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中 石 化 煉 化 工 程 （ 集 團 ） 股 份 有 限 公 司
SINOPEC Engineering (Group) Co., Ltd.*

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

(Stock Code: 2386)

2015 Interim Results Announcement

1 Important Notice

- 1.1 This announcement is extracted from the entire report of the 2015 interim report (the “**Interim Report**”) of SINOPEC Engineering (Group) Co., Ltd. (“**SINOPEC SEG**” or the “**Company**”), which is also published on the websites of the The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) (www.hkex.com.hk) and the Company (www.segoup.cn). The investors should read the Interim Report for more details.
- 1.2 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.

* *For identification purposes only*

2 Basic Information of the Company

2.1 Company Profile

Stock Name:	SINOPEC SEG
Stock Code:	2386
Place of Listing of H Shares:	Hong Kong Stock Exchange
Legal Representative:	Mr. ZHANG Jianhua
Authorised Representatives:	Mr. YAN Shaochun, Mr. SANG Jinghua
Secretary to the Board of Directors:	Mr. SANG Jinghua
Place of Business and Correspondence Address:	Tower B, No. 19, Anyuan, Anhui Beili, Chaoyang District, Beijing, the PRC (Postcode: 100101)
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2.2 Principal Financial Data and Indicators

Financial Data and Indicators Prepared in Accordance with International Financial Reporting Standards (the “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

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

3 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.

3.1 Business Review

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		Change
	Revenue (RMB '000)	Percentage of total revenue (%)	Revenue (RMB '000)	Percentage of total revenue (%)	
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⁾	<u>20,905,016</u>	N/A	<u>22,649,791</u>	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		Change
	Revenue (RMB '000)	Percentage of total revenue (%)	Revenue (RMB '000)	Percentage of total revenue (%)	
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	<u>20,905,016</u>	<u>100.0</u>	<u>22,649,791</u>	<u>100.0</u>	(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		Change
	Revenue (RMB '000)	Percentage of total revenue (%)	Revenue (RMB '000)	Percentage of total revenue (%)	
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	<u>20,905,016</u>	<u>100.0</u>	<u>22,649,791</u>	<u>100.0</u>	(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 project 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.

3.2 Business Highlights

3.2.1 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 Mtpa 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.

3.2.2 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 contract 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.

3.2.3 Leading Technologies

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

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.

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 has 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, trial 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 CO₂: 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 CO₂, 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.

3.2.4 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, CO₂ 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.

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.

3.2.5 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.

3.2.6 Safe Operation 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.

3.3 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.

4 Management's Discussion and Analysis

4.1 The analysis of the reasons of the significant changes in the revenue structure compared to the same period of the last financial year

The following discussion and analysis should be read in conjunction with the Group's audited financial statements and the accompanying notes contained in the 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.

4.1.1 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.

4.1.2 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.

4.1.3 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.

4.1.4 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.

4.1.5 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.

4.1.6 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.

4.1.7 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.

4.1.8 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.

4.1.9 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.

4.1.10 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.

4.1.11 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.

4.1.12 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.

4.1.13 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.

4.1.14 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.

4.2 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	<u>110,868,976</u>	<u>103,922,283</u>	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 (RMB'000)	As at 31 December 2014 (RMB'000)	Change (%)
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		Change
	2015	2014	
	(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	<u>27,851,709</u>	<u>25,447,757</u>	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		Change
	2015	2014	
	(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	<u>27,851,709</u>	<u>25,447,757</u>	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		Change
	2015	2014	
	(RMB'000)	(RMB'000)	(%)
PRC	21,394,409	22,671,401	(5.6)
Overseas	6,457,300	2,776,356	132.6
Total	<u>27,851,709</u>	<u>25,447,757</u>	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) non-Sinopec Group and its associates as at the dates 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	<u>27,851,709</u>	<u>25,447,757</u>	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 the clean energy LNG project, and new contracts from overseas markets during the Reporting Period.

4.3 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.

4.3.1 Assets, Liabilities and Equity

Unit: 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	<u>23,732,156</u>	<u>22,869,116</u>	863,040
Share capital	4,428,000	4,428,000	0
Reserves	<u>19,304,156</u>	<u>18,441,116</u>	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.

4.3.2 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.

Unit: 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 loan from the ultimate holding company.

Net cash used in from 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 or trade debts and reduce the life of writing 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.

4.3.3 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	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

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

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

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

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

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

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

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

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.

5 Significant Events

5.1 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 RMB 0.114 (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 Disclosure of Register of Members for H Shares" dated 31 August 2015.

5.2 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.

5.3 Repurchase, Sale and Redemption of Shares

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

6 Review of the Interim Report

The audit committee of the Company (the “Audit Committee”) has reviewed the 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.

7 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.

8 Financial statements

8.1 Auditors’ opinion

The interim financial statements for the six months ended 30 June 2015 of the Company, prepared in accordance with the IFRS, were audited by Grant Thornton Hong Kong Limited, which has issued standard unqualified opinions on the interim financial statements.

8.2 Accounting policies

Compared to the last audited financial statements, there are no significant changes to accounting policies.

8.3 Financial Statements

The interim financial statements prepared in accordance with the IFRS for the six months ended 30 June 2015

8.3.1 Consolidated Statement of Comprehensive Income

	Six months ended 30 June	
	2015	2014
	(RMB'000)	(RMB'000)
Revenue	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	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	554	295
Operating profit	1,922,471	2,232,326
Finance income	238,615	301,042
Finance expenses	(47,570)	(55,589)
Finance income - net	191,045	245,453
Share of (losses)/profits of joint arrangements	(265)	1,314
Share of profits of associates	5,607	5,518
Profit before taxation	2,118,858	2,484,611
Income tax expense	(408,070)	(607,068)
Profit for the period	1,710,788	1,877,543

	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)
	<u>(563)</u>	<u>(7,569)</u>
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	<u>(19,607)</u>	<u>(119,242)</u>
Total comprehensive income for the period	<u><u>1,691,181</u></u>	<u><u>1,758,301</u></u>
Profit attributable to:		
Equity holders of the Company	1,710,683	1,877,478
Non-controlling interests	<u>105</u>	<u>65</u>
Profit for the period	<u><u>1,710,788</u></u>	<u><u>1,877,543</u></u>
Total comprehensive income attributable to:		
Equity holders of the Company	1,691,076	1,758,236
Non-controlling interests	<u>105</u>	<u>65</u>
Total comprehensive income for the period	<u><u>1,691,181</u></u>	<u><u>1,758,301</u></u>
	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	<u><u>0.39</u></u>	<u><u>0.42</u></u>

8.3.2 Consolidated Statement of Financial Position

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

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

8.4 Notes to the Interim Financial Statements Prepared In Accordance with IFRS

8.4.1 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
	<u>20,905,016</u>	<u>22,649,791</u>

8.4.2 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
	<u>415,637</u>	<u>612,005</u>
Deferred tax		
Origination and reversal of temporary differences	<u>(7,567)</u>	<u>(4,937)</u>
Income tax expense	<u>408,070</u>	<u>607,068</u>

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	<u>2,118,858</u>	<u>2,484,611</u>
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	<u>38,271</u>	<u>51,185</u>
Income tax expense	<u>408,070</u>	<u>607,068</u>
Effective income tax rate	<u>19%</u>	<u>24%</u>

8.4.3 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)	<u>0.39</u>	<u>0.42</u>

(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.

8.4.4 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) ⁽ⁱ⁾	<u>504,792</u>	<u>553,500</u>

- (i) 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.

9 Language

This announcement is published in both Chinese and English languages. Should there be any discrepancy between the English language and the Chinese language, the Chinese language version shall prevail.

Yours faithfully,
By order of the Board
SINOPEC ENGINEERING (GROUP) CO., LTD.
ZHANG Jianhua
Chairman

Beijing, PRC
31 August 2015

As at the date of this announcement, the Company's executive directors are LU Dong, YAN Shaochun, SUN Lili (employee representative director) and WU Derong (employee representative director); the non-executive directors are ZHANG Jianhua and LI Guoqing; and the independent non-executive directors are HUI Chiu Chung, Stephen, JIN Yong and YE Zheng.