RMB31.480 billion, the minority interests were RMB0.004 billion, and the equity attributable to the shareholders of the Company was RMB23.732 billion. The changes in the assets and liabilities as compared with that at the end of 2014 and the main reasons are as follows:

As at the end of the Reporting Period, the total assets were RMB55.216 billion, an increase in RMB3.131 billion as compared with that at the end of 2014. In particular, the current assets were RMB47.344 billion, a rise in RMB3.312 billion as compared with that at the end of 2014, mainly due to the increase in notes and trade receivables, and cash and cash equivalents. The non-current assets were RMB7.871 billion, representing a decrease of RMB181 million as compared with that at the end of 2014, mainly due to the decrease of depreciation of property, plant and equipment.

As at the end of the Reporting Period, the total liabilities were RMB31.480 billion, increased by RMB2.268 billion as compared with that at the end of 2014. In particular, the current liabilities were RMB28.678 billion, increased by RMB2.330 billion as compared with that at the end of 2014, mainly due to increase in amounts due to customers for contract work, notes and trade payables as compared with those at the beginning of 2015. The non-current liabilities were RMB2.802 billion, decreased by RMB62 million as compared with that at the end of 2014.

As at the end of the Reporting Period, the total equity attributable to shareholders of the Company was RMB23.732 billion, an increase in RMB863 million as compared with that at the end of 2014, primarily due to the increase in the retained earnings of the Group during the Reporting Period.

(2) Cash Flows

During the Reporting Period, the net increase in cash and cash equivalents was RMB890 million and net cash generated from operating activities was RMB766 million. The following table sets forth the main items and their changes in the Group's consolidated cash flow statements for the six months ended 30 June 2015 and for the six months ended 30 June 2014.

Units: RMB'000

Major items of cash flow	For the six months ended 30 June	
	2015	2014
Net cash generated from/(used in) operating activities	766,066	(346,241)
Net cash generated from investing activities	954,179	3,017,189
Net cash used in financing activities	(830,075)	(842,272)
Net increase in cash and cash equivalents	890,170	1,828,676

During the Reporting Period, the profit before taxation was RMB2.119 billion, and the profit was RMB2.384 billion after adjusting the items in expenses, which did not affect the cash flow in operating activities and was mainly reflected in: an increase of RMB308 million for depreciation and amortisation, an increase of RMB155 million for impairment of trade and other receivables, a decrease of RMB239 million for interest income, an increase of RMB48 million for interest expense; the changes in working capital, which caused a cash outflow of RMB1.106 billion in operating activities, are mainly shown in: the increase of trade receivables and inventories balance, the net cash outflow from operating activities of RMB2.953 billion; the increase in trade payables, the net cash inflow from operating activities of RMB1.339 billion. Through the increase in the settlement of projects, the balance of contract work-in-progress was reduced and influenced the cash inflow generated from operating activities by RMB516 million.

After adjusting for non-cash items, receivables and payables for the profit before taxation, and after deducting the income tax paid amounting to RMB553 million, the net cash generated from operating activities was RMB766 million.

Net cash generated from investing activities was RMB954 million, mainly because of the repayments of loans from the ultimate holding company.

Net cash used in financing activities was RMB830 million, mainly due to the 2014 final dividend distributions.

Based on the cash flows during the Reporting Period, the Group has adequate working capital. The Group will continue to strengthen the settlement of trade debts and reduce the use of working capital in operating activities. The Group will also continue to effectively manage the investment risk, as well as expand the scale of investment and increase the return on capital.

(3) Summary of Financial Ratios

The following table sets forth the Group's key financial ratios for the periods indicated:

Key financial ratios	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Net profit margin (%)	8.2	8.3
Return on assets (%) (1)	3.2	3.9
Return on equity (%) (2)	7.2	8.6
Return on invested capital (%) (3)	7.4	8.8

Key financial ratios	As at 30 June 2015	As at 31 December 2014
Gearing ratio (%) (4)	0.0	0.0
Net debt to equity ratio (%) (5)	Net cash	Net cash
Current ratio (%) (6)	1.7	1.7
Quick ratio (%) (7)	1.6	1.6

(1) $$\text{Return on assets} = \frac{\text{Profit for the period}}{\text{(Opening balance of total assets + Closing balance of total assets)/2}}$$

(2) $$\text{Return on equity} = \frac{\text{Profit for the period}}{\text{Total equity at the end of the period}}$$

(3) $$\text{Return on invested capital} = \frac{\text{Earnings before interest and tax (EBIT) x (1 - effective tax rate)}}{\text{Total interest bearing debt - Credit loans + Total equity at the end of period}}$$

(4) $$\text{Gearing ratio} = \frac{\text{Total interest bearing debt}}{\text{Total interest bearing debt + Total equity at the end of period}}$$

(5) $$\text{Net debt to equity ratio} = \frac{\text{Net debt at the end of period}}{\text{Total equity at the end of period}}$$

(6) $$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

(7) $$\text{Quick ratio} = \frac{\text{Current assets - Inventories}}{\text{Current liabilities}}$$

Return on assets

During the Reporting Period, the Group's return on assets decreased from 3.9% for six months ended 30 June 2014 to 3.2% for six months ended 30 June 2015, mainly due to decrease in net profit during the Reporting Period and increase in assets at the end of the Reporting Period.

Return on equity

The Group's return on equity decreased from 8.6% for six months ended 30 June 2014 to 7.2% for six months ended 30 June 2015, mainly due to decrease in net profit during the Reporting Period and increase in total equity at the end of the Reporting Period.

Return on invested capital

The Group's return on invested capital decreased from 8.8% for six months ended 30 June 2014 to 7.4% for six months ended 30 June 2015, for the same reasons as the decrease in return on equity.

Gearing ratio

The Group's gearing ratio is 0, which remained stable as compared with that as at 31 December 2014, since the Group did not have any borrowings as at the end of the Reporting Period.

Net debt to equity ratio

The Group maintained positive net cash as at 30 June 2015 and 31 December 2014.

Current ratio

The Group's current ratio is 1.7, which remained the same as at the beginning of the Reporting Period.

Quick ratio

The Group's quick ratio is 1.6, which remained the same as at the beginning of the Reporting Period.

6 Foreign exchange risk

The Group continued to operate some engineering business overseas and formed foreign currency-denominated receivables, payables and cash balances. In addition, the Company raised funds denominated in foreign currencies by issuing H shares. During the Reporting Period, foreign currencies held by the Group were primarily U.S. dollars, Euros and Saudi riyals. In the future, changes in foreign exchange rates may affect the pricing of the Group's services, as well as its expenditure on the purchase of materials in foreign currency. Fluctuations in foreign exchange rates may influence the Group's business performance and financial position.

7 Employees and remuneration policy

As at the end of the Reporting Period, the Group had a total of 18,497 employees.

The following table sets forth the details of employees based on the different areas of practice as at the end of the Reporting Period.

	As at 30 June 2015	
	Number of Employees	Percentage of the Total Employees (%)
Engineering and Technical Personnel	13,305	71.9
Management Personnel	1,080	5.9
Production Personnel	4,112	22.2
Total	18,497	100.0

The following table sets forth the details of employees in accordance with the employees' level of education as at the end of the Reporting Period.

	As at 30 June 2015	
	Number of Employees	Percentage of the Total Employees (%)
Master Degree	1,485	8.0
Bachelor Degree	7,953	43.0
Tertiary Qualification	3,527	19.1
Others	5,532	29.9
Total	18,497	100.0

During the Reporting Period, the Group maintained good labor relations. The remuneration package of the Group's employees mainly includes salaries, discretionary bonuses and contributions to mandatory social security funds. As required by PRC regulations, the Group has to get involved in various pension schemes, as well as supplemental pension schemes for its employees, including those organized by provincial or municipal governments. The amount of bonuses paid is normally based on the overall performance of the Group's business. During the six months ended 30 June 2015 and 30 June 2014, the Group incurred staff costs of approximately RMB2.219 billion and RMB2.329 billion respectively.


石化四建
大件吊装

SIGNIFICANT EVENTS

1 Corporate governance

During the Reporting Period, the Company complied with all provisions in the Code on Corporate Governance Practices set out in Appendix 14 to the Hong Kong Listing Rules and did not conduct any acts which deviated from such provisions

2 The dividend distribution plan for the six months ended 30 June 2015

The sixteenth meeting of the First Session of the Company's Board of Directors approved that an interim cash dividend of RMB0.114 (inclusive of applicable taxes) per share would be distributed based on 4,428,000,000 shares, being the total share capital of the Company as at 30 June 2015. Since shareholders of the Company have authorised the Board of Directors to decide the interim profit distribution plan of 2015 by ordinary resolution in the 2014 annual general meeting held on 18 May 2015, it is unnecessary to submit above dividend distribution plan to the general meeting of shareholders for review and approval.

The dividend will be denominated and declared in RMB. The holders of Domestic Shares will be paid in RMB and the holders of H Shares will be paid in Hong Kong dollars. The exchange rate for the dividend to be paid in Hong Kong dollars will be the mean of the exchange rates of Hong Kong dollars to RMB as announced by the People's Bank of China during the five business days prior to the date of declaration of the dividend.

For details, please refer to the announcement on "Distribution of 2015 Interim Dividend and Closure of Register of Members for H Shares" dated 31 August 2015.

3 Connected Transactions

Continuing Connected Transactions between the Group and Sinopec Group

During the Reporting Period, the Group has a series of continuing connected transactions or agreements with Sinopec Group, particularly such connected transactions include the following:

(1) the Engineering and Construction Services Framework Agreement;

(2) the Financial Services Framework Agreement;

(3) the Technology R&D Framework Agreement;

(4) the General Services Framework Agreement;

(5) the Land Use Right and Property Lease Framework Agreement;

(6) the Counter-guarantees provided by Sinopec Group;

(7) the Safe Production Insurance; and

(8) the Trademark Licensing Agreement.

Please refer to the section headed "Connected Transactions" in the Company's prospectus dated 10 May 2013, the Company's announcement entitled "Continuing Connected Transactions – Financial Services Framework Agreement" dated 19 August 2013, the contents related to the Financial Services Framework Agreement in the Company's circular to its shareholders dated 10 September 2013 and the Company's announcement entitled "Adjustments to Annual Caps for Continuing Connected Transactions under the Technology R&D Framework Agreement" dated 17 March 2014 for more details.

The Group's Connected Transactions

During the Reporting Period, the aggregate amount of connected transactions incurred on the Group was RMB10.310 billion. In particular, the expenses amounted to RMB662 million and the revenue amounted to RMB9.648 billion (including RMB9.440 billion from the sale of products and services and RMB208 million from interest income).

During the Reporting Period, the engineering and construction services (supply of equipment and materials, procurement services and equipment leasing, technology licensing and other engineering-related services) provided by Sinopec Group to the Group amounted to RMB653 million, which was within the annual cap. The engineering and construction services (preliminary consulting, technology licensing, engineering design, EPC Contracting, construction and equipment manufacturing, etc.) provided by the Group to Sinopec Group amounted to RMB9.381 billion, which was within the annual cap.

During the Reporting Period, the expenses relating to the settlement and other financial services between the Group, Sinopec Finance Co., Ltd. and Sinopec Century Bright Capital Investment Limited were RMB2 million, which was within the annual cap. The daily maximum balance of deposits and interest income was RMB5.836 billion, which was within the annual cap. The daily maximum balance of entrustment loans was RMB10.6 billion, which was within the annual cap.

Under the approval of the tenth meeting of the First Session of the Board of Directors, in 2015 the annual cap for technology R&D services provided for Sinopec Group increased from RMB150 million to RMB200 million. For details, please see the Company's announcement "Increase in the Cap of Annual Continuing Connected Transactions under Technical Research and Development Frame Agreement" dated 17 March 2014. During the Reporting Period, the technology R&D services provided by the Group to Sinopec Group amounted to RMB56 million, within the annual cap.

During the Reporting Period, the counter-guarantees provided by Sinopec Group to the Group amounted to USD100 million, which was within the annual cap.

During the Reporting Period, the general services provided by Sinopec Group to the Group amounted to RMB5 million, which was within the annual cap.

During the Reporting Period, the land use right and property lease contracts provided by the Group to Sinopec Group amounted to RMB3 million, which was within the annual cap.

During the Reporting Period, the land use right and property lease contracts provided by Sinopec Group to the Group amounted to RMB2 million, which was within the annual cap.

In terms of the premium payable under the documents on safe production funds, the amount payable by the Group shall not be less than the amount specified in these documents.

For more information on the transactions related to the major related parties during the Reporting Period, please refer to Note 39 of the Financial Report prepared in accordance with the IFRS in this interim report.

Approval to Provide Counter Guarantee to Sinopec Group

On 10 March 2015, the Company convened the second extraordinary general meeting of 2015, where the proposed provision of counter guarantee to Sinopec Group which would constitute a major transaction and connected transaction was considered and approved. Please refer to the Company's circular to its shareholders dated 23 January 2015 for the details of such counter guarantee.

Views of Independent Non-executive Directors on the abovementioned Continuing Connected Transactions (including Deposits and Entrustment Loan Transactions under the Financial Services Framework Agreement)

The independent non-executive Directors have reviewed and confirmed the abovementioned continuing connected transactions (including deposits and entrustment loans under the Financial Services Framework Agreement), based on the following:

(a) these transactions were entered into in the ordinary and usual course of business of the Company;

(b) one of the following items was met:

  i. the transactions were entered into on normal commercial terms;

  ii. if there were not sufficient comparable transactions to judge whether they are on normal commercial terms, the transactions under the relevant agreements were entered into on terms no less favorable to the Company than terms available to or from independent third parties (as the case may be); or

  iii. if no appropriate assessment can be made to determine whether the transactions meet the conditions under (i) and (ii) above, they are entered into on terms that are fair and reasonable and in the interest of SINOPEC SEG and its shareholders as a whole; and

(c) the amounts under the transactions pursuant to the agreements shall not exceed the respective annual caps.

4 Material Litigation or Arbitration Events

The Company is currently litigating claims which arose in connection with the collapse of a partially completed oil storage tank of the oil and gas storage tank project in Alberta, Canada on 24 April 2007, which resulted in the deaths of two workers and injuries of four others. The case is currently in the evidence exchange and cross-examination phase.

The arbitration case between Sinopec Ningbo Engineering Company Limited, a wholly-owned subsidiary of the Company, and INEOS USA LLC filed by INEOS USA LLC at the Arbitration Institute of the Stockholm Chamber of Commerce has been suspended and the two parties are negotiating settlement.

There were no other material litigation or arbitration events during the Reporting Period.

5 Other Material Contracts

Save as disclosed in this interim report, the Group had no other contracts of significance which should be disclosed, during the Reporting Period.

6 Repurchase, Sale and Redemption of Shares

During the Reporting Period, the Group did not repurchase, sell or redeem any listed securities of the Company.

7 Reserves

During the Reporting Period, movements in the reserves of the Group were as set out in the Consolidated Statement of Changes in Shareholders' Equity of the financial report, which was prepared in accordance with the IFRS, in the interim report.

8 Use of IPO Proceeds

During the Reporting Period, the Group's total amount of proceeds used was RMB20 million, mainly for the construction and equipment manufacturing projects of the research and development centre for engineering technology. As of the end of the Reporting Period, the Group's total amount of proceeds used was RMB3.065 billion, and by the end of the Reporting Period, the net amount of funds raised was approximately HK$9.732 billion.

9 Assets Transactions

During the Reporting Period, the Group had no significant assets transactions other than in the ordinary and usual course of business.

10 Insolvency and Restructuring

During the Reporting Period, the Group was not involved in any insolvency or restructuring matters.

11 Significant Trusteeship, Contracting and Lease

During the Reporting Period, the Group was not involved in significant trusteeship, the contractingand lease of any other company's assets, nor placing its assets to or under any other companies' trusteeship, contracting or lease which would require disclosure.

12 Significant Acquisitions and Disposal

During the Reporting Period, the Group had no substantial acquisition or disposal.

13 Pledged Assets

During the Reporting Period, the Group had no pledged assets.

14 Debt

There were no interest-bearing debts as at the end of the Reporting Period.

15 Review of interim report

The audit committee of the Company (the "Audit Committee") has reviewed this interim report. The Audit Committee has not expressed any dissent concerning the financial statements in the interim report.

The Audit Committee is comprised of all independent non-executive Directors, namely, Mr. YE Zheng, Mr. HUI Chiu Chung, Stephen and Mr. JIN Yong. Among them, Mr. YE Zheng has the appropriate professional qualifications (including being a member of the Hong Kong Institute of Certified Public Accountants) and more than 19 years of experience in auditing, internal control and consultancy.

16 Other important matters

During the Reporting Period, none of the Company, the Board or the Directors was punished by administrative means or criticized through circular by Hong Kong Securities and Futures Commission or publicly condemned by the Hong Kong Stock Exchange.

DIRECTORS, SUPERVISORS AND OTHER SENIOR MANAGEMENT MEMBERS

As at 30 June 2015, members of the Company's Board of Directors, Board of Supervisors and the other members of the senior management are as follows:

(1) Directors

The members of the first session of the Board of Directors

Name	Gender	Age	Position in the Company	Term of Office as Director
ZHANG Jianhua [(2)]	Male	50	Chairman of the Board and Non-executive Director	January 2015 - August 2015
LU Dong[(2)]	Male	52	Vice Chairman of the Board and Executive Director	January 2015 - August 2015
YAN Shaochun	Male	50	Executive Director and President	April 2013 - August 2015
LI Guoqing	Male	57	Non-executive Director	May 2014 - August 2015
SUN Lili[(3)]	Female	53	Executive Director	January 2015 - August 2015
WU Derong[(3)]	Male	54	Executive Director	January 2015 - August 2015
HUI Chiu Chung, Stephen	Male	68	Independent non-executive Director	April 2013 - August 2015
JIN Yong	Male	79	Independent non-executive Director	April 2013 - August 2015
YE Zheng	Male	50	Independent non-executive Director	April 2013 - August 2015

Notes: (1) Due to job adjustment, Mr. CAI Xiyou, Mr. LEI Dianwu, Mr. LING Yiqun and Mr. CHANG Zhenyong have no longer served as Directors since January 2015.

(2) On 12 January 2015, Mr. ZHANG Jianhua and Mr. LU Dong were elected as Directors at the first extraordinary general meeting of the Company for the year 2015, and it was approved at the fourteenth meeting of the First Session of the Board that Mr. ZHANG Jianhua was appointed as the Chairman of the Board, and Mr. LU Dong was appointed as the Vice Chairman of the Board.

(3) On 12 January 2015, Ms. SUN Lili and Mr. WU Derong were elected as employee representative Directors through democratic procedures.

(2) Supervisors

The members of the first session of the Supervisory Committee

Name	Gender	Age	Position in the Company	Term of Office as Supervisor
DENG Qunwei[(6)]	Female	44	Chairman of the Supervisory Committee	May 2015 - August 2015
ZHOU Yingguan	Male	46	Supervisor	January 2015 - August 2015
WANG Guoliang	Male	55	Supervisor	January 2015 - August 2015
ZHU Fei	Male	50	Employee Representative Supervisor	January 2015 - August 2015
JIANG Dejun	Male	49	Employee Representative Supervisor	January 2015 - August 2015
XU Yijun	Male	51	Employee Representative Supervisor	January 2015 - August 2015

Notes:
(1) Due to job adjustment, Mr. ZHANG Jixing, Mr. ZOU Huiping, Mr. GENG Limin, Mr. ZHU Jinbao, Mr. WANG Renli and Mr. WANG Yuejie have no longer served as Supervisors since January 2015.
(2) On 12 January 2015, Mr. ZHOU Yingguan, Mr. FAN Jixian and Mr. WANG Guoliang were elected as Supervisors at the first extraordinary general meeting of the Company for the year 2015.
(3) On 12 January 2015, Mr. ZHU Fei, Mr. JIANG Dejun and Mr. XU Yijun were elected as the employee representative Supervisors through democratic procedures.
(4) Due to job adjustment, Mr. GUAN Qingjie has no longer served as a Supervisor since March 2015.
(5) Due to job adjustment, Mr. FAN Jixian resigned from his position as supervisor of the Company in March 2015. Mr. FAN Jixian shall continue to perform his duties as supervisor in accordance with the relevant laws, regulations and the Articles of Association until a new supervisor is elected. The company shall nominate a new supervisor soon, and submit their candidacy to the Board of Supervisor, Board of Directors and the Company's general meeting of shareholders for consideration.
(6) In May 2015, Ms. DENG Qunwei was elected as a Supervisor at the annual general meeting of the Company for the year 2014, and was approved at the ninth meeting of the First Session of the Supervisory Committee to be appointed as the Chairman of the Supervisory Committee.

(3) Other members of senior management

The members of senior management

Name	Gender	Age	Position in the Company	Date of Taking Office
YAN Shaochun	Male	50	Executive Director and President	April 2013
XIAO Gang	Male	56	Vice President	August 2012
XIANG Wenwu	Male	49	Vice President	August 2012
GUAN Qingjie	Male	56	Labor Union Chairman	August 2012
QI Guosheng	Male	54	Vice President	November 2014
JIA Yiqun	Male	47	Chief Financial Officer	August 2012
SANG Jinghua	Male	47	Vice President Secretary to the Board Company Secretary	May 2014 August 2012 December 2012
SUN Xiaobo	Male	54	Vice President	May 2014

Equity capital of directors, supervisors and members of senior management of the Company

During the Reporting Period, so far as was known to the directors of the Company, none of the directors, supervisors, other members of senior management and their respective associates had any interests or short positions in any shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under Appendix 10 to the Hong Kong Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange. After specific inquiries made by the Company, all directors confirmed that they have complied with the standards of the Model Code during the Reporting Period.

FINANCIAL STATEMENTS

Grant Thornton
致同

Independent Auditor's Report

To the Shareholders of SINOPEC Engineering (Group) Co., Ltd.

(Established in the People's Republic of China with limited liability)

We have audited the consolidated interim financial statements of SINOPEC Engineering (Group) Co., Ltd. (the "Company") and its subsidiaries (together the "Group") set out on pages 64 to 123, which comprise the consolidated statement of financial position as at 30 June 2015, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated interim financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and for such internal control as the directors determine is necessary to enable the preparation of consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated interim financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated interim financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated interim financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated interim financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated interim financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated interim financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated interim financial statements give a true and fair view of the state of affairs of the Group as at 30 June 2015 and of the Group's financial results and cash flows for the six-month period then ended in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

Grant Thornton Hong Kong Limited

Certified Public Accountants

Level 12

28 Hennessy Road

Wanchai

Hong Kong

28 August 2015

Shaw Chi Kit

Practising Certificate No.: P04834

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June	
		2015	2014
		RMB'000	RMB'000
Revenue	6	20,905,016	22,649,791
Cost of sales		(17,884,400)	(19,620,895)
Gross profit		3,020,616	3,028,896
Other income	8	51,978	115,760
Selling and marketing expenses		(42,196)	(48,823)
Administrative expenses		(473,621)	(455,115)
Research and development costs		(459,712)	(312,295)
Other operating expenses		(175,148)	(96,392)
Other gains - net	9	554	295
Operating profit		1,922,471	2,232,326
Finance income	10	238,615	301,042
Finance expenses	10	(47,570)	(55,589)
Finance income - net		191,045	245,453
Share of (losses)/profits of joint arrangements	19(a)	(265)	1,314
Share of profits of associates	19(b)	5,607	5,518
Profit before taxation	11	2,118,858	2,484,611
Income tax expense	12	(408,070)	(607,068)
Profit for the period		1,710,788	1,877,543

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

	Note	Six months ended 30 June	
		2015	2014
		RMB'000	RMB'000
Other comprehensive loss for the period, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Fair value losses on available-for-sale financial assets		—	(776)
Exchange differences arising on translation of foreign operations		(563)	(6,793)
		(563)	(7,569)
Item that will not be reclassified subsequently to profit or loss:			
Losses on revaluation of retirement benefit plans obligations		(19,044)	(111,673)
Other comprehensive loss for the period, net of tax		(19,607)	(119,242)
Total comprehensive income for the period		1,691,181	1,758,301
Profit attributable to:			
Equity holders of the Company		1,710,683	1,877,478
Non-controlling interests		105	65
Profit for the period		1,710,788	1,877,543
Total comprehensive income attributable to:			
Equity holders of the Company		1,691,076	1,758,236
Non-controlling interests		105	65
Total comprehensive income for the period		1,691,181	1,758,301
		RMB	RMB
Earnings per share for profit attributable to equity holders of the Company during the period (expressed in RMB per share) – Basic and diluted	13	0.39	0.42

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2015	As at 31 December 2014
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	3,962,157	4,089,588
Land use rights	17	2,776,404	2,807,632
Intangible assets	18	345,847	384,847
Investment in joint arrangements	19(a)	7,551	7,812
Investment in associates	19(b)	110,820	105,213
Available-for-sale financial assets	20	2,750	2,750
Deferred income tax assets	35	665,804	654,489
Total non-current assets		7,871,333	8,052,331
Current assets			
Inventories	24	1,693,081	1,623,654
Notes and trade receivables	21	13,080,835	11,076,064
Prepayments and other receivables	22	6,091,326	5,368,153
Amounts due from customers for contract work	23	7,182,569	6,656,897
Loans due from the ultimate holding company	25	8,600,000	9,600,000
Restricted cash	26	32,769	25,644
Time deposits	27	611,360	500,000
Cash and cash equivalents	28	10,052,329	9,181,852
Total current assets		47,344,269	44,032,264
Total assets		55,215,602	52,084,595

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Note	As at 30 June 2015	As at 31 December 2014
		RMB'000	RMB'000
EQUITY			
Share capital	29	4,428,000	4,428,000
Reserves	30	19,304,156	18,441,116
Consolidated equity attributable to equity holders of the Company		23,732,156	22,869,116
Non-controlling interests		3,563	3,458
Total equity		23,735,719	22,872,574
LIABILITIES			
Non-current liabilities			
Retirement and other supplemental benefit obligations	31	2,488,801	2,529,913
Provision for litigation claims	32	281,880	302,094
Deferred income tax liabilities	35	31,212	32,064
Total non-current liabilities		2,801,893	2,864,071
Current liabilities			
Notes and trade payables	33	13,161,961	12,287,138
Other payables	34	8,372,839	7,827,395
Amounts due to customers for contract work	23	7,055,825	6,014,636
Current income tax liabilities		87,365	218,781
Total current liabilities		28,677,990	26,347,950
Total liabilities		31,479,883	29,212,021
Total equity and liabilities		55,215,602	52,084,595
Net current assets		18,666,279	17,684,314
Total assets less current liabilities		26,537,612	25,736,645

Approved and authorised for issue by the Board of Directors on 28 August 2015.

Chairman of the Board: **ZHANG Jianhua** Director, President: **YAN Shaochun** Chief Financial Officer: **JIA Yiqun**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company									
	Share capital	Capital reserve	Statutory surplus reserve	Investment revaluation reserve	Specific reserve	Exchange translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000 (Note 29)	RMB'000 (Note 30)	RMB'000 (Note 30)	RMB'000 (Note 30)	RMB'000 (Note 30)	RMB'000 (Note 30)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	4,428,000	10,118,960	191,517	11,484	123,788	1,549	6,101,416	20,976,714	3,627	20,980,341
Profit for the period	—	—	—	—	—	—	1,877,478	1,877,478	65	1,877,543
Other comprehensive income:										
Fair value change of available-for-sale financial assets - gross	—	—	—	(1,034)	—	—	—	(1,034)	—	(1,034)
Fair value change of available-for-sale financial assets - tax	—	—	—	258	—	—	—	258	—	258
Defined benefits obligation revaluation of actuarial gain and loss - gross	—	—	—	—	—	—	(144,616)	(144,616)	—	(144,616)
Defined benefits obligation revaluation of actuarial gain and loss - tax	—	—	—	—	—	—	32,943	32,943	—	32,943
Exchange differences arising on translation of foreign operations	—	—	—	—	—	(6,793)	—	(6,793)	—	(6,793)
Total comprehensive income	—	—	—	(776)	—	(6,793)	1,765,805	1,758,236	65	1,758,301
Transactions with owners:										
Final dividends for 2013	—	—	—	—	—	—	(841,320)	(841,320)	—	(841,320)
Appropriation of specific reserve	—	—	—	—	64,659	—	(64,659)	—	—	—
Utilisation of specific reserve	—	—	—	—	(42,292)	—	42,292	—	—	—
Total transactions with owners	—	—	—	—	22,367	—	(863,687)	(841,320)	—	(841,320)
At 30 June 2014	4,428,000	10,118,960	191,517	10,708	146,155	(5,244)	7,003,534	21,893,630	3,692	21,897,322

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

	Attributable to equity holders of the Company									
	Share capital	Capital reserve	Statutory surplus reserve	Investment revaluation reserve	Specific reserve	Exchange translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000 (Note 29)	RMB'000 (Note 30)	RMB'000 (Note 30)	RMB'000 (Note 30)	RMB'000 (Note 30)	RMB'000 (Note 30)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015	4,428,000	10,119,313	364,707	—	152,695	5,115	7,799,286	22,869,116	3,458	22,872,574
Profit for the period	—	—	—	—	—	—	1,710,683	1,710,683	105	1,710,788
Other comprehensive income:										
Defined benefits obligation revaluation of actuarial gain and loss - gross	—	—	—	—	—	—	(23,644)	(23,644)	—	(23,644)
Defined benefits obligation revaluation of actuarial gain and loss - tax	—	—	—	—	—	—	4,600	4,600	—	4,600
Exchange differences arising on translation of foreign operations	—	—	—	—	—	(563)	—	(563)	—	(563)
Total comprehensive income	—	—	—	—	—	(563)	1,691,639	1,691,076	105	1,691,181
Transactions with owners:										
Final dividends for 2014	—	—	—	—	—	—	(828,036)	(828,036)	—	(828,036)
Appropriation of specific reserve	—	—	—	—	53,279	—	(53,279)	—	—	—
Utilisation of specific reserve	—	—	—	—	(30,770)	—	30,770	—	—	—
Total transactions with owners	—	—	—	—	22,509	—	(850,545)	(828,036)	—	(828,036)
At 30 June 2015	4,428,000	10,119,313	364,707	—	175,204	4,552	8,640,380	23,732,156	3,563	23,735,719

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended 30 June	
		2015	2014
		RMB'000	RMB'000
Cash flows from operating activities			
Cash generated from operations	37	1,278,476	37,535
Income tax paid		(553,020)	(508,556)
Interest received		40,610	124,780
Net cash generated from/(used in) operating activities		766,066	(346,241)
Cash flows from investing activities			
Purchase of property, plant and equipment		(125,740)	(160,098)
Purchase of intangible assets		(7,601)	(10,304)
Purchase of land use rights		(127)	(11,683)
Investment in joint arrangements		(750)	—
Interest income on the loans to the ultimate holding company		198,005	176,262
Proceeds from disposal of property, plant and equipment		1,161	1,531
Proceeds from disposal of land use rights		596	—
Dividends received from joint arrangements		746	1,216
Net (increase)/decrease in time deposits		(112,111)	2,520,265
Loans to the ultimate holding company		(5,600,000)	(5,500,000)
Repayments of loans from the ultimate holding company		6,600,000	6,000,000
Net cash generated from investing activities		954,179	3,017,189
Cash flows from financing activities			
Borrowings from fellow subsidiaries		490,660	653,725
Repayments of borrowings from fellow subsidiaries		(490,660)	(653,725)
Interest paid		(2,039)	(952)
Dividends paid		(828,036)	(841,320)
Net cash used in financing activities		(830,075)	(842,272)
Net increase in cash and cash equivalents		890,170	1,828,676
Cash and cash equivalents at beginning of period		9,181,852	5,514,490
Exchange losses on cash and cash equivalents		(19,693)	(29,177)
Cash and cash equivalents at end of period	28	10,052,329	7,313,989

Notes To The Interim Financial Statements

For the six-month period ended 30 June 2015

1. Principal Activities, Organisation and Reorganisation

1.1 Principal activities

SINOPEC Engineering (Group) Co., Ltd. (中石化煉化工程(集團)股份有限公司, the "Company") and its subsidiaries (together, the "Group") is principally engaged locally and overseas in (1) engineering, consulting and licensing, (2) EPC Contracting, (3) construction and (4) equipment manufacturing in respect of oil refining, petrochemical engineering, storage and transportation.

1.2 Organisation and reorganisation

The Company was established as a company with limited liability under the name of Sinopec Engineering Co., Ltd (中國石化集團煉化工程有限公司) in the People's Republic of China (the "PRC") on 24 July 2007 under the Company Law of the PRC. The address of the Company's registered office is A6 Huixindong Street, Chaoyang District, Beijing, the PRC.

The directors of the Company (the "Directors") regard China Petrochemical Corporation (中國石油化工集團公司, "Sinopec Group") as being the ultimate holding company of the Group, which is owned and controlled by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

These consolidated interim financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

Pursuant to a reorganisation of engineering, consulting and licensing, EPC Contracting, construction and equipment manufacturing in respect of oil refining, petrochemical engineering, storage and transportation of Sinopec Group in preparation for the primary listing (the "Listing") of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") (the "Reorganisation"), Sinopec Group transferred the equity interests of its refining and engineering entities to the Company and the Company became the holding company of the subsidiaries now comprising the Group. The Company then transformed into a joint stock company with limited liability and renamed as SINOPEC Engineering (Group) Co., Ltd. (中石化煉化工程(集團)股份有限公司) on 28 August 2012.

Subsequent to the above reorganisation transactions which were completed in April 2012, the Company was transformed into a joint stock company with limited liability on 28 August 2012.

The Company has completed its listing on the Main Board of the Hong Kong Stock Exchange on 23 May 2013.

2. Basis of Preparation

The interim financial statements set out in this report have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (the "IASB"). These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

The interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, which are carried at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5 below.

3. Summary of Significant Accounting Policies (Continued)

The principal accounting policies applied in the preparation of the consolidated interim financial statements are set out below.

3.1 New and revised IFRS

The IASB has issued a number of new and revised IFRS. The Group has adopted all these new and revised IFRSs, which are effective for the accounting period beginning on or after 1 January 2015:

Annual Improvements Project	Annual Improvements 2010-2012 Cycle
Annual Improvements Project	Annual Improvements 2011-2013 Cycle
IAS 19 Amendment	Defined Benefit Plans: Employee Contributions

The adoption of the amended IFRS had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

The revised and new accounting standards issued but not yet effective for the accounting period ended 30 June 2015 which are relevant to the Group but the Group has not early adopted are set out below:

IAS 27 Amendment	Equity Method in Separate Financial Statements[1]
IFRS 9	Financial Instruments[2]
IFRS 15	Revenue from Contracts with Customers[2]
Annual Improvements Project	Annual Improvements 2012-2014 Cycle[1]

[1] Accounting periods beginning on or after 1 January 2016

[2] Accounting periods beginning on or after 1 January 2018

The Group is yet to assess IFRS 15's full impact. Other than that, none of the non effective IFRS or interuputation from IFRS interuputation committee is expected to have material impact on the Group's accounting policies and Group's financial statements.

3.2 Consolidation

Subsidiaries

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that the Group ceases control.

The transfer/acquisition of equity interests in subsidiaries which are regarded as common control combinations are accounted for in a manner similar to a uniting of interests. Assets and liabilities are transferred at book value, adjusted only to harmonise accounting policies, and no goodwill arises. Any difference between the consideration given and the aggregate book value of the assets and liabilities acquired (as of the date of the transaction) is included in equity. The financial statements incorporate the acquired entity's results as if both entities (acquirer and acquiree) had always been combined. Consequently, the financial statements reflects both entities' full year's results, even though the business combination may have occurred part of the way throughout the year. In addition, the corresponding amounts for the previous year also reflect the combined results of both entities, even though the transaction did not occur until the current year.

The acquisition method of accounting is used to account for business combinations other than common control combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interests in the acquiree either at fair value or at the non-controlling interests' proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

3. Summary of Significant Accounting Policies (Continued)

3.2 Consolidation (Continued)

Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity holders of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying value for the purposes of subsequent accounting for the retained interest as an associate, joint arrangement or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Joint Arrangements

A joint arrangement is an arrangement which operates under a contractual arrangement between the Group and other parties, where the contractual arrangement establishes the Group and other parties have joint control of the arrangement.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Assets, liabilities, revenue and expenses of a joint operation are apportioned between the joint operators in accordance with the agreement.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Group recognises its interest in a joint venture using the equity method. The equity method is detailed in accounting policies of interests in associates. The unrealised gains and losses will be eliminated in accordance with the Group's share of the interests in the joint venture if the Group enters into transactions with the joint venture.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss (Note 3.8).

The Group's shares of its associates' post-acquisition profits or losses is recognised in the consolidated statement of comprehensive income and its share of post acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amounts of the investments. When the Group's share of losses in an associate equals or exceeds its interest in the associates, including any other unsecured receivables, the Group does not recognise further losses, unless the Group has incurred obligations or made payments on behalf of the associates.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains and losses arising in investments in associates are recognised in the consolidated statement of comprehensive income.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

3.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors and certain senior management (including chief financial officer) (together referred to as the "Senior Management") that makes strategic decisions.

3. Summary of Significant Accounting Policies (Continued)

3.4 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the entities within the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in RMB, which is the Group's functional currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within "other income" and "other operating expenses".

Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) all resulting exchange differences are recognised in other comprehensive income.

3.5 Property, plant and equipment

Property, plant and equipment, except for construction-in-progress ("CIP"), are stated at historical cost less accumulated depreciation and accumulated impairment loss. Historical cost includes expenditures that are directly attributable to the acquisition of the items, including the purchase price, import duties, non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as separate assets, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings and other facilities	12-40 years
Plant and machinery, transportation equipment and other equipment	4-20 years

CIP represents buildings and plant under construction and is stated at cost less accumulated impairment loss. Cost includes costs of construction of buildings, cost of plant and other direct costs. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to the relevant asset categories and depreciated in accordance with the policy as stated above.

The assets' residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.8).

Gains or losses on disposals are determined by comparing the proceeds on disposal with the carrying amount and are included within "other gains - net" in the consolidated statement of comprehensive income.

3. Summary of Significant Accounting Policies (Continued)

3.6 Land use rights

Land use rights represent upfront prepayments made for the land use rights at historical cost, and are expensed in the consolidated statement of comprehensive income on a straight-line basis over the terms of the leases. Whenever there is impairment, the impairment is recognised in the consolidated statement of comprehensive income.

3.7 Intangible assets

Computer software

Acquired computer software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 4 to 6 years, and recorded in 'depreciation and amortisation' within operating expenses in the consolidated statement of comprehensive income.

Patent and proprietary technologies

Patents and proprietary technologies are initially recorded at cost. These intangibles assets are amortised on a straight-line basis over their estimated useful lives of 5 to 10 years.

3.8 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

3.9 Financial assets

Classification

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Group's loans and receivables primarily include "Notes and trade receivables", "Other receivables", "Loans due from the ultimate holding company", "Restricted cash", "Time deposits" and "Cash and cash equivalents" in the statement of financial position.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months after the end of the reporting period.

3. Summary of Significant Accounting Policies (Continued)

3.9 Financial assets (Continued)

Recognition and measurement

Regular purchases and sales of financial assets are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of each reporting period subsequent to initial recognition. An impairment loss is recognised in the consolidated statement of comprehensive income when there is objective evidence that the asset is impaired. Such impairment losses will not reverse in subsequent periods.

Changes in the fair value of available-for-sale investments are recognised in other comprehensive income. When available-for-sale investments are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated statement of comprehensive income. Dividends on available-for-sale equity instruments are recognised in the consolidated statement of comprehensive income when the right of the Group to receive payments is established. Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated statement of comprehensive income as part of other income. Dividends on available-for-sale equity instruments are recognised in the consolidated statement of comprehensive income as part of other income when the Group's right to receive payments is established.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale investments, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investments previously recognised in the consolidated statement of comprehensive income — is removed from equity and recognised in the consolidated statement of comprehensive income. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income. Impairment loss on the available-for-sale investment is measured as the difference between the carrying amount of the investment and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

3.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Inventories are expensed to relevant operating expenses when used, sold or capitalised to property, plant and equipment when installed, as appropriate, using moving weighted average method. The cost of finished goods and work-in-progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

3. Summary of Significant Accounting Policies (Continued)

3.11 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amounts of the assets are reduced through the use of allowance accounts, and the amount of the provision is recognised in the consolidated statement of comprehensive income. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of comprehensive income.

3.12 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

3.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has contractual or an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

3.15 Payables

Payables primarily include accounts payable and accrued liabilities, and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.16 Employee benefits

Pension obligations

The full-time employees of the Group in the PRC are covered by various government-sponsored pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

The Group also provides supplementary pension subsidies to certain employees in the PRC. Such supplementary pension subsidies are considered to be defined benefit plans as the Group is obligated to provide post-employment benefits to these employees. The liability recognised in the consolidated statement of financial position in respect of these defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent qualified actuaries using the projected unit credit method. Net interests are recognised to the profit or loss and are calculated by the discount rate, which is determined by reference to the market yields of the high-quality government bonds at the end of the reporting period, multiplied the net defined benefit liabilities or assets at each of the beginning of the reporting period. The differences between the actual return on plan assets and with the passage of time in the plan assets are recognised in other comprehensive income.

The Group has various defined contribution plans in accordance with the local conditions and practices in the municipalities and provinces in which they operate. Defined contribution plans are pension and/or other social benefit plans under which the Group pay fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods. The contributions are recognised as labour costs when they are due.

3. Summary of Significant Accounting Policies (Continued)

3.16 Employee benefits (Continued)

Other post-employment obligations

Some of the companies comprising the Group provide post-retirement medical benefits to their retired employees. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. These obligations are valued annually by independent qualified actuaries.

Termination and early retirement benefits

Termination and early retirement benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination and early retirement benefits when it is demonstrably committed to either: (i) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or (ii) providing termination benefits as a result of an offer made to encourage voluntary redundancy. The specific terms vary among the terminated and early retired employees depending on various factors including position, length of service and district of the employee concerned. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Housing benefits

The Group contributes to the state-prescribed housing fund. Such costs are charged to the consolidated statement of comprehensive income as incurred. Apart from those described above, the Group does not have other legal or constructive obligations over such benefits.

Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present contractual or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

3.17 Taxation

Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Income tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the income tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint arrangements and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and deferred income tax liabilities are offset when meeting all the conditions below:

- The Group has the legally enforceable right to settle current income tax assets and current income tax liabilities; and
- The deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3. Summary of Significant Accounting Policies (Continued)

3.17 Taxation (Continued)

Value-added taxation ("VAT")

Sales of goods of the Group are subjected to VAT. VAT payable is determined by applying 17% on the taxable revenue arising from sales of goods and applying 6% on the taxable revenue arising from provision of engineering, consulting and licensing service in certain regions after offsetting deductible input VAT of the period.

Business tax

Revenue resulting from providing construction services and design service in certain regions is subject to business tax at 3% or 5% of gross service income.

3.18 Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of the obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the financial statements unless the probability of outflow of resources embodying economic benefits is remote. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is not recognised in the financial statements unless virtually certain but disclosed when an inflow of economic benefits is probable.

3.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3.20 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

3. Summary of Significant Accounting Policies (Continued)

3.21 Contract work

Contract costs are recognised as expense in the period in which they are incurred.

When the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

When the outcome of a contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Variation in contract work, claims and incentive payments are included in the contract revenue to the extent that it is probable that they are capable of being reliably measured according to customers' agreements.

The Group uses the "percentage of completion method" to determine the appropriate amount of profit to be recognised in a given period. Depending on the nature of the contract, the stage of completion is based on (a) percentage of work performed to date as a percentage of total contract value, or (b) the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the period in connection with the future activity of a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories or prepayments, depending on their nature.

Contract work-in-progress is valued at the cost of the work done, plus the expected profit upon completion of the project in proportion to the progress made and less progress billings and provisions. Provisions are recognised for expected losses on contract work-in-progress, as soon as they are foreseen, and deducted from the cost. The cost includes direct project costs, materials costs, costs of subcontracted work, other directly attributable costs, rental charges and maintenance costs for the equipment used. The project progress is determined on the basis according to the preceding paragraph. Profits are not recognised unless a reliable estimate can be made of the result on completion of the project. The balance of the value of contract work-in-progress and progress billings is determined on a project to project basis.

Where contract costs incurred plus recognised profits less recognised losses exceed progress billings, "amounts due from customers for contract work" is accounted for as an asset.

For contracts where progress billings exceed contract costs incurred plus recognised profits less recognised losses, "amounts due to customers for contract work" is accounted for as a liability.

3.22 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the construction contracts and sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from construction and service contracts

When the outcome of a contract can be estimated reliably, revenue from construction and service contracts is recognised under the percentage of completion method. Depending on the nature of the contract, the stage of completion is based on (a) percentage of work performed to date as a percentage of total contract value, or (b) the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable and such contract costs is recognised as an expense in the period in which they are incurred.

Variation in contract work, claims and incentive payments are included in the contract revenue to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in the consolidated statement of comprehensive income in the period in which the circumstances that give rise to the revision become known by management.

3. Summary of Significant Accounting Policies (Continued)

3.22 Revenue recognition (Continued)

Services rendered

Revenue for services rendered mainly includes technological development, engineering, consultation and supervision is recognised when services are rendered and when it is probable that the economic benefits associated with the transaction will flow to the entity.

Sales of products

Sales of products are recognised when significant risks and rewards of ownership of the goods are transferred to the customers, and the customer has accepted the products and collectability of the related receivables is reasonably assured.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

3.23 Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

(i) it is technically feasible to complete the intangible asset so that it will be available for use or sale;

(ii) management intends to complete the intangible asset and use or sell it;

(iii) there is an ability to use or sell the intangible asset;

(iv) it can be demonstrated how the intangible asset will generate probable future economic benefits;

(v) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and

(vi) the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life.

3.24 Dividend distribution

Dividend distribution to the Group's equity holders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Group's equity holders or directors, where appropriate.

3. Summary of Significant Accounting Policies (Continued)

3.25 Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because of a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract is recognised initially at fair value, and subsequently measured (unless they are designated at fair value through profit or loss) at higher of (i) the amount determined in accordance with IAS 37, "Provision, Contingent Liabilities and Contingent Assets", and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised over the life of the guarantee on a straight-line basis.

3.26 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to the statement of comprehensive income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

4. Financial and Capital Risks Management

The Group works out general principles for overall risk management, including management of financial risks, as well as management policies covering specific areas. In considering the importance of risks, the Group identifies and evaluates risks at head office and individual subsidiary level, and requires analysis and proper communication for the information collected periodically.

4.1 Financial risk management

The activities of the Group expose them to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The overall risk management program of the Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on financial performance of the Group.

(a) Market risk

Foreign exchange risk

The functional currency of the entities within the Group is RMB and most of the transactions are settled in RMB.

The Group carries out operations outside the PRC where transactions are usually denominated in the United States Dollars ("USD") and Euro ("EUR") which are translated into RMB at the prevailing exchange rates on the dates of the transactions.

The Group is exposed to currency risk primarily through provision of engineering contracting services which give rise to trade and other receivables, trade and other payables, restricted cash, time deposits and cash and cash equivalents that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies that give rise to this risk are primarily in USD and EUR as at 30 June 2015 and 31 December 2014.

On the other hand, RMB is not a freely convertible currency and the PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. Changes in the foreign exchange control system may prevent the Group from satisfying sufficient foreign currency demands.

4. Financial and Capital Risks Management (Continued)

4.1 Financial risk management (Continued)

(a) Market risk (Continued)

Foreign exchange risk (Continued)

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than RMB to which they relate.

At 30 June 2015	USD	EUR	Others
	RMB'000	RMB'000	RMB'000
Restricted cash, time deposits and cash and cash equivalents	6,198,274	154,845	161,093
Trade and other receivables	1,217,095	—	344,168
Trade and other payables	(244,276)	(1,396)	(519,575)
Net exposure in RMB	7,171,093	153,449	(14,314)

At 31 December 2014	USD	EUR	Others
	RMB'000	RMB'000	RMB'000
Restricted cash, time deposits and cash and cash equivalents	5,547,609	161,427	82,660
Trade and other receivables	923,250	94	315,863
Trade and other payables	(279,189)	(1,515)	(597,250)
Net exposure in RMB	6,191,670	160,006	(198,727)

A 5% strengthening of RMB against the USD and EUR as at 30 June 2015 and 31 December 2014 would have changed the equity and net profit by the amounts shown below:

	As at 30 June 2015	As at 31 December 2014
	RMB'000	RMB'000
Increase/(Decrease) in equity and net profit		
– USD	(268,916)	(232,188)
– EUR	(5,754)	(6,000)

A 5% weakening of RMB as at 30 June 2015 and 31 December 2014 would have had the equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of the next annual reporting period. The analysis is performed on the same basis at the relevant period.

Interest rate risk

The Group's ordinary income and operating cash flows are substantially independent of changes in market interest rates. The interests arise from the loans between the Group and the ultimate holding company and fellow subsidiaries and time deposits are mainly based on fixed interest rate.

4. Financial and Capital Risks Management (Continued)

4.1 Financial risk management (Continued)

(a) Market risk (Continued)

Price risk

The Group is not exposed to equity securities price risk because the Group's equity securities investments are classified as available-for-sale financial assets which are stated at costs less any identified impairment losses.

(b) Credit risk

The Group's credit risk is primarily attributable to restricted cash, time deposits, cash and cash equivalents, trade and other receivables and other current assets.

Substantially all of the Group's time deposits and cash and cash equivalents are mainly deposited in the stated-owned/controlled PRC banks which the Directors have assessed the credit risk to be insignificant.

The Group has policies in place to ensure that services are rendered and products are sold to customers with appropriate credit history and the Group reforms periodic credit evaluations of its customers. Normally the Group does not require collaterals from trade debtors.

Regarding balances with related parties, the Group assesses the credibility of the related parties by reviewing the operating results and gearing ratios periodically.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

Management monitors the cash flow forecasts of the Group in meeting its liabilities.

The table below analyses the Group's non-derivative financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period from the end of the reporting period to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Weighted average effective interest rate	Within 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 30 June 2015							
Trade and other payables	**N/A**	**14,044,625**	**—**	**—**	**—**	**14,044,625**	**14,044,625**

	Weighted average effective interest rate	Within 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2014							
Trade and other payables	N/A	13,233,054	—	—	—	13,233,054	13,233,054

4. Financial and Capital Risks Management (Continued)

4.2 Capital risk management

The objectives of the Group when managing capital are to safeguard the ability of the Group in continuing as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debts.

The Group monitors their capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debts are calculated as the total borrowings and other liabilities (including notes and trade payables, other payables (excluding contract deposits advance) and short term borrowings, as shown in the consolidated statement of financial position) less restricted cash, time deposits and cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net debts less non-controlling interests.

	As at 30 June 2015	As at 31 December 2014
	RMB'000	RMB'000
Total borrowings and other liabilities	14,044,625	13,233,054
Less: Restricted cash, time deposits and cash and cash equivalents	(10,696,458)	(9,707,496)
Net debt	3,348,167	3,525,558
Total equity (excluding non-controlling interests)	23,732,156	22,869,116
Total capital	27,080,323	26,394,674
Gearing ratio	12%	13%

4.3 Fair value estimation

Fair value measurements

The Company discloses fair value measurements of financial instruments by level of the following fair value measurement hierarchy:

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

Fair value disclosures

The carrying amounts of the Group's financial assets and liabilities including restricted cash, time deposits, cash and cash equivalents, trade and other receivables and trade and other payables approximate their fair values due to their short maturities. There are no financial assets and liabilities that are measured at fair value as at 30 June 2015 and 31 December 2014.

5. Critical Accounting Estimates and Judgement

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes accounting estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Construction contracts

Revenue from individual contracts is recognised under the percentage of completion method which requires estimations by management. Anticipated losses are fully provided on contracts when identified. Because of the nature of the activity undertaken in construction and engineering business, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods. The Group reviews and revises the estimates of both contract revenue and contract costs (including material costs) in the budget prepared for each contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract. If circumstances arise that may change the original estimates of revenues, costs and extent of progress toward completion, estimates are revised. The revisions may result in increases or decreases in estimated revenues or costs and are reflected in the consolidated statement of comprehensive income in the year in which the circumstances that give rise to the revision become known by management.

(b) Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment (Note 16). This estimate is based on projected wear and tear incurred during the useful life of property, plant and equipment. This could change significantly as a result of technical renovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives or residual values vary with previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Provision for impairment on trade receivables

The Group determines the provision for impairment on trade receivables (Note 21). This estimate is based on the credit history of the customers and the current market condition. Management reassesses the adequacy of provision on a regular basis by reviewing the individual account based on past credit history and any prior knowledge of debtor insolvency or other credit risk which might not be easily accessible public information and market volatility might bear a significant impact which might not be easily ascertained.

(d) Current taxation and deferred taxation

The Group pays income tax in various regions. There are various uncertainties on the ultimate income tax treatments for many transactions and events arising from normal operating activities, overall assets transfers and corporate restructuring. The Group has to make critical accounting judgments when calculating income tax expense in different regions. In the event that the finalised amounts recognised for such tax events are different from those originally recorded, this could result in material adjustments to income tax expense and deferred income tax.

The estimates of deferred income tax assets (Note 35) require estimates over future taxable profit and corresponding applicable income tax rates of respective years. The change in future income tax rates and timing would affect income tax expense or benefit, as well as deferred income tax balance. The realisation of deferred income tax assets also depends on the realisation of sufficient profitability (taxable profit) of the Group. Deviation of future profitability from the estimate could result in material adjustments to the carrying amount of deferred income tax assets. Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation in the periods in which such estimates are changed.

(e) Pension obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for provisions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of corporate securities which have maturity approximating to the terms of the related pension liability. Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 31.

5. Critical Accounting Estimates and Judgement (Continued)

(f) Provision for litigation claims

The Group are from time to time involved in legal proceedings arising in the ordinary course of our business (Note 32). If the management believes that the legal proceedings may result claims for compensation to third parties against the Group. The best estimate of provision for litigation claims will be recognised. If the management believes that the legal proceedings may be more likely not to result claims for compensation to third parties against the Group. No provision will be recognised under any potential litigation claims. Except to the extent that the situations and uncertainties involved, that will be disclosed as contingent liabilities. To access the outcome of legal proceedings and any potential amount of litigation claims, significant judgement is required.

6. Revenue

The Group's revenue is set out below (consistent with turnover):

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Engineering, consulting and licensing	1,337,392	1,688,536
EPC Contracting	12,891,709	13,366,117
Construction	6,633,842	7,459,947
Equipment manufacturing	42,073	135,191
	20,905,016	22,649,791

7. Segment Information

Management has determined the operating segments based on the reports reviewed by the Senior Management that are used to make strategic decisions.

The Senior Management considers the business from a product and service perspective, which mainly includes four reportable operating segments:

(i) Engineering, consulting and licensing – providing design, consulting, research and development, feasibility studies, compliance certification services to industries including oil refining and chemical industries;

(ii) EPC Contracting – providing integrated engineering, procurement, construction, maintenance and project management services to industries including oil refining and chemical industries;

(iii) Construction – providing infrastructure for industries including oil refining and chemical industries, oil and gas storage, pipelines transportation, construction, renovation, expansion, repair and maintenance services and large equipment lifting and transportation services in construction projects;

(iv) Equipment manufacturing – providing design, development, manufacture and sales of oil refining equipment and spare parts for facilities including oil refining and chemical facilities.

Inter-segment sales were conducted at prices no less than cost and with terms mutually agreed among those business segments. Operating expenses of a functional unit are allocated to the relevant segment which is the predominant user of the services provided by the unit. Operating expenses of other shared services which cannot be allocated to a specific segment and corporate expenses are included as unallocated costs.

Segment assets consist primarily of property, plant and equipment, land use rights, construction in progress, intangible assets, investment in joint arrangements and investment in associates, other non-current assets, inventories, trade receivables, bill receivables, prepayments and other receivables, restricted cash and cash and cash equivalents. Unallocated assets comprise items such as some of the time deposits, loans due from the ultimate holding company, deferred income tax assets and other unallocated assets.

Segment liabilities comprise operating liabilities and borrowings. Unallocated liabilities comprise items such as current income tax liabilities, deferred income tax liabilities.

Capital expenditure comprises additions to property, plant and equipment (Note 16), land use rights (Note 17), intangible assets (Note 18) and other non-current assets, including additions resulting from acquisitions through business combinations.

7. Segment Information (Continued)

The segment information provided to the Senior Management for the reportable segments is as follow:

(i) As at and for the six months ended 30 June 2015:

The segment results for the six months ended 30 June 2015 are as follows:

	Engineering, consulting and licensing	EPC Contracting	Construction	Equipment manufacturing	Unallocated	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue and results							
Revenue from external customers	1,337,392	12,891,709	6,633,842	42,073	—	—	20,905,016
Inter-segment revenue	—	—	1,374,248	346,741	—	(1,720,989)	—
Segment revenue	1,337,392	12,891,709	8,008,090	388,814	—	(1,720,989)	20,905,016
Segment result	264,718	1,352,580	278,414	781	25,978	—	1,922,471
Finance income							238,615
Finance expenses							(47,570)
Share of losses of joint arrangements	(265)	—	—	—	—	—	(265)
Share of profits of associates	4,613	—	994	—	—	—	5,607
Profit before income tax							2,118,858
Income tax expense							(408,070)
Profit for the period							1,710,788
Other segment items							
Depreciation	57,096	28,069	136,569	9,370	—	—	231,104
Amortisation	42,360	21,019	13,168	813	—	—	77,360
Capital expenditures							
– Property, plant and equipment	20,117	4,855	73,791	7,015	—	—	105,778
– Land use rights	—	—	127	—	—	—	127
– Intangible assets	4,026	3,317	258	—	—	—	7,601
Provision for impairment on trade and other receivables	9,760	127,210	11,861	5,752	—	—	154,583

The segment assets and liabilities as at 30 June 2015 are as follows:

	Engineering, consulting and licensing	EPC Contracting	Construction	Equipment manufacturing	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets						
Segment assets	6,621,376	23,611,584	15,872,793	988,968	(1,874,654)	45,220,067
Investment in joint arrangements	7,551	—	—	—	—	7,551
Investment in associates	72,547	—	38,273	—	—	110,820
Other unallocated assets						9,877,164
Total assets						55,215,602
Liabilities						
Segment liabilities	2,540,628	18,809,730	11,664,790	220,812	(1,874,654)	31,361,306
Other unallocated liabilities						118,577
Total liabilities						31,479,883

7. Segment Information (Continued)

(ii) As at 31 December 2014 and six months ended 30 June 2014:

The segment results for the six months ended 30 June 2014 are as follows:

	Engineering, consulting and licensing	EPC Contracting	Construction	Equipment manufacturing	Unallocated	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue and results							
Revenue from external customers	1,688,536	13,366,117	7,459,947	135,191	—	—	22,649,791
Inter-segment revenue	—	—	1,631,550	183,040	—	(1,814,590)	—
Segment revenue	1,688,536	13,366,117	9,091,497	318,231	—	(1,814,590)	22,649,791
Segment result	607,043	1,333,250	288,270	(9,171)	12,934	—	2,232,326
Finance income							301,042
Finance expenses							(55,589)
Share of profits of joint arrangements	1,314	—	—	—	—	—	1,314
Share of profits of associates	4,484	—	1,034	—	—	—	5,518
Profit before income tax							2,484,611
Income tax expense							(607,068)
Profit for the period							1,877,543
Other segment items							
Depreciation	51,304	31,338	132,946	8,593	—	—	224,181
Amortisation	40,379	22,562	13,464	502	—	—	76,907
Capital expenditures							
Property, plant and equipment	29,686	16,496	129,022	7,050	—	—	182,254
– Land use rights	—	—	11,683	—	—	—	11,683
– Intangible assets	7,463	2,252	589	—	—	—	10,304
Provision/(Reversal) for impairment on trade and other receivables	(1,639)	72,146	12,956	1,063	—	—	84,526

The segment assets and liabilities as at 31 December 2014 are as follows:

	Engineering, consulting and licensing	EPC Contracting	Construction	Equipment manufacturing	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets						
Segment assets	7,734,663	19,013,025	15,405,049	1,077,815	(2,013,471)	41,217,081
Investment in joint arrangements	7,812	—	—	—	—	7,812
Investment in associates	82,867	—	22,346	—	—	105,213
Other unallocated assets						10,754,489
Total assets						52,084,595
Liabilities						
Segment liabilities	3,106,511	14,645,212	12,336,165	886,759	(2,013,471)	28,961,176
Other unallocated liabilities						250,845
Total liabilities						29,212,021

7. Segment Information (Continued)

Analysis of information by geographical regions:

The following table lists out the information about geographical regions. The geographical regions of the sales to external customers are based on the locations where the services are rendered or the places where the goods are delivered. The specific non-current assets include property, plant and equipment, land use rights, intangible assets, investment in joint arrangements and investment in associates, which the geographical regions are based on the places where the assets are located for property, plant and equipment and land use rights, the places where they are allocated to for intangible assets and the places where the business are conducted for joint arrangements and associates.

Revenue

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
The PRC	18,062,063	19,361,471
Other countries	2,842,953	3,288,320
	20,905,016	22,649,791

The customer accounted for more than 10% of the total revenue of the Group and revenue from it for the six months ended 30 June 2015 and 2014, is as follows:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
A fellow subsidiary and its subsidiaries	4,086,613	5,022,581

The revenue from this customer are derived from the segments of engineering, consulting and licensing, EPC contracting, EPC contracting, construction and equipment manufacturing:

Specified non-current assets

	As at 30 June 2015	As at 31 December 2014
	RMB'000	RMB'000
The PRC	6,868,044	7,092,744
Other countries	334,735	302,348
	7,202,779	7,395,092

8. Other Income

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Operating lease rental income on property, plant and equipment	20,807	18,375
Income from write-back long outstanding payables	3,523	167
Foreign exchange gain	—	33,694
Government grants	12,866	52,930
Others	14,782	10,594
	51,978	115,760

9. Other Gains - Net

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Gains on disposal/write-off of property, plant and equipment	554	295

10. Finance Income and Finance Expenses

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Finance income		
Interest income from the ultimate holding company	198,005	176,262
Bank interest income	40,610	124,780
	238,615	301,042
Finance expenses		
Interest expenses to fellow subsidiaries on balances wholly repayable within 5 years	(2,039)	(952)
Interest expenses on retirement and other supplementary benefit obligation	(45,531)	(54,637)
	(47,570)	(55,589)
	191,045	245,453

11. Profit Before Taxation

Profit before taxation has been arrived at after charging/(crediting):

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Staff costs, including directors and supervisors emoluments	2,218,699	2,329,339
Retirement benefit plan contribution (including in the above mentioned staff costs)	340,204	341,418
Cost of goods sold	7,162,880	7,949,366
Subcontracting costs	7,041,032	7,545,076
Depreciation and amortisation		
– Property, plant and equipment	231,104	224,181
– Land use rights	30,759	30,912
– Intangible assets	46,601	45,995
Operating lease rentals		
– Property, plant and equipment	186,338	187,917
Provision for impairment on assets		
– Trade receivables, prepayment and other receivables	154,583	84,526
Rental income from property, plant and equipment after relevant expenses	(13,379)	(7,980)
Research and development costs	459,712	312,295
Gains on disposal/write-off of property, plant and equipment	(554)	(295)
Exchange losses/(gains), net	11,199	(33,694)

12. Income Tax Expense

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Current tax		
PRC enterprise income tax	**375,292**	525,047
Overseas enterprise income tax	**2,074**	35,773
Under-provision for income tax in prior years	**38,271**	51,185
	415,637	612,005
Deferred tax		
Origination and reversal of temporary differences (Note 35)	**(7,567)**	(4,937)
Income tax expense	**408,070**	607,068

According to the Corporate Income Tax Law of the PRC, the applicable income tax of the six months ended 30 June 2015 and 2014 is 25%.

According to the normal statutory PRC corporate income tax and relevant rules, apart from certain subsidiaries of the Company have been qualified as new high-tech enterprises which can enjoy 15% preferential tax rate in the related period. For the six months ended 30 June 2015 and 2014, the majority of the members of the Group is subject to 25% income tax rate.

The tax of other countries is based on the nation's tax laws, where the relevant subsidiary of the Group operates in.

The difference between the actual income tax charge in the consolidated statement of comprehensive income and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Profit before taxation	**2,118,858**	2,484,611
Taxation calculated at the statutory tax rate	**529,715**	621,153
Income tax effects of:		
Preferential income tax treatments of certain companies	**(169,535)**	(85,320)
Difference in overseas profits tax rates	**(519)**	(1,726)
Non-deductible expenses	**11,833**	28,610
Income not subject to tax	**(840)**	(1,896)
Unrecognised tax losses	**1,140**	12,333
Utilisation of previously unrecognised tax losses	**(1,995)**	(17,271)
Under provision for income tax in prior years	**38,271**	51,185
Income tax expense	**408,070**	607,068
Effective income tax rate	**19%**	24%

13. Earnings Per Share

(a) Basic

The basic earnings per share for each of the six months ended 30 June 2015 and 2014 is calculated based on the profit attributable to the equity holders of the Company and the weighted average number of ordinary shares in issue.

	Six months ended 30 June	
	2015	2014
Profit attributable to equity holders of the Company (RMB'000)	1,710,683	1,877,478
Weighted average number of ordinary shares in issue	4,428,000,000	4,428,000,000
Basic earnings per share (RMB)	0.39	0.42

(b) Diluted

As the Company had no dilutive shares for the each of the six months ended 30 June 2015 and 2014, diluted earnings per share for the six months ended 30 June 2015 and 2014 are the same as basic earnings per share.

14. DIVIDENDS

Dividends represented dividends declared by the Company during each of six months ended 30 June 2015 and 2014.

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Proposed interim dividends of RMB0.114 per ordinary share (2014: RMB0.125) (1)	504,792	553,500

(1) Pursuant to the Directors' meeting on 28 August 2015, the Directors recommended to declare the interim dividends for the year ending 31 December 2015 of RMB0.114 (2014: RMB0.125) per share totalling RMB504,792,000 (2014: RMB553,500,000). Dividend proposed to be declared by the Directors' meeting after the end of the reporting period are not recognised as a liability at the end of the reporting period.

15. Employment Benefits

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Salaries, wages and bonuses	1,239,105	1,273,789
Retirement benefits [(1)]	292,344	285,458
Early retirement and supplemental pension benefit (Note31(b))		
– service cost	2,329	1,323
– interest cost	45,531	54,637
Housing fund [(2)]	128,413	118,065
Welfare, medical and other expenses	510,977	596,067
	2,218,699	2,329,339

Note:

(1) Retirement benefits

The Group is required to make specific contributions to the state-managed retirement plan at a rate of 17% to 22% of the specified salaries of the PRC employees for the six months ended 30 June 2015 and 2014. The PRC government is responsible for the pension liability to the retired employees. The PRC employees of the Group are entitled to a monthly pension upon their retirements.

(2) Housing fund

In accordance with the PRC housing reform regulations, the Group is required to make contributions to the state-managed housing fund at rates 7% to 12% of the specified salaries of the PRC employees. At the same time, the employees are required to make a contribution based on certain percentages. The employees are entitled to claim the entire sum of the fund under certain specified withdrawal circumstances. The Group has no further obligations for housing benefits beyond the contributions made above.

16. Property, Plant and Equipment

	Buildings and other facilities	Plant and machinery, transportation equipment and other equipment	Construction-in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014				
Cost	3,153,634	3,274,751	346,624	6,775,009
Accumulated depreciation and impairment	(885,585)	(1,839,936)	—	(2,725,521)
Net book amount	2,268,049	1,434,815	346,624	4,049,488
Six months ended 30 June 2014				
Opening net book amount	2,268,049	1,434,815	346,624	4,049,488
Transfers	3,343	6,879	(10,222)	—
Additions	—	70,799	111,455	182,254
Depreciation	(61,085)	(163,096)	—	(224,181)
Disposals/write-off	(290)	(946)	—	(1,236)
Closing net book amount	2,210,017	1,348,451	447,857	4,006,325
At 30 June 2014				
Cost	3,135,164	3,374,444	447,857	6,957,465
Accumulated depreciation and impairment	(925,147)	(2,025,993)	—	(2,951,140)
Net book amount	2,210,017	1,348,451	447,857	4,006,325
At 1 January 2015				
Cost	3,457,699	3,686,318	66,638	7,210,655
Accumulated depreciation and impairment	(988,273)	(2,132,794)	—	(3,121,067)
Net book amount	2,469,426	1,553,524	66,638	4,089,588
Six months ended 30 June 2015				
Opening net book amount	2,469,426	1,553,524	66,638	4,089,588
Transfers	—	12,809	(12,809)	—
Additions	—	49,415	56,363	105,778
Depreciation	(66,691)	(164,413)	—	(231,104)
Disposals/write-off	(625)	(1,480)	—	(2,105)
Closing net book amount	2,402,110	1,449,855	110,192	3,962,157
At 30 June 2015				
Cost	3,456,772	3,726,576	110,192	7,293,540
Accumulated depreciation and impairment	(1,054,662)	(2,276,721)	—	(3,331,383)
Net book amount	2,402,110	1,449,855	110,192	3,962,157

16. Property, Plant and Equipment (Continued)

Depreciation expense recognised is analysed as follows:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Cost of sales	206,916	205,320
Selling and marketing expenses	1,069	1,068
Administrative expenses	23,119	17,793
	231,104	224,181

17. Land Use Rights

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Beginning of the period	2,807,632	2,857,234
Additions	127	11,683
Amortisation	(30,759)	(30,912)
Disposals	(596)	—
End of the period	2,776,404	2,838,005

Land use rights represent prepayments made by the Group for the land use rights located in the PRC which are held on leases between 20 years to 50 years.

Amortisation recognised is analysed as follows:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Cost of sales	15,374	15,243
Selling and marketing expenses	306	363
Administrative expenses	15,079	15,306
	30,759	30,912

18. Intangible Assets

	Patent	Computer software	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2014			
Cost	479,882	238,398	718,280
Accumulated amortisation	(110,383)	(164,118)	(274,501)
Net book amount	369,499	74,280	443,779
Six months ended 30 June 2014			
Opening net book amount	369,499	74,280	443,779
Additions	—	10,304	10,304
Amortisation	(27,646)	(18,349)	(45,995)
Closing net book amount	341,853	66,235	408,088
At 30 June 2014			
Cost	479,882	248,702	728,584
Accumulated amortisation	(138,029)	(182,467)	(320,496)
Net book amount	341,853	66,235	408,088
At 1 January 2015			
Cost	479,882	265,498	745,380
Accumulated amortisation	(165,577)	(194,956)	(360,533)
Net book amount	314,305	70,542	384,847
Six months ended 30 June 2015			
Opening net book amount	314,305	70,542	384,847
Additions	—	7,601	7,601
Amortisation	(27,596)	(19,005)	(46,601)
Closing net book amount	286,709	59,138	345,847
At 30 June 2015			
Cost	479,882	273,099	752,981
Accumulated amortisation	(193,173)	(213,961)	(407,134)
Net book amount	286,709	59,138	345,847

Amortisation recognised is analysed as follows:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Cost of sales	20,050	16,379
Selling and marketing expenses	291	34
Administrative expenses	26,260	29,582
	46,601	45,995

19. Investment in Joint Arrangements and Associates

(a) Investment in joint arrangements

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Joint ventures		
Beginning of the period	**7,812**	8,184
Increase in investments	**750**	—
Share of total comprehensive (expenses)/income	**(265)**	1,314
Dividend distribution	**(746)**	(1,216)
End of the period	**7,551**	8,282

The Group's joint ventures, all of which are unlisted and established in a form of limited company, are as follows:

Name	Establishment/ Place of incorporation	Registered and fully paid capital		Indirect effective interest held	Principal activities and place of operations
		RMB'000	USD'000		
Hualu Construction Co., Ltd. (華魯工程有限公司)	The PRC	—	1,500 (2014: 1,500)	50%	Engineering design contracting/The PRC
Hainan Great Wall Machinery Engineering Co., Ltd. (海南長城機械工程有限公司)	The PRC	3,000 (2014: 1,500)	—	50%	Technical development, sales of equipments/ The PRC
Lanzhou Great Wall Touping Machinery Technology Development Co., Ltd. (蘭州長城透平機械技術開發成套公司)	The PRC	3,000 (2014: 3,000)	—	50%	Technical development, equipment manufacturing/ The PRC

The above joint ventures are accounted for by using the equity method.

19. Investment in Joint Arrangements and Associates (Continued)

(a) Investment in joint arrangements (Continued)

The Group's share of the results of its joint ventures (in aggregate for all individually insignificant joint venture), its aggregated assets and liabilities, are as follows:

	As at 30 June 2015	As at 31 December 2014
	RMB'000	RMB'000
Current assets	127,303	105,088
Non-current assets	3,179	3,339
Total assets	130,482	108,427
Current liabilities	(115,380)	(92,803)
Total liabilities	(115,380)	(92,803)
Equity	15,102	15,624
Share of equity by the Group (50%) (2014: 50%)	7,551	7,812

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Revenue	27,206	86,832
(Losses) /Profit and total comprehensive (expenses)/income for the period	(529)	2,628
Share of total comprehensive (expenses)/income (50%) (2014: 50%)	(265)	1,314

There are no material contingent liabilities and commitments relating to the Group's interests in the joint ventures and no material contingent liabilities and commitments of the joint ventures themselves.

19. Investment in Joint Arrangements and Associates (Continued)

(b) Investment in associates

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Beginning of the period	105,213	95,059
Share of total comprehensive income	5,607	5,518
End of the period	110,820	100,577

The Group's associates, all of which are unlisted and established in a form of limited company, are as follows:

Name	Establishment/ Place of incorporation	Registered and fully paid capital	Indirect effective interest held	Principal activities and place of operations
		RMB'000		
China Petrochemical Technology Company Ltd. (1) (中國石油化工科技開發有限公司)	The PRC	50,000 (2014: 50,000)	35.00%	Technical development, technical service/ The PRC
Huizhou Tianxin Petrochemical Engineering Co., Ltd. (2) (惠州天鑫石化工程有限公司)	The PRC	15,000 (2014: 15,000)	40.00%	Construction contracting/The PRC
Shanghai KSD Bulk Solids Engineering Co., Ltd. (3) (上海金申德粉體工程有限公司)	The PRC	5,500 (2014: 5,500)	36.36%	Powder engineering services/The PRC

The above associates are accounted for by using the equity method.

(1) The Group's share of the results of China Petrochemical Technology Company Ltd., its aggregated assets and liabilities, are as follows:

	As at 30 June 2015	As at 31 December 2014
	RMB'000	RMB'000
Current assets	551,794	517,688
Non-current assets	30,143	26,386
Total assets	581,937	544,074
Current liabilities	(362,086)	(336,934)
Non-current liabilities	(20)	(19)
Total liabilities	(362,106)	(336,953)
Equity attributable to equity holders	213,329	200,619
Non- controlling interests	6,502	6,502
	219,831	207,121
Share of equity by the Group (35%) (2014: 35%)	74,665	70,217

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Revenue	44,754	88,791
Profit and total comprehensive income for the period attributable to equity holders	12,710	8,708
Share of total comprehensive income (35%) (2014: 35%)	4,448	3,048

19. Investment in Joint Arrangements and Associates (Continued)

(b) Investment in associates (Continued)

(2) The Group's share of the results of Huizhou Tianxin Petrochemical Engineering Co., Ltd., its aggregated assets and liabilities, are as follows:

	As at 30 June 2015	As at 31 December 2014
	RMB'000	RMB'000
Current assets	63,579	65,514
Non-current assets	35,278	36,103
Total assets	98,857	101,617
Current liabilities	(21,057)	(27,131)
Total liabilities	(21,057)	(27,131)
Equity	77,800	74,486
Share of equity by the Group (40%) (2014: 40%)	31,120	29,794

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Revenue	40,429	8,215
Profit and total comprehensive income for the period	3,313	3,447
Share of total comprehensive income (40%) (2014: 40%)	1,325	1,379

19. Investment in Joint Arrangements and Associates (Continued)

(b) Investment in associates (Continued)

(3) The Group's share of the results of Shanghai KSD Bulk Solids Engineering Co., Ltd., its aggregated assets and liabilities, are as follows:

	As at 30 June 2015	As at 31 December 2014
	RMB'000	RMB'000
Current assets	135,728	57,685
Non-current assets	944	1,043
Total assets	136,672	58,728
Current liabilities	(122,820)	(44,420)
Non-current liabilities	(2)	(2)
Total liabilities	(122,822)	(44,422)
Equity	13,850	14,306
Share of equity by the Group (36.36%) (2014: 36.36%)	5,035	5,202

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Revenue	1,959	62,416
(Loss)/Profit and total comprehensive (expenses)/ income for the period	(457)	3,002
Share of total comprehensive (expenses)/ income (36.36%) (2014: 36.36%)	(166)	1,091

There are no material contingent liabilities and commitments relating to the Group's interests in the associates and no material contingent liabilities and commitments of the associates themselves.

20. Available-for-Sale Financial Assets

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Beginning of the period	2,750	19,362
Net fair value gains transferred to equity	—	(1,034)
End of the period	2,750	18,328

Available-for-sale financial assets include the following:

	As at 30 June 2015	As at 31 December 2014
	RMB'000	RMB'000
Unlisted securities:		
Equity securities - PRC	2,750	2,750

The unlisted equity securities are carried at cost less impairment as these investments do not have a quoted market price and range of reasonable fair value estimate is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reliably.

All available-for-sale financial assets are denominated in RMB.

21. Notes and Trade Receivables

	As at 30 June 2015	As at 31 December 2014
	RMB'000	RMB'000
Trade receivables		
Fellow subsidiaries	2,590,273	3,714,925
Joint ventures of fellow subsidiaries	298,072	170,941
Associates of fellow subsidiaries	2,708,707	1,255,275
Joint ventures	1,280	1,280
Third parties	7,202,148	5,372,684
	12,800,480	10,515,105
Less: Provision for impairment	(346,226)	(272,620)
Trade receivables - net	12,454,254	10,242,485
Notes receivables	626,581	833,579
Notes and trade receivables - net	13,080,835	11,076,064

The carrying amounts of the Group's notes and trade receivables as at 30 June 2015 and 31 December 2014 approximate their fair values.

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

The Group usually provide customers with a credit term between 15 and 90 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 of 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 and the Company do not hold any collateral as security.

21. Notes and Trade Receivables (Continued)

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

	As at 30 June 2015	As at 31 December 2014
	RMB'000	RMB'000
Within 1 year	12,181,517	10,246,620
Between 1 and 2 years	661,758	644,152
Between 2 and 3 years	128,535	109,006
Between 3 and 4 years	85,879	59,781
Between 4 and 5 years	10,071	16,505
Over 5 years	13,075	—
	13,080,835	11,076,064

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

	As at 30 June 2015	As at 31 December 2014
	RMB'000	RMB'000
Not yet due	8,065,596	8,254,104
Over due within 3 months	919,978	941,081
Over due 3 months but within 6 months	2,592,751	607,994
Over due 6 months but within 1 year	781,756	829,774
Over due 1 year but within 2 years	522,921	328,871
Over due over 2 years	197,833	114,240
	13,080,835	11,076,064

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

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
At the beginning of the period	272,620	170,602
Provisions	116,643	29,570
Reversal	(43,037)	(40,497)
At the end of the period	346,226	159,675

The carrying amounts of the Group's notes and trade receivables are denominated in the following currencies:

	As at 30 June 2015	As at 31 December 2014
	RMB'000	RMB'000
RMB	11,620,678	9,959,972
USD	1,181,501	891,212
SAR	267,173	213,356
Others	11,483	11,524
	13,080,835	11,076,064

22. Prepayments and Other Receivables

	As at 30 June 2015 RMB'000	As at 31 December 2014 RMB'000
Prepayments		
Prepayments for construction and materials:		
– Fellow subsidiaries	382,780	168,554
Prepayments for construction	1,568,852	945,922
Prepayments for materials and equipments	2,336,199	2,033,375
Prepayments for labour costs	265,497	305,853
Prepayments for rent	3,538	3,078
Others	70,096	56,946
	4,626,962	3,513,728
Other receivables		
Amounts due from fellow subsidiaries (1)	36,162	30,280
Amounts due from joint ventures of fellow subsidiaries (1)	215	15
Dividends receivable	750	1,500
Interest receivable	12,463	29,626
Petty cash funds	42,141	45,057
Retention deposits	1,270,698	1,575,066
Other guarantee deposits and deposits	130,039	115,398
Payment in advance	197,592	241,721
Maintenance funds	77,385	77,340
Others	137,937	98,463
	1,905,382	2,214,466
Less: Provision for impairment	(441,018)	(360,041)
Prepayments and other receivables - net	6,091,326	5,368,153

(1) The amounts due from related parties are unsecured, interest free and repayable on demand.

The carrying amounts of the Group's prepayments and other receivables as at 30 June 2015 and 31 December 2014 approximate their fair values.

22. Prepayments and Other Receivables (Continued)

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

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
At the beginning of the period	360,041	225,889
Provisions	89,915	156,611
Receivables written off as uncollectible	—	(26)
Reversal	(8,938)	(61,158)
At the end of the period	441,018	321,316

23. Contract Work-in-Progress

	As at 30 June 2015	As at 31 December 2014
	RMB'000	RMB'000
Contract cost incurred plus recognised profit less recognised losses	154,644,049	136,677,128
Less: Progress billings	(154,517,305)	(136,034,867)
Contract work-in-progress	126,744	642,261
Representing:		
Amounts due from customers for contract work	7,184,215	6,658,549
Less: Provision for impairment	(1,646)	(1,652)
Net amounts due from customers for contract work	7,182,569	6,656,897
Amounts due to customers for contract work	(7,055,825)	(6,014,636)
	126,744	642,261

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Contract revenue recognised as revenue in the period	19,525,551	20,826,064

24. Inventories

	As at 30 June 2015	As at 31 December 2014
	RMB'000	RMB'000
Raw materials	1,231,414	1,155,213
Turnover materials	56,654	80,144
Goods in transit	405,013	388,297
	1,693,081	1,623,654

As at 30 June 2015 and 31 December 2014, no provision for impairment on inventories of the Group has been made.

For the six months ended 30 June 2015 and 2014, the cost of inventories recognised as expense and included in "cost of sales" amounted to RMB7,162,880,000 and RMB7,949,366,000 respectively.

25. Loans Due from the Ultimate Holding Company

Loans due from the ultimate holding company are unsecured, repayable within one year and interest bearings as follows:

	As at 30 June 2015	As at 31 December 2014
Loans due from the ultimate holding company	3.45% - 4.50%	4.50%

26. Restricted Cash

	As at 30 June 2015	As at 31 December 2014
	RMB'000	RMB'000
Restricted cash		
– RMB	31,843	24,120
– AED	83	42
– KZT	843	1,482
	32,769	25,644

Restricted cash mainly represented bank deposits for guarantees and deposit for farmers' salaries.

As at 30 June 2015 and 31 December 2014, the weighted average effective interest rates per annum on restricted cash with maturities ranging from one to twelve months was determined in accordance with the interest rate per annum of bank current account.

The maximum exposure to credit risk approximates to carrying amounts of the Group's restricted cash at the end of the respective reporting periods.

27. Time Deposits

	As at 30 June 2015	As at 31 December 2014
	RMB'000	RMB'000
Time deposits with initial term over three months:		
Time deposits in banks	611,360	—
Time deposits in a fellow subsidiary	—	500,000
	611,360	500,000

27. Time Deposits (Continued)

	As at 30 June 2015	As at 31 December 2014
	RMB'000	RMB'000
Denominated in:		
– RMB	—	500,000
– USD	611,360	—
	611,360	500,000

The fellow subsidiary is Sinopec Century Bright Capital Investment Limited.

The effective interest rates per annum on time deposits, with maturities within five months (2014: three months to six months), approximately 1.31% (2014: 3.22% to 3.65%) as at 30 June 2015.

The maximum exposure to credit risk approximates to carrying amounts of the Group's time deposits at the end of the respective reporting periods.

28. Cash and Cash Equivalents

	As at 30 June 2015	As at 31 December 2014
	RMB'000	RMB'000
Cash at bank and in hand	5,772,438	5,640,653
Deposits in fellow subsidiaries	4,279,891	3,541,199
	10,052,329	9,181,852

	As at 30 June 2015	As at 31 December 2014
	RMB'000	RMB'000
Denominated in:		
– RMB	4,150,403	3,391,680
– USD	5,586,914	5,547,609
– SAR	123,228	60,944
– EUR	154,845	161,427
– AED	—	3,536
– KZT	25,143	14,562
– Others	11,796	2,094
	10,052,329	9,181,852

The fellow subsidiaries are Sinopec Finance Co., Ltd. and Sinopec Century Bright Capital Investment Limited.

As at 30 June 2015 and 31 December 2014, the weighted average effective interest rates per annum on cash at bank are determined in accordance with the interest rate per annum of bank current account.

The maximum exposure to credit risk approximates to carrying amounts of cash and cash equivalents at the end of the respective reporting periods.

29. Share Capital

	As at 30 June 2015		As at 31 December 2014	
	Number of shares	Share capital	Number of shares	Share capital
		RMB'000		RMB'000
Registered, issued and fully paid				
– Domestic shares of RMB1.00 each [(1)]	2,967,200,000	2,967,200	2,967,200,000	2,967,200
– H Shares of RMB1.00 each	1,460,800,000	1,460,800	1,460,800,000	1,460,800
	4,428,000,000	4,428,000	4,428,000,000	4,428,000

(1) The 2,967,200,000 domestic shares comprise as follows:

(a) 2,907,856,000 shares are held by Sinopec Group; and

(b) 59,344,000 shares are held by SAMC (a fellow subsidiary).

30. Reserves

(i) Statutory surplus reserve

In accordance with the relevant laws and regulations of the PRC and the articles of association of the Company, it is required to appropriate 10% of its net profit determined in accordance with China Accounting Standards for Enterprises issued by the Ministry of Finance of PRC, after offsetting any prior years' losses, to the statutory surplus reserve. When the balance of such a reserve reaches 50% of the respective companies registered capital, any further appropriation is optional. The reserve must be made before distribution of dividends to shareholders.

The statutory surplus reserve can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing share holding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the reserve after such an issue is not less than 25% of registered capital. The statutory surplus reserve is non-distributable.

(ii) Capital reserve

Capital reserve arising from event-driven revaluation represented reserve recognised due to the revaluation arising from the Reorganisation, being the excess of fair value over carrying value net of the deferred tax liabilities. Apart from the above mentioned event-driven revaluation, capital reserve included transactions with holding company such as assets transferred from/to Sinopec Group and also the share premium account.

(iii) Specific reserve

Pursuant to certain regulations issued by the State Administration of Work Safety of the PRC, the Group is required to set aside an amount to a safety fund for its engineering and construction contracting business. The fund can be used for improvements of safety at the worksite, and is not available for distribution to shareholders. Upon incurring qualifying safety expenditures, an equivalent amount is transferred from safety fund to retained earnings.

(iv) Investment revaluation reserve

Investment revaluation reserve represents the net cumulative change in financial assets at fair value through profit or loss at the end of period and is treated according to accounting policies Note 3.9.

(v) Exchange translation reserve

Exchange translation reserve represents exchange differences arising on the translation of financial statements of foreign operations and is treated according to accounting policies Note 3.4.

31. Retirement and Other Supplemental Benefit Obligations

(a) State-managed retirement plan

The Chinese employees of the Group participate in employee social security plans organised and administrated by the PRC government authority. The PRC companies are required to contribute from 17% - 22%, depending on the applicable legal regulations, of salaries, wages and bonuses to the state-managed retirement plans. The obligation of these PRC companies with respect to the state-managed retirement plans is to make the specified contributions (Note 15(a)).

The total costs charged to the consolidated statement of comprehensive income:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Contributions to state-managed retirement plan	292,344	285,458

(b) Group employee retirement benefit plans

The Group has implemented a retirement benefit plan to employees in the PRC who were retired on or before 31 December 2012. Such supplementary pension subsidies are considered to be defined benefit plans as the Group is obligated to provide post-employment benefits to these employees.

According to the plans, such employees after retirement can enjoy retirement pension, welfare allowance, part of medical expenses claim, living expenses and insurance and housing fund and other benefits. The employees' lifetime is guaranteed by the plans.

The affordable actuarial risks of the Group's retirement benefit plans include: discount rate risk, benefits growth rate risk.

The Group is not obligated to provide post-employment benefits to incumbent employees.

The most recent actuarial valuation as at 30 June 2015 was performed by an independent qualified actuarial firm: Mercer Consulting Limited. The present value, related current service cost and past service cost of the Group's retirement benefit plan obligation are prepared by qualified actuary using the projected unit credit actuarial cost method.

(i) Discount rates adopted (per annum):

	As at 30 June 2015	As at 31 December 2014
Retirement with honors benefit plan	3.20%	3.50%
Retirement benefit plan	3.70%	3.70%
Early retirement benefit plan	2.90%	3.40%

(ii) Benefit growth rates (per annum):

	As at 30 June 2015	As at 31 December 2014
Retirement with honors benefit plan	2.60%	2.70%
Retirement benefit plan	2.30%	2.20%
Early retirement benefit plan	2.20%	3.00%

(iii) Duration:

	As at 30 June 2015	As at 31 December 2014
Retirement with honors benefit plan	4.9 years	5.0 years
Retirement benefit plan	9.6 years	9.7 years
Early retirement benefit plan	3.0 years	3.1 years

31. Retirement and Other Supplemental Benefit Obligations (Continued)

(b) Group employee retirement benefit plans (Continued)

The below sensitivity analysis details how the Group's retirement benefit plan obligation as at the reporting date would have increased/(decreased) as a result of 0.5% reasonably possible increase or decrease assessed by management in each of the significant actuarial assumptions:

	As at 30 June 2015 Increase/(decrease) in retirement benefit plan obligation	
	Increase in assumption	Decrease in assumption
	RMB'000	RMB'000
Discount rates	**(116,599)**	**116,599**
Benefit growth rates	**117,634**	**(117,634)**

	As at 31 December 2014 Increase/(decrease) in retirement benefit plan obligation	
	Increase in assumption	Decrease in assumption
	RMB'000	RMB'000
Discount rates	(118,254)	118,254
Benefit growth rates	119,424	(119,424)

The above sensitivity analysis is based on a change in an actuarial assumption while holding all other actuarial assumptions constant. Also, it is based on the assumption that changes in actuarial assumptions are not correlated.

(iv) Mortality: Average life expectancy of residents in the PRC.

(v) Benefit costs paid to the retirees are assumed to continue until the death of the retirees.

31. Retirement and Other Supplemental Benefit Obligations (Continued)

(b) Group employee retirement benefit plans (Continued)

The total costs of retirement benefit plans in the consolidated statement of comprehensive income are as follows:

	Retirement with honors benefit plan	Retirement benefit plan	Early retirement benefit plan	Total
	RMB'000	RMB'000	RMB'000	RMB'000
For the six months ended 30 June 2014				
Service cost:				
Past service cost	—	—	1,323	1,323
Net interest expenses	2,357	50,134	2,146	54,637
Benefit cost recognised in profit or loss	2,357	50,134	3,469	55,960
Revaluation of net benefit obligation liabilities				
Actuarial revaluation of economic assumptions change	2,261	142,355	—	144,616
Benefit cost recognised in other comprehensive income	2,261	142,355	—	144,616
Total benefit cost recognised in the consolidated statement of comprehensive income	4,618	192,489	3,469	200,576
For the six months ended 30 June 2015				
Service cost:				
Past service cost	—	—	2,329	2,329
Net interest expenses	1,752	42,284	1,495	45,531
Benefit cost recognised in profit or loss	1,752	42,284	3,824	47,860
Revaluation of net benefit obligation liabilities				
Actuarial revaluation of economic assumptions change	1,031	22,613	—	23,644
Benefit cost recognised in other comprehensive income	1,031	22,613	—	23,644
Total benefit cost recognised in the consolidated statement of comprehensive income	2,783	64,897	3,824	71,504

The Group's benefit plans do not include incumbent employees. No current service cost of each benefit plan incurred during each financial period. Meanwhile, the Group's benefit plans do not provide reserve of plan assets, therefore, there is no reserve of earnings from plan assets during each financial period.

Service cost and net interest expenses are recognised in employment benefits, part of the administrative expenses and finance expenses of the consolidated statement of comprehensive income. Revaluation of net liabilities of benefit obligation is recognised as other comprehensive income in the consolidated statement of comprehensive income.

31. Retirement and Other Supplemental Benefit Obligations (Continued)

(b) Group employee retirement benefit plans (Continued)

As at the end of each reporting period, no assets reserve is under the Group's benefit plans. The net liabilities of retirement benefit plan obligations are recognised in the consolidated statement of financial position as follows:

	As at 30 June 2015	As at 31 December 2014
	RMB'000	RMB'000
Net liabilities of retirement benefit plan obligation	2,488,801	2,529,913

The movement of retirement benefit plan obligation as follows:

	Retirement with honors benefit plan	Retirement benefit plan	Early retirement benefit plan	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	110,240	2,178,219	108,095	2,396,554
Past service cost	—	—	1,323	1,323
Net interest expenses	2,357	50,134	2,146	54,637
Revaluation gain:				
Economic assumption change of actuarial revaluation	2,261	142,355	—	144,616
Direct benefit paid by the Group	(11,033)	(89,726)	(16,549)	(117,308)
At 30 June 2014	103,825	2,280,982	95,015	2,479,822
At 1 January 2015	104,694	2,329,278	95,941	2,529,913
Past service cost	—	—	2,329	2,329
Net interest expenses	1,752	42,284	1,495	45,531
Revaluation gain:				
Economic assumption change of actuarial revaluation	1,031	22,613	—	23,644
Direct benefit paid by the Group	(9,343)	(87,267)	(16,006)	(112,616)
At 30 June 2015	98,134	2,306,908	83,759	2,488,801

The Group has no reserve of plan assets, no capital injection of plan assets is established and no future contribution is arranged.

32. Provision for Litigation Claims

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
At the beginning of the period	302,094	329,890
Exchange difference	(20,163)	1,828
Payment	(51)	(631)
At the end of the period	281,880	331,087

The amounts represented the provision provided by a subsidiary of the Group for litigation.

The subsidiary of the Group has been sued during Year 2007 to Year 2009 due to a construction contract disputes and the case is ongoing process. The management of the Group has calculated all provision for the expected compensation incurred in accordance with the progress and solutions of the case.

For the six months ended 30 June 2015 and 2014, no additional provision for litigation claims is provided.

33. Notes and Trade Payables

	As at 30 June 2015	As at 31 December 2014
	RMB'000	RMB'000
Trade payables		
Fellow subsidiaries	297,344	280,682
Associates	1,160	1,240
Third parties	11,879,642	11,990,753
	12,178,146	12,272,675
Notes payables	983,815	14,463
Notes and trade payables	13,161,961	12,287,138

The carrying amounts of the Group's notes and trade payables as at 30 June 2015 and 31 December 2014 approximate their fair values.

Ageing analysis of notes and trade payables is as follows:

	As at 30 June 2015	As at 31 December 2014
	RMB'000	RMB'000
Within 1 year	9,579,006	8,726,897
Between 1 and 2 years	2,101,901	2,154,331
Between 2 and 3 years	1,011,821	933,501
Over 3 years	469,233	472,409
	13,161,961	12,287,138

33. Notes and Trade Payables (Continued)

The carrying amounts of notes and trade payables are denominated in the following currencies:

	As at 30 June 2015	As at 31 December 2014
	RMB'000	RMB'000
RMB	12,571,371	11,566,695
USD	123,140	169,962
EUR	1,396	1,515
KZT	55,392	59,554
SAR	410,481	488,536
Others	181	876
	13,161,961	12,287,138

34. Other Payables

	As at 30 June 2015	As at 31 December 2014
	RMB'000	RMB'000
Contract deposits advance:		
Fellow subsidiaries	302,809	478,484
Joint ventures of fellow subsidiaries	53,738	276,290
Joint ventures	676	—
Third parties	7,132,952	6,126,705
Salaries payables	57,136	51,138
Other taxation payables	148,665	268,078
Deposits and guarantee deposits payables	120,342	111,795
Advanced payables	149,383	120,079
Rent, property management and maintenance payables	66,056	66,122
Contracts payables	43,270	64,026
Amounts due to fellow subsidiaries (1)	—	1,088
Amounts due to joint ventures (1)	—	71
Others	297,812	263,519
Total other payables	8,372,839	7,827,395

(1) Amounts due to related parties are unsecured, interest free and repayable on demand.

The carrying amounts of the Group's other payables as at 30 June 2015 and 31 December 2014 approximate their fair values.

35. Current and Deferred Taxation

Deferred income tax assets and liabilities recognised:

The analysis of deferred income tax assets and liabilities is as follows:

	As at 30 June 2015	As at 31 December 2014
	RMB'000	RMB'000
Deferred income tax assets	665,804	654,489
Deferred income tax liabilities	(31,212)	(32,064)
Deferred income tax assets, net	634,592	622,425

The gross movement on the deferred income tax account is as follows:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Beginning of the period	622,425	655,809
Credited to equity for fair value change of available-for-sale financial assets	—	258
Credited to equity for retirement and other supplementary benefit actuarial revaluation	4,600	32,943
Tax credited to the profit of the period (Note 12)	7,567	4,937
End of the period	634,592	693,947

The movement in deferred income tax assets/(liabilities) during the six months ended 30 June 2015 and 2014, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Tax losses	Provision for retirement and other supplemental benefit obligation	Provision for impairment on assets	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	13,359	539,415	91,816	48,783	693,373
(Charged)/Credited to:					
Profit for the period	—	(14,142)	18,033	409	4,300
Equity	—	32,943	—	—	32,943
At 30 June 2014	13,359	558,216	109,849	49,192	730,616
At 1 January 2015	—	495,468	112,741	46,280	654,489
(Charged)/Credited to:					
Profit for the period	—	(13,093)	22,802	(2,994)	6,715
Equity	—	4,600	—	—	4,600
At 30 June 2015	—	486,975	135,543	43,286	665,804

35. Current and Deferred Taxation (Continued)

Deferred income tax liabilities

	Excess of carrying value of assets over tax bases arising from business combination	Change in fair value of available-for-sale financial assets	Total
	RMB'000	RMB'000	RMB'000
As 1 January 2014	33,769	3,795	37,564
(Credited)/Charged to:			
Profit for the period	(637)	—	(637)
Equity	—	(258)	(258)
As 30 June 2014	33,132	3,537	36,669
As 1 January 2015	**32,064**	**—**	**32,064**
(Credited)/Charged to:			
Profit for the period	**(852)**	**—**	**(852)**
As 30 June 2015	**31,212**	**—**	**31,212**

Deferred income tax assets not recognised

Deferred income tax assets are recognised for tax losses carried-forward to the extent that the realisation of the related income tax benefits through the future taxable profits is probable. In accordance with the PRC tax law applicable to those companies in their respective jurisdictions, tax losses may be carried forward against future taxable income. Deferred income tax assets not recognised in the Group is as follow:

	As at 30 June 2015	As at 31 December 2014
	RMB'000	RMB'000
Tax losses for which no deferred income tax asset was recognised	**124,503**	182,946

The Group did not recognise deferred income tax assets as the management believes it is more likely than not that such tax losses would not be realised before they expire. The tax loss for which no deferred income tax assets recognised mentioned would be expired in five years.

36. Commitments

(a) Capital commitments

Capital commitments for the purchase of property, plant and equipment outstanding at 30 June 2015 and 31 December 2014 not provided for in the consolidated financial statements are as follows:

	As at 30 June 2015	As at 31 December 2014
	RMB'000	RMB'000
Contracted but not provided for		
– Property, plant and equipment	**81,290**	92,397

36. Commitments (Continued)

(b) Operating leasing commitments

The Group leases various residential properties, office and equipments under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 30 June 2015	As at 31 December 2014
	RMB'000	RMB'000
Less than 1 year	64,932	37,601
1 year to 5 years	52,446	30,954
Over 5 years	38,294	40,031
Total	155,672	108,586

37. Cash Generated from Operations

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Profit before taxation	2,118,858	2,484,611
Adjustments for:		
Provision for impairment on trade and other receivables	154,583	84,526
Reversal of amount due from customers for contract work	(6)	—
Depreciation of property, plant and equipment	231,104	224,181
Amortisation of intangible assets	46,601	45,995
Amortisation of land use rights	30,759	30,912
Net gains on disposal/write-off of property, plant and equipment	(554)	(295)
Interest income	(238,615)	(301,042)
Interest expense	47,570	55,589
Net foreign exchange gains	(773)	(12,353)
Share of losses/(profits) of joint ventures	265	(1,314)
Share of profits of associates	(5,607)	(5,518)
Cash flows from operating activities before changes in working capital	2,384,185	2,605,292
Changes in working capital:		
– Inventories	(69,427)	(9,936)
– Contract work-in-progress	515,523	(1,813,702)
– Trade and other receivables	(2,883,430)	(182,480)
– Trade and other payables	1,338,750	(544,411)
– Restricted cash	(7,125)	(17,228)
Cash generated from operations	1,278,476	37,535

38. Contingencies

The Group has been named in a number of lawsuits and other legal proceedings arising in the ordinary course of business. Provisions have been made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits based on management's judgments and the legal advice. No provision has been made for pending lawsuits when the outcome of the lawsuits cannot be reasonably estimated or management believes the outflow of resources is not probable.

It is not anticipated that any material liabilities will arise from the contingent liabilities other than those provided for (Note 32).

39. Significant Related Party Transactions and Balances

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 information shown elsewhere in this report, 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, during the six months ended 30 June 2015 and 2014 and balances as at 30 June 2015 and 31 December 2014.

The transactions with related parties are carried out on pricing and settlement terms agreed with counter parties in the ordinary course of business.

39. Significant Related Party Transactions and Balances (Continued)

(a) Significant related party transactions and period end balances arising with the Sinopec Group, fellow subsidiaries, associates, joint ventures of fellow subsidiaries and an associate of fellow subsidiaries:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Construction and services provided to		
– Joint ventures of fellow subsidiaries	770,479	1,026,586
– Associates of fellow subsidiaries	3,739,866	621,412
– Fellow subsidiaries	4,822,998	7,056,587
– Associates	47,367	14,752
	9,380,710	8,719,337
Construction and services received from		
– Fellow subsidiaries	649,277	379,826
– Associates	3,441	—
	652,718	379,826
Technology research and development provided to		
– Fellow subsidiaries	43,183	22,208
– Ultimate holding company	12,830	—
	56,013	22,208
Interest income on loans		
– Ultimate holding company	198,005	176,262
Interest expense on borrowings		
– Fellow subsidiaries	2,039	952
Deposit interest income from fellow subsidiaries	10,428	37,630

	As at 30 June 2015	As at 31 December 2014
	RMB'000	RMB'000
Deposits and time deposits placed in fellow subsidiaries	4,279,891	4,041,199

	As at 30 June 2015	As at 31 December 2014
	USD'000	USD'000
Guarantee received		
– Ultimate holding company	99,556	191,243

Besides, in respect of the Project RAPID (total contract value of approximately USD1.329 billion) between the Group and PETRONAS company, Sinopec Group provided guarantee to PETRONAS company. The Group provided counter guarantee to Sinopec Group.

39. Significant Related Party Transactions and Balances (Continued)

(a) Significant related party transactions and period end balances arising with the Sinopec Group, fellow subsidiaries, associates, joint ventures of fellow subsidiaries and an associate of fellow subsidiaries: (Continued)

The majority of these significant related party transactions with Sinopec Group and 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.

Apart from transactions with Sinopec Group, fellow subsidiaries, associates, joint ventures of fellow subsidiaries and associates of fellow subsidiaries, the Group has transactions with other state-owned enterprises including but not limited to the following:

– Sales and purchases of goods and services;

– Purchases of assets;

– Lease of assets; and

– Bank deposits and borrowings.

In the ordinary course of business, the Group sells goods and services to, and purchase goods and services from other state-owned enterprises based on terms as set out in the underlying agreements, market price or actual cost incurred, or as mutually agreed.

In the ordinary course of business, the Group places deposits with mainly from state-owned financial institutions. The deposits are in accordance with terms as set out in the respective agreement, and the interest rates are set at prevailing market rates.

Apart from the disclosure of loans due from the ultimate holding company in Note 25, trade receivables, prepayments and other receivables are unsecured, interest free and repayable on demand.

(b) Key management personnel remuneration

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:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Basic salaries, other allowances and benefits-in-kind	**1,555**	1,608
Discretionary bonus	**4,871**	5,785
Contributions to pension plans	**526**	434
	6,952	7,827

40. Particulars of Principal Subsidiaries

As at 30 June 2015 and 31 December 2014, the Company has direct and indirect interests in the following principal subsidiaries:

Name	Establishment/ Place of incorporation and type of legal entity	Registered and fully paid capital	Effective interest held		Principal activities and place of operation
			Direct held	Indirect held	
		RMB'000			
SEI (中國石化工程建設有限公司)	The PRC/Limited liability company	500,000	100%	—	Engineering contracting, engineering and consulting/The PRC
LPEC (中石化洛陽工程有限公司)	The PRC/Limited liability company	500,000	100%	—	Engineering contracting, engineering and consulting/The PRC
SSEC (中石化上海工程有限公司)	The PRC/Limited liability company	200,000	100%	—	Engineering contracting, engineering and consulting/The PRC
SNEC (中石化寧波工程有限公司)	The PRC/Limited liability company	300,000	100%	—	Engineering contracting, design, equipment manufacturing/The PRC
SNEI (中石化南京工程有限公司)	The PRC/Limited liability company	556,005	100%	—	Engineering contracting, design/ The PRC
FCC (中石化第四建設有限公司)	The PRC/Limited liability company	350,000	100%	—	Engineering contracting/The PRC
SFCC (中石化第五建设有限公司)	The PRC/Limited liability company	350,000	100%	—	Engineering contracting/The PRC
TCC (中石化第十建设有限公司)	The PRC/Limited liability company	350,000	100%	—	Engineering contracting/The PRC
Sinopec Guangzhou Engineering Co., Ltd. (中石化廣州工程有限公司)	The PRC/Limited liability company	50,000	100%	—	Engineering contracting/The PRC
Ningbo Institute (中石化寧波技術研究院有限公司)	The PRC/Limited liability company	10,000	100%	—	Technical services/The PRC
Sinopec Heavy Lifting and Transportation Co. Ltd. (中石化重型起重運輸工程有限公司)	The PRC/Limited liability company	500,000	100%	—	Engineering contracting, technical services, equipment selling and leasing/The PRC
Sinopec Engineering Group Saudi Arabia Co., Ltd. (中石化煉化工程(集團)股份有限公司沙特公司)	Saudi Arabia/Limited liability company	3,356 (SAR18,000,000)	100%	—	Engineering contracting/Saudi Arabia
Sinopec Engineering & Construction (Singapore) Pte. Ltd. (中石化煉化工程(集團)股份有限公司新加坡有限公司)	Singapore/Limited liability company	2,560(SGD 500,000)	100%	—	Engineering contracting/Singapore
Sinopec Engineering Group America, L.L.C (中石化煉化工程(集團)有限公司美國有限公司)	United States/Limited liability company	3,075(USD 500,000)	100%	—	Engineering contracting, engineering and consulting/United States
Beijing BPEC Engineering and Construction Supervision Co.,Ltd. (北京畢派克工程建設監理有限公司)	The PRC/Limited liability company	7,000	—	100%	Engineering project management/ The PRC
Beijing Petrochemical Engineering Consulting Co.,Ltd. (北京石油化工工程諮詢有限公司)	The PRC/Limited liability company	5,100	—	100%	Technical consulting/The PRC
Dalian Economy and Technology Zone Jinghai Petrochemical New Technology Development Co., Ltd. (大連經濟技術開發區京海石化新技術開發有限公司)	The PRC/Limited liability company	1,700	—	100%	Technology development service/ The PRC
SEI (London) Co., Ltd. (中國石化工程倫敦有限公司)	United Kingdom/Limited liability company	165(USD20,000)	—	100%	Market consulting agent/ United Kingdom London
Tianjin Tianshi Engineering Project Management Co., Ltd. (天津天實工程項目管理有限公司)	The PRC/Limited liability company	3,000	—	100%	Engineering supervision/The PRC
Guangzhou Xinyue Refining and Petrochemical Engineering Designing Co., Ltd. (廣州新粵煉化工程設計有限公司)	The PRC/Limited liability company	1,000	—	100%	Engineering design/The PRC

40. Particulars of Principal Subsidiaries (Continued)

As at 30 June 2015 and 31 December 2014 the Company has direct and indirect interests in the following principal subsidiaries: (Continued)

Name	Establishment/ Place of incorporation and type of legal entity	Registered and fully paid capital	Effective interest held		Principal activities and place of operation
			Direct held	Indirect held	
		RMB'000			
Sinopec Tenth Construction Qingdao Co., Ltd. (中石化第十建設青島有限公司)	The PRC/Limited liability company	100,000	—	100%	Construction, equipment manufacturing/The PRC
Beijing Jinhaiwan Engineering and Construction Supervision Co., Ltd. (北京金海灣工程建設監理有限公司)	The PRC/Limited liability company	10,000	—	100%	Construction, project supervision/ The PRC
Urumqi Chenjiqian Construction Equipment Co., Ltd. (烏魯木齊宸吉齊安工程設備有限公司)	The PRC/Limited liability company	5,000	—	100%	Equipment installation and leasing/ The PRC
Luoyang Gaoxinlongpu Petrochemical Development Co., Ltd. (洛陽高新龍浦石油化工開發有限公司)	The PRC/Limited liability company	35,000	—	100%	Oil production/The PRC
Luoyang Xinuo Fuel Oil Quality Testing Center, Ltd. (洛陽西諾燃料油質量檢驗中心有限公司)	The PRC/Limited liability company	5,000	—	100%	Oil inspection/The PRC
Jiangsu Nanhua Engineering and Technology Complete Development Co., Ltd. (江蘇南華工程技術開發成套有限公司)	The PRC/Limited liability company	5,000	—	100%	Construction/The PRC
Sinopec Shanghai Pharmaceutical Industry Designing Institute Co., Ltd. (中石化上海醫藥工業設計研究院有限公司)	The PRC/Limited liability company	8,046	—	100%	Medicine, pesticide, chemical research/ The PRC
Zhuhai Shibidi Pharmaceutical Technology Development Co., Ltd. (珠海事必迪醫藥技術開發有限公司)	The PRC/Limited liability company	470	—	100%	Medicine, chemical, petrochemical design/The PRC
Shanghai Eastern Engineering Consulting Co., Ltd. (上海東方工程諮詢有限公司)	The PRC/Limited liability company	5,000	—	100%	Medicine, chemical, petrochemical consulting/The PRC
Shanghai Sanyuan Engineering Consulting and Supervision Co., Ltd. (上海三圓工程諮詢監理有限公司)	The PRC/Limited liability company	3,000	—	100%	Construction installation, construction supervision/The PRC
Shanghai Sanding Environmental Engineering Investment Co.,Ltd. (上海三鼎環境工程投資有限公司)	The PRC/Limited liability company	50,000	—	100%	Environmental protection and public facilities investments/The RPC
Shanghai Petrochemical Machine Manufacturing Co., Ltd. (上海石化機械製造有限公司)	The PRC/ Limited liability company	133,640	—	100%	Petrochemical equipment manufacturing/ The RPC
Ningbo Tianyi Equipment Technology Co., Ltd. (寧波天翼裝備技術有限公司)	The PRC/Limited liability company	60,000	—	100%	Petrochemical equipment design, manufacturing and installation/The PRC
Ningbo Tianyi Petrochemical Heavy Equipment Manufacturing Co., Ltd. (寧波天翼石化重型設備製造有限公司)	The PRC/Limited liability company	60,000	—	97%	Petrochemical equipment manufacturing and installation/The PRC

Documents for Inspection

The following documents will be available for inspection by the regulatory authorities and shareholders during normal working hours, in accordance with the laws and regulations or the Company's Articles of Association, at the legal address of the Company after 31 August 2015 (Monday):

a) the original interim report signed by the Chairman and the President;

b) the original audited financial statements and consolidated financial statements for the six months ended 30 June 2015 prepared in accordance with the IFRS and signed by the Chairman, the President, the Chief Financial Officer and the Head of the Finance Department; and

c) the original auditor's report in respect of the above financial statements signed by Grant Thornton Hong Kong Limited.

By Order of the Board

ZHANG Jianhua

Chairman of the Board

Beijing, the PRC

28 August 2015

This interim report is printed in both Chinese and English languages. Should there be any discrepancy between the English language and the Chinese language, the Chinese language shall prevail.

中石化炼化工程（集團）股份有限公司
SINOPEC ENGINEERING (GROUP) CO., LTD.

Address: Tower B, No.19, Anyuan, Anhui Beili, Chaoyang District, Beijing, PRC
Postcode: 100101
Web: www.segroup.cn
Email: seg.ir@sinopec.com

Printed on environmentally friendly paper