

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

2016 Interim Results Announcement

1 Important Notice

- 1.1 This announcement is extracted from the content of the 2016 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 SINOPEC SEG (www.segroup.cn). The investors should read the Interim Report for more details.
- 1.2 The interim financial statements for the six months ended 30 June 2016 (the “**Reporting Period**”) of SINOPEC SEG and its subsidiaries (the “**Group**”), prepared in accordance with the International Financial Reporting Standards (the “**IFRS**”), 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 of H Shares	:	SINOPEC SEG
Stock Code of H Shares	:	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)
Telephone	:	+86 10 6499 8114
Website	:	www.segroup.cn
E-mail address	:	seg.ir@sinopec.com

2.2 Principal Financial Data and Indicators

Summary of Financial Data and Indicators Prepared in Accordance with International Financial Reporting Standards

Unit: RMB'000			
Items	As at 30 June 2016	As at 31 December 2015	Changes from the end of 2015 (%)
Total assets	55,984,600	58,404,370	(4.1)
Total equity attributable to equity holders of the Company	24,907,208	24,634,775	1.1
Net assets per share attributable to equity holders of the Company (RMB)	5.62	5.56	1.1

Unit: RMB'000

Items	For the six months ended 30 June		Changes over
	2016	2015	the same period of 2015 (%)
Revenue	17,734,811	20,905,016	(15.2)
Gross profit	2,208,763	3,020,616	(26.9)
Operating profit	1,159,354	1,922,471	(39.7)
Profit before taxation	1,381,625	2,118,858	(34.8)
Net profit attributable to equity holders of the Company	1, 079,124	1,710,683	(36.9)
Basic earnings per share (RMB)	0.24	0.39	(36.9)
Net cash flow (used in)/generated from operating activities	(1,189,570)	766,066	N/A
Net cash flow (used in)/generated from operating activities per share (RMB)	(0.27)	0.17	N/A

Items	For the six months ended 30 June	
	2016	2015
Gross profit margin (%)	12.5	14.4
Net profit margin (%)	6.1	8.2
Return on assets (%)	1.9	3.2
Return on equity (%)	4.3	7.2
Return on invested capital (%)	4.4	7.4

Items	As at 30 June 2016	As at 31 December 2015
Asset-liability ratio (%)	55.5	57.8

3 Business Review and Prospects

During the first half of 2016, faced with unfavourable external environment, the Group further increased its efforts in market development, strengthened its control over project process, implemented special cost-cutting and benefit-enhancing actions, and has achieved hard-won performance under relatively difficult circumstances. During the Reporting Period, the Group recognised a revenue of RMB17.735 billion, with the Group's profit attributable to shareholders being RMB1.079 billion, the value of new contracts entered into by the Company reaching RMB8.397 billion. As at the end of the Reporting Period, the Group's backlog was RMB90.647 billion; the projects being implemented by the Group are progressing smoothly, the safety, quality and schedule of which are fully under control. During the second half of the year, while consolidating its market edge in conventional industries, e.g. the oil refining and petrochemical industry, the Group will continue to build integrated solutions for industries such as the natural gas industry, the new coal chemical industry, the environmental protection and energy saving industries, to create an innovation system focusing on technology innovation power, and to further promote specialised reconstruction, standardise internal transactions and optimise allocation of resources; to make full use of all beneficial policies provided in support of the strategic development of "belt and road initiative", to further consolidate existing market and actively explore the market of countries alongside, and to continuously enhance the overall profitability and risk management ability of the Group's overseas business operation.

3.1 Business Review

During the Reporting Period, the Group's total revenue and net profits attributable to the Company's shareholders were RMB17.735 billion and RMB1.079 billion, respectively. The value of new contracts entered into during the Reporting Period was RMB8.397 billion. As a result of the persistence of low international crude oil price, new coal chemical enterprises do not have strong willingness to invest, which has led to change order for or suspension of some new coal chemical projects. The Group re-evaluated such projects and decided to take a prudent stance and deduct, from the Group's backlog, the backlog for domestic new coal chemical Engineering, Procurement and Construction Contracting ("**EPC Contracting**") projects with a total value of RMB11.115 billion. After the deduction, the Group's backlog at the end of the Reporting Period was RMB90.647 billion. For details on the Group's backlog during the Reporting Period, please refer to the section headed "Management Discussion and Analysis - 4. Discussion on the backlog and new contracts" in the Interim Report.

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 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				
	2016		2015		Change
	Revenue (RMB '000)	Percentage of total revenue (%)	Revenue (RMB '000)	Percentage of total revenue (%)	
Engineering, consulting and licensing	795,630	4.2	1,337,392	5.9	(40.5)
EPC Contracting	9,285,236	49.5	12,891,709	57.0	(28.0)
Construction	8,515,410	45.4	8,008,090	35.4	6.3
Equipment manufacturing	173,152	0.9	388,814	1.7	(55.5)
Subtotal	18,769,428	100.0	22,626,005	100.0	(17.0)
Total after inter-segment elimination (1)	<u>17,734,811</u>	N/A	<u>20,905,016</u>	N/A	(15.2)

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 RMB17.735 billion, representing a decrease of 15.2% from the same period of the previous year. The main reasons are as follows: 1) some large-scale EPC Contracting projects were in preliminary or completion stage; 2) during the Reporting Period, the revenue generated from the new coal chemical industry significantly decreased on a period-on-period basis. During the Reporting Period, the Group derived its revenue mainly from projects such as Coal Chemical Complex of Zhongtian Hechuang Energy Co., Ltd. ("**Zhongtian Hechuang Coal Chemical Project**"), Petronas RAPID project of Malaysia's Petroliaam Nasional Berhad ("**Malaysia RAPID Oil Refining Project**"), and Saudi Phosphoric Acid Utility Project.

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				
	2016		2015		Change
	Revenue (RMB '000)	Percentage of total revenue (%)	Revenue (RMB '000)	Percentage of total revenue (%)	
Oil refining	4,393,661	24.8	2,421,511	11.6	81.4
Petrochemicals	5,595,034	31.5	5,999,942	28.7	(6.7)
New coal chemicals	4,924,443	27.8	8,492,715	40.6	(42.0)
Other industries	2,821,673	15.9	3,990,848	19.1	(29.3)
Subtotal	<u>17,734,811</u>	<u>100.0</u>	<u>20,905,016</u>	<u>100.0</u>	(15.2)

The Group derived its revenue mainly from services provided to clients in the oil refining, petrochemical and new coal chemical and other industries. During the Reporting Period, due to the impact of entering into the peak period of procurement or construction of EPC Contracting projects in the oil refining industry such as Malaysia RAPID Oil Refining Project and FCC Project of Kazakhstan Atyrau Refinery, the Company's revenue from the oil refining industry was RMB4.394 billion, representing an increase of 81.4% on a period-on-period basis; due to the impact of the decrease in business volume in new coal chemicals, petrochemicals and other industries, the revenue derived from the petrochemical industry was RMB5.595 billion, representing a decrease of 6.7% on a period-on-period basis, the revenue derived from the new coal chemical industry was RMB4.924 billion, representing a decrease of 42.0% on a period-on-period basis. The revenue derived from other industries was RMB2.822 billion, representing a decrease of 29.3% on a period-on-period basis.

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				
	2016		2015		Change
	Revenue (RMB '000)	Percentage of total revenue (%)	Revenue (RMB '000)	Percentage of total revenue (%)	
PRC	11,484,100	64.8	18,062,063	86.4	(36.4)
Overseas	6,250,711	35.2	2,842,953	13.6	119.9
Subtotal	<u>17,734,811</u>	<u>100.0</u>	<u>20,905,016</u>	<u>100</u>	(15.2)

During the Reporting Period, the Group continued to steadily expand its overseas business, and the revenue generated overseas was RMB6.251 billion, representing an increase of 119.9% as compared with that of the same period of the previous year. This was mainly attributable to the entering into the execution peak period of certain overseas projects, such as Malaysia RAPID Oil Refining Project, Saudi Phosphoric Acid Utility Project and FCC Project of Kazakhstan Atyrau Refinery.

During the Reporting Period, the value of new contracts entered into by the Group amounted to RMB8.397 billion, representing a decrease of 69.9% as compared with that of the same period of the previous year, mainly due to the influence of economic recession and low oil price, with capital expenditure of large Chinese petroleum companies in oil refinery and petrochemical projects experiencing further downward tendency; domestic new coal chemical industry faced serious challenges, most of the investment plans of projects under tracking were delayed, and market was quickly shrinking; fewer overseas projects under tracking entered bidding stage, and substantially fewer new contracts were signed.

During the Reporting Period, the Group entered into the following representative domestic projects: the EPC Contracting project of Dongjiakou crude oil commercial reservation base of SINOPEC Pipeline Storage & Transportation Company ("**Dongjiakou Crude Oil Commercial Reservation Base Project**"), with the contract value being RMB1.1 billion; EPC Contracting project of Anqing 1 Mtpa catalytic diesel hydrogenation transformation (RLG) of SINOPEC, with the contract value being RMB540 million; EPC Contracting project of 300 Ktpa alkylation unit of gasoline quality upgrade project of SINOPEC Tianjin Company ("**Tianjin Gasoline Quality Upgrade Project**"), with the contract value being RMB523 million; EPC Contracting project of additional 140 Ktpa cracking furnace of SINOPEC-SK (Wuhan) Petrochemical Ltd., with the contract value being RMB180 million; EPC Contracting project of refinery/chemical raw coal conveying and coal preparation unit of Huizhou branch of CNOOC, with the contract

value being RMB175 million; and phase I engineering design project of 40 Mtpa refinery and chemical integration project of Zhejiang Petrochemical Co., Ltd., with the contract value being RMB156 million. During the Reporting Period, the representative overseas projects entered into by the Group include the procurement and construction project of utility loading and unloading platform for the phosphate project of Saudi Maaden Company, with the contract value being approximately USD26.57 million. In addition to the above projects, the Group has also tracked some oil refining, petrochemical engineering, new coal chemical, environmental protection and energy saving projects, on which contracts may be signed in the future.

During the Reporting Period, the Group's capital expenditure was approximately RMB231 million, which was mainly used in the construction of information system and the purchase of construction equipment and professional engineering software.

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 issued by the Company for further details. As at the end of the Reporting Period, over nine tenths of the overall progress of the project was completed, and the project entered the completion stage.

Guangxi LNG Project: Please refer to the announcement dated 1 July 2015 issued by the Company for further details. As at the end of the Reporting Period, intermediate handover of the project was completed.

Tianjin LNG Project: Please refer to the announcement dated 1 July 2015 issued by the Company for further details. As at the end of the Reporting Period, approximately eight tenths of the overall progress of the project was completed. The design work is coming to an end, the procurement work has entered the final stage, and the construction has progressed smoothly.

Dongjiakou Crude Oil Commercial Reservation Base Project: Please refer to the announcement dated 15 April 2016 issued by the Company for further details. As at the end of the Reporting Period, the design work of the project fully commenced.

Tianjin Gasoline Quality Upgrade Project: Please refer to the announcement dated 15 April 2016 issued by the Company for further details. As at the end of the Reporting Period, the design work of the project fully commenced.

Kuwait Oil Refining Project: Please refer to the announcement dated 14 October 2015 issued by the Company for further details. As at the end of the Reporting Period, the design work of the project fully commenced, the procurement of key equipment began, and all works of the project were carried out in sequence as planned.

Malaysia RAPID Oil Refining Project: Please refer to the announcement dated 29 August 2014 issued the Company for further details. As at the end of the Reporting Period, over four tenths of the overall progress of the project was completed. The design work was almost completed, over half of the procurement work was completed, and the onsite construction fully commenced.

FCC Project of Kazakhstan Atyrau Refinery: The scope of work under the contract for this project mainly includes EPCC of 13 process units including 2.43 Mtpa FCC units, and 47 utilities units. As at the end of the Reporting Period, the design work of the project was completed, over eight tenths of the procurement work was completed and over half of the construction was completed. Approximately seven tenths of the overall progress was completed.

3.2.2 Effective Implementation of Special Cost-cutting and Benefit-enhancing Actions

In response to the influence of severe market conditions and the decline in operating efficiency, since the beginning of 2016, the Group has implemented special cost-cutting and benefit-enhancing actions, so as to realise the targets of low-cost operation and enhancement of labour productivity and profitability through improving delicacy management. The Group has formulated work program for special cost-cutting and benefit-enhancing actions, clearly setting out the work scope, measures to be adopted and targets to be reached for cost cut and efficiency enhancement of the Group throughout the year. Main work focuses include keeping pace with international advanced engineering companies, further optimising design, material and equipment procurement and subcontracting business management and control, so as to cut cost for engineering projects and increase their gross profits; refine administrative management targets and accountability, so as to cut down administrative expenses; through innovation and progress in resources, technologies and information technology construction, to enhance delicacy management and investment efficiency, etc. All subsidiaries in the Group have actively participated in the special actions and have each set out its own detailed rules for the implementation of the special cost-cutting and benefit-enhancing actions, and formulated specific targets and action plans for cost cut and efficiency enhancement. Through monthly inspection and report, the Group has monitored the implementation of the special cost-cutting and benefit-enhancing actions, and will assess and evaluate at the end of this year to grant special award to subsidiaries that have reached the relevant targets. Currently, all relevant work is carried out smoothly.

3.2.3 Continue to promote innovation and technology advancement

Significant progress in the research and development of major technologies developed along with the key projects.

- The engineering construction of technology development projects such as technology development and industrial application of Yuanba natural gas purification, packaged technology development and application of hydroisomerising dewaxing production of high class base oil, industrial test of FHUDES series low-cost diesel hydrogenation catalyst for long-term production of China V diesel, technology development and application research of poor quality slurry oil for production of high quality needle coke, and industrial test of RS-2200 low cost diesel hydrogenation catalyst for long-term production of China V diesel were completed and the projects entered the production test phase by the end of the Reporting Period.
- The detailed design of the packaged technology development of large liquefied natural gas receiving station project was completed and the project entered the construction phase.
- The fundamental design of the packaged technology development and industrial application of SE coal water slurry gasification and enhanced treatment technology for sewage discharge of petrochemical enterprises was completed and the project entered the detailed engineering design phase.
- For technology research and development projects such as the technology development and industrial application of new type of sulfuric acid alkylation, work such as compilation of technique package were completed, and the projects entered the engineering design phase.
- A batch of new topics such as the technology development and application of low energy consumption super strong acid C5/C6 large isomerisation project and enhanced treatment technology for sewage discharge of petrochemical enterprises passed the feasibility research stage and entered the technique package compilation phase.

Accelerate and propel the research and development of environmental protection and energy saving technologies

- Introduction of new research and development topics with significant environmental protection value: for a batch of new environmental protection research and development projects such as comprehensive control and nearly-zero discharge technologies of coal chemical sewage, control technology of aerosol in ammonia process of desulfurisation and soil remediation thermal desorption technologies integration, key problem-tackling groups were established and milestone plans of research and development were formulated.
- The development of partial environmental protection research and development technologies such as waste dry fermentation treatment and production of bio natural gas were completed and the technologies entered the appraisal phase.

- The construction and intermediate handover of the Jiujiang sludge drying project were completed and the project was put into production operation.

Collaborative research and development has opened a new horizon.

In 2016, Luoyang Technical Research and Development Centre of Sinopec Engineering (Group) Co., Ltd. (the “**Research and Development Centre**”) carried out a total of 58 research and development projects, making important technological progress in key technology research and development projects such as the technology development and industrial test of advanced delayed coking process with higher liquid yield (ADCP), technique optimisation and engineering technology development of millisecond catalytic cracking, technique package development for coupling and cracking of methanol and light hydrocarbon to olefins, technical research of corrosion proof for unit for synthetic gas to ethylene glycol; major technological advancement was made in environmental protection projects such as soil remediation platform construction and thermal desorption integration technologies optimisation, technology research of corrosion mechanism and reasonable material selection in flue gas purification process, and development of packaged technologies for renewable wet process flue gas desulfurisation, etc.

Good momentum kept in patent applications.

During the Reporting Period, the Group completed 236 new patent applications (including 122 invention patents) and licensing of 305 patents. The proportion of invention patent applications increased substantially.

Continuously Achieving Numerous Fruitful Results in Technology Innovation.

During the Reporting Period, the Group was awarded with 91 items (times) of various prizes for scientific and technological advancement above provincial/ministerial levels, including 1 special prize for scientific and technological advancement at each of national level and provincial/ministerial level, 5 first-class prizes for scientific and technological advancement at provincial/ministerial level, 1 gold prize for national outstanding engineering design, 1 special prize and 3 first-class prizes for outstanding engineering design at provincial/ministerial level, and 2 gold prizes for national outstanding engineering design.

3.2.4 Continuous expansion of the environmental protection and energy saving business

Attaching great importance to the development of the environmental protection and energy saving market, the Group has integrated its own technical advantages and cooperated with well-known domestic and international technology patent licensors. The scope of the Group’s business now covers multiple fields such as flue gas desulfurisation and denitration, VOCs control, sewage treatment, slurry reduction and drying, soil remediation, CO₂ recovery and low temperature waste heat power generation, etc. The Group was actively involved in Sinopec’s “Clear Water & Blue Sky Plan” and “Energy Efficiency Doubling Plan”, and explored to implement new business models for contractual energy management and contractual environmental protection

management, providing energy saving diagnosis and optimisation services for enterprises, further developing the Group's environmental protection and energy saving business. During the Reporting Period, the Group signed new environmental protection business contracts valued at approximately RMB238 million, which was mainly from flue gas desulfurisation and denitrification projects, and new energy saving business contracts valued at approximately RMB33.74 million, which was mainly from energy saving reform projects.

Attaching great importance to the development of the energy saving and environmental protection business, the Group has continuously promoted the application of low temperature waste heat power generation in refinery and chemical fields in collaboration with business partners. Leveraging on its abundant experience in refinery and chemical units design and construction, the Group explored to cooperate with several domestic enterprises with capital and technological advantages, so as to promote the implementation of energy saving projects of refinery and chemical enterprises in accordance with the mode of contractual energy management to expand the Group's business scope. The Group actively explores the soil remediation market, and is conducting research and planning for soil remediation projects after relocation of refineries, such as Gaoqiao Petrochemical and Xi'an Petrochemical, etc. Meanwhile, paying great attention to cooperative development of CO₂ utilisation technology, the Group has discussed technology cooperation with multiple foreign companies, so as to optimise the technology chain of the Group and grasp decisive opportunities in the future market.

3.2.5 Continuous promotion of production safety

During the Reporting Period, the Group further optimised the QHSE management system and continuously improved its QHSE management and control capability. Guided by the quality safety culture, the Group promoted safe development, scientific development and harmonious development. The Group implemented overall accountability for quality and production safety, and made efforts to establish long-term management mechanism of production safety. The Group propelled HSE standardisation management, strengthened intrinsic safety management of engineering design, and continuously focused on the construction of the core capability of HSE management, so as to build engineering projects featuring intrinsic safety. The Group regularly conducted risk identification, investigation and elimination work, made full use of the two-level supervision team, implemented overall and full-coverage supervision, inspection and observation actions, and optimised QHSE supervision in direct operation procedures, so as to promote quality and safety of projects under construction and overseas public safety. As at the end of the Reporting Period, the Group had 707 projects under construction both domestically and overseas, and realised 112.56 million safe man hours in accumulation.

3.3 Business Prospects

Looking to the second half of 2016, the world economic environment will continue to be complicated and changing, and economic recovery will face severe challenges and is subject to the influence of numerous uncertain factors such as US dollar interest rate raise, Brexit and geopolitics, etc. The development of the Chinese economy has entered the “New Normal”, and the economic growth rate will be maintained within a reasonable range. In the second half of 2016, it is predicated that as a result of the influence of adverse factors such as low international crude oil price and shrinking industrial investment, the production and operation situations of the refinery and chemical engineering industry will become increasingly severe, market competition will become fiercer, and engineering companies will face higher downward performance pressure. 2016 is the first year of China’s “13th Five-year Plan”, and opportunities coexist with challenges. The Group will proactively deal with adverse situations, make full use of its advantages such as collectivisation, integration and economies of scale, continuously enhance its core competition edge, propel its sustainable and healthy development and make efforts to become a “national business card” of the Chinese oil refinery and chemical engineering industry.

In terms of market development, with the gradual recovery of the oil refinery and petrochemical market, a batch of large refinery and chemical projects is expected to be launched. The Group will make full use of its overall advantages, focus on propelling the overall development of key projects in fields such as oil refining, petrochemicals, new coal chemicals, environmental protection and energy saving, actively propel the negotiation and signing of key contracts, and make efforts to realise the annual target of new contract value of this year. Furthermore, as most nuclear-related secondary sanctions which had targeted certain activities by non-U.S. persons relating to Iran have been lifted during this Reporting Period, the Group plans to gradually do businesses in Iran in the future under the prerequisite that risk can be controlled. Please refer to the voluntary announcement entitled “Update on Iran Sanctions Developments” issued by the Company on 30 June 2016 for details.

In terms of project management, the Group will strengthen delicacy management and further reinforce project process management and control through focusing on project settlement and inventory management, so as to ensure the timeliness of progress confirmation of all items during project implementation. The Group will also strengthen change order management at both owner and subcontractor levels, fully implement project risk management and enhance project profitability.

In terms of cost cut and efficiency enhancement, the Group will implement cost-cutting and benefit-enhancing actions, carefully analyse the current cost management to understand the key factors in cost management, refine cost accounting units, set reasonable cost plans and targets, improve cost analysis and control method, and strive to meet the annual cost targets by adopting all kinds of cost-control measures.

In terms of technology research and development, the Group will ensure its long-term development through enhancing technology innovation capability. Oriented by market needs, the Group will make full use of scientific research resources of SINOPEC and the society, and ensure the well implementation of major technology cooperation and technology innovation projects. The Group will also construct research and development centres, make full use of characteristic advantages of engineering technology development of research and development centres, and strengthen cooperation with globally well-known patent licensors, so as to propel and facilitate the realisation of the Group's target to lead market development through technology.

4 Management Discussion and Analysis

4.1 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 15.2% from RMB20.905 billion for the six months ended 30 June 2015 to RMB17.735 billion for the six months ended 30 June 2016, which is mainly attributable to the decrease in the business volume in the new coal chemicals and other industries.

4.1.2 Cost of sales

The cost of sales of the Group decreased by 13.2% from RMB17.884 billion for the six months ended 30 June 2015 to RMB15.526 billion for the six months ended 30 June 2016, which is mainly due to the decreases in the procurement costs and sub-contracting costs of equipment and materials as a result of the decrease in revenue.

4.1.3 Gross profit

The gross profit of the Group decreased by 26.9% from RMB3.021 billion for the six months ended 30 June 2015 to RMB2.209 billion for the six months ended 30 June 2016, and the gross profit margin decreased from 14.4% for the same period of the previous year to 12.5%. This is mainly attributable to the decrease in the revenue generated from the Engineering, Consulting and Licensing segment and EPC Contracting segment with relatively higher gross profit margin.

4.1.4 Other income

Other income of the Group increased by 401.7% from RMB52 million for the six months ended 30 June 2015 to RMB261 million for the six months ended 30 June 2016, mainly due to the increase in income generated from foreign exchange transactions.

4.1.5 Selling and marketing expenses

The selling and marketing expenses of the Group was RMB41 million, which remained almost the same as that for the same period of the previous year.

4.1.6 Administrative expenses

The administrative expenses of the Group decreased by 11.0% from RMB474 million for the six months ended 30 June 2015 to RMB422 million for the six months ended 30 June 2016, as a result of the Group's increasing efforts in cost management and control, which led to a decrease in expenses such as travel expenses and office expenses.

4.1.7 Research and development costs

The research and development costs of the Group decreased by 13.2% from RMB460 million for the six months ended 30 June 2015 to RMB399 million for the six months ended 30 June 2016, mainly due to the decrease in research and development investment.

4.1.8 Other operating expenses

Other operating expenses of the Group increased by 156.1% from RMB175 million for the six months ended 30 June 2015 to RMB449 million for the six months ended 30 June 2016, mainly as a result of the increase in provision for impairment on receivables, etc..

4.1.9 Other gains - net

The net other gains of the Group decreased from RMB0.554 million for the six months ended 30 June 2015 to RMB0.185 million for the six months ended 30 June 2016.

4.1.10 Operating profit

As a result of the foregoing, the operating profit of the Group decreased by 39.7% from RMB1.922 billion for the six months ended 30 June 2015 to RMB1.159 billion for the six months ended 30 June 2016.

4.1.11 Finance income - net

The net finance income of the Group increased by 13.7% from RMB191 million for the six months ended 30 June 2015 to RMB217 million for the six months ended 30 June 2016, mainly due to the increase in interest income and the decrease in net interest on actuarial liabilities.

4.1.12 Income tax expenses

The Group's income tax expenses decreased by 25.8% from RMB408 million for the six months ended 30 June 2015 to RMB303 million for the six months ended 30 June 2016, and the consolidated income tax rate increased from 19.3% for the same period of last year to 21.9%.

4.1.13 Profit for the period

Due to the above reasons, the net profit for the Reporting Period of the Group decreased by 36.9% from RMB1.711 billion for the six months ended 30 June 2015 to RMB1.079 billion for the six months ended 30 June 2016.

4.1.14 Total comprehensive income for the period

As a combined result of the foregoing and the effect of other comprehensive income of the Group, the total amount of the comprehensive income for the Reporting Period of the Group decreased by 36.0% from RMB1.691 billion for the six months ended 30 June 2015 to RMB1.082 billion for the six months ended 30 June 2016.

4.2 Discussion on the backlog and new contracts

Backlog represents the total estimated contract value of work that remains to be completed pursuant to outstanding contracts as at a certain date, net of estimated value added tax and is based on the Group's assumption that the relevant contracts will be performed in accordance with their terms. Backlog is not a measure defined by generally accepted accounting principles. Any modification, termination or suspension of these contracts by the Group's clients may have a substantial and immediate effect on the Group's backlog. Projects may also remain in the Group's backlog for an extended period of time beyond what was initially anticipated due to various factors beyond the Group's control.

As a result of the persistence of low international crude oil price, new coal chemical enterprises do not have strong willingness to invest, which has led to change order for or suspension of some new coal chemical projects. The Group re-evaluated such projects, and decided to take a prudent stance and deduct, from the Group's backlog, the backlog for domestic new coal chemical EPC Contracting projects with a total value of RMB11.115 billion (the **"Deducted Backlog"**) and to adjust the respective total value of the backlog as at 30 June 2016 and 31 December 2015 accordingly.

During the Reporting Period, Qinghai Damei Coal Chemicals Project and Zhong'An Lianhe Coal Chemical Project (the **"Postponed Projects"**) continued to be postponed as per the request of project owners. As at the end of the Reporting Period, the value of the backlog for the Postponed Projects was RMB12.100 billion. According to the Group's overall assessment, the Postponed Projects will continue to be counted as the Group's backlog. Apart from the Postponed Projects, all other projects in hand are implemented smoothly.

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 2016 (RMB'000)	As at 31 December 2015 (RMB'000)	Change (%)
Engineering, consulting and licensing	7,284,903	6,935,838	5.0
EPC Contracting	73,350,949	78,661,105	(6.8)
Construction	9,890,282	14,273,326	(30.7)
Equipment manufacturing	120,721	114,615	5.3
Total	<u>90,646,855</u>	<u>99,984,884</u>	(9.3)

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 2016 (RMB'000)	As at 31 December 2015 (RMB'000)	Change (%)
Oil refining	31,252,307	32,951,451	(5.2)
Petrochemicals	19,543,829	22,730,572	(14.0)
New coal chemicals	22,139,800	26,230,973	(15.6)
Other industries	17,710,919	18,071,888	(2.0)
Total	90,646,855	99,984,884	(9.3)

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

	As at 30 June 2016 (RMB'000)	As at 31 December 2015 (RMB'000)	Change (%)
PRC	59,957,942	63,303,344	(5.3)
Overseas	30,688,913	36,681,540	(16.3)
Total	90,646,855	99,984,884	(9.3)

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 2016 (RMB'000)	As at 31 December 2015 (RMB'000)	Change (%)
Sinopec Group and its associates	40,125,810	42,242,637	(5.0)
Non-Sinopec Group and its associates	50,521,045	57,742,247	(12.5)
Total	90,646,855	99,984,884	(9.3)

As at the end of the Reporting Period, the value of the Group's backlog totaled RMB90.647 billion, representing a decrease of 9.3% from that as at 31 December 2015 and 2.0 times of the total revenue of RMB45.498 billion in 2015.

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

	For the six months ended 30 June		
	2016	2015	Change
	(RMB'000)	(RMB'000)	(%)
Engineering, consulting and licensing	1,144,695	1,722,360	(33.5)
EPC Contracting	3,975,080	18,724,200	(78.8)
Construction	3,204,935	7,379,209	(56.6)
Equipment manufacturing	72,074	25,940	177.8
Total	<u>8,396,784</u>	<u>27,851,709</u>	(69.9)

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		
	2016	2015	Change
	(RMB'000)	(RMB'000)	(%)
Oil refining	2,694,518	1,727,736	56.0
Petrochemicals	2,408,291	5,243,943	(54.1)
New coal chemicals	833,270	4,591,085	(81.9)
Other industries	2,460,705	16,288,945	(84.9)
Total	<u>8,396,784</u>	<u>27,851,709</u>	(69.9)

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		
	2016	2015	Change
	(RMB'000)	(RMB'000)	(%)
PRC	8,138,700	21,394,409	(62.0)
Overseas	258,084	6,457,300	(96.0)
Total	<u>8,396,784</u>	<u>27,851,709</u>	(69.9)

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		Change (%)
	2016 (RMB'000)	2015 (RMB'000)	
Sinopec Group and its associates	4,860,560	16,703,736	(70.9)
Non-Sinopec Group and its associates	<u>3,536,224</u>	<u>11,147,973</u>	(68.3)
Total	<u><u>8,396,784</u></u>	<u><u>27,851,709</u></u>	(69.9)

During the Reporting Period, the value of the Group's new contracts was RMB8.397 billion, representing a decrease of 69.9% as compared with that for the same period of the previous year. This is mainly because capital expenditure of large Chinese petroleum companies in oil refinery and petrochemical projects experienced further downward tendency, most of the investment plans of the projects in new coal chemical industry under tracking were delayed, and fewer overseas projects under tracking entered bidding stage.

4.3 Assets, Liabilities, Equity and Cash Flows

The Group's funds mainly came from operating activities and are primarily used for operating expenses, capital expenditure and dividend distribution.

4.3.1 Assets, Liabilities and Equity

Unit: RMB'000

	As at 30 June 2016	As at 31 December 2015	Changes
Total assets	55,984,600	58,404,370	(2,419,770)
Current assets	48,171,096	50,464,917	(2,293,821)
Non-current assets	7,813,504	7,939,453	(125,949)
Total liabilities	31,073,949	33,765,858	(2,691,909)
Current liabilities	28,242,963	30,798,517	(2,555,554)
Non-current liabilities	2,830,986	2,967,341	(136,355)
Net assets	24,910,651	24,638,512	272,139
Consolidated equity attributable to the Company's equity holders	24,907,208	24,634,775	272,433
Share capital	4,428,000	4,428,000	—
Reserves	20,479,208	20,206,775	272,433
Minority interests	3,443	3,737	(294)

As at the end of the Reporting Period, the total assets of the Group were RMB55.985 billion, the total liabilities were RMB31.074 billion, the minority interests were RMB3 million, and the equity attributable to the Company's equity holders was RMB24.907 billion. The changes in the assets and liabilities as compared with that at the end of 2015 and the main reasons are as follows:

As at the end of the Reporting Period, the total assets were RMB55.985 billion, representing a decrease of RMB2.420 billion as compared with that at the end of 2015. In particular, the current assets were RMB48.171 billion, representing a decrease of RMB2.294 billion as compared with that at the end of 2015, mainly due to a decrease of RMB2.874 billion in cash and cash equivalents, a decrease of RMB1.757 billion in notes and trade receivables, an increase of RMB1.351 billion in contract work receivables from customers, an increase of RMB1 billion in receivable loans from the ultimate holding company. The non-current assets were RMB7.814 billion, representing a decrease of RMB126 million as compared with that at the end of 2015, mainly due to the depreciation and amortization of the non-current assets.

As at the end of the Reporting Period, the total liabilities were RMB31.074 billion, representing a decrease of RMB2.692 billion as compared with that at the end of 2015. In particular, the current liabilities were RMB28.243 billion, representing a decrease of RMB2.556 billion as compared with that at the end of 2015, mainly due to a decrease of RMB3.406 billion in notes and trade payables, an increase of RMB1.210 billion in contract work payables to customers; the non-current liabilities were RMB2.831 billion, representing a decrease of RMB136 million as compared with that at the end of 2015, mainly due to a decrease in actuarial liabilities.

As at the end of the Reporting Period, the total equity attributable to the Company's equity holders was RMB24.907 billion, increasing by RMB272 million as compared with that at the end of 2015, mainly due to the increase in the retained earnings.

4.3.2 Cash Flow

During the Reporting Period, the net decrease in cash and cash equivalents was RMB3.043 million and net cash generated from operating activities was RMB1.190 billion. 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 2016 and for the six months ended 30 June 2015.

Unit: RMB'000

Major items of cash flow	For the six months ended 30 June	
	2016	2015
Net cash (used in)/generated from operating activities	(1,189,570)	766,066
Net cash (used in)/generated from investing activities	(1,042,877)	954,179
Net cash used in financing activities	(810,480)	(830,075)
Net (decrease)/increase in cash and cash equivalents	(3,042,927)	890,170

During the Reporting Period, the profit before taxation was RMB1.382 billion, and the profit was RMB1.522 billion after adjusting the items in expenses that did not affect the cash flow in operating activities and was mainly reflected in: an increase of RMB337 million in depreciation and amortisation, an increase of RMB223 million in impairment of trade and other receivables, a decrease of RMB255 million in interest income, an increase of RMB37 million in interest expense, a decrease of RMB197 million in exchange earnings. The changes in working capital, which caused a cash outflow of RMB2.306 billion in operating activities, were mainly shown in: the decrease in the balance of trade and other account receivables through the strengthening of the settlement of trade debts, causing the cash inflow of RMB1.198 billion from operating activities; the decrease in the balance of stock through inventory management, affecting cash inflow of RMB314 million from operating activities; the decrease in the balance of trade and other account payables, causing cash outflow of RMB3.667 billion from operating activities; and the increase in under-construction contract work, affecting cash outflow by RMB141 million from operating activities.

After adjusting non-cash items, receivables and payables for the profit before taxation, and after adding cash inflow of RMB61 million for interest received and deducting cash outflow of RMB467 million for paid income tax, the net cash generated from operating activities was RMB1.190 billion.

Net cash used in investing activities was RMB1.043 billion, mainly due to the increase in the net outflow of the Group's loans to the ultimate holding company.

Net cash used in financing activities was RMB810 million, mainly due to the 2015 final dividend distribution.

Based on the cash flows during the Reporting Period, the Group's current working capital can ensure normal production and operation. The Group will continue to strengthen the settlement of trade debts, limit the use of working capital in operating activities and further improve cash flows from operating activities. The Group will also continue to effectively manage the investment risk, reasonably control the scale of investment and improve 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	
	2016	2015
Net profit margin (%)	6.1	8.2
Return on assets (%) ⁽¹⁾	1.9	3.2
Return on equity (%) ⁽²⁾	4.3	7.2
Return on invested capital (%) ⁽³⁾	4.4	7.4
Key financial ratios	As at 30 June 2016	As at 31 December 2015
	2016	2015
Gearing ratio (%) ⁽⁴⁾	0.0	0.0
Net debt to equity ratio (%) ⁽⁵⁾	Net cash	Net cash
Current ratio (%) ⁽⁶⁾	1.7	1.6
Quick ratio (%) ⁽⁷⁾	1.7	1.6

- (1) Return on assets =
$$\frac{\text{Profit for the period}}{(\text{Opening balance of total assets} + \text{Closing balance of total assets})/2}$$
- (2) Return on equity =
$$\frac{\text{Profit for the period}}{\text{Total equity at the end of the period}}$$
- (3) 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) Gearing ratio =
$$\frac{\text{Total interest bearing debt}}{\text{Total interest bearing debt} + \text{Total equity at the end of the period}}$$
- (5) 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) Current ratio =
$$\frac{\text{Current assets}}{\text{Current liabilities}}$$
- (7) Quick ratio =
$$\frac{\text{Current assets} - \text{Inventories}}{\text{Current liabilities}}$$

Return on assets

During the Reporting Period, the Group's return on assets decreased to 1.9% from 3.2% for the same period of the previous year, mainly due to the decrease in net profit during the Reporting Period and the increase in average assets at the end of the Reporting Period.

Return on equity

The Group's return on equity decreased to 4.3% from 7.2% for the same period of the previous year, mainly due to the decrease in net profit during the Reporting Period and increase in equity at the end of the Reporting Period.

Return on invested capital

The Group's return on invested capital decreased to 4.4% from 7.4% for the same period of the previous year, for the same reason as the decrease in return on equity as above.

Gearing ratio

The Group's gearing ratio is 0, which remained the same as compared with that as at 30 June 2015, 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 2016 and 31 December 2015.

Current ratio

The Group's current ratio increased to 1.7 from 1.6 at the end of 2015, mainly because the decrease in current assets was less than the decrease in current liabilities during the Reporting Period.

Quick ratio

The Group's quick ratio increased to 1.7 from 1.6 at the end of 2015, for the same reason as the increase in current ratio as above.

5 Significant Events

5.1 The dividend distribution plan for the six months ended 30 June 2016

The fifth meeting of the Second Session of the Company's Board of Directors approved that an interim cash dividend of RMB0.072 (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 2016. Since shareholders of the Company have authorised the Board of Directors to decide the interim profit distribution plan of 2016 by ordinary resolution in the 2015 annual general meeting held on 6 May 2016, the above dividend distribution plan is not required to be re-submitted 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.

In accordance with the Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法) and its implementation regulations which came into effect on 1 January 2008, the Company is required to withhold and pay enterprise income tax at the rate of 10% on behalf of the non-resident enterprise shareholders whose names appear on the register of members for H shares when distributing the cash dividends. Any H shares not registered under the name of an individual Shareholder, including HKSCC Nominees Limited, other nominees, agents or trustees, or other organisations or groups, will be deemed as shares held by non-resident enterprise shareholders. Therefore, enterprise income tax will be withheld from dividends payable to such shareholders. If holders of H Shares intend to change its shareholder status, please enquire about the relevant procedures with your agents or trustees. The Company will strictly comply with the law or the requirements of the relevant government authority and withhold and pay enterprise income tax on behalf of the relevant Shareholders based on the register of members for H shares as at the Record Date.

If the individual holders of H Shares are Hong Kong or Macau residents or residents of the countries which have an agreed tax rate of 10% for the cash dividends to them with the PRC under the relevant tax agreements, the Company will withhold and pay individual income tax on behalf of the relevant Shareholders at a rate of 10%. Should the individual holders of H Shares be residents of the countries which have an agreed tax rate of less than 10% with the PRC under the relevant tax agreement, the Company will withhold and pay individual income tax on behalf of the relevant shareholders at a rate of 10%. In that case, if the relevant individual holders of H Shares want a refund of the extra amount withheld due to the application of 10% tax rate, the Company can apply for the relevant agreed preferential tax treatment provided that the relevant shareholders submit the evidence required by the notice of the tax agreement to the H share registrar of the Company. The Company will assist with the tax refund after receiving approval of the competent tax authority. Should the individual holders of H Shares be residents of the countries which have an agreed tax rate of over 10% but less than 20% with the PRC under the tax agreements, the Company will withhold and pay the individual income tax at the agreed actual rate in accordance with the relevant tax agreement. In the case that the individual holders of H Shares are residents of the countries which have an agreed tax rate of 20% with the PRC, or which have not entered into any tax agreement with the PRC, or otherwise, the Company will withhold and pay the individual income tax at a rate of 20%.

For investors investing in the H Shares of the Company listed on the Hong Kong Stock Exchange through the Shanghai Stock Exchange (including enterprises and individuals) (the “Southbound Trading”), the Company has entered into the Agreement on Appropriation of Cash Dividends of H Shares for Southbound Trading (《港股通H股股票現金紅利派發協議》) with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited, pursuant to which, the Shanghai Branch of China Securities Depository and Clearing Corporation Limited, as the nominee of the investors of H Shares of the Company for Southbound Trading, will receive all cash dividends distributed by the Company and distribute the cash dividends to the relevant investors of H Shares of the Company of Southbound Trading through its depository and clearing system. The cash dividends for the investors of H Shares of the Company of Southbound Trading will be paid in Renminbi.

Pursuant to the relevant requirements under the “Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect” (Caishui [2014] No. 81) (《於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)), for dividends received by domestic investors from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the company of such H shares shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The company of such H shares will not withhold and pay the income tax of dividends for domestic enterprise investors and those domestic enterprises investors shall report and pay the relevant tax themselves.

For details, please refer to the announcement on “Distribution of 2016 Interim Dividend and Closure of Register of Members for H Shares” dated 22 August 2016.

5.2 Material litigation or arbitration events

During the Reporting Period, the Company had an ongoing litigation concerning 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 still in the evidence exchange and cross-examination phase.

Prior to the date of issuing the Interim Report, Sinopec Ningbo Engineering Company Limited, a wholly-owned subsidiary of the Company, and INEOS USA LLC (“INEOS”) had reached a comprehensive and final settlement in connection with the request for arbitration submitted by INEOS to Arbitration Institute of Stockholm Chamber of Commerce (the “**Arbitration Request**”), and INEOS has withdrawn the Arbitration Request.

There were no other 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.

5.4 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 Hong Kong Institute of Certified Public Accountants) and more than 20 years of experience in auditing, internal control and consultancy.

6 Corporate Governance

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

7 Financial Statements

7.1 Auditor’s opinion

The interim financial statements for the six months ended 30 June 2016 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.

7.2 Accounting policies

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

7.3 Financial Statements

The interim financial statements prepared in accordance with the IFRS for the six months ended 30 June 2016:

7.3.1 Consolidated Statement of Comprehensive Income

	Six months ended 30 June	
	2016	2015
	(RMB'000)	(RMB'000)
Revenue	17,734,811	20,905,016
Cost of sales	(15,526,048)	(17,884,400)
Gross profit	2,208,763	3,020,616
Other income	260,763	51,978
Selling and marketing expenses	(41,314)	(42,196)
Administrative expenses	(421,572)	(473,621)
Research and development costs	(398,853)	(459,712)
Other operating expenses	(448,618)	(175,148)
Other gains - net	185	554
Operating profit	1,159,354	1,922,471
Finance income	254,570	238,615
Finance expenses	(37,427)	(47,570)
Finance income - net	217,143	191,045
Share of losses of joint arrangements	(601)	(265)
Share of profits of associates	5,729	5,607
Profit before taxation	1,381,625	2,118,858
Income tax expense	(302,795)	(408,070)
Profit for the period	1,078,830	1,710,788

	Six months ended 30 June	
	2016	2015
	(RMB'000)	(RMB'000)
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	(17,074)	(563)
Item that will not be reclassified subsequently to profit or loss:		
Profits/(losses) on revaluation of retirement benefit plans obligations	20,707	(19,044)
Other comprehensive income/(expense) for the period, net of tax	<u>3,633</u>	<u>(19,607)</u>
Total comprehensive income for the period	<u>1,082,463</u>	<u>1,691,181</u>
Profit attributable to:		
Equity holders of the Company	1,079,124	1,710,683
Non-controlling interests	<u>(294)</u>	<u>105</u>
Profit for the period	<u><u>1,078,830</u></u>	<u><u>1,710,788</u></u>
Total comprehensive income attributable to:		
Equity holders of the Company	1,082,757	1,691,076
Non-controlling interests	<u>(294)</u>	<u>105</u>
Total comprehensive income for the period	<u><u>1,082,463</u></u>	<u><u>1,691,181</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>0.24</u></u>	<u><u>0.39</u></u>

7.3.2 Consolidated Statement of Financial Position

	As at 30 June 2016 (RMB'000)	As at 31 December 2015 (RMB'000)
ASSETS		
Non-current assets		
Property, plant and equipment	3,969,921	4,013,878
Land use rights	2,709,921	2,740,597
Intangible assets	293,153	327,104
Investment in joint arrangements	7,530	8,131
Investment in associates	130,916	125,187
Available-for-sale financial assets	2,750	2,750
Deferred income tax assets	699,313	721,806
Total non-current assets	<u>7,813,504</u>	<u>7,939,453</u>
Current assets		
Inventories	1,515,655	1,829,647
Notes and trade receivables	10,113,417	11,870,863
Prepayments and other receivables	6,081,685	5,818,509
Amounts due from customers for contract work	8,011,133	6,660,306
Loans due from the ultimate holding company	12,100,000	11,100,000
Restricted cash	27,072	17,932
Time deposits	1,790,943	1,762,100
Cash and cash equivalents	8,531,191	11,405,560
Total current assets	<u>48,171,096</u>	<u>50,464,917</u>
Total assets	<u><u>55,984,600</u></u>	<u><u>58,404,370</u></u>

	As at 30 June 2016 (RMB'000)	As at 31 December 2015 (RMB'000)
EQUITY		
Share capital	4,428,000	4,428,000
Reserves	20,479,208	20,206,775
Consolidated equity attributable to equity holders of the Company	24,907,208	24,634,775
Non-controlling interests	3,443	3,737
Total equity	24,910,651	24,638,512
LIABILITIES		
Non-current liabilities		
Retirement and other supplemental benefit obligations	2,537,595	2,696,264
Provision for litigation claims	261,327	239,013
Deferred income tax liabilities	32,064	32,064
Total non-current liabilities	2,830,986	2,967,341
Current liabilities		
Notes and trade payables	13,273,478	16,679,058
Other payables	6,743,729	6,918,895
Amounts due to customers for contract work	8,148,818	6,939,052
Current income tax liabilities	76,938	261,512
Total current liabilities	28,242,963	30,798,517
Total liabilities	31,073,949	33,765,858
Total equity and liabilities	55,984,600	58,404,370
Net current assets	19,928,133	19,666,400
Total assets less current liabilities	27,741,637	27,605,853

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

7.4.1 Revenue

The Group's revenue is set out below:

	Six months ended 30 June	
	2016 (RMB'000)	2015 (RMB'000)
Engineering, consulting and licensing	795,630	1,337,392
EPC Contracting	9,285,236	12,891,709
Construction	7,587,978	6,633,842
Equipment manufacturing	65,967	42,073
	<u>17,734,811</u>	<u>20,905,016</u>

7.4.2 Income Tax Expense

	Six months ended 30 June	
	2016 (RMB'000)	2015 (RMB'000)
Current tax		
PRC enterprise income tax	237,711	375,292
Overseas enterprise income tax	8,784	2,074
Under-provision for income tax in prior years	38,381	38,271
	<u>284,876</u>	<u>415,637</u>
Deferred tax		
Origination and reversal of temporary differences	<u>17,919</u>	<u>(7,567)</u>
Income tax expense	<u>302,795</u>	<u>408,070</u>

According to the Corporate Income Tax Law of the PRC, the applicable income tax of the six months ended 30 June 2016 and 2015 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 2016 and 2015, 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	
	2016	2015
	(RMB'000)	(RMB'000)
Profit before taxation	<u>1,381,625</u>	<u>2,118,858</u>
Taxation calculated at the statutory tax rate	345,406	529,715
Income tax effects of:		
Preferential income tax treatments of certain companies	(125,973)	(169,535)
Difference in overseas profits tax rates	(121)	(519)
Non-deductible expenses	44,694	11,833
Income not subject to tax	(795)	(840)
Unrecognised tax losses	1,682	1,140
Utilisation of previously unrecognised tax losses	(479)	(1,995)
Under provision for income tax in prior years	<u>38,381</u>	<u>38,271</u>
Income tax expense	<u>302,795</u>	<u>408,070</u>
Effective income tax rate	<u>22%</u>	<u>19%</u>

7.4.3 Earnings Per Share

(a) Basic

The basic earnings per share for each of the six months ended 30 June 2016 and 2015 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	
	2016	2015
Profit attributable to equity holders of the Company (RMB'000)	1,079,124	1,710,683
Weighted average number of ordinary shares in issue	4,428,000,000	4,428,000,000
Basic earnings per share (RMB)	<u>0.24</u>	<u>0.39</u>

(b) Diluted

As the Company had no dilutive shares for the each of the six months ended 30 June 2016 and 2015, diluted earnings per share for the six months ended 30 June 2016 and 2015 are the same as basic earnings per share.

7.4.4 Dividends

Dividends represented dividends declared by the Company during each of six months ended 30 June 2016 and 2015.

	Six months ended 30 June	
	2016	2015
	(RMB'000)	(RMB'000)
Proposed interim dividends of RMB 0.072 per ordinary share (2015: RMB0.114) ⁽¹⁾	<u>318,816</u>	<u>504,792</u>

⁽¹⁾ Pursuant to the Directors' meeting on 19 August 2016, the Directors recommended to declare the interim dividends for the year ending 31 December 2016 of RMB0.072 (2015: RMB0.114) per share totalling RMB318,816,000 (2015: RMB504,792,000). 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.

8 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 the Order of the Board
SINOPEC Engineering (Group) Co., Ltd
ZHANG Jianhua
Chairman

Beijing, the PRC
22 August 2016

As at the date of this announcement, the 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.