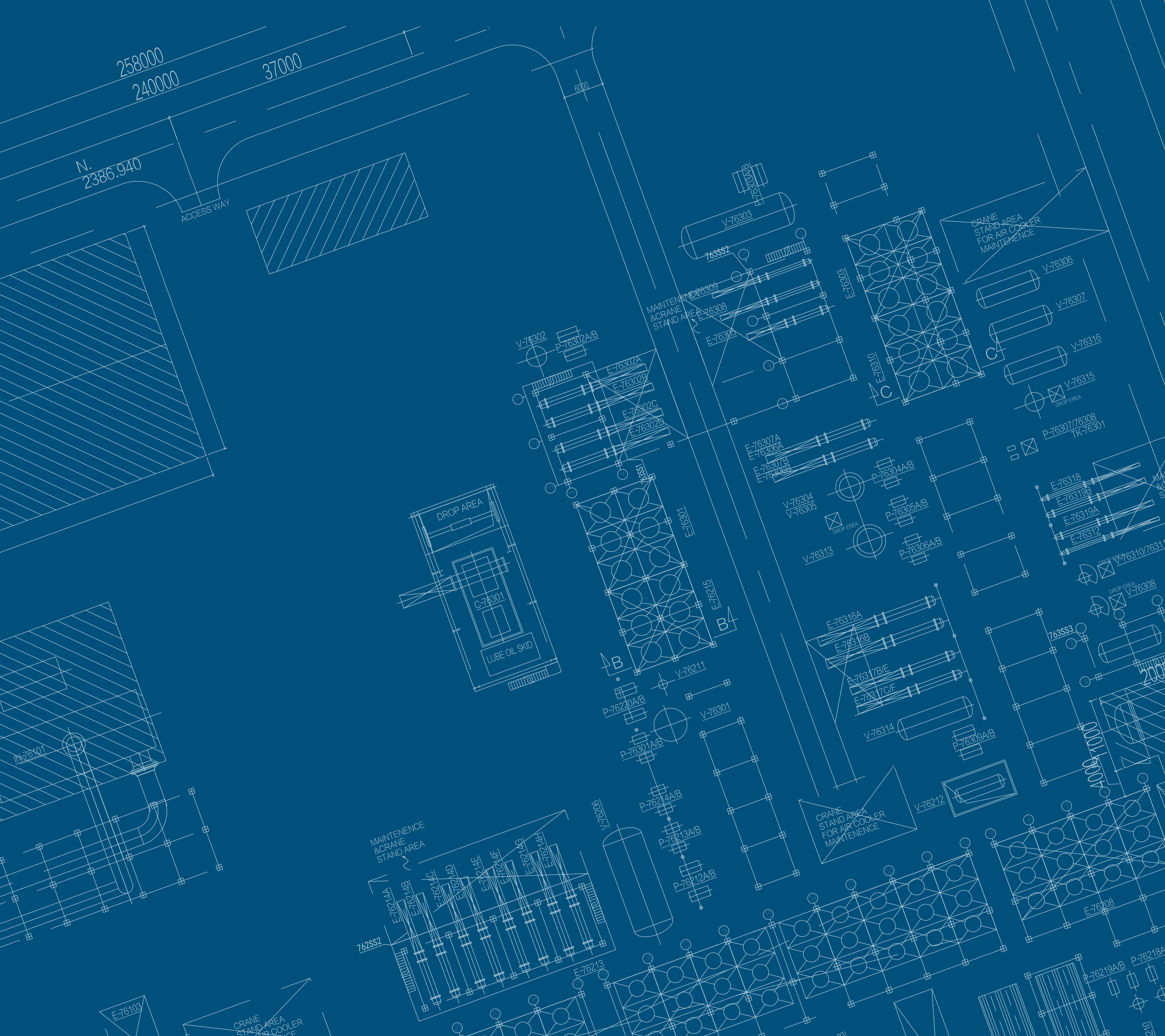
Stock Code: 2386

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

2013 ANNUAL REPORT



Important Notice

The board of the directors (the "Board") and directors (the "Directors") of SINOPEC ENGINEERING (GROUP) CO., LTD. ("SINOPEC SEG") warrant that there are no false representations, misleading statements or material omissions contained in this annual report and hereby are jointly and severally liable for the authenticity, accuracy and completeness of the content thereof. Director, Mr. ZHANG Kehua, Director, Mr. LING Yiqun and Director, Mr. JIN Yong could not attend the 10th meeting of the First Session of the Board (the "Meeting") due to official duties. Director, Mr. ZHANG Kehua, Director, Mr. LING Yiqun and Director, Mr. JIN Yong authorized Mr. CHANG Zhenyong, Mr. LEI Dianwu and Mr. Hui Chiu Chong, Stephen to attend the Meeting and to vote on their behalf, respectively. Mr. CAI Xiyou, Chairman of the Board, Mr. YAN Shaochun, President, Mr. JIA Yiqun, Chief Financial Officer and Mr. WANG Yi, head of the finance department, warrant the authenticity and completeness of the financial statements contained in this annual report.

The financial statements for the year ended 31 December 2013 (the "Reporting Period") prepared by SINOPEC SEG and its subsidiaries (the "Company") in accordance with International Financial Reporting Standards was audited by Grant Thornton Hong Kong Limited, which has issued a standard unqualified audit report.

This annual report contains forward-looking statements. All statements, other than statements of historical facts, that address business activities, events or developments that the Company expects or anticipates will or may occur in the future (including, but not limited to, projections, targets, estimates and business plans) are forward-looking statements. The future actual results or development trends may differ materially from those indicated by these forward-looking statements as a result of various factors and uncertainties. The Company makes the forward-looking statements referred to herein as at 14 March 2014 and, unless otherwise required by the relevant regulatory authorities, undertakes no obligation or responsibility to update these statements.


团结务实　追求卓越

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Company Profile

SINOPEC SEG is a leading oil refining, petrochemical and new coal chemical engineering company in the PRC. The Company provides engineering services for a broad range of industries including oil refining, petrochemicals, new coal chemicals, inorganic chemicals, pharmaceutical chemicals and clean energy with a complete service chain involving technology licensing, consulting, financing assistance, engineering, procurement, construction and pre-commissioning/start-up services. Leveraging over 60 years of industry experience and continual innovation in technical expertise, the Company achieved great success in engineering and constructing large-scale oil refining, petrochemical and new coal chemical complexes with strong competitiveness. The Company will focus on the development strategy of integration, globalization, differentiation, continuous innovation, green and low-carbon in order to attain the corporate vision of becoming the world-class refinery chemical engineering company.

Basic Information of the Company

LEGAL NAME

中石化煉化工程（集團）股份有限公司

CHINESE ABBREVIATION

中石化煉化工程

ENGLISH NAME

SINOPEC ENGINEERING (GROUP) CO., LTD.

ENGLISH ABBREVIATION

SINOPEC SEG

LEGAL REPRESENTATIVE

Mr. CAI Xiyou

AUTHORISED REPRESENTATIVE

Mr. YAN Shaochun

Mr. SANG Jinghua

SECRETARY TO THE BOARD

Mr. SANG Jinghua

REGISTERED ADDRESS

A6 Huixindong Street, Chaoyang District, Beijing, PRC

PLACE OF BUSINESS AND CORRESPONDENCE ADDRESS

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QR CODE OF COMPANY INFORMATION

WEBSITES PUBLISHING THIS ANNUAL REPORT

Website Designated by The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"):

http://www.hkex.com.hk

The Company's Website:

http://www.segroup.cn

PLACE WHERE THE REPORT IS AVAILABLE FOR INSPECTION

Tower B, No.19, Anyuan, Anhui Beili,

Chaoyang District, Beijing, PRC

SINOPEC ENGINEERING (GROUP) CO., LTD.

Office of the Board

PLACE OF LISTING OF SHARES, STOCK NAME AND STOCK CODE

H Shares: Hong Kong Stock Exchange

Stock name: SINOPEC SEG

Stock code: 2386

ENTERPRISE LEGAL BUSINESS LICENSE REGISTRATION NO.

100000000041054

TAXATION REGISTRATION NO.

110105710934908

ORGANIZATION CODE

71093490-8

NAMES AND ADDRESSES OF AUDITORS OF SINOPEC SEG

Domestic:

Grant Thornton China

(Special General Partnership)

4th, 5th and 10th Floor, Scitech Place,

22 Jianguomen Wai Avenue, Chaoyang District,

Beijing, PRC

Overseas:

Grant Thornton Hong Kong Limited

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

Principal Financial Data and Indicators

Principal Financial Data and Indicators

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

Unit: RMB '000

Items	As at 31 December 2013	As at 31 December 2012	As at 31 December 2011	As at 31 December 2010	Changes from the end of last year (%)
Non-current assets	8,166,479	8,078,778	6,992,691	4,325,583	1.1
Current assets	39,198,790	29,051,247	37,411,516	31,863,077	34.9
Current liabilities	23,620,920	26,762,416	37,890,135	23,174,891	(11.7)
Non-current liabilities	2,764,008	3,286,359	3,780,664	3,972,641	(15.9)
Total equity attributable to shareholders of SINOPEC SEG	20,976,714	7,077,985	2,730,107	9,037,900	196.4
Net assets per share attributable to shareholders of SINOPEC SEG (RMB)	4.74	2.28	0.88	2.92	107.9

Unit: RMB '000

Items	Year ended 31 December				Changes over the same period of the preceding year (%)
	2013	2012	2011	2010	
Revenue	43,571,851	38,526,489	30,600,677	29,897,489	13.1
Gross profit	6,406,191	5,528,106	5,074,336	4,538,699	15.9
Operating profit	4,413,485	3,832,023	3,724,592	3,338,083	15.2
Profit before taxation	4,751,041	4,252,067	4,243,958	3,678,014	11.7
Net profit attributable to shareholders of SINOPEC SEG	3,656,802	3,316,970	3,375,039	2,889,932	10.2
Basic earnings per share (RMB)	0.93	1.07	1.09	0.93	(13.1)
Net cash flow (used in)/generated from operating activities	(85,995)	1,556,489	1,688,845	4,253,262	(105.5)
Net cash flow (used in)/generated from operating activities per share (RMB)	(0.02)	0.50	0.54	1.37	(104.0)

Items	Year ended 31 December			
	2013 (%)	2012 (%)	2011 (%)	2010 (%)
Gross profit margin	**14.7**	14.3	16.6	15.2
Net profit margin	**8.4**	8.6	11.0	9.7
Return on assets	**8.7**	8.1	8.4	8.9

Items	**As at 31 December 2013 (%)**	As at 31 December 2012 (%)	As at 31 December 2011 (%)	As at 31 December 2010 (%)
Asset-liability ratio	**55.7**	80.9	93.8	75.0

Changes in Share Capital and Shareholdings of Substantial Shareholders

Changes in Share Capital and Shareholdings of Substantial Shareholders

1 Changes in the Share Capital of SINOPEC SEG

Unit: Share

	As at 31 December 2012		Increase/Decrease (+, -)			As at 31 December 2013	
	Number	Percentage (%)	New shares issued	Others	Subtotal	Number	Percentage (%)
Promoter shares (Domestic Shares)	3,100,000,000	100.00	–	-132,800,000	-132,800,000	2,967,200,000	67.01
Foreign shares listed overseas (H Shares) [(1)]	–	–	+1,328,000,000	+132,800,000	+1,460,800,000	1,460,800,000	32.99
Total number of shares	3,100,000,000	100.00	+1,328,000,000	–	+1,328,000,000	4,428,000,000	100.00

Note:

(1) During the Reporting Period, 1,328,000,000 H Shares were newly issued. In addition, 132,800,000 Domestic Shares were transferred to the National Council for Social Security Fund of the PRC (“NSSF”) and converted into H Shares.

2 Shareholdings of Substantial Shareholders

As at 31 December 2013, there were a total of 1,365 shareholders of SINOPEC SEG. The public float of SINOPEC SEG satisfied the minimum requirements under the relevant rules of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules").

(1) Shareholdings of the top ten shareholders

Unit: Share

Name of Shareholders	Increase/ Decrease during the Reporting Period (+,-)	Number of Domestic Shares held at the end of the Reporting Period	Number of H Shares held at the end of the Reporting Period	Approximate percentage at the end of the Reporting Period	
				In total share capital (%)	In relevant class of shares (%)
China Petrochemical Corporation	-132,800,000	2,967,200,000	—	67.01	100.00
HKSCC (Nominees) Limited	+1,458,536,500	—	1,458,536,500	32.94	99.85
CHAN LAI KUEN SELINA	+195,500	—	195,500	0.00	0.01
WONG CHUI CHUNG	+195,500	—	195,500	0.00	0.01
WONG MAY JANE	+131,000	—	131,000	0.00	0.01
CHENG KOON WING	+30,000	—	30,000	0.00	0.00
LEUNG HING WA	+20,000	—	20,000	0.00	0.00
LEE YUEN WAI IRENE	+17,500	—	17,500	0.00	0.00
WONG KWOK WAI PHILIP	+16,500	—	16,500	0.00	0.00
WONG KWOK YUNG ANSON	+16,500	—	16,500	0.00	0.00
Statement on the connected relationship or action in concert among or between the aforementioned shareholders	SINOPEC SEG is not aware of any connection or action in concert among or between the aforementioned top ten shareholders.				

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

Except for the information disclosed below, as at 31 December 2013, so far as is known to the Board, no person(s) (not being a Director, chief executive or supervisor (the "Supervisor") of SINOPEC SEG) had an interest or short position in the shares or underlying shares or debentures of SINOPEC SEG which would fail to be disclosed under the provisions of Division 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") or, who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at the general meetings of any other member of the Company:

Name of Shareholders	Class of shares of SINOPEC SEG (the "Shares")	Capacity	Number of Shares with interests held or regarded as being held (Share)	Approximate percentage in Shares of the same class (%) (6)	Approximate percentage in the total share capital of SINOPEC SEG (%) (7)
China Petrochemical Corporation (1)	Domestic Share	Beneficial owner/ Interests of controlled corporation	2,967,200,000(L)	100(L)	67.01(L)
Hang Seng Bank Trustee International Limited (2)	H Share	Trustee/Interests of controlled corporation	101,037,000(L)	6.91(L)	2.28(L)
National Council for Social Security Fund of the PRC (3)	H Share	Beneficial owner	131,468,000(L)	9.00(L)	2.97(L)
State Administration of Foreign Exchange of the PRC (4)	H Share	Interests of controlled corporation	131,756,000(L)	9.02(L)	2.98(L)
JPMorganChase & Co. (5)	H Share	Trustee/Interests of controlled corporation	66,948,164(L) 18,068,000(S) 31,853,800(P)	4.58(L) 1.24(S) 2.18(P)	1.51(L) 0.41(S) 0.72(P)

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

Note:

(1) China Petrochemical Corporation ("Sinopec Group") directly and/or indirectly holds 2,967,200,000 Domestic Shares, representing 100% of the Domestic Shares and approximately 67.01% of the total share capital of SINOPEC SEG, respectively. Sinopec Assets Management Co., Ltd., is a wholly-owned subsidiary of Sinopec Group, directly holds 59,344,000 Domestic Shares, representing 2.00% of the Domestic Shares and approximately 1.34% of the total share capital of SINOPEC SEG, respectively. For the purposes of the SFO, Sinopec Group is also deemed to be interested in the Domestic Shares held by Sinopec Assets Management Co., Ltd.

(2) According to the Corporate Substantial Shareholders Notices dated 13 December 2013 and filed by each of (i) Hang Seng Bank Trustee International Limited, (ii) Cheah Company Limited, (iii) Cheah Capital Management Limited, (iv) Value Partners Group Limited, (v) Cheah Cheng Hye and (vi) To Hau Yin with the Hong Kong Stock Exchange, Value Partners Limited (a wholly-owned subsidiary of Value Partners Group Limited) directly holds 101,037,000 H Shares. Hang Seng Bank Trustee International Limited is the trustee of the C H Cheah Family Trust, of which Cheah Cheng Hye is the founder. To Hau Yin is the spouse of Cheah Cheng Hye. Each of Cheah Company Limited, Cheah Capital Management Limited and Value Partners Group Limited is directly or indirectly controlled by Hang Seng Bank Trustee International Limited. Accordingly, for the purposes of the SFO, each of Hang Seng Bank Trustee International Limited, Cheah Company Limited, Cheah Capital Management Limited, Value Partners Group Limited, Cheah Cheng Hye and To Hau Yin is deemed interested in the long positions held by Value Partners Group Limited.

(3) The information is based on the Corporate Substantial Shareholders Notices dated 19 November 2013 and filed by the NSFF with the Hong Kong Stock Exchange.

(4) According to the Corporate Substantial Shareholders Notices dated 4 June 2013 and filed by each of (i) the State Administration of Foreign Exchange of the PRC ("SAFE"), (ii) Pagoda Tree Investment Company Limited (中國華馨投資有限公司), (iii) Compass Investment Company Limited (博遠投資有限公司), (iv) GUOXIN International Investment Corporation Limited (國新國際投資有限公司) and (v) Metroson Holdings Corporation Limited (都盛控股有限公司) with the Hong Kong Stock Exchange, Metroson Holdings Corporation Limited directly holds 131,756,000 H Shares. As each of Pagoda Tree Investment Company Limited, Compass Investment Company Limited, GUOXIN International Corporation Limited and Metroson Holdings Corporation Limited is a subsidiary directly or indirectly controlled by SAFE, each of SAFE, Pagoda Tree Investment Company Limited, Compass Investment Company Limited and GUOXIN International Investment Corporation Limited is deemed interested in the long positions held by Metroson Holdings Corporation Limited for the purposes of the Securities and Futures Ordinance.

(5) The information is based on the Corporate Substantial Shareholders Notice dated 3 January 2014 and filed by the JPMorganChase & Co. with the Hong Kong Stock Exchange.

(6) The calculation is based on the 2,967,200,000 Domestic Shares or 1,460,800,000 H Shares.

(7) The calculation is based on the 4,428,000,000 Shares issued in total.

Chairman's Statement

Chairman's Statement

Mr. Cai Xiyou - Chairman of the Board

Dear Shareholders,

Thank you for your trust, care and support. In 2013, SINOPEC SEG achieved good results. Here, I would like to express my heartfelt thanks to you on behalf of the Board and all the staff!

The global economy showed a different growth rate in 2013. Developed countries, such as the United States and Japan faced a mild economic recovery while emerging economies developed slowly. In the first half of 2013, due to weaker demand, overcapacity, policy regulation and other factors, China's economic growth slowed. Facing a complicated situation domestically and overseas, the Chinese government implemented the steady growth policy, "micro-stimulation" in the second half of 2013. Under the influence of economic improvement in developed countries, China's economy ran more smoothly, and the annual GDP increased by 7.7% over the previous year.

2013 is not only the first listing year of SINOPEC SEG, but also an important year for the Company's reform and development. The Board actively responded to domestic and overseas market changes and development requirements. The Company regarded "building a world-class refinery chemical engineering company" as its development goal by developing five strategies, i.e., the integration strategy, internationalization strategy, differentiation strategy, continued innovation strategy and green low carbon strategy. The Company furthered its institutional mechanism reform, by establishing internal control, various regulations, and systems, and placing greater emphasis on the Company's unique competitive advantages and synergistic effect. The management drew up feasible plans and implemental measures around the Company's goals and strategies, all of which laid a good foundation for the development of SINOPEC SEG.

In 2013, SINOPEC SEG was listed successfully. At the same time, SINOPEC SEG's management led our staff to proactively respond to market changes, and actively fine-tune management with the goals of "optimizing resources, pursuing efficiency and ensuring effectiveness". The Company achieved significant progress in coordinating production and operation management, optimizing resource allocation, and adjusting the internal structure, and maintaining various works with stable and good development momentum. The new contract value of 2013 was RMB 81.989 billion. As at the end of 2013, the backlog was RMB 103.968 billion. We actively fulfilled our corporate social responsibility and developed new environmental technologies; fully implemented QHSE (quality, health, safety and environment) management, and achieved 303 million safe man-hours in 2013 without any quality or safety accidents; actively participated in public welfare events serving our community; adhered to people-oriented principle, cared for employees and promoted sustainable development of the Company.

In 2013, the Company achieved a turnover of RMB 43.572 billion, representing an increase of 13.1% over the previous year. In accordance with the IFRS, the profits attributable to SINOPEC SEG's shareholders was RMB 3.657 billion, representing an increase of 10.2% year on year. The Board recommended distributing the final dividend of RMB 0.190 per share, subject to approval by the shareholders. In addition to the interim dividend of RMB 0.134 per share already distributed, the dividend distributed in 2013 should be RMB 0.324 per share.

Since 2014 is the first year of comprehensively deepened reform of China, reform and innovation shall permeate various fields and sectors of domestic economic and social development. Therefore, 2014 will be a "policy year" in which many policies shall be developed and implemented, and reform of the economic system will continue to be the focus of the comprehensively deepened reform. With the intense release and implementation of reform measures and regulation in various fields, the dynamism and vitality of economic and social development will be greatly stimulated, and bonuses from reform will be released continuously. In the present and the near future, China will be still in the stage of rapid industrialization and urbanization with great potential for investment and consumption growth.

We will continue to accelerate the pace of building a world-class refinery chemical engineering company, with greater focus placed on technical innovation during the development process, and further emphasize being green, low-carbon and people-oriented. We will expand our engineering and general contracting businesses through our technological advances; drive the simultaneous development of engineering, procurement, construction and other businesses by engineering general contracting; deepen reform, optimize resources, strengthen management and enhance our overall profitability and ability to lower risk factors, creating greater returns for our shareholders.

The Company successfully listed and stepped into the capital market, and we now stand at the new starting point of development. I firmly believe that SINOPEC SEG will move towards its magnificent goals and create greater business value under the persistent efforts of our staff and strong support of friends from different industries. We are willing to work with you and friends from all sectors of society to go hand in hand creating a better future for SINOPEC SEG together!

CAI Xiyou

Chairman of the Board

14 March 2014, Beijing, China

Business Review and Prospects

Market Environment

Mr YAN Shaochun - Executive Director and President

In 2013, the world economic situation was complex. Although the global economy showed signs of recovery, the basis for recovery was still fragile, and there was a lack of significant industrial technological innovations to drive the overall situation. The recovery momentum remained relatively weak in developed countries. The economic growth momentum in emerging market countries was generally weak, and the economic growth was significantly lower than expected. These features were more prominent in the domestic economic transformation period in 2013. As the Chinese government sought to improve stability, advance reform and opening-up, they initiated the macro-control method, and the domestic economy showed signs of improvement with better momentum and stability. The GDP growth rate reached 7.7% in 2013, which was still well above the world average level.

The global oil refining and chemical industry maintained growth momentum and will remain as one of the most important pillars of global economic development for the foreseeable future. The opportunities for long-term growth are embedded in cyclical fluctuations. In the future, the scale of China's oil refining and chemical engineering sector will continue to expand as a result of the following major growth drivers:

- The oil refining and chemical industry has great potential for development driven by urbanization, due to the rising demand for refined oil and chemical products in China;
- Stricter standards for environmental protection, the need for energy conservation and emission reduction, and the elimination of backwards production capacity have all given impetus to industrial upgrades and agglomeration, which have brought development opportunities for engineering enterprises;
- In recent years, technologies for raw materials diversification, such as the utilization of new coal chemicals and light hydrocarbon, have gradually matured and received government support. Meanwhile, the development and utilization of unconventional natural gas have remarkably lowered product cost and provided the chemical industry with a broad development prospect; and
- The oil refining market and chemical industry market have become more diversified with newcomers, who rely heavily on EPC contractors, thereby creating more opportunities for our EPC Contracting business.

Business Review

During the Reporting Period, the Company's total revenue and net profits attributable to SINOPEC SEG's shareholders were RMB 43.572 billion and RMB 3.657 billion, respectively. As at the end of the Reporting Period, the Company's backlog was RMB 103.968 billion. The value of new contracts the Company entered into during the Reporting Period was RMB 81.989 billion.

The business of the Company 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 business segments and their respective percentage of the Company's total revenue (before inter-segment elimination) during the years indicated:

	Year ended 31 December				
	2013		2012		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB '000)	(%)	(RMB '000)	(%)	(%)
Engineering, consulting and licensing	4,354,199	9.4	4,121,829	10.0	5.6
EPC Contracting	23,505,528	50.5	20,082,442	48.8	17.0
Construction	18,024,037	38.7	16,296,826	39.6	10.6
Equipment manufacturing	684,188	1.5	624,960	1.5	9.5
Subtotal	46,567,952	100.0	41,126,057	100.0	13.2
Total revenue after inter-segment elimination (1)	43,571,851		38,526,489		13.1

Note:
(1) The total revenue 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 Company was RMB 43.572 billion, representing an increase of 13.1% compared with the same period of the previous year. The total revenue increased because the large engineering, procurement, construction, general contracting ("EPC Contracting") projects, including the Jingbian energy and chemical project of Shaanxi Yanchang Petroleum ("Jingbian coal chemical project"), the Shaanxi Yulin methanol acetic acid deep processing and comprehensive utilization project ("Yulin coal chemical project"), the Quanzhou 12 million-ton oil refining project of Sinochem (hereinafter referred to as "Sinochem Quanzhou project"), Sinopec's Wuhan 800 kilo tons per annum ("Ktpa") ethylene and its utility project ("Wuhan ethylene project"), the Shijiazhuang refined oil quality upgrading and poor-quality crude oil improvement project of Sinopec ("Shijiazhuang refining project"), the Shandong liquefied natural gas project receiving terminal storage tank zone engineering of Sinopec ("Shandong LNG project"), the Hainan 600 Ktpa paraxylene project of Sinopec ("Hainan paraxylene project") and the aromatics project of Kazakhstan Atyrau refinery ("Kazakhstan aromatics project"), have entered into the settlement period or peak implementation stage during the Reporting Period.

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

	Year ended 31 December				
	2013		2012		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB '000)	(%)	(RMB '000)	(%)	(%)
Oil refining	12,299,237	28.2	12,556,490	32.6	(2.0)
Petrochemicals	16,701,785	38.3	15,036,189	39.0	11.1
New coal chemicals	8,855,434	20.3	4,928,056	12.8	79.7
Other industries	5,715,395	13.1	6,005,754	15.6	(4.8)
Total	43,571,851	100.0	38,526,489	100.0	13.1

The Company derived its revenue mainly from services provided to clients in the oil refining, petrochemical and new coal chemical industries. During the Reporting Period, the Company's revenue from the oil refining industry was RMB 12.299 billion, representing an decrease of 2.0% as compared to that for the same period in 2012. This was mainly because a number of large domestic projects of the Company were in their final stage and new projects including the Kazakhstan Atyrau Refinery Oil Deep Processing Project were awarded smaller completion percentage during the Reporting Period. The revenue derived from the petrochemical industry was RMB 16.702 billion, representing an increase of 11.1% as compared to that for the same period in 2012. This increase was mainly due to a large proportion of contracts signed after 2011 by the Company in this industry substantially realized revenue during the Reporting Period. Revenue derived from the new coal chemical industry rose sharply to RMB 8.855 billion, representing an increase of 79.7% as compared to that for the same period in 2012. This increase was mainly due to the significant increase of revenue generated from projects such as the Jingbian Coal Chemical Project and Yulin Coal Chemical Project. Revenue derived from other industries was RMB 5.715 billion, representing a decrease of 4.8% as compared to that for the same period in 2012.

The Company continues to expand its overseas business steadily. The following table sets forth the Company's revenue in the PRC and overseas for the years indicated:

	Year ended 31 December				
	2013		2012		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB '000)	(%)	(RMB '000)	(%)	(%)
PRC	36,540,730	83.9	32,011,159	83.1	14.1
Overseas	7,031,121	16.1	6,515,330	16.9	7.9
Subtotal	43,571,851	100.0	38,526,489	100.0	13.1

During the Reporting Period, the overseas revenue of the Company amounted to RMB 7.031 billion, representing an increase of 7.9% as compared with the same period of the previous year. This increase was mainly due to the smooth development of existing projects and steady increase of overseas contract value.

Regarding to SINOPEC SEG's announcement about the purported termination of a project in the United States dated 28 February 2014, as at the end of the Reporting Period, the backlog of the Company, excluding any amounts from the project mentioned in that announcement, was RMB 103.968 billion, representing an increase of 58.6% as compared to the amount as at 31 December 2012, or 2.39 times of the total revenue of RMB 43.572 billion in 2013. During the Reporting Period, the value of new contracts amounted to RMB 81.989 billion, representing an increase of 176.6% as compared to the amount in the same period in 2012.

During the Reporting Period, the Company signed the following domestic representative projects: (1) 3.6 million tons per annum ("Mtpa") coal-to-olefin project of Zhongtian Hechuang Energy Co., Ltd. ("Zhongtian Hechuang coal chemical project") with the EPC contract amount of RMB 18.666 billion; (2) 1 Mtpa methanol-to-olefin, 500 Ktpa styrene project of Full Tech (Changzhou) Energy & Chemistry Development Co., Ltd. ("FULL TECH coal chemical project") with the EPC contract amount of RMB 3.000 billion; (3) 700 Ktpa coal-to-olefin project DMTO-II unit of Pucheng Clean Energy Chemical Co., Ltd. ("Pucheng coal chemical project") with the EPC contract amount of RMB 2.398 billion; (4) 300 Ktpa polyethylene and 390 Ktpa polypropylene project DMTO unit of Zhejiang Xingxing Energy Technology Co Ltd. ("Zhejiang Xingxing Energy coal chemical project") with the EPC contract amount of RMB 1.819 billion; (5) Shandong LNG project with the EPC contract amount of RMB 1.665 billion; (6) 500 Ktpa engineering plastics project MTO unit, olefin separation unit and polypropylene unit of Inner Mongolia ChinaCoal Mengda New Energy Chemical Company ("ChinaCoal Mengda coal chemical project") with the EPC contract amount of RMB 2.038 billion (7) 260 Ktpa acrylonitrile unit project of Shanghai SECCO Petrochemical Company Limited ("Shanghai SECCO acrylonitrile project") with the EPC contract amount of RMB 1.273 billion.

During the Reporting Period, the overseas representative projects signed included: (1) United States PTA and PET project with the EPC contract amount of USD 1.150 billion; (2) Kazakhstan KPI project engineering, procurement, construction, commissioning/start-up contract ("EPCC contract") with the EPC general contract amount of USD 1.850 billion.

The capital expenditure of the Company is mainly used for expanding facilities, upgrading technology and procuring equipment. During the Reporting Period, our capital expenditure was RMB 763 million, which was mainly used to improve production conditions, update construction equipment, procure scientific research equipment, prevent potential safety hazards and establish information system.

Business Highlights

1 Successful Implementation of Major Projects

Sinochem Quanzhou Project: The scope of work under the project contract includes major processing units of 12 Mtpa CDU/VDU unit, 2 Mtpa continuous catalytic reforming unit, 1.6 Mtpa delayed coking unit, 3.3 Mtpa residue hydrotreating unit, 3.4 Mtpa fluid catalytic cracking unit, 2.6 Mtpa wax oil hydrocracking unit, and hydrogen production unit with a capacity of 140,000 normal cubic meter per hour. Currently, the design of the project is almost complete and all the major equipment and materials have been purchased. The safety, quality and progress of the project are all within the Company's control.

Shijiazhuang Oil Refining and Chemical Project: The crude oil processing capacity of this project expanded from 4 Mtpa to 8 Mtpa. Adaptability improvement was implemented for the processing of heavy crude oil and the upgrade of the gasoline and diesel products, in order to meet the requirements for motor gasoline and diesel under the National Phase IV Emission Standard. Currently, more than ninety percent of the project has been successfully completed.

Wuhan Ethylene Project: The scope of work under the project contract includes 800 Ktpa ethylene, 550 Ktpa cracked gasoline hydrogenation, 350 Ktpa aromatics extraction, 300 Ktpa high density polyethylene, 300 Ktpa linear low density polyethylene unit, and so on. During the Reporting Period, the project was in full operation. Currently, it is in the performance review period, and all indicators meet the contract requirements.

Shandong LNG Project: The scope of work under the project contract mainly includes EPC Contracting of 36 units and 4 LNG storage tanks in the LNG receiving terminal. Currently, the project is over half complete, and the project safety, quality, progress are within the Company's control.

Kazakhstan Aromatics Project: The scope of work under the contract of this project mainly covers 1.0 Mtpa continuous reforming units, 500 Ktpa aromatics extraction units, 500 Ktpa PX units and utilities. Currently, about 90% of the overall progress of this project has been completed.

Jingbian Coal Chemical Project: The scope of work under the project contract mainly includes 1.5 Mtpa residual oil catalytic pyrolysis, 600 Ktpa polyethylene and 600 Ktpa polypropylene unit, etc. During the Reporting Period, the engineering, procurement and construction of the project were partially completed.

Yulin Coal Chemical Project: The scope of work under the first phase of the project contract includes the units for 1.8 Mtpa of MTO, 300 Ktpa of polyethylene, 300 Ktpa of polypropylene, and the unit for the comprehensive utilization of C4. Currently, the overall completion progress of all the units exceeded fifty percent and the safety, quality and progress of the project are all within the Company's control.

Zhongtian Hechuang Coal Chemical Project: For project details, please see SINOPEC SEG's announcement dated 26 December 2013. During the Reporting Period, the project has started already.

2 Excellent Results in Market Development

In 2013, under the impact of macro-environment, large oil companies in China tended to be cautious in capital expenditures, and the growth of traditional oil refining and petrochemical project engineering market were slowed. The new coal chemical industry has seen remarkable growth in the PRC with the development of new coal chemical technology and its cost advantages. While maintaining our market edge in conventional industries, e.g. the oil refining and petrochemical industry, the Company strove to explore the domestic coal chemical markets and strengthen overseas marketplace exploration, and achieved good results. During the Reporting Period, the value of new contracts was RMB 81.989 billion, including RMB 59.294 billion for domestic projects and RMB 22.695 billion for overseas projects.

Domestically, within the Reporting Period, the Company signed a number of oil refining, petrochemical, clean energy projects in China, such as the refining and gasoline separation EPC Contracting project of Dalian Western Pacific, Guangdong Dapeng LNG project, butadiene unit EPC Contracting of SECCO, phenol-acetone EPC Contracting of Sinopec Mitsui Chemicals; as for new coal chemical engineering, the Company signed the Zhongtian Hechuang coal chemical project, FULL TECH coal chemical project, ChinaCoal Mengda coal chemical project, Shaanxi olefin separation unit EPC Contracting of Shenhua, Zhejiang Xingxing Energy coal chemical project and Pucheng coal chemical project. New contract amounts in conventional industries, such as oil refining, petrochemical, clean energy continued to increase. At the same time, new contracts for new coal chemical projects increased significantly, and reached RMB 34.828 billion during the Reporting Period.

For overseas, on 11 January 2013, the Company signed an EPC contract with Italian M&G for the PTA project of 1.2 Mtpa and the PET project of 1 Mtpa that are located in Texas, the United States. The contract value is USD 1.15 billion and the construction period is 36 months. After being completed, the plant will become the largest manufacturer of PET for packing in the United States. The Company is responsible for assisting the owner in obtaining Chinese financing and providing the procurement service for the relevant Chinese part of it. Meanwhile, the Company also manages and supervises the project as a general contractor. On 10 June 2013, the Company officially signed an EPCC contract with KPI Company for a project located in Karabatan, Atyrau State, Kazakhstan. Under the contract, the Company's scope of work covers the general contracting for the engineering, procurement, construction, startup and performance examination of a propane dehydrogenation (PDH) plant of 500 Ktpa, a polypropylene plant (PP), the public utility facilities necessary for the two technological plants and the auxiliary infrastructure in the plant area. The project will be implemented after terms for the project to go into effect and satisifed. The planned construction period under the contract is 36 months and the total contract value is about USD 1.85 billion.

In addition, during the Reporting Period, the Company also tracked a number of major projects, which are expected to be signed in the future.

3 Leading Technologies, Breakthroughs Were Made in Technological Innovation

Steady progress of the R&D of major technologies developed along with key projects. Technology research and development projects in the coal chemical, petrochemical, natural gas and other key fields have made good progress.

Oil Refining and Petrochemical

800 Ktpa ethylene package technologies: The Wuhan ethylene project using ethylene package technology achieved a successful start-up in August 2013. The package technology, through its independently developed low-power consumption ethylene separation technology, achieved the domestic design and development application of large quenching oil cyclone hydraulic separator for the first time, developed a low-energy cold box and demethanization procedures, and realized the localization of all catalyst and "three machinery". At the same time, it fully adopted the CBL cracking furnace technology with independent intellectual property rights for overall design for the first time. The success of the Wuhan ethylene project is an important milestone in complete ethylene technology development of the Company.

Development and industrialization of diesel liquid phase cyclic hydrogenation technology: During the Reporting Period, the industrial units in Jiujiang, Shijiazhuang, Zhanjiang and Anqing are placed into operation, the operating results showed the features of low investment, low operation cost, safe and reliable operation, and proved that this technology can produce clean diesel products that satisfy the National Phases IV and V Quality Standards.

Development and industrial application of S Zorb gasoline absorption desulfurization technology: This technology has the advantages of low octane number loss, hydrogen consumption and operating costs, and is currently one of the main ways to upgrade domestic gasoline quality to National Phases IV and V Quality Standards. By the end of the Reporting Period, the Company has completed more than 20 licenses for this technology.

Coal Chemical

DMTO II technology and SMTO technology: Based on many sets of mature industrialized production, the Company finished development and upgrading of DMTO II technology and SMTO technology, and further improved the methanol conversion rate and product selectivity, reduced material and energy consumption within the Reporting Period. During the Reporting Period, the Company licensed several sets of methanol-to-olefin (MTO) units adopting DMTO II technology and SMTO technology, which show the Company's strong technical strength in methanol-to-olefin (MTO) technology.

SE single-nozzle cold-wall pulverized coal pressurized gasification package technology: This technology adopts advanced design, research and development concept with high reliability and advanced technical indicators. This technology combined SE oriental gasifier using cold-wall chilling process, sulfur tolerant transformation and low temperature Rectisol and other technologies for optimization. The Company finished the construction of Yangtze petrochemical single-nozzle cold-wall pulverized coal pressurized gasification demonstration unit during the Reporting Period with coal feeding of 1,000 tons for each gasifier each day. Currently, the unit operates in stable condition and can produce qualified hydrogen.

Synthetic gas-to-ethylene glycol technology: It is one of the technologies for efficient and clean coal utilization. The Company finished the construction of a 200 Ktpa synthetic gas-to-ethylene glycol demonstration unit by this technology during the Reporting Period. Currently, this unit has entered into trial operation.

Natural Gas

Development and industrial application of natural gas purification technology: After the success of "safe and high-efficiency development technology for the industrialized application of mega-sized and ultra-deep gas field of high sulfur compounds" in Puguang natural gas purification project, which fulfilled a number of domestic needs, the Company conducted research on the "development and industrial application of Yuanba natural gas purification technology." The Yuanba natural gas purification project is currently under construction.

Clean and Environmental Protection

Industrial test for renewable wet flue gas desulfurization technology: This technology with high efficiency in desulfurization does not affect combustion and heat transfer in furnace, and is the first choice for large boiler desulphurization domestically and overseas. The Company finished the construction drawing design to apply this technology and waste heat boiler improvement during the Reporting Period, which laid the foundation for full implementation of this project in 2014.

Comprehensive sewage treatment technology: The sewage treatment project for sewage treatment technology problems of Sinopec Nanjing Chemical Industrial Co., Ltd. was completed in the middle of June 2013, and went into trial operation in August. According to trial operation results, under reasonable investment and running costs, various sewage discharge indicators of the Company surpassed relevant discharge standards after technical transformation and integrated optimization. This project provided technology sources and engineering cases for the comprehensive treatment of various complex wastewater, as well as technical support for green, low-carbon and environment-friendly sustainable development strategies in the petrochemical field.

The successful implementation of the above new projects of technological development produced a positive effect on the business efforts of the Company.

Technology licensing: During the Reporting Period, there were 61 technology-licensing projects completed with the licensing contract amount of RMB 421.56 million. In addition to the traditionally advantageous projects, e.g. polypropylene, cracking furnace, MTO and styrene, licensing was completed for the oil refining projects of CNOOC Taizhou and YPC, which are remarkable achievement.

Patent applications: During the Reporting Period, the Company completed 381 new patent applications and was granted 247 patents. 5 affiliated engineering companies completed 358 patent applications of higher quality, including 204 invention patents, accounting for about 57% of the total number of patent applications, meaning the Company maintained good momentum in applications.

During the Reporting Period, scientific research and engineering projects developed by the Company won 109 provincial scientific progress awards. The "safe and high-efficiency development technology for the industrialized application of mega-sized and ultra-deep gas field of high sulfur compounds" project won the 2012 National Special Award for Scientific and Technological Progress; the "development and application of packaged technology for 650 Ktpa ethylbenzene", "development of application technology for capacity expansion and quality upgrading of the hydrocracking unit"; "development of packaged technology for 300 Ktpa vinyl acetate made from natural gas by acetylene method" and "development and industrial application of packaged technology for catalytic oxidation of PO/SM flue gas" won first prize for Scientific and Technological Progress awarded by Sinopec Group; the "creation and industrial application of catalyst for binderless composite molecular sieve" won the first prize for Scientific and Technological Progress awarded by the People's Government of Shanghai; the "demo plant for producing 500 Ktpa of olefin using residue catalytic pyrolysis process ("CPP")" won the first prize for Scientific and Technological Progress awarded by China Petroleum and Chemical Industry Federation ("CPCIF"); and the "1 Mtpa ethylene project of Sinopec Zhenhai" won a gold medal of National Premium Project Award.

4 Intensifying Enterprise Reform

The Company is actively pursuing corporate reform focusing on the developmental goal of "building the world-class refinery and chemical engineering company" and the developmental mode of "centralized management, differential competiton, standardized governance and high-end development". The Company continued to reorganize its businesses and push forward specialization reform, and further optimize its organizational structure and functionality. The organizational structure and operating mechanism suitable for the Company's sustainable development is taking shape, and the business structure, which is suitable for the Company's international operation, is becoming more mature.

The Company integrated the superior resource of construction enterprise, the large lifting and transportation equipments to build the Sinopec Heavy Lift and Transportation Engineering Co., Ltd. ("Lift and Transportation Company"). It concentrated its strengths and improved market competitiveness, rapidly forming a new point of benefit growth. The Company mainly focused on heavy lift and transportation markets within the PRC, and committed to become the world-class professional lift and transportation contractor; integrated the technical research and development strengths of engineering company, built higher-level, broader technical cooperation, and gave full play to the leading effect of advanced technologies in developing markets and undertaking EPC Contracting businesses. A reform programmer was developed in response to these projects.

The Company optimized and adjusted some organizations and their functions; set up the purchase department to perfect its global purchasing management system, establish and enhance its global supply chain, and improve globalcore competing competence. The Company established the QHSE Management Department, and enhanced the integrated management of quality, health, safety and environment, so as to improve its ability to fulfill social responsibilities and achieve sustainable development; as well as established the Information Management Department to improve its operating efficiency, and strengthen its international operation risk management capacity.

5 Sustained Safe Operation

During the Reporting Period, in order to ensure safe production, the Company conscientiously implemented safety and environmental protection requirements of the PRC government and annual HSE working conference spirit of Sinopec, and focused on halting the occurrence of accidents. It continued to promote the construction of QHSE management system via “management improvement” activities, implemented the QHSE responsibility system at various levels, paid more attention to the occupational health of its staff, provided more excellent products and services, insisted on safety production and green production, comprehensively improved the intrinsic safety level, and effectively protected the ecological environment.

During the Reporting Period, the Company realized accumulative safety man-hours of 303.0 million, zero large liability accidents and above all, zero accident mortality of employees (including sub-contractors) and zero serious injury rates. There were no large or above environmental accidents, no health occupational acute poisoning accidents, nor any ordinary or serious public safety accidents. The hidden hazards control program was completed 100%. The personal accident insurance of expatriates and employer's liability insurance were purchased 100%.

6 Other Aspects

On 25 June 2013, the Company signed a strategic cooperation agreement with China CAMC Engineering Co., Ltd. and also signed an agreement for exclusive cooperation in an overseas coal-to-gas project. China CAMC Engineering Co., Ltd. has an extensive business network and maintains a good relationship with local government as well as significant experience in EPC Contracting management of international projects. The cooperation with China CAMC Engineering Co., Ltd will benefit both parties through enhanced information sharing and mutual cooperation.

Business Prospects

1 Actively explore the market, striving for further success

Looking forward to 2014, the world economic situation is still complex: the gradual exit of FRB quantitative easing policy has increased variables and risks of recovery. Developed economies are expected to continue their moderate recovery, while some emerging economies are expected to face slower growth. China is expected to continue high economic growth, deepen reform, and continue to change the development model.

In 2014, the Company will respond to the situation conscientiously, to seize opportunities, meet challenges, and make every effort to implement existing projects by strengthening internal management and promoting resource optimization; give full play to its competitive advantages, strengthen market development efforts, and ensure the undertaking of key projects. In 2014, the target domestic new contract amount of the Company is RMB 45 billion, and the target overseas new contract amount is USD 3 billion.

2 Promote the deepening reform, realizing the synergies of reorganization

The joint general contracting and on-site integrated base: The Company actively promotes its engineering company and construction enterprise to conduct joint general contracting, and pilots it in the Zhongtian Hechuang coal chemical project. In addition, the Company carries out unified planning, construction, and management in terms of project site layout and construction, and fully implements its “integrated” planning scheme. The project management organization can be further simplified, management costs can be reduced and the management can be improved by implementing the joint general contracting and on-site integrated base mode. The Company will also continue to promote the joint general contracting and on-site integrated base mode in follow-up projects.

Market development: In China, the Company will further strengthen coordination of market development in line with its principle of maximizing group benefits, which will lower the costs by giving full play to the advantages of each subsidiary and resources sharing; improve market development efficiency, require full consideration of various risk factors associated with market development projects, and cautiously participate in advance funded projects and projects with questionable credit standing, to ensure that the risks in project implementation are under control; guide subsidiaries to grow their core competitiveness, and build distinctive markets, taking the road of differentiated development. In overseas markets, the Company will continue to optimize and deploy overseas market deployment and resources, constantly improve existing organizations, set up overseas branches around the world, and extend its market development and operation function, improving its market development efficiency. During the Reporting Period, the Company, along with integrated subsidiaries from Saudi Arabia and Kazakhstan, completed registration of a United States subsidiary, and is currently registering an Indonesia subsidiary, a Malaysia subsidiary and a Brunei subsidiary on the basis of market development requirements.

The Company’s lifting and transportation business: The Company currently has 36 pieces of large and ultra-large heavy lifting equipment with a lifting capacity of over 200 tons, among which the 4,000-ton crawler crane is the largest lifting equipment in the world. The Company takes a leading position among domestic peers in terms of equipment strength. After establishing the shipping company, its professional management standard was much higher, efficiency improved, and equipment utilization increased, which will help to expand and consolidate the domestic market, vigorously explore the international market, and take the lead in achieving better economic results in the Middle East.

Technology research and development business: The Company is building a professional engineering technology research and development entity, a technology research and development (Luoyang) base. It is positioned as "a bridge between lab and industrialization, a high-end test platform for engineering technology research, the technical support, service and evaluation center" through reform and adjustment. The Luoyang base complies with technology research and development law, perfects the operation mechanism, and provides support and service to its subsidiaries; participates in exchanges and cooperation, undertakes the engineering technology research and development overseas, which helps further improve the resource research and development efficiency, shape research and development characteristics, explore emerging fields, expand the scope of services, and enhance the competitiveness and development potential of the Company's main businesses.

Manufacturing Business: In order to improve the profitability of its manufacturing business, the Company will undertake reform to optimize the manufacturing sector. Specifically, the Company will lower costs by optimizing resources allocation, increasing the proportion of high-end business, enhancing detailed management, and investing more in market development.

3 Create an integrated new coal chemical industrial chain, market the one-stop engineering service

The new coal chemical business is one of the highlights of the Company in its future development. Currently, the Company boasts technical equipment and engineering achievements in aspects such as coal gasification, syngas to natural gas, syngas to methanol, syngas to glycol, methanol to olefin, polyolefin, indirect/direct coal liquefaction. Through coordination and optimization, these factors contribute to the formation of a technical industrial chain with complete upstream and downstream support. Combined with the Company's advantages in the conventional engineering service segment, the Company can provide a complete industrial service chain including the licensing of process technology, engineering, procurement, construction and start-up services, becoming extremely competitive in the new coal chemical market and providing owners with a set of complete EPC services. The Company organizes work distribution, optimizes resource allocation, and coordinates superior resources of various subsidiaries on the Zhongtian Hechuang coal chemical project. The Company pilots the Zhongtian Hechuang coal chemical project, and will promote subsequent projects in the future.

4 Continue to increase investment in R&D; keep the Company's technology leadership

Following the development objective of "consolidating the traditional technical advantages in oil refining and chemical engineering, advancing the technology of alternative petroleum resources", the R&D investment will focus on the following aspects:

Firstly, take the oil refining and chemical industry development strategy as targets, and consolidate the competitive advantages in the Company's core businesses around improving its core competitiveness, promoting and perfecting the heavy oil and inferior crude oil processing technology by which to produce transportation fuels, clean raw material production technology, complete large ethylene and aromatics technologies, synthesis material high performance technology and gas, coal and biomass transported raw material, petrochemical raw material technology and other core technologies.

Secondly, focus on improving the oil refining technology, clean oil refining, energy-efficient technology, oil refining-chemical engineering integrated mode development and optimization technology, basic organic raw materials technology, environmental protection and water-saving technology, comprehensive energy-saving technology, oil-gas storage and transportation technology, equipment localization and long-period operation technology based on technology demands of Sinopec Group's main businesses, and comprehensively improve its science and technology support capability.

Thirdly, focus on promoting the catalytic cracking technology (MIP) by which to produce isoparaffin, new catalytic gasoline selective desulfurization technology, deep diesel hydrogenation technology, gasoline selective hydro desulfurization technology, complete large cracking furnace and ethylene recovery technology, refinery dry gas recycling technology, large aromatics production technology, large loop polypropylene technology, large gas-phase polyethylene technology, oil depot and gas station oil gas recovery technology, refinery enterprise tail gas treatment technology, large lamella heat exchanger, new efficient heat-exchange equipment and so on by focusing on optimizing resources, procedures, operation, saving energy, reducing emission, reducing consumption, eliminating bottlenecks, and improving efficiency.

Fourthly, increase input and participation in the research and development of large new coal chemical, natural gas chemical technology, deepen and consolidate technological achievements, such as MTO, coal gasification, strengthen engineering technological achievements of the Company in coal-to-liquid project and other projects, actively seek technical cooperation, gradually improve the new coal chemical technology chain at the same time, transforming its technical advantages into business advantages.

Fifthly, focus on future challenges, such as alternative energy, low-carbon raw material, actively track basic research on leading-edge technologies and application closely relating to the petrochemical industry, such as the green chemistry for high efficiency utilization of oil resources, oil-gas refining technology, biomass liquefaction/gasification technology, coal-based chemicals, shale gas chemical engineering, and so on, increase input in the technological reserve, and enhance sustainable innovation ability.

Sixthly, seize opportunities arising from the implementation of new GMP standard, maintain core competitiveness – focusing on important, high-tech engineering and Sino-foreign joint venture or foreign-funded pharmaceutical projects.

Seventhly, strengthen the research and development of construction technologies, application and share of new technologies, conduct a variety of technical activities regarding “improvement of quality, efficiency and level”, including improving equipment level, technology research and development, information technology, standardization, etc., consolidate technological base, improve engineering management , and increase the Company's efficiency and overall effectiveness.

Eighthly, “conduct unified planning, implement in steps, show results in three years, form a system in five years”, establish and perfect the unified standard specification system and construction method system for domestic and overseas engineering construction markets, form a consistent project operation standard system, thereby achieving a share of superior technical resources and enhancing the overall technological level.

5 Actively promote “standardized design, standardized procurement and modular construction”

Since “standardized design, standardized procurement, modular construction” can shorten construction time, save costs, ensure safety construction, improve efficiency, and provide better service for owners during engineering construction, the Company considers “standardized design, standardized procurement, modular construction” as a necessary strategy to ensure future development. During the Reporting Period, the Company began building the management system and set up its “standardized design, and standardized procurement. The modular construction committee clarified its responsibility, and comprehensively pushed its “standardized design, standardized procurement, modular construction” process, which enabled the Company to be confident in showing its overall strength in the engineering construction field in the future.

6 Follow a “people-oriented, win-win cooperation” approach; improve the management level of suppliers and subcontractors

In terms of supplier management, the Company will collect and integrate supplier resources from a unified global supplier network, strengthen sourcing in domestic and overseas target markets according to specific requirements of project owners in target markets, and include different projects into the procurement system based on supply chain management, gradually building and achieving collaboration with suppliers. It will also standardize and strengthen the interactive collaboration of bid, quotation, auction, contract and other business of suppliers through a unified procurement collaboration work platform, and realize online registration, file management, qualification examinations, dynamic performance evaluation of suppliers and collaborative work. At the same time, it will provide the new product display platform to suppliers, and establish multi-faceted and multi-dimensional information communication channels. It will improve suppliers’ business development and productivity through sound interaction, so as to fully mobilize the enthusiasm of suppliers, and provide excellent service for our engineering projects.

For subcontractor management, the Company will strengthen and standardize the management for sub-contractor selection, bid and tender, subcontractor site management, annual subcontractor appraisal in subcontract works in line with its working method of "strengthening management, improving standardization" and in strict accordance with relevant policies. The Company will continue to follow the subcontract management philosophy of "people-oriented, win-win cooperation", establish long-term cooperative relationships and share management experience with engineering construction partners who are committed to oil refining and chemical engineering, jointly promote their management and technological level in the field of oil refining and chemical engineering, making subcontractors a strong complement to its engineering project resources.

7 Establish modern HR management system and management incentive mechanism

1. During the Reporting Period, the Company developed and implemented a position value based its salary structure adjustment scheme, and initially established a market-oriented salary system that meets the requirements of modern enterprises and shareholders. On this basis, it will create a linked appraisal mechanism, which is benefit-oriented and supports a floating salary to encourage the rapid development of enterprises; the Company will launch overseas personnel salary structure adjustment.

2. It will establish a labor and employment mechanism consistent with the characteristics of refining and chemical enterprises using labor reasonably and flexibly according to project demand under the premise of maintaining a steady and gradual decrease in the total amount of labor, which not only strictly controls the total amount of labor, but also takes advantage of high-quality talents.

3. The Company will implement a medium and long-term incentive mechanism for senior managers and key staff to fully mobilize and utilize business intelligence and decision-making abilities of company management, stimulate the enthusiasm and creativity of key staff, thus promoting sustainable development of the Company.

4. It will establish a performance-oriented employee performance management system, which is implemented with the salary reform scheme, and test the bottom out elimination system for middle management.

5. The Company is experiencing a period of fast development after transformation, and the rate of overseas projects is constantly increasing. Our human resource demands senior management personnel familiar with operation of international companies, senior project management personnel familiar with operation of international projects, senior technical experts and technical backbone. The Company will form an interdisciplinary talent team through two channels, i.e., classification of and selection from existing talent teams, strengthening training and open recruitment, to support the Company's medium and long-term development.

8 Steadily promote all-around application and standardized management of information technology in the Company

To facilitate the efficient and safe operation of its core business, the Company drives its development through information construction, enhancing the comprehensive corporate management and core competitiveness through IT construction that focuses on integrated and intelligent systems. Learning advanced experience, optimizing resource allocation, strengthening information construction top-level design, accelerating the construction of ERP centralization projects, and increasing the intensity of shared services, speeds up the establishment of a sound information construction management system, organizational structure and incentive mechanism, with focus on building "One main line, Two macro integrations, Three platforms and Four systems".

One main line: the main line of providing SINOPEC SEG with IT support and effective enterprise control for the complete business chain that comprises engineering consulting, engineering, procurement, construction, project management and equipment manufacturing.

Two macro integrations: the integration of collaboration designs for the construction of digitalized factories and the integration of business with project management as the core.

Three platforms: the operation management platform centered on ERP construction; the project execution platform comprises standardized engineering, standardized procurement and modularized construction; and the infrastructure cloud platform supported by a global network system.

Four systems: an effective information organization and control system; a unified information standardization system; a stable information operation and maintenance system; and a powerful and effective risk control information security system.

9 Implement merger and acquisition strategy; achieve great-leap-forward development

With a view to accelerating the Company's development, the Company has established a special merger and acquisition department and its functioning mechanism during the Reporting Period. The Company determined the directions and ideas of merger and acquisition and established targets for merger and acquisition.

In terms of the selection of acquisition target, the Company will (1) select a target company with a relatively favorable synergy effect by way of considering both the development of international market and the needs of project implementation; (2) select a target company consistent with the needs of future development by looking into the prospect of the industry that the Company serves and other similar industries; (3) select target technology with a favorable application prospect through the argumentation and research on proprietary patented technologies that orient investment. The Company may selectively hold or control the shares of the target company or acquire the target company, and may also acquire target technology by way of buyout, investment and cooperative development, etc., in order to eventually improve the Company's ability of sustainable development with a new growth point.

Management's Discussion and Analysis

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

1 Consolidated Results of Operations

The following table sets forth the consolidated statement comprehensive income of the Company for the indicated years:

	Year ended 31 December				
	2013		2012		
	Amount	Percentage of total revenue	Amount	Percentage of total revenue	Change
	(RMB '000)	(%)	(RMB '000)	(%)	(%)
Revenue	**43,571,851**	**100.0**	38,526,489	100.0	13.1
Cost of sales	**(37,165,660)**	**(85.3)**	(32,998,383)	(85.7)	12.6
Gross profit	**6,406,191**	**14.7**	5,528,106	14.3	15.9
Other income	**78,291**	**0.2**	85,392	0.2	(8.3)
Selling and marketing expenses	**(100,610)**	**(0.2)**	(90,546)	(0.2)	11.1
Administrative expenses	**(1,088,531)**	**(2.5)**	(947,076)	(2.5)	14.9
Research and development costs	**(629,698)**	**(1.4)**	(547,561)	(1.4)	15.0
Other operating expenses	**(256,315)**	**(0.6)**	(154,559)	(0.4)	65.8
Other gains/(losses), net	**4,157**	**0.0**	(41,733)	(0.1)	(110.0)
Operating profit	**4,413,485**	**10.1**	3,832,023	9.9	15.2
Financial income	**428,394**	**1.0**	525,965	1.4	(18.6)
Financial expenses	**(104,123)**	**(0.2)**	(121,300)	(0.3)	(14.2)
Financial income, net	**324,271**	**0.7**	404,665	1.1	(19.9)
Share of profits of joint ventures	**1,324**	**0.0**	1,753	0.0	(24.5)
Share of profits of associates	**11,961**	**0.0**	13,626	0.0	(12.2)
Profit before taxation	**4,751,041**	**10.9**	4,252,067	11.0	11.7
Income tax expense	**(1,093,877)**	**(2.5)**	(934,798)	(2.4)	17.0
Profit for the year	**3,657,164**	**8.4**	3,317,269	8.6	10.2
Fair value gains on available-for-sale financial assets	**3,223**	**0.0**	851	0.0	278.7
Share of other comprehensive income of associates	**–**	**–**	93	0.0	–
Exchange difference arising on translation of foreign investment	**1,549**	**0.0**	–	–	–
Gains on revaluation of retirement benefit plan obligations	**266,318**	**0.6**	292,645	0.8	(9.0)
Total comprehensive income for the year	**3,928,254**	**9.0**	3,610,858	9.4	8.8

(1) Revenue

The revenue of the Company increased by 13.1% from RMB38.526 billion for the year ended 31 December 2012 to RMB43.572 billion for the year ended 31 December 2013. The increase was mainly due to a number of large EPC Contracting projects, such as Jingbian coal chemical project, Yulin Coal Chemical Project, Wuhan Ethylene Project, Sinochem Quanzhou project, Kazakhstan aromatics project and Shijiazhuang refining project, and engineering projects implemented according to plan, as well as the settlement of many engineering projects.

(2) Cost of sales

The cost of sales of the Company increased by 12.6% from RMB32.998 billion for the year ended 31 December 2012 to RMB37.166 billion for the year ended 31 December 2013, primarily due to the increased direct costs including labor cost and expenditure on procurement of materials, machinery and equipment caused by the increase of business volume and revenue.

(3) Gross profit

The gross profit of the Company increased by 15.9% from RMB5.528 billion for the year ended 31 December 2012 to RMB6.406 billion for the year ended 31 December 2013, due to a larger increase in the Company's revenue than in the Company's cost of sales.

(4) Other income

The other income of the Company decreased by 8.3% or RMB 7 million from RMB85 million for the year ended 31 December 2012 to RMB78 million for the year.

(5) Sales and marketing expenses

The sales and marketing expenses of the Company increased by 11.1% from RMB91 million for the year ended 31 December 2012 to RMB101 million for the year ended 31 December 2013, mainly due to the Company's increased investment in marketing.

(6) Administrative expenses

The administrative expenses of the Company increased by 14.9% from RMB947 million for the year ended 31 December 2012 to RMB1.089 billion for the year ended 31 December 2013, mainly due to the Company's remuneration structure adjustment and increment of employee benefits.

(7) Research and development costs

The research and development costs of the Company increased by 15.0% from RMB548 million for the year ended 31 December 2012 to RMB630 million for the year ended 31 December 2013, mainly due to the efforts made by the Company to strengthen the integration of technologic resources and intensify R&D efforts.

(8) Other operating expenses

The other operating expenses of the Company increased by 65.8% from RMB155 million for the year ended 31 December 2012 to RMB256 million for the year ended 31 December 2013, mainly due to the rising exchange losses caused by the sharp appreciation of RMB.

(9) Other gains/ (losses), net

The net other gains/(losses) of the Company changed from a loss of RMB42 million for the year ended 31 December 2012 to a gain of RMB4 million for the year ended 31 December 2013, mainly due to the loss from the sale of land use right that was disposed by the Company in 2012, and the formation of gains on disposal of fixed assets in 2013.

(10) Operating profit

As a result of the reasons above, the operating profit of the Company increased by 15.2% from RMB3.832 billion for the year ended 31 December 2012 to RMB4.413 billion for the year ended 31 December 2013.

(11) Financial income, net

The net financial income of the Company declined by 19.9% from RMB405 million for the year ended 31 December 2012 to RMB324 million for the year ended 31 December 2013, mainly due to a decline in the interest income receivable from the ultimate holding company as compared to the same period of the previous year.

(12) Income tax expense

The Company's income tax expenses increased by 17.0% from RMB935 million for the year ended 31 December 2012 to RMB1.094 billion for the year ended 31 December 2013. The main reason for the increase was that the Company's profit before taxation increased from RMB4.252 billion for the year ended 31 December 2012 to RMB4.751 billion for the year ended 31 December 2013, while the effective income tax rate rose from 22.0% in the same period of the previous year to 23.0%. The change in the effective income tax rate was due to fluctuations in the profit of some affiliated companies.

(13) Profit for the year

Due to the above reasons, the profit in the Reporting Period increased by 10.2% from RMB3.317 billion for the year ended 31 December 2012 to RMB3.657 billion for the year ended 31 December 2013.

(14) Total comprehensive income for the year

As a combined result of the reasons above and the contributions of other comprehensive income from the Company, the total amount of the comprehensive income of the Company increased by 8.8% from RMB3.611 billion for the year ended 31 December 2012 to RMB3.928 billion for the year ended 31 December 2013.

2 Discussion on the Results by Business Segments

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

	Revenue		Gross profit		Gross profit margin		Operating profit		Operating profit margin	
	Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	(RMB'000)		(RMB'000)		(%)		(RMB'000)		(%)	
Engineering, consulting and licensing	4,354,199	4,121,829	2,016,563	1,857,763	46.3	45.1	1,391,265	1,239,912	32.0	30.1
EPC Contracting	23,505,528	20,082,442	3,312,352	2,856,980	14.1	14.2	2,537,411	2,305,347	10.8	11.5
Construction	18,024,037	16,296,826	1,078,916	833,731	6.0	5.1	499,873	317,904	2.8	2.0
Equipment manufacturing	684,188	624,960	(1,640)	(20,368)	(0.2)	(3.3)	(40,965)	(41,435)	(6.0)	(6.6)
Non-allocated	—	—	—	—	n/a	n/a	25,901	10,295	n/a	n/a
Subtotal	46,567,952	41,126,057	6,406,191	5,528,106			4,413,485	3,832,023		
Total after inter-segment elimination [3]	43,571,851	38,526,489	6,406,191	5,528,106	14.7[1]	14.3[1]	4,413,485	3,832,023	10.1[2]	9.9[2]

(1) Total gross profit margin is calculated based on total gross profit divided by total revenue, and total revenue is the gross earnings generated after inter-segment elimination in all the business segments.
(2) Total operating profit margin of business segments is calculated based on the total operating profit of the business segments divided by total revenue, and total revenue is the gross earnings generated after inter-segment elimination in all the business segments.
(3) Inter-segment elimination is mainly caused by the inter-segment sales made by the Construction and Equipment Manufacturing segments to the EPC Contracting segment. Other information on inter-segment sales is set out in Note 7 to the Financial Statements contained in this annual report.

Engineering, Consulting and Licensing

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

	Year ended 31 December			
	2013		2012	
	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue
	(RMB'000)	(%)	(RMB'000)	(%)
Revenue	4,354,199	100.0	4,121,829	100.0
Cost of sales	(2,337,636)	(53.7)	(2,264,066)	(54.9)
Gross profit	2,016,563	46.3	1,857,763	45.1
Selling and marketing expenses	(19,522)	(0.4)	(19,580)	(0.5)
Administrative expenses	(215,572)	(5.0)	(177,081)	(4.3)
Research and development costs	(386,338)	(8.9)	(346,282)	(8.4)
Other incomes and expenses	(3,866)	(0.1)	(74,908)	(1.8)
Operating profit	1,391,265	32.0	1,239,912	30.1

(1) Revenue

The revenue of the Company's Engineering, Consulting and Licensing segment increased by 5.6% from RMB4.122 billion for the year ended 31 December 2012 to RMB4.354 billion for the year ended 31 December 2013. The main reasons for this increase are increased engineering workload completion and improved engineering efficiency due to the implementation of the "engineering standardization" during the Reporting Period.

(2) Cost of sales

The cost of sales of the Company's Engineering, Consulting and Licensing segment increased by 3.2% from RMB2.264 billion for the year ended 31 December 2012 to RMB2.338 billion for the year ended 31 December 2013, which was primarily due to the increase of man-hours for growing business volume and the increase in staff remuneration standards.

(3) Gross profit

The gross profit of the Company's Engineering, Consulting and Licensing segment increased by 8.5% from RMB1.858 billion for the year ended 31 December 2012 to RMB2.017 billion for the year ended 31 December 2013. The main reason for the gain was that the increase in revenue was greater than the increase in cost of sales. The segment has maintained a high level of gross profit margin, increased from 45.1% for the year ended 31 December 2012 to 46.3% for the year ended 31 December 2013.

(4) Sales and marketing expenses

The selling and marketing expenses of the Company's Engineering, Consulting and Licensing segment was RMB20 million for the year ended 31 December 2013, which is similar to the previous year.

(5) Administrative expenses

The administrative expenses of the Company's Engineering, Consulting and Licensing segment increased by 21.7% from RMB177 million for the year ended 31 December 2012 to RMB216 million for the year ended 31 December 2013. The increase was mainly due to the increase in travelling expense brought about the increased business volume, and the increase in staff remuneration standard.

(6) Research and development costs

The research and development costs of the Company's Engineering, Consulting and Licensing segment increased by 11.6% from RMB346 million for the year ended 31 December 2012 to RMB386 million for the year ended 31 December 2013. The increase was mainly because the Company continued to make large investments in R&D in order to maintain its advantage in the engineering technology.

(7) Operating profit

As a result of the reasons discussed above, the operating profit of the Company's Engineering, Consulting and Licensing segment increased by 12.2% from RMB1.240 billion for the year ended 31 December 2012 to RMB1.391 billion for the year ended 31 December 2013.

EPC Contracting

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

	Year ended 31 December			
	2013		2012	
	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue
	(RMB'000)	(%)	(RMB'000)	(%)
Revenue	**23,505,528**	**100.0**	20,082,442	100.0
Cost of sales	**(20,193,176)**	**(85.9)**	(17,225,462)	(85.8)
Gross profit	**3,312,352**	**14.1**	2,856,980	14.2
Sales and marketing expenses	**(41,803)**	**(0.2)**	(31,767)	(0.2)
Administrative expenses	**(323,788)**	**(1.4)**	(300,278)	(1.5)
Research and development costs	**(218,703)**	**(0.9)**	(185,969)	(0.9)
Other incomes and expenses	**(190,647)**	**(0.8)**	(33,619)	(0.2)
Operating profit	**2,537,411**	**10.8**	2,305,347	11.5

(1) Revenue

The revenue of the Company's EPC Contracting segment increased by 17.0% from RMB20.082 billion for the year ended 31 December 2012 to RMB23.506 billion for the year ended 31 December 2013. The main reasons for the increase are the progress in the PRC and overseas EPC Contracting projects, and the corresponding growth in business volume.

(2) Cost of sales

The cost of sales of the Company's EPC Contracting segment increased by 17.2% from RMB17.225 billion for the year ended 31 December 2012 to RMB20.193 billion for the year ended 31 December 2013. This was mainly due to the increase in labor costs, material costs, machine days, and procurement costs of equipment, all of which were due to the growth in business volume.

(3) Gross profit

The gross profit of the Company's EPC Contracting segment increased by 15.9% from RMB2.857 billion for the year ended 31 December 2012 to RMB3.312 billion for the year ended 31 December 2013, and the gross profit margin was 14.1%, which remained relatively stable.

(4) Sales and marketing expenses

The sales and marketing expenses of the Company's EPC Contracting segment increased by 31.6% from RMB32 million for the year ended 31 December 2012 to RMB42 million for the year ended 31 December 2013, mainly due to the increased expenditures for development efforts of the EPC Contracting market.

(5) Administrative expenses

The administrative expenses of the Company's EPC Contracting segment increased by 7.8% from RMB300 million for the year ended 31 December 2012 to RMB324 million for the year ended 31 December 2013 which was mainly due to the increase in travelling expense to accommodate increased business volume, as well as the increase in the staff remuneration standard.

(6) Research and development costs

The research and development costs of the Company's EPC Contracting segment increased by 17.6% from RMB186 million for the year ended 31 December 2012 to RMB219 million for the year ended 31 December 2013, primarily due to the Company's intensified R&D investment for EPC Contracting business.

(7) Operating profit

As a result of the reasons discussed above, the operating profit of the Company's EPC Contracting segment increased by 10.1% from RMB2.305 billion for the year ended 31 December 2012 to RMB2.537 billion for the year ended 31 December 2013.

Construction

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

	Year ended 31 December			
	2013		2012	
	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue
	(RMB'000)	(%)	(RMB'000)	(%)
Revenue	18,024,037	100.0	16,296,826	100.0
Cost of sales	(16,945,121)	(94.0)	(15,463,095)	(94.9)
Gross profit	1,078,916	6.0	833,731	5.1
Sales and marketing expenses	(35,504)	(0.2)	(35,842)	(0.2)
Administrative expenses	(522,461)	(2.9)	(443,933)	(2.7)
Research and development costs	(23,374)	(0.1)	(14,202)	(0.1)
Other incomes and expenses	2,296	0.0	(21,850)	(0.1)
Operating profit	499,873	2.8	317,904	2.0

(1) Revenue

The revenue of the Company's Construction segment increased by 10.6% from RMB16.297 billion for the year ended 31 December 2012 to RMB18.024 billion for the year ended 31 December 2013, primarily because the Company increased resource integration and coordination of efforts to develop the market, prompting construction workload increases.

(2) Cost of sales

The cost of sales of the Company's Construction segment increased by 9.6% from RMB15.463 billion for the year ended 31 December 2012 to RMB16.945 billion for the year ended 31 December 2013, mainly due to the increase in project subcontracting costs and machinery expenses brought about by the increase in workload.

(3) Gross profit

The gross profit of the Company's Construction segment increased by 29.4% from RMB834 million for the year ended 31 December 2012 to RMB1.079 billion for the year ended 31 December 2013, and the gross profit margin rose from 5.1% for the year ended 31 December 2012 to 6.0% for the year ended 31 December 2013. The main reason was a higher growth rate in revenue over the cost of sales.

(4) Sales and marketing expenses

The sales and marketing expenses of the Company's Construction segment were RMB36 million for the year ended 31 December 2013, which remained relatively stable as compared with the amount in the previous year.

(5) Administrative expenses

The administrative expenses of the Company's Construction segment increased by 17.7% from RMB444 million for the year ended 31 December 2012 to RMB522 million for the year ended 31 December 2013, primarily due to the staff remuneration standard increase.

(6) Research and development costs

The research and development costs of the Company's Construction segment increased by 64.6% from RMB14 million for the year ended 31 December 2012 to RMB23 million for the year ended 31 December 2013, primarily due to the Company's intensified efforts in construction methods research and the establishment of construction standard.

(7) Operating profit

As a result of the reasons discussed above, the operating profit of the Company's Construction segment increased by 57.2% from RMB318 million for the year ended 31 December 2012 to RMB500 million for the year ended 31 December 2013.

Equipment Manufacturing

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

	Year ended 31 December			
	2013		2012	
	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue
	(RMB'000)	(%)	(RMB'000)	(%)
Revenue	**684,188**	**100.0**	624,960	100.0
Cost of sales	**(685,828)**	**(100.2)**	(645,328)	(103.3)
Gross loss	**(1,640)**	**(0.2)**	(20,368)	(3.3)
Sales and marketing expenses	**(3,781)**	**(0.6)**	(3,357)	(0.5)
Administrative expenses	**(26,710)**	**(3.9)**	(25,784)	(4.1)
Research and development costs	**(1,283)**	**(0.2)**	(1,108)	(0.2)
Other incomes and expenses	**(7,551)**	**(1.1)**	9,182	1.5
Operating loss	**(40,965)**	**(6.0)**	(41,435)	(6.6)

(1) Revenue

The revenue of the Company's Equipment Manufacturing segment increased by 9.5% from RMB625 million for the year ended 31 December 2012 to RMB684 million for the year ended 31 December 2013, mainly due to increases in the integration and coordination efforts of internal resources, and an increase in the business volume of Equipment Manufacturing segment.

(2) Cost of sales

The cost of sales of the Company's Equipment Manufacturing segment increased by 6.3% from RMB645 million for the year ended 31 December 2012 to RMB686 million for the year ended 31 December 2013. This was mainly due to the increase in labor costs and material costs to accommodate the growth in business volume.

(3) Gross loss

The gross loss of the Company's Equipment Manufacturing segment changed from a loss of RMB20 million for the year ended 31 December 2012 to a loss of RMB2 million for the year ended 31 December 2013, declined by 91.9%, with a loss reduction of RMB18 million.

(4) Sales and marketing expenses

The sales and marketing expenses of the Company's Equipment Manufacturing segment were RMB4 million for the year ended 31 December 2013, which remained relatively stable as compared with the amount in the previous year.

(5) Administrative expenses

The administrative expenses of the Company's Equipment Manufacturing segment were from RMB27 million for the year ended 31 December 2013, which remained relatively stable as compared with the amount in the previous year.

(6) Research and development costs

The research and development costs of the Company's Equipment Manufacturing segment were RMB1 million for the year ended 31 December 2013, which remained relatively stable as compared with the amount in the previous year.

(7) Operating loss

The operating loss of the Company's Equipment Manufacturing segment was RMB41 million for the year ended 31 December 2013, which remained relatively stable as compared with the amount in the previous year.

3 The Results of Other Classifications

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

	Year ended 31 December				
	2013		2012		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB'000)	(%)	(RMB'000)	(%)	(%)
Oil refining	12,299,237	28.2	12,556,490	32.6	(2.0)
Petrochemicals	16,701,785	38.3	15,036,189	39.0	11.1
New coal chemicals	8,855,434	20.3	4,928,056	12.8	79.7
Other industries	5,715,395	13.1	6,005,754	15.6	(4.8)
Total	43,571,851	100.0	38,526,489	100.0	13.1

The Company's revenue was mainly generated from the oil refining and petrochemical industries. The oil refining industry and the petrochemicals industry accounted for 28.2% and 38.3% of the total revenue, respectively, for the year ended 31 December 2013. During the Reporting Period, the revenue from the new coal chemical industry grew rapidly, representing 20.3% of the total revenue of the Company and as compared to 12.8% for the year ended 31 December 2012. Compared to the same period of the previous year, the Company's revenue from the petrochemical and new coal chemical industries witnessed a sharp increase, rising by 11.1% and 79.7%, respectively, over the same period of the previous year. This was mainly due to the Company's major projects in these industries having entered their peak stage of construction. As a result, the revenue from the oil refining industry remained relatively stable.

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

	Year ended 31 December				
	2013		2012		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB'000)	(%)	(RMB'000)	(%)	(%)
PRC	**36,540,730**	**83.9**	32,011,159	83.1	14.1
Overseas	**7,031,121**	**16.1**	6,515,330	16.9	7.9
Total	**43,571,851**	**100.0**	38,526,489	100.0	13.1

The Company's revenue generated from the PRC and overseas increased steadily. The percentage of total revenue from overseas rose slightly over the same period of the previous year. In particular, the revenue from the PRC and overseas grew by 14.1% and 7.9% respectively over the same period of the previous year. The percentage of the revenue from overseas represents 16.1% of the total revenue of the Company, which remained relatively stable as compared with the amount in the previous year.

The following table sets forth the revenue generated from services provided by the Company for the clients of each of (1) Sinopec Group and its associates and (2) non-Sinopec Group and its associates:

	Year ended 31 December				
	2013		2012		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB'000)	(%)	(RMB'000)	(%)	(%)
Sinopec Group and its associates	**16,638,928**	**38.2**	19,356,283	50.2	(14.0)
Non-Sinopec Group and its associates	**26,932,923**	**61.8**	19,170,206	49.8	40.5
Total	**43,571,851**	**100.0**	38,526,489	100.0	13.1

During the Reporting Period, the revenue from the non-Sinopec Group and its associates increased by 40.5% as compared with the clients of the same period of the previous year, which is due to a significant growth in the contracts. The revenue from Sinopec Group and its associates declined over the same period of the previous year by 14.0%, mainly due to a decrease in the executed amount of contracts from Sinopec Group and its associates.

4 The Backlog and New Contracts

With regard to the Company's announcement entitled "Purported Termination of a Project in the United States" dated 28 February 2014, the backlog as at 31 December 2013 and new contract values during the Reporting Period exclude any amount from the project mentioned in the announcement.

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

	As at 31 December 2013 (RMB'000)	As at 31 December 2012 (RMB'000)	Change (%)
Engineering, consulting and licensing	6,050,017	4,992,705	21.2
EPC Contracting	85,439,061	46,309,988	84.5
Construction	12,216,820	13,992,728	(12.7)
Equipment manufacturing	262,454	255,318	2.8
Total	103,968,352	65,550,739	58.6

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

	As at 31 December 2013 (RMB'000)	As at 31 December 2012 (RMB'000)	Change (%)
Oil refining	18,752,220	24,081,504	(22.1)
Petrochemicals	38,675,478	20,329,113	90.2
New coal chemicals	39,159,298	13,186,369	197.0
Other industries	7,381,356	7,953,753	(7.2)
Total	103,968,352	65,550,739	58.6

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

	As at 31 December 2013 (RMB'000)	As at 31 December 2012 (RMB'000)	Change (%)
PRC	70,546,482	47,792,690	47.6
Overseas	33,421,870	17,758,049	88.2
Total	103,968,352	65,550,739	58.6

The following table sets forth the total value of backlog categorized by the clients of each of (1) Sinopec Group and its associates and (2) non-Sinopec Group and its associates as at the dates indicated:

	As at 31 December 2013	As at 31 December 2012	Change
	(RMB'000)	(RMB'000)	(%)
Sinopec Group and its associates	36,450,335	25,000,123	45.8
Non-Sinopec Group and its associates	67,518,017	40,550,616	66.5
Total	103,968,352	65,550,739	58.6

As at 31 December 2013, the value of the Company's backlog totaled RMB103.968 billion, up by 58.6% as compared with that as at 31 December 2012, representing 2.39 times of the annual revenue of RMB43.572 billion in 2013.

The following table details the total value of new contracts entered into categorized by the Company's each business segment in the years indicated:

	Year ended 31 December		
	2013	2012	Change
	(RMB'000)	(RMB'000)	(%)
Engineering, consulting and licensing	5,411,511	4,093,899	32.2
EPC Contracting	62,634,601	13,008,165	381.5
Construction	13,439,019	12,158,493	10.5
Equipment manufacturing	504,333	382,121	32.0
Total	81,989,464	29,642,678	176.6

The following table sets forth the total value of new contracts entered into by the Company categorized by the industries in which the Company's clients operate in the years indicated:

	Year ended 31 December		Change
	2013	2012	
	(RMB'000)	(RMB'000)	(%)
Oil refining	6,969,953	4,641,968	50.2
Petrochemicals	35,048,150	11,652,313	200.8
New coal chemicals	34,828,363	6,183,509	463.2
Other industries	5,142,998	7,164,888	(28.2)
Total	81,989,464	29,642,678	176.6

The following table sets forth the total value of new contracts entered into by the Company categorized by regions in the years indicated:

	Year ended 31 December		Change
	2013	2012	
	(RMB'000)	(RMB'000)	(%)
PRC	59,294,522	27,412,139	116.3
Overseas	22,694,942	2,230,539	917.5
Total	81,989,464	29,642,678	176.6

The following table sets forth the total value of new contracts entered into by the Company with the clients of each of (1) Sinopec Group and its associates and (2) non-Sinopec Group and its associates in the years indicated:

	Year ended 31 December		Change
	2013	2012	
	(RMB'000)	(RMB'000)	(%)
Sinopec Group and its associates	28,089,140	17,869,079	57.2
Non-Sinopec Group and its associates	53,900,324	11,773,599	357.8
Total	81,989,464	29,642,678	176.6

During the Reporting Period, the value of the Company's new contracts was RMB81.989 billion, representing an increase of 176.6% as compared with RMB29.643 billion for the same period in the previous year.

5 Assets, Liabilities, Equity and Cash Flow

(1) Assets, Liabilities and Equity

Units: RMB'000

	As at 31 December 2013	As at 31 December 2012	Changes
Total assets	**47,365,269**	37,130,025	10,235,244
Current assets	**39,198,790**	29,051,247	10,147,543
Non-current assets	**8,166,479**	8,078,778	87,701
Total liabilities	**26,384,928**	30,048,775	(3,663,847)
Current liabilities	**23,620,920**	26,762,416	(3,141,496)
Non-current liabilities	**2,764,008**	3,286,359	(522,351)
Non-controlling interests	**3,627**	3,265	362
Net assets	**20,980,341**	7,081,250	13,899,091
Total equity attributable to shareholders of SINOPEC SEG	**20,976,714**	7,077,985	13,898,729
Share capital	**4,428,000**	3,100,000	1,328,000
Reserves	**16,548,714**	3,977,985	12,570,729

As at 31 December 2013, the total assets of the Company were RMB47.365 billion, the total liabilities were RMB26.385 billion, and the total equity attributable to the shareholders of SINOPEC SEG was RMB20.977 billion. The changes in the assets and liabilities as compared with that at 31 December 2012 and the main reasons are as follows:

As at the end of the Reporting Period, the total assets were RMB47.365 billion, up by RMB10.235 billion as compared with the end of 2012. In particular, the current assets were RMB39.199 billion, up by RMB10.148 billion as compared to the end of 2012, mainly due to the profits for the Reporting Period and proceeds from SINOPEC SEG's global offering (the "Global Offering"). Non-current assets were RMB8.166 billion, showing a growth of RMB88 million as compared to the end of 2012.

The total liabilities were RMB26.385 billion as at 31 December 2013, down by RMB3.664 billion as compared with the end of 2012. In particular, the current liabilities were RMB23.621 billion, down by RMB3.141 billion as compared with the end of 2012, mainly due to the decrease in other payables by RMB3.440 billion. Non-current liabilities were RMB2.764 billion, down by RMB522 million as compared with the end of 2012, mainly due to the decline in retirement and other supplementary benefit obligations by RMB481 million.

Total equity attributable to shareholders of SINOPEC SEG was RMB20.977 billion, up by RMB13.899 billion as compared with that at the end of 2012, primarily as the result of the proceeds from the Global Offering and the net profit in the Reporting Period.

(2) Cash Flows

During the Reporting Period, the net increase in cash and cash equivalents was RMB761 million and net cash used in operating activities was RMB86 million. The following table sets forth the main items and their changes in the Company's consolidated statements of cash flows for the years ended 31 December 2013 and 2012, respectively.

Units: RMB'000

Major items of cash flow	Year ended 31 December	
	2013	2012
Net cash (used in)/generated from operating activities	(85,995)	1,556,489
Net cash used in investing activities	(6,963,183)	(1,668,252)
Net cash generated from/(used in) financing activities	7,810,661	(643,969)
Net increase/(decrease) in cash and cash equivalents	761,483	(755,732)

During the Reporting Period, the profit before taxation was RMB4.751 billion, and the profit was RMB5.145 billion after adjusting for items that did not affect the cash flow in operating activities (the "Non-cash Items"). The main non-cash items were: RMB587 million for depreciation and amortization; RMB61 million for impairment of trade and other receivables; and RMB86 million for net exchange losses, and cash outflow increased by RMB4.238 billion in change in working capital. The main reason was: as construction projects were carried out, the cash outflow increased by RMB498 million in inventories. The cash outflow was RMB2,708 billion in contract work-in-progress, and the cash outflow was RMB897 million in trade and other receivables and cash outflow was RMB141 million in trade and other payables. This was due to the growth in business volume and purchasing costs and a drop in payables etc..

After adjusting for non-cash items, receivables and payables for the normal operating profit before taxation, and after deducting the paid income tax amounting to RMB1.110 billion, the net cash used in operating activities was RMB86 million.

Net cash used in investing activities was RMB6.963 billion, mainly including a cash outflow of RMB5.467 billion as time deposits in financial institutions by the Company.

Net cash generated from financing activities was RMB7.811 billion, mainly due to proceeds from the Global Offering during the Reporting Period.

Based on the Company's cash flows during the Reporting Period, the Company has adequate working capital. The Company will continue to strengthen the settlement of financial debts and reduce the use of operating activities fund. The Company will also continue to effectively manage the investment risk, expand the scale of investment and increase the return on investment.

(3) Summary of Financial Ratios

The following table sets forth the Company's key financial ratios for the years indicated.

Main financial ratios	Year ended 31 December	
	2013	2012
Net profit margin (%)	8.4%	8.6%
Return on assets (%)(1)	8.7%	8.1%
Return on equity (%)(2)	17.4%	46.8%
Return on invested capital (3)	17.4%	46.3%

Main financial ratios	As at 31 December 2013	As at 31 December 2012
Gearing ratio (%)(4)	0.0%	2.2%
Net debt to equity ratio (%)(5)	net cash	net cash
Current ratio (%)(6)	1.7	1.1
Quick ratio (7)	1.6	1.1

(1) Return on assets = $\dfrac{\text{profit for the year}}{\text{(opening balance of total assets + closing balance of total assets)/2}}$

(2) Return on equity = $\dfrac{\text{profit for the year}}{\text{total equity at the end of the year}}$

(3) Return on invested capital = $\dfrac{\text{earnings before interest and tax (EBIT) x (1 - tax rate)}}{\text{total interest bearing debt – credit loans + total equity at the end of year}}$

(4) Gearing ratio = $\dfrac{\text{total interest bearing debt}}{\text{total interest bearing debt + total equity at the end of year}}$

(5) Net debt to equity ratio = $\dfrac{\text{net debt at the end of year}}{\text{total equity at the end of year}}$

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

(7) Quick ratio = $\dfrac{\text{current assets - inventories}}{\text{current liablilities}}$

Return on assets

The Company's return on assets increased to 8.7% for the year ended 31 December 2013 from 8.1% for the year ended 31 December 2012, mainly due to the increase in profit during the Reporting Period.

Return on equity

The Company's return on equity decreased from 46.8% for the year ended 31 December 2012 to 17.4% for the year ended 31 December 2013, mainly due to the increase in equity with the proceeds from the Global Offering.

Return on invested capital

The Company's return on invested capital decreased from 46.3% for the year ended 31 December 2012 to 17.4% for the year ended 31 December 2013, for the same reason as for the decrease in return on equity.

Gearing ratio

The Company's gearing ratio decreased from 2.2% as at 31 December 2012 to 0.0% as at 31 December 2013, mainly due to the settlement of the interest bearing debt during the Reporting Period. As at the end of the Reporting Period, the Company's interest bearing debt was nil.

Net debt to equity ratio

The Company maintained positive net cash as at 31 December 2013.

Current ratio

The Company's current ratio increased from 1.1 as at 31 December 2012 to 1.7 as at 31 December 2013, primarily due to the increase in current assets during the Reporting Period.

Quick ratio

The Company's quick ratio increased from 1.1 as at 31 December 2012 to 1.6 as at 31 December 2013. The Company's inventories accounted for a minor percentage of current assets. The change in the quick ratio was due to the same reason as that for the increase in the current ratio.

Significant Events

1 The Issuance of H Shares and Listing

SINOPEC SEG officially launched its initial public offering of 1.328 billion H Shares in May 2013, and the offering price was HK$10.5 per share, and was listed on the Hong Kong Stock Exchange on 23 May 2013. The gross proceeds from this public offering amounted to HKD13.944 billion, and amounted to HKD13.667 billion after the deduction of various listing fees and expenses.

2 Credit Rating

Moody's Investors Service has assigned a first-time issuer rating of A2, the highest level of rating that can be awarded to engineering enterprises globally, to SINOPEC SEG in December 2013 and the ratings outlook is stable.

3 Adjustments to Use of Proceeds from the Global Offering and Use of Proceeds

Adjustments to Use of Proceeds from the Global Offering

As approved by the Ninth Meeting of the First Session of the Board, adjustments have been made to the use of proceeds from the Global Offering. The purposes and fund proportions after adjustments are:

(1) (a) Establishing an engineering and technological R&D center, as well as reconstructing and expanding the R&D base in Luoyang to replace the following R&D centers proposed in the original plan: (i) a refining and reaction engineering technology R&D center in Luoyang; (ii) a new coal chemical and natural gas chemical technology R&D center in Ningbo; (iii) a petrochemical-alternative energy engineering technology R&D center in Beijing; and (iv) a pharmaceutical chemical engineering technology R&D center in Shanghai. The functions of the engineering and technology R&D centers were originally constructed in a staggered plan which utilized: (b) a modularized construction base to take the place of the originally scheduled projects such as the modern construction technology R&D center. The base will concurrently have the modularized manufacturing function required by modularized construction based on the function of construction technology research and development; and (c) construction machinery manufacturing investment project. The total amount is approximately RMB 1.7 billion, a proportion of 15.86%.

(2) Paying for long-term equity investments in subsidiaries and settling the non-trade amounts of RMB 2 billion due to Sinopec Group. The total amount is approximately RMB 2.25 billion, a proportion of 20.99%.

(3) Improving the Company's overseas marketing networks and maintaining the original plan of establishing an operation and maintenance center in Saudi Arabia, an integrated operating center in North America, and several overseas subsidiaries or branches in South Asia, Africa and South America. In addition, assessment and demonstration of the project planning and feasibility study report of the operation and maintenance center in Saudi Arabia was completed. The center is planned to be completed and operational in 2015. Other planned overseas marketing outlets will be developed appropriately according to the progress of the project. The total amount is RMB 800 million, a proportion of 7.46%.

(4) Maintaining the original plan of improving the information system of the Company which will be amounted to approximately RMB 700 million, a proportion of 6.53%.

(5) Maintaining the original plan of purchasing crawler cranes with high lifting capacities, large lifting and transport equipment, and specialized construction equipment to enhance the Company's specialized construction capacity and technical level. The total amount is approximately RMB 800 million, a proportion of 7.46%.

(6) Applying for a new long-term equity investment, through investing and providing capital contribution to certain professional companies under the Company (for example, a lifting and transportation company, equipment manufacturing company, or a construction company). The total amount is approximately RMB 1.142 billion, a proportion of 10.66%.

(7)New mergers and acquisitions of engineering companies, purchasing patents and proprietary technologies and other project purposes. The total amount is approximately RMB 3.325 billion, a proportion of 31.03%.

Use of Proceeds from the Global Offering

During the Reporting Period, the Company finished payment of long-term equity investment amounts of subsidiaries and settlement of the non-trade amounts payable to Sinopec Group. The total amount of proceeds used is approximately RMB 2.25 billion. The amount of payment for long-term equity investment from the proceeds is RMB 142 million. To sum up, the total amount of proceeds used during the Reporting Period is RMB 2.392 billion.

4 Connected Transactions

Connected Transaction Agreements between SINOPEC SEG and Sinopec Group

On 19 December 2012, SINOPEC SEG signed a series of continuing connected transactions or agreements with Sinopec Group, such connected transactions specifically include the following:

- The Engineering and Construction Services Framework Agreement;
- The Financial Services Framework Agreement;
- The Technology R&D Framework Agreement;
- The General Services Framework Agreement;
- The Land Use Right and Property Lease Framework Agreement;
- The Trademark Licensing Agreement;
- Counter-guarantees provided by Sinopec Group; and
- Safe Production Insurance.

Please refer to the section headed “Connected Transactions” in the prospectus of SINOPEC SEG dated 10 May 2013 and the relevant contents regarding “the Financial Services Framework Agreement” contained in SINOPEC SEG’s circular to shareholders dated 10 September 2013 for further details.

Connected Transactions Incurred

The aggregate amount of connected transactions of the Company incurred during the Reporting Period was RMB 18.027 billion. In particular, expenses amounted to RMB 1.052 billion, and the revenue amounted to RMB16.975 billion (including RMB 16.643 billion from sales of products and services and RMB 332 million from interest income), and it is in compliance with the relevant rules of the Hong Kong Stock Exchange.

During the Reporting Period, the engineering and construction services (supply of equipment and materials, procurement services and equipment leasing, technology licensing and other engineering-related services) provided by Sinopec Group to the Company amounted to RMB 1.025 billion, less than the exempted cap of RMB 1.800 billion. The engineering and construction services (preliminary consulting, technology licensing, engineering design, EPC contracting, construction and equipment manufacturing, etc.) provided by the Company to Sinopec Group amounted to RMB 16.487 billion, less than the exempted cap of RMB 21 billion.

During the Reporting Period, the expenses relating to the settlement of entrustment loans and other financial services between the Company and Sinopec Finance Co., Ltd. and Sinopec Century Bright Capital Investment Limited were RMB 3 million, less than the exempted cap of RMB 25.6 million. The daily maximum balance of deposits and interest income was RMB 3.99 billion, less than the exempted cap of RMB 5.5 billion. The daily maximum balance of entrusted loans was RMB 9.5 billion, less than the exempted cap of RMB 11.0 billion.

After approval at the Tenth Meeting of the First Session of the Board, the exempted cap of the technology R&D services provided by the Company to Sinopec Group during the Reporting Period was adjusted from RMB 100 million to RMB 152 million. Please refer to the announcement headed "Adjustments to Annual Caps for Continuing Connected Transactions Under the Technology R&D Framework Agreement" dated 17 March 2014 for further details. During the Reporting Period, the actual amounts received from the technology R&D services provided by the Company to Sinopec Group was RMB 152 million.

During the Reporting Period, the comprehensive services provided by Sinopec Group to the Company amounted to RMB 9 million, less than the exempted cap of RMB 15 million.

During the Reporting Period, the land use and housing lease contract provided by the Company to Sinopec Group amounted to RMB 5 million, less than the exempted cap of RMB 6.5 million.

During the Reporting Period, the land use and housing lease contract provided by Sinopec Group to the Company amounted to RMB 2 million, less than the exempted cap of RMB 7.5 million.

During the Reporting Period, the counter guarantee provided by Sinopec Group to the Company amounted to USD 209 million, less than the exempted cap of USD 309 million.

In terms of the premium payable under the documents on safe production funds, the amount payable by the Company shall be no less than the amount specified in these documents.

The major connected transactions actually incurred during the Reporting Period were detailed in Note 42 to the Financial Report in this annual report that was prepared in accordance with IFRS. The connected transactions actually incurred during the Reporting Period are in compliance with the Hong Kong Listing Rules.

The above mentioned connected transactions have been approved during the Reporting Period, at the Tenth Meeting of the First Session of the Board and such transactions conform to disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

The external auditor of SINOPEC SEG was engaged to report on the Company's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagement Other Than Audits or Reviews of Historical Financial Information" and Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his conclusions in respect of the above-mentioned continuing connected transactions in accordance with Rule 14A.38 of the Hong Kong Listing Rules (except for the actual aggregate amount of the technology research and development services provided by the Company to Sinopec Group in exceeded the annual cap disclosed in the prospectus of SINOPEC SEG dated 10 May 2013) and submitted a copy of the auditor's letter to the Hong Kong Stock Exchange.

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

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

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

(b) one of the following items was met:

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

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

 iii. if there were no appropriate assessments to determine whether the transactions met the conditions under (i) and (ii) above, they were entered into on terms that were fair and reasonable and in the interest of the shareholders of the Company as a whole; and

(c) except that the actual amounts received from the technology R&D services provided by the Company to Sinopec Group exceeded the proposed annual cap for the year 2013 as disclosed in SINOPEC SEG's prospectus (please refer to the announcement headed "Adjustments to Annual Caps for Continuing Connected Transactions Under the Technology R&D Framework Agreement" dated 17 March 2014 for further details), the amounts under the transactions pursuant to other agreements as mentioned above did not exceed the respective proposed annual caps.

Approval of Continuing Connected Transactions Under Financial Service Framework Agreement and Annual Caps for 2014 and 2015

On 28 October 2013, SINOPEC SEG convened the second extraordinary general meeting for 2013 to consider and approve the Financial Service Framework Agreement and the continuing connected transactions and annual caps thereunder. Please refer to the contents regarding "The Financial Services Framework Agreement" contained in SINOPEC SEG's circular to shareholders dated 10 September 2013 for the details of the approved annual caps for 2014 and 2015.

Approval of Annual Caps for 2013, 2014 and 2015 for Continuing Connected Transactions Under Technology R&D Framework Agreement

On 14 March 2014, SINOPEC SEG convened the Tenth Meeting of the First Session of the Board to approve the annual caps for continuing connected transactions under the Technology R&D Framework Agreement. Please refer to SINOPEC SEG's announcement headed "Adjustments to Annual Caps for Continuing Connected Transactions under the Technology R&D Framework Agreement" dated 17 March 2014 for the details of the approved annual caps for 2013, 2014 and 2015 for continuing connected transactions under the Technology R&D Framework Agreement.

Other Significant Connected Transactions occurred during the Reporting Period

None

5 Litigation or Arbitration Events

The Company is currently involved in litigation 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.

On 25 February 2014, SINOPEC SEG received a written notice from Medicine Bow Fuel & Power LLC ("Medicine Bow") purporting to terminate three agreements from 2012 relating to the engineering, procurement and construction of a coal gasification and liquefaction facility near Medicine Bow, Wyoming in the United States. SINOPEC SEG has also received a demand for arbitration that appears to have been filed by Medicine Bow with the American Arbitration Association on 24 February 2014, in which Medicine Bow seeks an award for damages claimed to arise from the alleged breach by SINOPEC SEG of the above alleged agreements to construct a coal gasification and liquefaction facility near Medicine Bow, Wyoming. SINOPEC SEG denies that it has any liability to Medicine Bow and has engaged legal counsel to represent it and intends to defend against the claims vigorously. As at 14 March 2014, no payment has been made to SINOPEC SEG by Medicine Bow, and no revenue with respect to Medicine Bow has been recognized by the Company. Having reviewed and considered available information, the Board does not currently anticipate that Medicine Bow's claim will create any material adverse impact on its existing operations, business plans or business development strategies.

Save as disclosed in this annual report, there were no other material litigation or arbitration events during the Reporting Period.

6 Other Material Contracts

Other than new significant operation contracts, the Company had no other contracts of significance which should be disclosed during the Reporting Period.

7 Reserves

During the Reporting Period, the changes to the reserves of the Company were set out in the consolidated statement of changes in shareholders' equity in the financial statements prepared in accordance with IFRS in this annual report.

8 Assets Transactions

There were no material assets transaction events of the Company during the Reporting Period.

9 Insolvency and Restructuring

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

10 Significant Trusteeship, Contracting and Lease

During the Reporting Period, the Company was not involved in respect of significant trusteeship, contracting or lease of Sinopec Engineering's assets, nor placing its assets to or under any other companies' trusteeship, contracting or lease which has not been disclosed as required.

11 Significant Acquisitions and Sale

During the Reporting Period, the Company had no matters on substantial acquisitions or sale.

12 Financial Derivatives for Hedging Purposes

During the Reporting Period, there were no financial derivatives for hedging purposes of the Company.

13 Pledged Assets

During the Reporting Period, the Company had no pledged assets

14 Repurchase, Sale and Redemption of Shares

During the Reporting Period, SINOPEC SEG or any of its subsidiaries did not repurchase, sell or redeem any listed securities of SINOPEC SEG.

15 Debt

There were no debts with payable interests of the Company at the end of the Reporting Period.

16 Implementation of Stock Option Incentive

The Company is studying and developing a medium and long-term incentive plan for management. The Company did not implement a stock option incentive scheme during the Reporting Period.

17 Review of Annual Results

The audit committee of SINOPEC SEG (the “Audit Committee”) has reviewed this annual report and does not have different views on the annual financial statements.

The Audit Committee is comprised of all independent non-executive Directors, namely, Mr. HUI Chiu Chung, Stephen, Mr. JIN Yong and Mr. YE Zheng. Among them, Mr. YE Zheng has the appropriate professional qualifications (member of Hong Kong Institute of Certified Public Accountants) and with more than 18 years of experiences in the field of internal control and audit consultation.

Corporate Governance

1 Consummation of Corporate Governance in the Reporting Period

In accordance with the related domestic and overseas laws and regulations and the actual situation of the Company, SINOPEC SEG strictly standardizes corporate governance based on the working rules, systems and norms such as Rules of Procedure of Shareholders Meeting, the Rules of Procedure of Board and the Rules of Procedure of the Supervisory Committee. In 2013, SINOPEC SEG made modifications on its articles of association (the “Articles of Association”), consummated the dividend distribution policies of SINOPEC SEG, improved the internal control systems and enhanced the construction of execution of internal control of the Company. To standardize the procedures of disclosure of sensitive information, the Company formulated “Reporting and Distribution Procedures on Price-Sensitive Information of the Company” and “Registration System of Persons with Access to Inside Information”; and put into place confidentiality policies and insider registration regarding inside information such as periodical reports.

SINOPEC SEG further enhanced post-oriented trainings to promote the sense of responsibility of all Directors, Supervisors and its senior management (the “Senior Managment”), and provided Directors with information on the business performance and financial situation of the Company in a timely manner. This empowers the Directors to make reasonable decisions. We continue to prioritize information disclosure and our relationship with our investors, by strengthening communication, increasing transparency of the Company and conveying investors' opinions to the management in a timely manner. The Company actively performed its social responsibilities and promoted the sustainable development of the Company (see the “2013 Sustainable Development Report” of SINOPEC SEG for details).

During the Reporting Period, the supervisory committee of SINOPEC SEG (the “Supervisors Committee”) had no objection regarding all supervised matters. Furthermore, no administrative punishments or circulated criticisms by the Securities and Futures Commission of Hong Kong were issued nor SINOPEC SEG, the Board, Directors, Supervisors, Senior Management, controlling shareholders of SINOPEC SEG as well as the beneficial owners of SINOPEC SEG were censured publicly by the Hong Kong Stock Exchange.

2 Reformation of Institutional Framework of the Company

SINOPEC SEG established two departments in 2013, the QHSE Administration Department and the Information-based Administration Department to meet the development and management requirements of a listed company. The two departments were developed in response to a comparative study of institutional frameworks of companies both domestic and abroad, as well as the actual conditions of the Company. In addition, the Technology Development and Licensing Center was renamed the Technology Department, and the Global Purchasing Center was renamed the Purchasing Department. There are now fourteen (14) departments in the Head Office, which will ensure better business practices, comprehensive functions and the smooth operation of the Company’s logistics.

3 Equity Interests of Directors, Supervisors and Other Senior Management

During Reporting Period, so far as was known to the Directors, none of the Directors, Supervisors and Senior Management, as well as their respective associates had any interest or short positions in any Shares, underlying Shares or debentures of SINOPEC SEG or any associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to SINOPEC SEG and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by SINOPEC SEG referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) in Appendix 10 to the Hong Kong Listing Rules, to be notified to SINOPEC SEG and the Hong Kong Stock Exchange that are regarded, or treated as being held, in accordance with the SFO in the shares of SINOPEC SEG or any associated corporation. Based on specific enquiries to all Directors, all Directors have confirmed that they have complied with all the standards stipulated in the Model Code during the Reporting Period.

4 Confirmation of Independence of Independent Non-executive Directors and Overview of their Performance

SINOPEC SEG assigned the sufficient number of independent non-executive Directors with appropriate qualifications in accounting or other financial management expertise. SINOPEC SEG appointed three independent non-executive Directors, Mr. HUI Chiu Chung, Stephen, Mr. JIN Yong and Mr. YE Zheng. SINOPEC SEG has received a letter of confirmation from each independent non-executive Director for the year regarding their compliance with relevant independence requirements set out in Rule 3.13 of the Hong Kong Listing Rules. SINOPEC SEG considers all of its independent non-executive Directors to be independent.

5 SINOPEC SEG's Independence from Controlling Shareholders

On 10 March 2014, Sinopec Group provided the following declaration to SINOPEC SEG and its independent non-executive Directors confirming its compliance with the terms of the Non-competition Agreement.

From 19 December 2012 to 31 December 2013, we complied with the principles and terms of the Non-Competition Agreement and undertakings, fulfilled our obligation and responsibilities in accordance with the Non-Competition Agreement and undertakings, and did not violate the Non-Competiton Agreement and undertaking. The aforesaid was concluded based on Sinopec Group's overall review of the compliance with every provision (including but not limited to providing options for new business opportunities, options for acquisition and pre-emptive rights).

Opinions of the independent non-executive Directors regarding the compliance with Non-Competition Agreement of Sinopec Group:

Based on inspection of related results, the independent non-executive Directors deem that Sinopec Group performed and complied with the Non-Competition Agreement entered into with SINOPEC SEG during the Reporting Period.

6 Construction and Implementation of Internal Control System of the Company

Overall Scheme of Internal Control Construction

Prior to the Listing, the Company prepared, approved for publication and implemented its "Internal Control Manual (2013 edition)" to standardize internal management, prevent operation risks and guarantee the realization of the development strategies and operation goals of the Company. The Manual carefully implements our domestic and overseas regulatory requirements such as the "Basic Standard for Internal Control of Enterprises", the "Implementation Guidelines for Internal Control of Enterprises", and the "Guidelines for Assessment of Internal Control of Enterprises", which was jointly issued by five ministries and commissions including the PRC Ministry of Finance, the Securities and Futures Ordinance and the Hong Kong Listing Rules. After the Listing, the Company conducted a comprehensive revision to its "Internal Control Manual (2013 edition)" to form a Internal Control Manual (2013 Revision). To ensure the quality of the revision work. First, the Company comprehensively sorted out various types of internal and external risk factors faced by the Company; compiled the risk base of the Company after repeated identification, records and assessment; and established correspondence between such risks and internal controls. Second, the Company consummated company-level control content such as internal environment, risk assessment, information and communication and internal supervision. The Company revised and improved internal control business procedures such as design, construction and product manufacturing and enlarged the coverage of internal control. In addition, the Company further optimized the design of the control points; established correspondence of related systems; and improved the control effects on business levels. Third, based on the core ideologies of system-based corporate management, standard-based and process-based systems and information-based processes, the Company optimized the information-based management platform; finalized our Internal Control Manual with online revisions and quarterly testing with an annual inspection of the Internal Control Manual. We have improved the efficiency and the effect of internal control; made efforts for normalization and standardization of internal control; and made efforts to establish long-term implementation of our internal control management.

Working Plans for Establishment and Improvement of Internal Control System and Implementation

Each year, the Company prepares goals and working plans with regard to internal control, and conducts comprehensive training, and daily management and evaluation. Under the uniform deployment of the Company, the subsidiaries and branches of the Company have undertaken various internal control requirements and achieved effective integration of internal control, business and system by sorting out, revising and consummating related managerial systems of the unit. The Company established three defense mechanisms for internal control departments, (1) the periodic testing of responsible departments (units), (2) daily management, and (3) constant supervision of both audit and supervision departments over internal control. Accordingly, the Company created a supervision and evaluation system of internal control.

Setup of Internal Control Examination and Supervision Department

The Business Reform Administration Department of SINOPEC SEG, which is assigned to administer overall supervision of internal control, is responsible for the daily supervision of internal control and the organization of individual inspection. The Audit Department is in charge of internal control evaluations and independent, comprehensive inspections and evaluation of internal control. SINOPEC SEG and its subsidiaries established a two- level internal control inspection and evaluation system. The subsidiaries of SINOPEC SEG conduct self-inspections and evaluate internal control every year and SINOPEC SEG inspects the evaluation of internal control every year in a thorough manner.

Arrangement for Internal Control Made by the Board

The Board will review the amended Internal Control Manual. The Board is responsible for the communication, supervision and inspection of internal and external auditors through the Audit Committee, as well as the inspection and supervision of the Headquarters and Branch Internal Control Self-assessments through the Audit Committee on a yearly basis.

Improvement of the Internal Control System Associated with Financial Accounting

The Company's Internal Control Manual specifies the internal control requirements with regard to the financial statements and establishes a connection with the professional management system. Fund and assets management, costs and expenses accounting, and management, financial analysis and budget, connected transactions and the preparation of financial statements, are respectively included in the related work flow, control procedures and control points. At the same time, the financial statement planning matrix connects items and matters in accounting statements with control measures, so that internal control can reasonably ensure that the disclosed financial statements are authentic and reliable.

Defects Existing in the Internal Control and their Correction

No significant internal control defects were detected within the Company during the Reporting Period. Other internal control defects discovered in the inspection were addressed by the Company with various corrective measures, and the defects were shared with external auditors. After a follow-up examination, all defects relating to financial reports were corrected during the Reporting Period, and other management defects were corrected or corrective measures were prepared.

7 Assessment and Incentive Mechanism of Senior Management

The Company will establish a comprehensive assessment system for senior management, to reflect the work performance of senior management and match compensation and performance to such assessments. In addition, medium and long-term incentives are planned to retain and incentivize senior management.

8 Corporate Governance Report (pursuant to the Hong Kong Listing Rules)

(1) Compliance with Corporate Governance Code

Prior to the listing date of SINOPEC SEG, SINOPEC SEG established a modernized corporate governance structure that effectively balanced and independently operated. It consists of shareholders, the Board, the Supervisory Committee and the Senior Management based on corresponding supervision requirements.

From the listing date of SINOPEC SEG through 31 December 2013, SINOPEC SEG abided by the provisions in the Code on Corporate Governance Practices stated in Appendix 14 of Listing Rules in Hong Kong and did not conduct any acts which deviated from such provisions.

A BOARD

A.1 Board

a. The Board of SINOPEC SEG is the decision-making body of Sinopec Corp. and all decisions made by the Board are carried out by the management of Sinopec Corp. The Board abides by good corporate governance practices and procedures and commits itself to improve the management and standard operations of Sinopec Corp.

b. The Board holds one meeting at least quarterly. The Board communicates on the meeting time and subject matters 14 days prior to the scheduled meeting time. The documents and materials for the meeting will usually be sent 10 days in advance to each Director. In 2013, SINOPEC SEG held five Board Meetings. For details about the attendance of each Director, please refer to the Report of the Board in this annual report.

c. Each member of the Board may submit proposals to be included in the agenda for Board meetings, and each Director is entitled to request other related information.

d. The Board reviewed and evaluated its performance for the year 2013. The view of the Board is that the composition of Board was appropriate and balanced. The Board made decisions in compliance with domestic and overseas laws and regulations and the Company's internal rules; listened to the report of the Supervisory Committee prudently, and safeguarded the rights and interests of SINOPEC SEG and shareholders. The Directors and the Senior Management carefully fulfilled their responsibilities and actively took part in training and continuing professional development, which led to improvement of the management of SINOPEC SEG. The governance level needs to be improved.

e. The Secretary to the Board will assist the Directors in handling the routine tasks of the Board and continuously provide the Directors with and keep them informed of regulations, policies and other requirements as demanded by domestic and overseas regulatory bodies in relation to the Corporate Governance, and ensure that the Directors comply with the domestic and overseas laws and regulations as well as the Articles of Association etc. when performing their duties and responsibilities. In addition, SINOPEC SEG purchased liability insurance for all the Directors to minimize any risks which may arise from the performance of their duties.

A.2 Chairman and Chief Executive Officer

a. Mr. CAI Xiyou serves as the Chairman of the Board; Mr. YAN Shaochun serves as the President. The Chairman of the Board is elected by the majority of all Directors of the Company, while the President is nominated and appointed by the Board of Directors. The duties and responsibilities of the Chairman of the Board and the President are clearly distinguished from each other and the scope of their respective duties and responsibilities are set out in the Articles of Association.

b. The Chairman of the Board is responsible for communication with the independent non-executive Directors. The Chairman of the Board will hold meetings with the independent non-executive Directors at least once every year, at which no executive Director is present.

c. The Chairman of the Board will encourage open and active discussions. Directors may speak freely and actively participate in discussion regarding production and operation, corporate governance and major investments of the Company in the Board meetings.

A.3 Board Composition

a. The Board consists of 9 members with extensive professional and management experiences (please refer to the Section headed "Directors, Supervisors, Senior Management and Employees" in this annual report for detailed information). Among the nine (9) members, there is one (1) executive Director, five (5) non-executive Directors and three (3) independent non-executive Directors. The independent non-executive Directors represent one third of the Board. All the executive Directors and non-executive Directors are experienced in refining and chemical engineering, petroleum and petrochemical profession or large-sized enterprise management. The independent non-executive Directors are well-known technological experts, financial experts or accounting experts respectively, and have experience in managing large corporations, capital operation and finance investment, respectively. The composition of the Board is reasonable and diversified.

b. SINOPEC SEG received a letter of confirmation from each independent non-executive Director regarding his compliance with relevant independence requirements set out in Rule 3.13 of the Hong Kong Listing Rules for the year 2013. The Company concluded that each of the independent non-executive Directors is independent.

A.4 Appointment, Re-election and Dismissal

a. Term of each session of the Directors of SINOPEC SEG (including non-executive Directors) is 3 years, and the consecutive term of office of an independent non-executive Director will not exceed 6 years.

b. All Directors of SINOPEC SEG will be elected at the general meeting of the shareholders, and the Board will have no power to appoint temporary Directors.

c. For newly appointed Directors, SINOPEC SEG will engage professional consultants to prepare detailed information, notify such Directors of regulatory rules of each listing place of the Company and remind such Directors of their rights, obligations and responsibilities as Directors.

A.5 Nomination Committee

a. SINOPEC SEG established a Nomination Committee. The members are as follows: Mr. CAI Xiyou, the Chairman of the Board and non-executive Director, is the chairman of the Nomination Committee, and Mr. HUI Chiu Chung, Stephen, the independent non-executive Director, is the vice chairman of of the Nomination Committee; Mr. YAN Shaochun, the executive Director, and Mr. JIN Yong and Mr. YE Zheng, the independent non-executive Directors, are members of the Nomination Committee. In addition, corresponding terms of reference of the Nomination Committee have been established and is available at the website of the Company and the website of the Hong Kong Stock Exchange for reference. The Nomination Committee will recommend appointment or re-election of the Directors as well as succession plan of Directors (especially the Chairman of the Board and the President); seek for candidates for Directors with appropriate qualifications and competence; elect and nominate related personnel to be appointed as Directors, and propose recommendations thereof to the Board.

b. Based on discussion, the Nomination Committee deems that the structure, number of members and composition thereof of the Board of 2013 is rational and conforms to the strategies of the Company.

c. Nomination Committee members may engage independent professionals. Reasonable costs arising from or in connection with such consultation are borne by the Company. Meanwhile, the Nomination Committee appointed the Advisory Member to assist the Nomination Committee in specific daily routines. The working expenditure of the Nomination Committee will be included in the budget of SINOPEC SEG.

d. During the Reporting Period, the Nomination Committee held one meeting. For details, please refer to "Report of the Board - Meetings Held by the Special Committees of the Board" of this annual report.

A.6 Responsibility of Directors

a. All the non-executive Directors have the same duties and authorities as executive Directors. In addition, the non-executive Directors, especially the Independent non-executive Directors, are entitled to certain specific duties. The rights and obligations of executive Directors and non-executive Directors (including independent non-executive Directors) are clearly defined in the Articles of Association and the Rules of Procedure of the Board.

b. Each of the Directors were able to devote sufficient time and efforts to handling the matters of SINOPEC SEG.

c. Each of the Directors confirmed that they complied with the "Model Code for Securities and Transactions by Directors of Listed Company" during the Reporting Period.

d. SINOPEC SEG is responsible for arranging training for Directors and provide corresponding expenses. The Directors actively participate in the continuing professional development. SINOPEC SEG received these training records from Directors. (Please refer to the Report of the Board in this annual report for details).

A.7 Provision for and Access to Information

a. The meeting agenda as well as other reference documents of the Board and each special committee will be distributed prior to the meeting so that each member will have sufficient time to review them and enable comprehensive discussion during the meetings. Each Director can obtain all related information in a comprehensive and timely manner, and may seek advice from professional consultants if needed.

b. The secretary to the Board is responsible for organizing and preparing materials for the Board Meetings, including the preparation for each proposal to ensure thorough understanding of each Director. The management of SINOPEC SEG shall provide the Directors with necessary information and materials. The Director may request the President, or request, via the President, relevant departments to provide necessary information of SINOPEC SEG and related explanations.

B Remuneration of Directors and Senior Management

a. SINOPEC SEG established a Remuneration Committee. The members are as follows: non-executive Director Mr. HUI Chiu Chung, Stephen works as the chairman of the Committee, non-executive Director Mr. ZHANG Kehua, and independent non-executive Directors Mr. JIN Yong and Mr. YE Zheng. In addition, corresponding rules of reference were established. The Remuneration Committee is responsible to research the compensation structures and policies of all Directors, Supervisors and senior management of the Company and propose recommendations to the Board thereof; or to define and determine the compensations and welfares of individual executive Directors and Senior Management member as authorized by the Board or propose recommendations thereof to the Board.

b. Remuneration Committee members may engage independent professionals. Reasonable costs arising from or in connection with such consultation are borne by the Company. Meanwhile, the Remuneration Committee appointed the Advisory Member to assist the Remuneration Committee in specific daily routines. The working expenditures of the Remuneration Committee was included in the budget of SINOPEC SEG.

C Accountability and Auditing

C.1 Financial Reporting

a. The Directors are responsible to supervise the compilation of accounts in each financial period so as to guarantee that the accounts can authentically and fairly reflect the business conditions, performance and cash flows of the Company during the corresponding period. The Board approved the Financial Report for the Year 2013 and warranted that there were no material omissions, misrepresentations or misleading statements contained in this annual report, and jointly and severally accepted full responsibility for the authenticity, accuracy and integrity of the content.

b. SINOPEC SEG provides financial information production and operation status to the Directors every month to ensure that the Directors know about the latest developments of the Company in a timely manner.

c. SINOPEC SEG adopted an internal control mechanism to ensure that the management and relevant departments have provided sufficient financial data and related explanations and data to the Board and the Audit Committee.

d. The external auditors of SINOPEC SEG issued a statement about their reporting responsibilities in the auditor's report contained in the financial statements.

C.2 Internal Control

a. In 2003, the Company compiled the Internal Control Manual of the Company, as per the regulations and requirements regarding internal control by the Hong Kong Listing Rules, based on the Articles of Association and current managerial systems and with consideration to related rules and regulations in the PRC and overseas, which normalizes the controls on a company level and business level and realizes the internal control on all elements.

b. The management of SINOPEC SEG is implemented the responsibility of internal control. With sufficient resources in accounting and financial reporting, the Company adequately trained employees in this regard and provided a sufficient budget for the further education of relevant employees.

c. SINOPEC SEG established an internal audit department, staffed by adequate professional personnel to ensure sound internal auditing functions for the Company.

d. In the current year, SINOPEC SEG conducted an overall inspection and assessment of the Company’s internal control design and effectiveness. The Company also made a specific inspection on the rectification and implementation of the problems detected in the internal control inspection.

C.3 Audit Committee

a. In the Audit Committee, independent non-executive Director Mr. YE Zheng works as the chairman of the Committee and independent non-executive Directors Mr. HUI Chiu Chung, Stephen and Mr. JIN Yong work as members. In addition, corresponding working rules have been established. As verified, none of them had served as a partner or former partner in our current auditing firm.

b. During the Reporting Period, the Audit Committee held two (2) meetings. (Please refer to "Meetings held by the Special Committees of the Board" in this annual report for details.) During the Reporting Period, the Board and the Audit Committee of SINOPEC SEG concurred with the review opinions from the meetings. The opinions were signed by the members and submitted to the Board.

c. Audit Committee members may engage independent professionals. Reasonable costs arising from or in connection with such consultation are borne by the Company. Meanwhile, the Audit Committee appointed the Advisory Member to assist the Audit Committee in specific daily routines. The working expenses of the Audit Committee are included in the budget of SINOPEC SEG.

d. In the absence of the management, the Audit Committee held meetings with the auditors three times in 2013 either through writing or meeting in person and discussed the auditing of financial reports and the auditing fee in the year. The Audit Committee considered accounting and financial reporting adequacy, employees' experiences, as well as the sufficiency of the training courses provided to employees and the relevant budget. The Audit Committee determined that SINOPEC SEG management performed its duties and established an effective internal control system during the Reporting Period. The Company's internal control system established a mechanism for report and complaint, whereby the staff and interested parties may have a channel, such as online report, letter report, reception of reporter, complaint mail box, etc., to report and complain regarding their discovered breaches of the Company's internal control system. The Company's Audit Committee has considered and approved this system. The Audit Committee reviewed and approved the system.

D Delegation of Power by the Board

a. The Board, the management and Board committees have clear terms of reference. The Articles of Association, the Rules of Procedures for the General Meetings of Shareholders, the Rules and Procedures for the Meetings of Board of Directors and the Working Rules for the President are set forth with a clear scope of duties, authorities and delegation of power of the Board and the management.

b. In addition to the Audit Committee and Remuneration Committee, the Board also established the Development and Strategy Committee. The Development and Strategy Committee consists of six Directors, of which the Vice Chairman of the Board and the non-executive Director Mr. ZHANG Kehua serves as the Chairman of the Board; independent non-executive Director Mr. JIN Yong serves as the Vice Chairman of the Board; President and executive Director Mr. YAN Shaochun and non-executive Directors Mr. LEI Dianwu, Mr. LING Yiqun and Mr. CHANG Zhenyong serve as members. The Committee is responsible to study the long-term development strategies as well as major decisions on capital expenditure, investment and financing of the Company.

c. Each Board committee received clear terms of reference. According to the rules of the Board committees, such committees are required to report their decisions or recommendations to the Board.

d. During the Reporting Period, the Strategy Committee held one meeting. For details, please refer to "Report of the Board - Meetings Held by the Special Committees of the Board" of this annual report.)

E Communication with Shareholders

a. SINOPEC SEG pays close attention to communication with shareholders. The Senior Management leads a road show for investors every year to introduce issues that investors may concern about, such as development strategies, production, and the business performance of the Company. The Administrative Office of the Board is responsible for communicating with investors in compliance to the regulatory provisions through meetings, site visits and an investor hotline, which enhanced the communications with investors by way of holding meetings with institutional investors, inviting investors to conduct site visit and setting up investor hotline etc.

b. During the Reporting Period, a separate resolution was proposed to substantially separate issues at the general meetings. All resolutions were voted by poll to safeguard the interests of all shareholders. A meeting notice was delivered to each shareholder 45 days in advance (exclusive of the day of the meeting) prior to the general meeting of shareholders.

c. The Chairman of the Board hosted the annual general meeting as the chairman of such meeting, members of the Board and the Senior Management also attended the general meeting of shareholders and answered the questions raised by the shareholders.

d. SINOPEC SEG revised the Articles of Association twice, including revisions to the Company's scope of business and share capital structure and dividend policy. On 22 April 2013, the Seventh Meeting of the First Session of the Board considered and passed the resolution on the amendment to the Articles of Association, which covered, among other items, the offshore listing of non-listed shares, the transfer of state-owned shares and the procedures for convening an extraordinary shareholders meeting. On 16 August 2013, the Eighth Meeting of the First Session of the Board considered and passed the resolution on the amendment to the Articles of Association, which mainly covered the amendment to the Company's scope of business and share capital structure based on the actual situation and improvement of the Company's dividend distribution policy.

F Company Secretary

a. The secretary to the Board are recognized by the Hong Kong Stock Exchange as the company secretary, and is nominated by the Chairman of the Board and appointed by the Board. He is a member of the Senior Management who reports to SINOPEC SEG and the Board. The Secretary gives opinions on corporate governance to the Board and arranges for orientation training and professional development of the Directors.

b. The secretary to the Board actively participated in career development training, with more than 15 hours during the Reporting Period.

G Shareholders' Rights

a. Shareholders who individually or collectively hold 10% of the total voting shares issued by SINOPEC SEG may request in writing for the Board to convene the general meeting of the shareholders. If the Board fails to grant the request to call the meeting according to the Rules of Procedures for Board Meetings, shareholders may call and hold the meeting at their discretion according to laws and reasonable expenses arising therefrom are to be borne by the Company. The foresaid provisions are subject to the following conditions: the proposals proposed at the general meeting of shareholders shall fall within the terms of reference of the general meeting of shareholders, with specified proposals and resolutions, and in compliance with the relevant laws, administrative regulations and Articles of Association.

b. When SINOPEC SEG holds the general meeting of shareholders, shareholders who individually or collectively hold 3% of the total voting shares issued by SINOPEC SEG may propose a temporary proposal 10 days before the date of the meeting.

c. The eligibility for attending the general meeting, the shareholders' rights, the meeting agenda and the voting procedures are clearly stated in the notice to all shareholders of SINOPEC SEG.

d. According to SINOPEC SEG's rules, the Board Secretary is responsible for establishing an effective communication channel between the Company and the shareholders, setting up special departments to communicate with the shareholders, and passing the opinions and proposals of the shareholders to the Board and the management in a timely manner. Contact details of the Company can be found in the "Presentation" section under the "Investor Center" sector on the website of the Company.

(2) Auditors

In the second extraordinary general meeting of SINOPEC SEG held on 28 October 2013, SINOPEC SEG approved hiring Grant Thornton China (Special General Partnership) and Grant Thornton Hong Kong Limited as the domestic and overseas auditors of SINOPEC SEG in 2013 and authorized the Board to determine their compensation. As approved at the Eighth Meeting of the First Session of the Board, the audit fee for 2013 is RMB4.7 million . The financial report of the current year was audited by Grant Thornton Hong Kong Limited.

During the Reporting Period, Grant Thornton China (Special General Partnership) and Grant Thornton Hong Kong Limited did not provide non-audit services to the Company.

SINOPEC SEG has not changed its auditors since the commencement of preparing for the listing in Hong Kong Exchange.

(3) Other Information about Corporate Governance of SINOPEC SEG

Except for their working relationships with the Company, none of the Directors, Supervisors or other Senior Management members have any financial, business or family relationships or any relationships in other material aspects with each other. For information regarding changes in share capital and shareholdings of substantial shareholders, please refer to page 14 to page 17; for information regarding meetings of Board, please refer to page 78; for information regarding equity interests of Directors, Supervisors and other Senior Management, please refer to page 68; for information regarding the resume and annual remuneration of Directors, Supervisors and other Senior Management, please refer to page 92 to page 106.

Report of the Board

The Board is pleased to present the report for the year ended 31 December 2013 for shareholders' review.

1 Meetings of the Board

During the Reporting Period, SINOPEC SEG held five (5) Board meetings. The details are as follows:

(1) The Fifth Meeting of the First Session of the Board was held on 26 February 2013 in the form of written resolutions whereby three proposals were considered and were approved, including approval of the annual financial report and audit report for 2010-2012, the Provision of Guarantee for the Waste Treatment Project of the Subsidiary Middle East (Saudi Arabia) Limited in Sadara in Saudi Arabia, the Provision of Guarantee for the Petrokemya ABS Project of the Subsidiary Middle East (Saudi Arabia) Limited in Saudi Arabia.

(2) The Sixth Meeting of the First Session of the Board was held in Beijing, the PRC on 10 April 2013, whereby 13 proposals were considered and were approved, including the Election of Members of the First Session of the Board, the Appointment of the Company's authorized representatives, the setting of the organization of the Company's headquarters, the establishment of the Company's internal control system, the modifications to the Rules of Procedure for the Shareholders' Meeting and for the Board, the setting of the upper limit to performance guarantee by the Parent Company for 2013, the annual profit distribution plan for 2012, the formulation of the profit distribution policy, the establishment of the liability insurance system of Directors, Supervisors and members of the Senior Management and purchase of the first liability insurance after Listing, the convening of the first extraordinary general meeting of shareholders in 2013, and the waiver of period of notification for the first extraordinary general meeting of shareholders in 2013.

(3) The Seventh Meeting of the First Session of the Board was held in Beijing, the PRC on 22 April 2013, whereby three proposals were considered and approved, including relevant matters on the Global Offering and listing, the amendment to the Company's Articles of Association (H Shares), the appointment of members of the special committees of the Board, the approval of the terms of reference for the special committees of the Board.

(4) The Eighth Meeting of the First Session of the Board was held in Beijing, the PRC on 16 August 2013, whereby 12 proposals were considered and approved, such as the proposed report on the fulfillment of the key targets for the first half of 2013 and the proposed work arrangements report for the second half of 2013, the proposed report on the operating results, financial conditions and other relevant matters for the first half of 2013, the proposed 2013 interim financial report audited by Grant Thornton, the proposed 2013 business operations plan, investment plan and financial budget, The proposed amendment of the Company's Articles of Association, The proposed annual caps for the continuing connected transactions under the financial services framework agreement for 2014 and 2015, The proposed establishment of Sinopec Heavy Lift and Transportation Engineering Co., Ltd.* (中石化重型起重運輸工程有限責任公司), the proposed enhancement and establishment of certain internal departments at the Company's headquarters and adjustments to their functions, the proposed 2013 interim dividend distribution plan, the proposed appointment of an independent auditor and approval for 2013 annual audit fee and the proposal to convene the second 2013 extraordinary general meeting.

(5) The Ninth Meeting of the First Session of the Board was held in Beijing, the PRC on 12 December 2013, whereby three proposals were considered and approved, such as the proposal on adjustment in use of proceeds from the Global Offering, the proposal on appointment of Vice President, and the proposal on authorizing the President to sign relevant contract documents.

2 Implementation of Resolutions Approved at the Shareholders' Meetings by the Board

During the Reporting Period, in accordance with relevant laws and regulations as well as the Articles of Association, all members of the Board diligently implemented the resolutions approved at the shareholders' meetings, and have completed the various tasks delegated to them at the shareholders' meetings.

3 Attendance to the Board Meetings

Statistics of the attendance and training of meetings of the First Session of the Board and general meeting of Shareholders during the Reporting Period:

Name	Board Meetings (times)		Attendance by Proxy (times)	Attendance conditions of the extraordinary general meeting of shareholders in 2013	Attendance of Training
	Site Meetings	Written Resolutions			
CAI Xiyou	4	1	0	2	yes
ZHANG Kehua	4	1	0	2	yes
LEI Dianwu	4	1	1	1	yes
LING Yiqun	4	1	2	2	yes
CHANG Zhenyong	4	1	1	1	yes
YAN Shaochun (1)	3	0	0	1	yes
HUI Chiu Chung, Stephen (1)	3	0	0	1	yes
JIN Yong (1)	3	0	0	0	yes
YE Zheng (1)	3	0	0	1	yes

Note:
(1) The term of Directors YAN Shaochun, HUI Chiu Chung, Stephen, JIN Yong and YE Zheng started in April 2013, and the term of other Directors started in August, 2012.

4 Meetings Held by the Special Committees of the Board

The Board established four special committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee and the Strategy and Development Committee, and the company management created four special committees, namely the Risk Control Committee, Confidentiality Committee, QHSE Committee and Sustainable Development Committee.

During the Reporting Period, the Audit Committee, the Remuneration Committee, the Nominations Committee and the Strategy and Development Committee each held meetings, and all committee members were present at the meetings. Details of those meetings are as follows:

The First Meeting of the First Session of the Audit Committee was held in Beijing, the PRC on 15 August 2013, whereby they reviewed financial statement, the details in reviewing the financial statements by the independent auditor for the first half of 2013, and details of internal audit and internal control of the Company, and a review opinion was issued.

The First Meeting of the First Session of the Remuneration Committee was held in Beijing, the PRC on 12 December 2013, whereby they reviewed the notes to market-oriented remuneration and executive compensation scheme, and provided review opinions. The First Meeting of the First Session of the Nomination Committee was held in Beijing on 12 December 2013, whereby they reviewed the proposal on nominating director candidates, and provided review opinions. The First Meeting of the First Session of the Strategy and Development Committee was held in Beijing on 12 December 2013. This meeting reviewed the proposal on adjustment in use of proceeds from the Global Offering, the Company's medium and long-term development plan, and provided review opinions.

The Company's management convened the Second Meeting of Risk Management Committee on 23 December 2013 in Beijing to discuss in details the status and tendency of the Company's major risks as well as the measures to tackle such risks. A risk assessment report was made after the meeting.

5 Performance

The financial results of the Company for the year ended on 31 December 2013 was prepared in accordance with IFRS and its financial position as at that date and the accompanying analysis are set out from page 39 to page 57 of this annual report.

6 Dividends

During the Reporting Period, in order to maintain the profit distribution policy, and maintain continuity and stability, the Company revised the Articles of Association upon approval of the Eighth Meeting of the First Session of the Board and the second extraordinary general shareholders' meeting in 2013, and further clarified the profit distribution policy of the Company. Article168 of the revised Articles of Association specifies that:

(1) SINOPEC SEG shall comply with the requirements of relevant laws and regulations of the Company Law of the PRC, which highly values the reasonable investment return to investors and guarantees the continuity and stability of the profits distribution policy of SINOPEC SEG.

(2) SINOPEC SEG may distribute dividends in the following manner: cash, shares, or other means permitted by laws, administrative rules, regulations of competent authorities and regulatory provisions in the place where SINOPEC SEG's shares are listed.

(3) SINOPEC SEG's distributable profits in the form of cash each year shall be no less than 30% of the net profits attributable to SINOPEC SEG's shareholders in the year, under the circumstances that there are net profits attributable to SINOPEC SEG's shareholders and accumulated undistributable profits, and that SINOPEC SEG's investment plan and cash expenses can be satisfied. In case of force majeure such as war and natural disasters, or changes to SINOPEC SEG's external operating environment which results in a material impact on its production and business, or relatively significant changes to SINOPEC SEG's asset, business of financial position, SINOPEC SEG may adjust the aforementioned profits distribution ratio.

(4) The profits of SINOPEC SEG can be distributed twice a year. The final profits shall be determined by ordinary resolution at the general meeting, while the interim profits can be determined by the Board as authorized by the ordinary resolution obtained at the general meeting. Except otherwise specified in laws and administrative rules, the half-year distributable dividends shall not exceed 50% of the current net profits of SINOPEC SEG for the relevant half-year.

After approval at the Sixth Meeting of the First Session of the Board, the net profit of RMB 363 million attributable to shareholders of SINOPEC SEG for the period from the date immediately after the Company's assets were valued for the establishment of SINOPEC SEG (30 June 2012) to the date of the Company's establishment (28 August 2012), as special dividend, was distributed to the initial state-owned shareholders on 10 April 2013.

The Eighth Meeting of the First Session of the Board approved the dividend distribution plan for the six-month period ended 30 June 2013. An interim cash dividend of RMB 0.134 (inclusive of applicable taxes) per Share was implemented after review and approval at SINOPEC SEG's second extraordinary general meeting on 28 October 2013.

The Tenth Meeting of the First Session of the Board approved that the final dividend distribution scheme as at 31 December 2013 will be calculated based on the total Shares on 20 May 2014 (registration date) and the final cash dividend distribution will be based on RMB0.190 per Share (tax included). That distribution scheme will be implemented after review and approval of the shareholders meeting of SINOPEC SEG on 8 May 2014. The dividend will be paid on Monday, 30 June 2014 to those shareholders whose names appear on the register of members of SINOPEC SEG at the close of business on Tuesday, 20 May 2014 (the "Record Date"). In order to qualify for the Final Dividend, the holders of H Shares must lodge all share certificates accompanied by the transfer documents with Computershare Hong Kong Investor Services Ltd. (address: Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong) before 4:30 p.m. on Wednesday, 14 May 2014. The H Share register of members will be closed from Thursday, 15 May 2014 to Tuesday, 20 May 2014 (both days inclusive).

The dividends 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 Public Bank of China during the week prior to the date of declaration of dividend.

In accordance with the Enterprise Income Tax Law of the People's Republic of China and its implementation regulations which came into effect on 1 January 2008, SINOPEC SEG is required to withhold and pay enterprise income tax at the rate of 10% on behalf of the on-resident enterprise shareholders whose names appear on the register of members for H Shares when distributing the Cash Dividends and Bonus Shares issued by way of capitalization of the undistributed profits to them. Any H Shares registered not under the name of an individual shareholder, including HKSCC Nominees Limited, other nominees, agents or trustees, or other organisations or groups, shall be deemed as shares held by non-resident enterprise shareholders. Therefore, on this basis, enterprise income tax shall 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 their agents or trustees. SINOPEC SEG 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 who are Hong Kong or Macau residents or residents of the countries which had an agreed tax rate of 10% for the cash dividends to them with PRC under the relevant tax agreement, SINOPEC SEG should withhold and pay individual income tax on behalf of the relevant shareholders at a rate of 10%. Should the individual holders of H Shares are residents of the countries which had an agreed tax rate of less than 10% with PRC under the relevant tax agreement, SINOPEC SEG shall 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 wish to reclaim the extra amount withheld (the "Extra Amount") due to the application of 10% tax rate, SINOPEC SEG 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 share register of SINOPEC SEG within the relevant timeline. SINOPEC SEG will assist with the tax refund after the approval of the competent tax authority. Should the individual holders of H Shares are residents of the countries which had an agreed tax rate of over 10% but less than 20% with PRC under the tax agreement, SINOPEC SEG shall 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 had an agreed tax rate of 20% with PRC, or which has not entered into any tax agreement with PRC, or otherwise, SINOPEC SEG shall withhold and pay the individual income tax at a rate of 20%.

7 Major Suppliers and Clients

During the Reporting Period, the total purchases from the top five suppliers of the Company accounted for 8.8% of the total purchases by the Company, of which the purchases from the largest supplier accounted for 2.0% of the total purchases of the Company.

The total sales to the five largest clients of the Company accounted for 57.9% of the total sales of the Company of which sales to the largest client accounted for 32.5 % of the total sales.

During the Reporting Period, other than the connected transactions with the controlling shareholder - Sinopec Group and its subsidiaries, as disclosed in the section headed "Connected Transactions" of this annual report, none of the Directors, Supervisors of SINOPEC SEG and their associates or any shareholders holding 5% or more of the share capital of SINOPEC SEG had any interest in any of the above-mentioned major suppliers and clients.

8 Bank Loans and Other Borrowings

Details of bank loans and other borrowings of the Company during the Reporting Period are set out in notes 26 and 37 to the financial statements prepared in accordance with IFRS in this annual report.

9 Fixed Assets

During the Reporting Period, changes to the fixed assets of the Company are set out in note 17 to the financial statements prepared in accordance with IFRS in this annual report.

10 Reserves

During the Reporting Period, changes to the reserves of the Company are set out in the consolidated statement of changes in shareholders' equity in the financial statements prepared in accordance with IFRS in this annual report.

11 Donations

During the Reporting Period, the amount of charity donations made by the Company amounted to RMB1.9179 million.

12 Pre-emptive Right

According to the Articles of Association of SINOPEC SEG and the laws of the PRC, shareholders of SINOPEC SEG are not entitled to any pre-emptive rights, therefore the existing shareholders cannot request SINOPEC SEG for the right of first refusal in proportion to their shareholdings.

13 Repurchase, Sale and Redemption of Shares

During the Reporting Period, neither SINOPEC SEG nor any of its subsidiaries repurchased, sold or redeemed any listed shares of SINOPEC SEG or its subsidiaries.

14 Core Competitiveness Analysis

SINOPEC SEG is a leading oil refining, petrochemical and new coal chemical engineering company in the PRC. The Company inherited the history of the first batch of oil refining and petrochemical engineering enterprises established in in the PRC since the 1950's. Leveraging long operating histories and sophisticated industry experiences, we have developed the strongest execution capabilities in the PRC with respect to engineering and constructing large-scale oil refining, petrochemical and new coal chemical complexes and are highly competitive in the international engineering market.

The competitive strengths of the Company are particularly reflected in the large business scale, strong executive capacity, excellent management and technical team, advanced industrialized proprietary and patented technologies, sound management system, advanced software and equipments as well as excellent one-stop engineering service ability .

Our competitive advantages have established the Company as a leader in the oil refining, petrochemical and new coal chemical engineering industry in China, and established us as being the cutting edge of the rapidly developing Chinese and international engineering markets.

15 Risk Factors

Risks with regard to the uncertain global macroeconomic future

The business results of the Company is closely related to economic situation of the PRC as well as the global economic situation. The current global economy is undergoing complicated and profound changes. The financial crisis which has lasted for five years is not yet over, and the global economy as a whole finds itself in an unstable adjustment period. A low growth rate and high unemployment rate have not changed fundamentally. Although the economy of the United States during the last two years is showing signs of recovery due to the stimulus of the "quantitative easing" policy, however, potential conflicts (especially financial constraints) are, to some degree, restricting the stable development of the economy in the long run. The economy of Europe is still weak and in a state of negative growth despite news from several countries that seem to show that the most serious period has already passed. This economic state will probably continue next year. It is preliminarily estimated that the global economy of 2014 will continue to recover at a slow pace. The growth rate will be slow, and new growth drivers remain uncertain. The blur in the global economy enormously influences global petrochemical engineering companies, especially the Company who expects to enlarge its overseas market share and pursue stable overseas development. The uncertain economic future may make it more difficult to fulfill our market expansion targets.

Risks from the macroeconomic policies and government regulation

(1) Nationalization, cancellation, seizure, confiscation, suspension and other risks with regard to projects undertaken by us

Turbulent and unstable political situation in the countries where the Company has overseas projects, policy discontinuity due to partisan policy, and government intervention in the overseas investments, are all possible ways in which political risks can be elevated. In some regions in Africa, sudden government nationalization, cancellation, seizure, confiscation, and suspension of refinery projects have previously occurred. There is seldom and occasionally no compensation for investors should governments exercise these options. Usually, there is little or even worse, no compensation for investors. Thus, relevant project participants may suffer significant losses. Under this situation, the exploration opportunities in affected countries with high risks may hinder market expansion of the Company.

(2) Risks with regard to the host country's inadequate policy and regulation

If the host country's public policy, particularly security policies, are flawed, for instance, if the regulations on rallies, demonstrations and strikes are flawed, if certain events, such as having persons detained or casualties, occur, the project implementation will be directly affected, and even legal proceedings could be pursued. These conditions will indirectly affect any new market exploration in the country hereof.

(3) Risks with regard to changes in the financial and legal system

Changes in VAT, customs, insurance and other aspects of the host country's financial and tax system will directly affect the economic results of the project, reducing the profitability of the project. Meanwhile, if changes are made in the legal system, such as changes in environmental protection laws, investment laws, labor laws and other relevant laws in the host regions of projects in the Middle East or Middle Asia, and if regulations may become restrictive, the execution of our projects will become more difficult and potentially affect the development of new projects in relevant countries. If laws and regulations on environment protection, safety and health are revised, or updates or standards are raised, the costs of business operations will be affected.

Risks with regard to project delays and overspending

(1) Risks in inaccurate project quotation and preliminary budget

Insufficient accumulation of basic data required for project quotation and budget (man-hours, procurement and construction price), may affect the efficiency and accuracy of preparing quotations and budget, which will affect decision making of projects and subsequent project implementation. For large projects with higher complexity, particularly the EPC General Contractor Projects, inaccurate initial project quotations and estimations may cause difficulties in implementing the projects as planned.

(2) Risks in sub-contractor management

The Company frequently needs to appoint sub-contractors to assist in projects. However, if we cannot find qualified sub-contractors in a timely manner, it will delay current project completion and impede undertaking other projects. Concurrently, the lack of sub-contractor progress will increase the risk of project delay. Additionally, the Company assumes joint liability for contracted projects, which means that the Company may be subject to compensation liability due to contracted project quality problems and may be subject to lawsuits and compensation claims. It is possible that our business and financial status as well as our business operations will be affected by these major unfavorable matters.

(3) Risks of regular fluctuation of raw material prices for building

The price of steel, cement and other raw materials used by our domestic and overseas projects fluctuates regularly. Any rise price hikes will lead to a direct increase in procurement costs for our refining projects. This is especially relevant in the international market where competition is extreme, and sub-contractors compete by providing low bids in order to win contracts. This, to some degree, directly leads to decreases in the contractor's profit. If the price of raw materials increases significantly, the risk of completing a project within the limits of our budget will be elevated.

(4) Risks of currency inflation, including the cost increase of human resources

The Middle East and Middle Asia are the primary target markets of our business. Currently, we are vigorously developing the regional markets in Southeast Asia. However, it is important to note that the economy in Southeast Asia has unstable high inflation, and considering that the economy as a whole in those areas are unstable with high inflation rates, this may directly lead to price increases of contract and labor markets. Concurrently, due to China's rapid economic development and the continuing appreciation of the Chinese Yuan (RMB), the cost of exported labor services are running high, which further increases project costs.

(5) Risk in project management

Risks in project management are mainly found in financing management, engineering design and capability for claiming indemnity. Some of our on-going overseas projects are financing their projects. Insufficient financing management may lead to delays in construction because we may not solve problems in a timely manner. For projects where design standards are substantially different than China's standards, the design group's abilities may be hampered. Delay in implementation of the design will result in difficulties in the execution with procurement and construction. Due to the complexity of the construction projects, the capability for claiming indemnity will affect the profitability of the project in a direct way. If the project team's claims and counter claims are inadequate to meet the requirements of the undertaken project, and if we fail to successfully solve claims and counter claims in some EPC Contracting projects, we will lose profit in these projects, and in particular, overseas projects.

Risks with regard to QHSE

In recent years, both the domestic and overseas markets require better company QHSE management, and the media has also become increasingly concerned about QHSE. Thus, the QHSE management ability of a company has become much more important to the state and future development and life of the Company. The Company is a member of the petrochemical engineering industry, which is characterized by both "petrochemical" as well as "engineering" in terms of production. The high-risk properties of the petrochemical and engineering industries in fact increase the pressure and difficulty in our QHSE management.

If there exist any non-standard, non-regulated, imperfect situations or insufficient execution in the QHSE management basis, mode and system of the Company may result in QHSE events. On the other hand, if our overseas public safety management cannot fulfil the overseas expansion demand, it can also lead to overseas public safety events.

Risks with regard to exchange rate

During the reporting period, our overseas projects have accounts receivable and payable which are settled in foreign currencies. We also raise funds which are settled in foreign currencies by selling shares in Hong Kong. During the Reporting period, our foreign currencies mainly consist of U.S. dollars, EU euros and Saudi Arabian riyals. Exchange rates will affect the pricing of our services as well as our material procurement costs settled in foreign currencies. Thus, fluctuation of exchange rates may affect our business performance and financial status. Moreover, the exchange and remittance of foreign currencies are subject to the influence of China's laws and regulations on foreign currency and therefore cannot guarantee foreign trade policies of current accounts and capital accounts will remain unchanged. Foreign currency policies will probably limit our ability to obtain adequate foreign currency. We cannot ensure that we have enough foreign currency to meet the demand of the Company under certain exchange rates. This will affect the execution of our projects settled in foreign currency.

Risks with regard to the uncertainty of obtaining new projects

The main resources of the Company come from offering services in petrochemical and new coal chemical industries services, as well as refining services. Client demands are affected by periodic variation of traditional resources and overall business levels. Resource supplies and price variations will affect our ability to obtain new projects. At the same time, the competitiveness of traditional resources in the resource market is the prerequisite to ensuring service demand. If government subsidies or other economic stimulating measures are implemented to lower the prices of the substitute resources, technological breakthroughs for substitute resource suppliers and users may occur and the costs advantage of traditional resources will fade away. This will diminish our business turnover on a large scale.

Risks with regard to decreased orders from major clients

The industries in which our clients are involved are capital and technology-intensive with high entrance thresholds. Our major clients are relatively concentrated, resulting in the Company being dependent on a small group of clients, especially on the largest client which is SINOPEC SEG's controlling shareholder and its associates. If our major clients choose to switch to a competitor or reduce orders because of financial difficulties, we will face severe business or income fluctuations or decreases. Therefore, we have endeavored to win more new clients. However, it is likely that the majority of our clients and income will continue to come from our current clients. The majority of our income comes through our current clients and we continue to expand our client base and win new contracts. We cannot guarantee our income and growth stability due to potential risks which may significantly affect our business performance.

Risks with regard to strategic tactical changes in terms of investment

In recent years, both domestic and overseas engineering companies have emphasized investment strategies such as acquisition, sales, and new market exploration. Entering a new business domain by acquisition may result in additional business risks which differ from our previous risk factors. The Company continually questions how to recognize all significant risks during our due diligence investigation, achieve synergy and resource integration and successfully operate an expanded company because of acquisition, are all relevant questions the Company must answer. We will strive to assist potential buyers to assume the liabilities of the business, and execute the contracts and other rights should we sell any part of the Company or acquisitions in the future. The Company plans to explore the overseas markets and potential new businesses. It may also increase research investment in substitute resource and substitute chemical raw materials. The future of these investments and trades will be mainly under the influence of government policies out of our control. We cannot guarantee maintaining our powerful growth momentum. In case the investments are not successful, the business and financial status of the Company will be significantly affected.

By Order of the Board

CAI Xiyou

Chairman of the Board

Beijing, China, 14 March 2014

Report of the Supervisory Committee

Mr. Guan Qingjie - Chairman, Supervisory Committee

Dear Shareholders,

The Supervisory Committee and each supervisor of SINOPEC SEG diligently perform the supervision responsibilities, actively attend the meetings held by the Board and shareholders' meetings to participate in the process supervision, carefully review each significant decision made with regard to issues including production operations, financial management, connected transactions, capital operation, major guarantees and dividend distribution, and safeguard the interests of shareholders and SINOPEC SEG in accordance with the Company Law of the PRC and the Articles of Association of SINOPEC SEG.

During the Reporting Period, the Third Meeting of the First Session of the Supervisory Committee was held on 16 August 2013. The meeting reviewed and approved the 2013 Interim Report, the 2013 Interim Report and relevant matters, production and operation plan, investment plan and financial budgets for 2013 and annual caps for 2014 and 2015 for the continuing connected transactions under the Financial Services Framework Agreement.

The Supervisory Committee, in accordance with supervision over SINOPEC SEG's major decision-making process and over the operation conditions, holds that: in light of the complicated and ever-changing market environment both domestically and overseas, SINOPEC SEG planned early and responded actively with emphasis on management, deepening the restructuring and integration of the business, optimizing resource allocation, strengthening overseas market exploration and optimizing management of overseas projects. Consequently, SINOPEC SEG realized stable growth in production and operation and achieved good business performance. The Supervisory Committee has no dissent as for the supervised issues within the Reporting Period.

Firstly, the Board diligently fulfilled its obligations and exercised its rights under the Company Law of the PRC and SINOPEC SEG's Articles of Association, and made scientific decisions on major issues concerning production and operation, reforms and development, etc; the management of the Company carefully implemented the decisions made by the Board, strengthened research and development of technologies, placed emphasis on sustainable innovation and green and low carbon development, highlighted the overall upgrading of the core competency. As a result, remarkable achievements have been made in every aspect. We have not found that any of the Directors or members of the senior management has violated the law, regulations, or SINOPEC SEG's Articles of Association, nor has any of their actions damaged the interests of SINOPEC SEG or its shareholders.

Secondly, the reports prepared by SINOPEC SEG in 2013 were in compliance with the relevant regulations of domestic and overseas securities regulators, and truly and fairly represented the Company's financial status and operational performance.

Thirdly, all connected transactions between the Company and Sinopec Group were in compliance with the Hong Kong Listing Rules. All the connected transactions were conducted on the basis of fair and reasonable basis and in line with the principle of "fairness, justice and openness". Nothing in these transactions was found to be detrimental to the interests of SINOPEC SEG or its independent shareholders.

Fourthly, SINOPEC SEG strictly implemented relevant regulations regarding proceeds from the Global Offering. The actual use of proceeds were consistent with the disclosures.

Fifthly, SINOPEC SEG disclosed the material information according to the regulations of securities supervisory authorities in a timely manner, and the information disclosed was authentic, accurate and complete.

This session of the Supervisory Committee will follow the principle of integrity, perform the duties of supervision, actively participate in the process supervision of significant decision makings, increase the strength of inspection and supervision and protect interests of the Company and its shareholders.

GUAN Qingjie

Chairman, Supervisory Committee

Beijing, China, 14 March 2014

Directors, Supervisors, Senior Management and Employees

1 Basic Information of Directors, Supervisors and Senior Managers of Other General Information

(1) Directors

Mr. CAI Xiyou (蔡希有) - Non-executive Director

Mr. CAI Xiyou (蔡希有), aged 52, is the Chairman of the Board and a non-executive Director, who is also a Director and Senior Vice President of Sinopec Corp. Mr. CAI worked in Plant 6 of Jinzhou Petroleum (錦州石油六廠) and Jinzhou Oil Refinery of Jinzhou Petrochemical Corporation of China Petrochemical Corporation (中國石油化工總公司錦州石油化工公司錦州煉油廠) ("Jinzhou Refinery") from August 1982 to December 1987, and in Hainan Jinhe Petrochemical Industry and Trading Company (海南錦和石化工貿公司) and the transportation and sales office of China Petrochemical Corporation Jinzhou Petrochemical Corporation (中國石油化工總公司錦州石油化工公司) ("Jinzhou Petrochemical") from October 1990 to June 1995. He served as Deputy Manager of Sinopec Jinzhou Petrochemical Corporation (中國石化錦州石油化工公司) from June 1995 to May 1996; Vice President of West Pacific Petrochemical Company Ltd. DALIAN from May 1996 to March 1998; Deputy Manager of Sinopec Marketing Company (中國石化銷售公司) from December 1998 to June 2001; Standing Deputy Manager of Sinopec Marketing Company from June 2001 to December 2001; Director and President of China International United Petroleum & Chemicals Co., Ltd. (UNIPEC) (中國國際石油化工聯合有限責任公司) from December 2001 to December 2005; Vice President of Sinopec Corp. from April 2003 to November 2005. Mr. CAI has been a Senior Vice President of Sinopec Corp. since November 2005, and a Director of Sinopec Corp. since May 2009. He also served as Director of SINOPEC SEG from June 2012 to August 2012, and has been appointed as the Chairman of the Board and non-executive Director of SINOPEC SEG since August 2012. Mr. CAI graduated from Fushun Petroleum Institute (撫順石油學院) (now known as "Liaoning Shihua University (遼寧石油化工大學)") with a Bachelor's degree in oil production and Processing Engineering Automation in December 1982, and an MBA degree from China Industry and Science Dalian Training Centre (中國工業科技管理大連培訓中心) in October 1990. Mr. CAI was recognized as a Professor-level Senior Economist by Sinopec Group in November 2007.

Mr. ZHANG Kehua (張克華) - Vice Chairman of the Board and a Non-executive Director

Mr. ZHANG Kehua (張克華), aged 60, is the Vice Chairman of the Board and a non-executive Director. Mr. ZHANG started his career in the oil refining and chemical engineering industries in December 1969. Mr. ZHANG worked in the Second Engineering Team and the Second Engineering Office of Sinopec Third Construction Company (中石化第三建設公司) from November 1983 to November 1986; Deputy Director and Director of the Management Office of Sinopec Third Construction Company from November 1986 to February 1993; Assistant to Manager of Sinopec Third Construction Company from February 1993 to February 1994; Deputy Manager of Sinopec Third Construction Company (中國石化第三建設公司) from February 1994 to April 1996; Deputy Director General of Engineering & Construction Department of China Petrochemical Corporation (中國石油化工總公司) and Deputy Manager of Sinopec Engineering Incorporation (中國石化工程建設公司) from April 1996 to December 1998; Deputy Director General of the Engineering & Construction Department of Sinopec Group from December 1998 to September 2002; and Director General of the Engineering & Construction Department of Sinopec Group from September 2002 to June 2007. Mr. ZHANG has been serving as Vice President of Sinopec Corp. from May 2006 to December 2013, Director General of the Engineering Department of Sinopec Corp. from June 2007 to November 2013, and the Vice Chairman of the Board and non-executive Director of SINOPEC SEG since August 2012. Mr. ZHANG graduated from Shanghai Chemical Institute (上海化工學院) in Chemical Machinery in January 1980, and from Hangzhou Institute of Electronic Engineering (杭州電子工業學院) in Mechatronic Engineering in December 1993. He obtained a Master's degree in Management from University of Petroleum (石油大學) in December 2000. Mr. ZHANG was recognized as a Professor-level Senior Engineer by Sinopec Group in December 2007.

Mr. LEI Dianwu (雷典武) - Non-executive Director

Mr. LEI Dianwu (雷典武), aged 51, is a non-executive Director, who is also a Vice President of Sinopec Corp. and Director of Sinopec Xinjiang Energy &Chemical Limited (中國石化新疆能源化工有限公司)("Sinopec Xinjiang Energy"). Mr. LEI worked in the Chemical Plant 2 of the China Petrochemical Corporation Daqing Petrochemical Plant Complex (中國石油化工總公司大慶石油化工總廠化工二廠), China Petrochemical Corporation Yangzi Petrochemical Corporation (中國石油化工總公司揚子石油化工公司) (changed to Sinopec Yangzi Petrochemical Corporation (中國石化揚子石油化工公司) in 1992). ("Yangzi Petrochemical Corporation") and Yangzi BASF Ethylbenzene Series Company Limited (揚子巴斯夫苯乙烯系列有限公司) from August 1984 to October 1995. He served as Vice Manager of Yangzi Petrochemical Corporation from October 1995 to December 1997;Director General of Planning & Development Department of China Eastern United Petrochemical (Group) Co., Ltd. (中國東聯石化集團公司) from December 1997 to May 1998; Deputy Manager of Yangzi Petrochemical Corporation from May 1998 to August 1998; Vice President of Sinopec Yangzi Petrochemical Co., Ltd. (中國石化揚子石油化工有限責任公司) from August 1998 to January 2000; Deputy Director General of the Development & Planning Department of Sinopec Group from March 1999 to February 2000; Deputy Director General of the Development & Planning Department of Sinopec Corp. from February 2000 to March 2001; Director General of the Development & Planning Department of Sinopec Corp. from March 2001 to August 2013; Mr. ZHANG served as Vice President of Sinopec Corp. since May 2009, Director of Sinopec Xingjiang Energy since February 2012, and non-executive Director of SINOPEC SEG since August 2012. Mr. LEI graduated from East China Petroleum Institute (華東石油學院) with a Bachelor's degree in Engineering for Basic Organic Chemical Engineering in July 1984. Mr. LEI was recognized as a Professor-level Senior Engineer by Sinopec Group in November 2012.

Mr. LING Yiqun (凌逸群) - Non-executive Director

Mr. LING Yiqun (凌逸群), aged 51, is a non-executive Director, who is also a Vice President of Sinopec Corp., President of Qilu Branch and President of Sinopec Refinery &Marketing Limited (中國石化煉油銷售有限公司), and Director of Saudi Yanbu Refinery Joint Venture (沙特延布煉廠合資公司) ("Yanbu Refinery"). Mr. LING worked in the refinery of Beijing Yanshan Petrochemical Company (北京燕山石化公司煉油廠) and the Refining Division of Beijing Yanshan Petrochemical Company Limited (北京燕山石化有限公司) from November 1983 to February 2000. He served as Deputy Director General of the Refining Department of Sinopec Corp. from February 2000 to June 2003. He served as Director General of the Refining Department of Sinopec Corp. from June 2003 to August 2013; Vice President of Sinopec Corp. since July 2010, Executive Director and President of Sinopec Refinery & Marketing Ltd from May 2012 to July 2013; Non-executive Director of SINOPEC SEG since August 2012, and Director of Yanbu Refinery since September 2012, and President of Qilu Branch Since August 2013. Mr. LING graduated from the East China Petroleum Institute with a Bachelor's degree in Engineering for Refinery Engineering in July 1983, and obtained an MBA degree from Renmin University of China (中國人民大學) in January 1997. Mr. LING was recognized as a Professor-level Senior Engineer by Sinopec Group in December 2002.

Mr. CHANG Zhenyong (常振勇) - Non-executive Director

Mr. CHANG Zhenyong (常振勇), aged 55, is a non-executive Director, who is also a Deputy Chief Engineer and a Director General of the Chemicals Department of Sinopec Corp., Vice Chairman of Zhongtian Hechuang Energy Co., Ltd. (中天合創能源有限責任公司) ("Zhongtian Hechuang"), Vice Chairman of Sinopec Great Wall Energy and Chemical Engineering Co., Ltd. (中國石化長城能源化工有限公司) ("Sinopec Great Wall Energy and Chemical") and Director of Sinopec Xinjiang Energy. Mr. CHANG worked in the chemical branch factory of Tianjin Petroleum and Chemical Fiber Plant (天津石油化纖廠) and the chemical factory of China Petrochemical Corporation Tianjin Petrochemical Corporation (中國石油化工總公司天津石油化工公司)(later changed to Sinopec Tianjin Petrochemical Corporation (中國石化天津石油化工公司) in 1992) ("Tianjin Petrochemical") from February 1982 to September 1997; served as Deputy Manager of Tianjin Petrochemical from September 1997 to December 2001; Deputy Manager and Manager of SINOPEC Tianjin Company (中國石化股份天津分公司) from February 2000 to January 2006; Director General of the Production and Operation Management Department of Sinopec Corp. from November 2005 to January 2008; Manager of Sinopec Qilu Petrochemical Company (中國石化齊魯石油化工公司) and Manager of SINOPEC Qilu Company (中國石化股份齊魯分公司) from December 2007 to December 2008; President of Sinopec Qilu Petrochemical Company and President of SINOPEC Qilu Company from December 2008 to July 2010; and Employee Representative Supervisor of the Fourth Supervisory Committee of Sinopec Corp. from April 2010 to December 2010. Mr. CHANG has been the Deputy Chief Engineer and Director General of the Chemicals Department of Sinopec Corp. since July 2010, director of Sinopec Xingjiang Energy since February 2012, and Non-executive Director of SINOPEC SEG, Vice Chairman of Zhongtian Hechuang and vice chairman of Sinopec Great Wall Energy and Chemical since August 2012. Mr. CHANG graduated from Tianjin University (天津大學) with a Bachelor's degree in Engineering for Basic Organic Chemicals in February 1982 and an MBA degree from China Europe International Business School in May 1998. Mr. CHANG was recognized as a Professor-level Senior Engineer by Sinopec Group in December 2007.

Mr. YAN Shaochun (閆少春) - Executive Director and President

Mr. YAN Shaochun (閆少春), aged 48, is an executive Director and the President of SINOPEC SEG. Mr. YAN worked in the Technical Office of BDI from August 1986 to October 1998. He also served as Associate Dean of BDI from October 1998 to July 1999; Director of the BDI Design and Execution Center of Sinopec Engineering Incorporation from July 1999 to December 2000; Director of the Technology Division of Sinopec Engineering Incorporation from December 1999 to April 2000; Director of the Project Execution Center of Sinopec Engineering Incorporation from December 2000 to June 2004; Vice President of Sinopec Engineering Incorporation from May 2001 to June 2004; manager of Luoyang Petrochemical Engineering Corporation of Sinopec Group (中國石化集團洛陽石油化工工程公司) ("Sinopec Group LPEC") from June 2004 to December 2008; President of Sinopec Group LPEC from December 2008 to April 2012; and Executive Director and President of LPEC and SGEC from April 2012 to September 2012. He was the Vice President of SINOPEC SEG from August 2012 to September 2012, the Standing Vice President of SINOPEC SEG from September 2012 to April 2013, and the Executive Director and President of SINOPEC SEG since April 2013. Mr. YAN graduated from Fushun Petroleum Institute (now known as "Liaoning Shihua University") with a Bachelor's degree in Petroleum Process Engineering in July 1986. Mr. YAN was named as a Professor-level Senior Engineer by Sinopec Group in December 2005.

Mr. HUI Chiu Chung (許照中) - Independent Non-executive Director

Mr. HUI Chiu Chung (許照中), J.P., aged 66, is an independent non-executive Director. Mr. HUI is currently the Chairman and Chief Executive Officer of Luk Fook Financial Services Limited. He also serves as an Independent Non-executive Director of Zhuhai Holdings Investment Group Limited (Stock Code: 908), Gemdale Properties and Investment Corporation Limited (Stock Code: 535), Lifestyle International Holdings Limited (Stock Code: 1212), Chun Wo Development Holdings Limited (Stock Code: 711), Hong Kong Exchanges and Clearing Limited (Stock Code: 388), China South City Holdings Limited (Stock Code: 1668) and a Non-executive Director of Luk Fook Holdings (International) Limited (Stock Code: 590), whose shares are listed on the Hong Kong Stock Exchange. Mr. HUI has over 40 years of experience in the securities and investment industry. He was the Managing Director of UOB Kay Hian (Asia) Limited (大華繼顯(亞洲)有限公司) from 2002 to 2005; Group Managing Director of OSK Asia Holdings Limited (僑豐金融集團有限公司) (*"OSK") from August 2005 to March 2007; Chief Executive Officer of OSK from March 2007 to March 2011; and the Vice Chairman of OSKAsia Holdings Hong Kong Limited (僑豐金融集團(香港)有限公司) from April 2011 to September 2011. He served for years as a Council Member and Vice Chairman of the Hong Kong Stock Exchange, a Member of the Advisory Committee and the Committee on Real Estate Investment Trusts of the Hong Kong Securities and Futures Commission, a Director of the Hong Kong Securities Clearing Company Limited, a Member of the Listing Committee of the Hong Kong Exchanges and Clearing Limited, an Appointed Member of the Securities and Futures Appeal Tribunal, a Member of the Standing Committee on Company Law Reform, and an Appointed Member of the Hong Kong Institute of Certified Public Accountants Investigation Panel. He became a Fellow Member of the Hong Kong Securities and Investment Institute and the Hong Kong Institute of Directors in 2011 and 2002, respectively.

Mr. JIN Yong (金涌) - Independent Non-executive Director

Mr. JIN Yong (金涌), aged 78, is an independent non-executive Director, who is also the Dean of the Chemical Engineering Science and Technology Research Institute of Tsinghua University (清華大學), a Professor of the Chemical Engineering department of Tsinghua University, an Executive Officer of China Society of Particuology and an Executive Officer of Chemical Industry and Engineering Society of China. Mr. JIN worked in the University of Science and Technology of China as an Assistant Teacher in Electrical Engineering Research Office from October 1959 to February 1960. He also served as a teacher engaging in advanced studies in the Chemical Research Office in Tianjin University from February 1960 to February 1961, and worked in USTC as a teacher in the Chemistry department from February 1961 to May 1973. Since 1973, Mr. JIN has been a lecturer, associate professor, professor and tutor of doctorial candidates at the Chemical Engineering department of Tsinghua University. Mr. JIN graduated from Ural State Technical University with a Bachelor's degree in 1959 and became an Academician of the Chinese Academy of Engineering in 1997.

Mr. YE Zheng (葉政) - Independent Non-executive Director

Mr. YE Zheng (葉政), aged 49, is an independent non-executive Director, and our Practicing Director of Mazars CPA Limited (瑪澤會計師事務所有限公司) since November 2006. He worked in Shanghai Municipal Finance Bureau (上海市財政局) from October 1982 to January 1989. Mr. YE has over 18 years of experience in audit, internal control and consultancy. He served as an Auditor in Ernst & Young (安永會計師事務所) from October 1995 to April 2000; an Audit Manager in KPMG (畢馬威會計師事務所) from May 2000 to December 2001; a Senior Audit Manager in Grant Thornton (均富會計師事務所) from January 2002 to July 2005 and a Director in Ernst &Young from August 2005 to October 2006. Mr. YE obtained a Bachelor's degree in Accounting and Finance in May 1993, and a Master's degree in Business Administration in December 1994, both from California State University, Long Beach. Mr. YE became a member of the American Institute of Certified Public Accountants in September 1998 and a member of the Hong Kong Institute of Certified Public Accountants in May 2003. In view of Mr. YE's academic experience and expertise in the field of accounting, SINOPEC SEG considers that Mr. YE possesses appropriate accounting and financial management expertise for the purposes of Rule 3.10 of the Hong Kong Listing Rules.

Profile of the Directors of the First Board of Directors during the Reporting Period

Name	Gender	Age	Position in the Sinopec Engineering	Term of Office as Director
CAI Xiyou	Male	52	Chairman of the Board and Non-executive Director	August 2012 - August 2015
ZHANG Kehua	Male	60	Vice Chairman of the Board and Non-executive Director	August 2012 - August 2015
LEI Dianwu	Male	51	Non-executive Director	August 2012 - August 2015
LING Yiqun	Male	51	Non-executive Director	August 2012 - August 2015
CHANG Zhenyong	Male	55	Non-executive Director	August 2012 - August 2015
YAN Shaochun	Male	48	Executive Director and President	April 2013 - August 2015
HUI Chiu Chung	Male	66	Independent non-Executive Director	April 2013 - August 2015
JIN Yong	Male	78	Independent non-Executive Director	April 2013 - August 2015
YE Zheng	Male	49	Independent non-Executive Director	April 2013 - August 2015

(2) Supervisor

Mr. GUAN Qingjie (官慶杰) - Chairman of Supervisory Committee

Mr. GUAN Qingjie (官慶杰), aged 54, is the Chairman of the Supervisory Committee of SINOPEC SEG. Mr. GUAN worked at the Planning Section of Jinzhou Refinery from July 1983 to December 1989. He also served as Deputy Director of the Planning Division and Deputy Director of the Finance Division of Jinzhou Petrochemical from December 1989 to November 1993; Deputy Chief accountant of Jinzhou Petrochemical from November 1993 to June 1995; Dhief Accountant of Jinzhou Petrochemical from June 1995 to October 1997; Deputy Director General of the Assets Management and Administration Department of Sinopec Group (formerly known as China Petrochemical Corporation) from October 1997 to February 2000; Deputy Director General of the Enterprise Reform Department of Sinopec Group from February 2000 to December 2000; Deputy Head of the Asset Operation and Finance Section under Corporate Restructuring Office of Sinopec Group from December 2000 to September 2001; Deputy Director General of the Refining and Chemical Engineering Enterprise Management Department of Sinopec Group from September 2001 to May 2007; and Deputy Director General of the Operation and Management Division of SAMC from March 2006 to July 2010. He was Deputy Director General of the Capital Operation Department of each of Sinopec Group and Sinopec Corp. as well as Vice President of SAMC from July 2010 to June 2012, and has been the Chairman of the Supervisory Committee of SINOPEC SEG since August 2012. Mr. GUAN graduated from Liaoning Institute of Finance and Economics (遼寧財經學院) with a Bachelor's degree in Economics in July 1983. Mr. GUAN was recognized as a Senior Accountant by Sinopec Group in March 1996.

Mr. ZHANG Jixing (張吉星) - Supervisor

Mr. ZHANG Jixing (張吉星), aged 50, is a Supervisor of SINOPEC SEG, who is also Director General of the Legal Affairs Department of each of Sinopec Group and Sinopec Corp. and Supervisor of Sinopec Petroleum Engineering Technology Service Co., Ltd. (中石化石油工程技術服務有限公司) ("Sinopec Petroleum Engineering"). Mr. ZHANG served as legal assistant and legal counsel of the Legal and Consulting Division of China Petrochemical International Company (中國石化國際事業公司) ("Sinopec International") from July 1985 to September 1988; Business and Financial Manager of SINOCON Petroleum Company Inc. (中康石油有限公司) from September 1988 to September 1991; Business and Financial Manager of Sinopec Europa Handels GmbH (賓華(歐洲)商業有限公司) from September 1991 to January 1993; Deputy Manager of Economic and Trade Consulting Company of China Petrochemical International Company (中國石化國際事業公司經貿諮詢公司) from January 1993 to August 1993; Deputy Director of the Third Petrochemical Division of Sinopec International from August 1993 to August 1995; Head of the Legal Division of Sinopec International from August 1993 to February 2000; Director of the Third Petrochemical Division of Sinopec International from August 1995 to December 1998; Director of the Chemical Project Division of Sinopec International from December 1998 to February 2000; Deputy Director General of the Foreign Affairs Department of Sinopec Corp. and Deputy Director General of Foreign Affairs Bureau of Sinopec Group from February 2000 to April 2010; Deputy Director General of Office of Hong Kong, Macau and Taiwan Affairs at Sinopec Group from September 2009 to April 2010; and Director General of the Legal Affairs Division of SAMC from April 2010 to July 2010. Mr. ZHANG has been Director General of the Legal Affairs Department of each of Sinopec Group and Sinopec Corp. since April 2010, Supervisor of SINOPEC SEG since August 2012 and supervisor of Sinopec Petroleum Engineering since December 2012. Mr. ZHANG graduated from Jilin University (吉林大學) with a Bachelor's degree in Law in International Law in July 1985. Mr. ZHANG was recognized as a Professor-level Senior Economist by Sinopec Group in November 2007.

Mr. ZOU Huiping (鄒惠平) - Supervisor

Mr. ZOU Huiping (鄒惠平), aged 53, a Supervisor of SINOPEC SEG, who is also Director General of the Auditing Department of Sinopec Corp and Supervisor of Sinopec Corp. Mr. ZOU worked in the General Office of Jiangxi Provincial Audit Office (江西省審計局) from July 1986 to December 1993. He also served as accountant and Director of the Treasury Section of the Finance Division of Guangzhou Petrochemical General Plant (廣州石化總廠) ("Guangzhou Plant") from December 1993 to May 1995; Deputy Director and Director of the Finance Division of Guangzhou Plant from May 1995 to November 1998; Chief Accountant in Sinopec Group Guangzhou Petrochemical General Plant (中國石化集團廣州石油化工總廠) from November 1998 to February 2000; Deputy Director General of the Finance &Assets Department of Sinopec Group from February 2000 to December 2001; Deputy Director General of the Finance &Planning Department of Sinopec Group from December 2001 to March 2006; and Director General of the Finance & Assets Division of SAMC in March 2006. He has been Director General of the Auditing Department of Sinopec Corp. since March 2006, Supervisor of Sinopec Corp. since May 2006; and Supervisor of SINOPEC SEG since August 2012. Mr. ZOU graduated from Jiangxi Institute of Finance and Economics (江西財經學院) with a Bachelor's degree in Economics in July 1986. Mr. ZOU was recognized as a Professor-level Senior Accountant by Sinopec Group in November 2005.

Mr. GENG Limin (耿禮民) - Supervisor

Mr. GENG Limin (耿禮民), aged 59, is a Supervisor of SINOPEC SEG, who is also a Supervisor of Sinopec Corp. and Director General of the Supervisory Bureau of Sinopec Corp., Vice Team Leader of Discipline Inspection Group for CPC Leading Group and director general of Supervisory Bureau of Sinopec Group. Mr. GENG started his career in the oil refining and chemical engineering industries in January 1972. Mr. GENG worked at the External Liaison Office and the Human Resources Division of the Command Office of Daqing Ethylene Engineering Project (大慶乙烯指揮部) from October 1981 to April 1987; the Cadre Division of Daqing Petrochemical General Plant (大慶石化總廠) and the Corporate Cadre Division of the HR Department of China Petrochemical Corporation from April 1987 to February 1993. He also served as Deputy Director of the Corporate Cadre Division of the Human Resources & Education Department of China Petrochemical Corporation from February 1993 to December 1998; Director of the Corporate Cadre Division of the Human Resources &Education Department of Sinopec Group from December 1998 to February 2000; Deputy Director general of the Supervisory Bureau of Sinopec Corp. and Deputy Director General of Supervisory Bureau of Sinopec Group from February 2000 to January 2007; and Deputy Secretary of CPC Committee, secretary of Discipline Inspection Group as well as Trade Union Chairman of Sinopec Chemical Products Sales Company (中國石化股份化工銷售分公司) from January 2007 to August 2008. He has been Director General of Supervisory Bureau of Sinopec Corp., vice team leader of Discipline Inspection Group for CPC Leading Group and Director General of Supervision Bureau of Sinopec Group since August 2008; Supervisor of Sinopec Corp. since May 2009; and Supervisor of SINOPEC SEG since August 2012. Mr. GENG graduated from Daqing Petroleum School (大慶石油學校) in October 1981, majoring in English, and from the school of law of Beijing Humanities Correspondence University (北京人文函授大學) in December 1987. Mr. GENG was recognized as a Professor-level Senior Administration Engineer by Sinopec Group in November 2012.

Mr. ZHU Jinbao (朱金保) - Employee Representative Supervisor

Mr. ZHU Jinbao (朱金保), aged 58, is an Employee Representative Supervisor of SINOPEC SEG, who is also a Deputy Secretary of CPC Committee, Secretary of Discipline Inspection Group and Trade Union Chairman of SNEI. Mr. ZHU worked at various departments of the Nitrogen Fertilizer Plant of Nanjing Chemical Industries Co., Ltd (南化公司氮肥廠) from August 1985 to March 1992. He also served as Deputy Head of the Organization Division of CPC Committee of Nanjing Chemical Industries Co., Ltd ("Nanjing Chemicals") from March 1992 to January 1997; Vice Chairman of the Trade Union of Nanjing Chemicals from January 1997 to December 1999; Secretary of CPC Committee of Nanjing Chemical Design Institute (南化設計院) (later changed to Sinopec Group Nanjing Designing Institute (中國石化集團南京設計院) in 2002) from December 1999 to March 2004; Secretary of CPC Committee and Secretary of Discipline Inspection Committee of Sinopec Group Nanjing Designing Institute (中國石化集團南京設計院) from March 2004 to July 2010; Deputy Secretary of CPC Committee and Trade Union Chairman of Sinopec Group Nanjing Engineering & Construction Incorporation (中國石化集團南京工程有限公司) ("Sinopec Group Nanjing") from July 2010 to April 2012; and Secretary of Discipline Inspection Group of Sinopec Group Nanjing from October 2011 to April 2012. He was Deputy Secretary of CPC Committee, Secretary of Discipline Inspection Committee and Trade Union Chairman of SNEI since April 2012, and an Employee Representative Supervisor of SINOPEC SEG since August 2012. Mr. ZHU graduated from Jiangsu Radio and TV University (江蘇廣播電視大學) in August 1985, majoring in Electronics. Mr. ZHU was recognized as a Senior Administration Engineer by Sinopec Group in December 2001.

Mr. WANG Renli (王忍利) - Employee Representative Supervisor

Mr. WANG Renli (王忍利), aged 53, is an Employee Representative Supervisor of SINOPEC SEG, who is also a Deputy Secretary of CPC Committee, Secretary of Discipline Inspection Committee and Trade Union Chairman of FCC. Mr. WANG started his career in the oil refining and chemical engineering industries in December 1976. Mr. WANG held various positions in the Metal Structure Factory of Sinopec Fourth Construction Company (中石化第四建設公司) from July 1988 to December 1996, including the position of Deputy Factory Manager. He also served as Secretary of the CPC Committee and Secretary of the Discipline Inspection Committee of the Third Engineering Company of Sinopec Fourth Construction Company (中國石化第四建設公司) from December 1996 to October 1998; Deputy Manager of Sinopec Group Fourth Construction Company (中國石化集團第四建設公司) ("Sinopec Group FCC") from October 1998 to January 2006; and Deputy Secretary of CPC Committee, Secretary of Discipline Inspection Committee and Trade Union Chairman of Sinopec Group FCC from January 2006 to April 2012. He was the Deputy Secretary of CPC Committee, Secretary of Discipline Inspection Committee and Trade Union Chairman of FCC since April 2012, and an Employee Representative Supervisor of SINOPEC SEG since August 2012. Mr. WANG graduated from Party School of CPC Tianjin Municipal Committee (中共天津市委黨校) in June 1988, majoring in Political Economics; and graduated from Correspondence Institute of Party School of the Central Committee of CPC (中共中央黨校函授學院) majoring in Economy Administration in December 1996. Mr. WANG was recognized as a Professor-level Senior Administration Engineer by Sinopec Group in October 2013.

Mr. WANG Yuejie (王日杰) - Employee Representative Supervisor

Mr. WANG Yuejie (王日杰), aged 50, is an Employee Representative Supervisor of SINOPEC SEG, who is also a Trade Union Chairman of SEI. Mr. WANG held various positions in Beijing Petrochemical Engineering Company (北京石油化工工程公司) ("Beijing Petrochemical") from August 1984 to October 1998, including the positions of Engineer, Deputy Director of the Manager's Office, Director of the Machinery and Equipment Office, Head of the Organization Division and Head of the Procurement Division. He also served as Deputy Manager of Beijing Petrochemical from October 1998 to July 1999; Deputy Director of BPEC Design and Execution Center of Sinopec Engineering Incorporation (中國石化工程建設公司) from July 1999 to December 2000; Director of President Office at Sinopec Engineering Incorporation from February 2000 to December 2002; Trade Union Chairman of Sinopec Engineering Incorporation from December 2002 to April 2012; and Trade Union Chairman of SEI since April 2012; and an Employee Representative Supervisor of SINOPEC SEG since August 2012. He has been an Employee Representative Supervisor of the Company since August 2012. WANG graduated from East China Petroleum Institute (華東石油學院) with a Bachelor's degree in Petrochemical Machinery in July 1984, and an Master's degree in Management from Beijing Normal University in June 2001. Mr. WANG was recognized as a Senior Engineer by Sinopec Group in October 1993.

Profile of the Supervisors of the First Supervisory Committee during the Reporting Period

Name	Gender	Age	Position in the Sinopec Engineering	Term of Office as Supervisor
GUAN Qingjie	Male	54	Chairman, Supervisory Committee	August 2012 - August, 2015
ZHANG Jixing	Male	50	Supervisor	August 2012 - August, 2015
ZOU Huiping	Male	53	Supervisor	August 2012 - August, 2015
GENG Limin	Male	59	Supervisor	August 2012 - August, 2015
ZHU Jinbao	Male	58	Employee Representative Supervisor	August 2012 - August, 2015
WANG Renli	Male	53	Employee Representative Supervisor	August 2012 - August, 2015
WANG Yuejie	Male	50	Employee Representative Supervisor	August 2012 - ugust, 2015

(3) Other Senior Managers

Please refer to the “Director” section of this chapter for biographical information of Mr. YAN Shaochun.

Mr. XIAO Gang (肖剛) - Vice President

Mr. XIAO Gang (肖剛), aged 55, is a Vice President of SINOPEC SEG, who is also the Executive Director and President of FCC. Mr. XIAO started his career in the oil refining and chemical engineering industries in July 1976. Mr. XIAO served as Office Secretary and Deputy Director of the Research Institute of Beijing Yanshan Petrochemical Corporation (北京燕山石化公司) from July 1986 to November 1991; Office Secretary of Sinopec Engineering Incorporation from November 1991 to June 1996; Deputy Director of the Office of the Engineering & Construction Department of China Petrochemical Corporation from June 1996 to April 1997; Deputy Director of the General Office of Engineering & Construction Department, Deputy Director of the General Office and General Planning Division of the Engineering Department of China Petrochemical Corporation from April 1997 to January 2000; Deputy Director and Director of the General Planning Division, and Director of Planning &Finance Division under Engineering & Construction Management Department of Sinopec Group from January 2000 to March 2004; Secretary of CPC Committee and Secretary of Discipline Inspection Committee of Sinopec Group Second Construction Company (中國石化集團第二建設公司) from March 2004 to January 2006; Manager of Sinopec Group FCC from January 2006 to December 2008; and President of Sinopec Group FCC from December 2008 to April 2012. Mr. XIAO has been the Executive Director and President of FCC since April 2012; and the Vice President of SINOPEC SEG since August 2012. Mr. XIAO graduated from Beijing Open University (北京廣播電視大學) in July 1986, majoring in Industrial Enterprise Management. Mr. XIAO was recognized as a Professor-level Senior Economist by Sinopec Group in December 2010.

Mr. FAN Jixian (樊繼賢) - Vice President

Mr. FAN Jixian (樊繼賢), aged 51, is a Vice President of SINOPEC SEG, who is also the Executive Director and President of TCC. Mr. FAN served as Technician and Assistant Engineer of First Installation Office of China Petrochemical Tenth Construction Company (中石化第十建設公司) ("China Petrochemical TCC") from August 1983 to October 1989; Deputy Team Leader of the Fourth Engineering Team of the Installation Corporation of China Petrochemical TCC from October 1989 to February 1992; Deputy Manager of the Installation Corporation of China Petrochemical TCC from February 1992 to December 1992; Deputy Manager and Manager of First Installation Corporation of China Petrochemical TCC from December 1992 to August 1999; Manager of Southern Branch Corporation of Sinopec Group Tenth Construction Company (中國石化集團第十建設公司)("Sinopec Group TCC") from August 1999 to March 2001; Deputy Manager of Sinopec Group TCC from March 2001 to October 2006; Manager of Sinopec Group TCC from October 2006 to December 2008; and President of Sinopec Group TCC from December 2008 to April 2012. He has been the Executive Director and President of TCC since April 2012; and the Vice President of SINOPEC SEG since August 2012. Mr. FAN graduated from Henan Economics Institute (河南財經學院) in Enterprise Management in July 1997; and obtained an MBA degree from Shandong University (山東大學) in December 2011. Mr. FAN was recognized as a Senior Engineer by Sinopec Groupin September 2005.

Mr. WU Derong (吳德榮) - Vice President

Mr. WU Derong (吳德榮), aged 53, is a Vice President of SINOPEC SEG, who is also the Chairman of the Board and President of SSEC. Mr. WU worked in the Shanghai Pharmaceutical Designing Institute (上海醫藥設計院) ("SPDI") from August 1982 to March 1996. He served as Assistant to Dean of SPDI, Director of the Third Office and Director of the Design Division of SPDI from March 1996 to February 1998; Deputy Dean of SPDI, Director of the Design Division and Director of the Project Division of SPDI from February 1998 to December 2000; Deputy Dean of Sinopec Group Shanghai Pharmaceutical Industry Design Institute (中國石化集團上海醫藥工業設計院) ("Sinopec SPIDI") and Director of Project Division from December 2000 to December 2001; Deputy Dean of Sinopec SPIDI from December 2001 to January 2003; Vice President of Sinopec Group Shanghai Engineering Co., Ltd.(中國石化集團上海工程有限公司)("Sinopec Group Shanghai") from January 2003 to October 2006; and Chairman of the Board and President of Sinopec Group Shanghai from October 2006 to April 2012. Mr. WU has been the Chairman of the Board and President of SSEC since April 2012; and the Vice President of SINOPEC SEG since August 2012. Mr. WU graduated from East China University of Science and Technology (華東化工學院) with a Bachelor's degree in Engineering for Chemical Engineering in July 1982. Mr. WU was recognized as a Professor-level Senior Engineer by Shanghai Municipal Human Resources Bureau in June 2001.

Mr. SHAO Jianxiong (邵建雄) - Vice President

Mr. SHAO Jianxiong (邵建雄), aged 55, is a Vice President of SINOPEC SEG, who is also the Executive Director and President of SNEC. Mr. SHAO started his career in December 1975 and his career in the oil refining and chemical engineering industries started in August 1982. Mr. SHAO worked in the Oil Refinery of Zhenhai Petrochemical General Plant (鎮海石油化工總廠) and Sinopec Zhenhai Refining &Chemical Co., Ltd. (中國石化鎮海煉油化工股份有限公司)("Sinopec Zhenhai Limited") from January 1984 to July 1995. He served as Deputy Manager of repairing company, Deputy Director of manufacturing division (Deputy director of general command center), manager of repairing company and manager of Maintenance and Installation Company of Sinopec Zhenhai Limited from July 1995 to December 2000; Deputy Chief Engineer of Sinopec Zhenhai Limited from December 2000 to March 2003; Vice President of Sinopec Zhenhai Limited from January 2003 to September 2006; Deputy Manager of SINOPEC Zhenhai Refining &Chemical Branch Company (中國石化股份鎮海煉化分公司) from September 2006 to October 2006; Director and Executive Vice President of Sinopec Group Ningbo Engineering Co., Ltd. (中國石化集團寧波工程有限公司)("Sinopec Group Ningbo") from October 2006 to June 2007; and Executive Director and President of Sinopec Group Ningbo from June 2007 to April 2012. Mr. SHAO has been the Executive Director and President of SNEC since April 2012 and the Vice President of SINOPEC SEG since August 2012. Mr. SHAO graduated from Zhejiang Industrial College (浙江工學院) with a Bachelor's degree in Engineering for Chemical Machinery in July 1982. Mr. SHAO was recognized as a Professor-level Senior Engineer by Sinopec Group in November 2010.

Mr. XIANG Wenwu (向文武) - Vice President

Mr. XIANG Wenwu (向文武), aged 47, is a Vice President of SINOPEC SEG, who is also the Executive Director and President of SNEI. Mr. XIANG worked in the Mechanical Engineering Office of China Petrochemical Corporation Second Construction Company (中國石油化工總公司第二建設公司)("China Petrochemical Corporation SCC") from July 1988 to September 1993. He served as Deputy Chief Accountant of China Petrochemical Corporation SCC from August 1995 to May 1998; Deputy Manager of the First Engineering Company of China Petrochemical Corporation SCC from November 1997 to February 1999; Deputy Chief Economist of China Petrochemical Corporation SCC from May 1998 to June 1999; Manager of Marketing Division of Sinopec Group Second Construction Company (中國石化集團第二建設公司) ("Sinopec Group SCC") from February 1999 to June 1999; Deputy Manager of Sinopec Group SCC from June 1999 to March 2004; Manager of Sinopec Group SCC from March 2004 to December 2008; President of Sinopec Group SCC from December 2008 to July 2010; and Executive Director and President of Sinopec Group Nanjing from December 2009 to April 2012. Mr. XIANG has been the Executive Director and President of SNEI since April 2012 and Vice President of SINOPEC SEG since August 2012. Mr. XIANG graduated from Dalian Railway University (大連鐵道學院) with a Bachelor's degree in Engineering for Diesel Locomotive and Device in July 1988 and obtained an MBA degree from Dalian University of Technology (大連理工大學) in August 1996, and received a Doctorate degree in System Engineering from Southeast University (東南大學) in November 2007. Mr. XIANG was recognized as a Professor-level Senior Economist by Sinopec Group in December 2003.

Mr. WANG Guoliang (王國良) - Vice President

Mr. WANG Guoliang (王國良), aged 53, is a Vice President of SINOPEC SEG, who is also the Executive Director and President of LPEC and SGEC. Mr. WANG held several positions in the Refinery of China Petrochemical Luoyang from July 1983 to September 1997. He served as Deputy Manager of China Petrochemical Luoyang (later changed to Sinopec Group LPEC in 1998) from September 1997 to November 2001; Secretary of the CPC Committee of Sinopec Group LPEC from November 2001 to May 2003; Deputy Manager of Sinopec Group LPEC from May 2003 to December 2008; Vice President of Sinopec Group LPEC from December 2008 to April 2012, and Vice President of LPEC and SGEC from April 2012 to September 2012. Mr. WANG has been the Executive Director and President of LPEC and SGEC since September 2012, and the Vice President of SINOPEC SEG since December 2012. Mr. WANG graduated from Fushun Petroleum Institute majoring in Petroleum Analysis in August 1983. He obtained a Master's degree in Physical Chemistry from Lanzhou Institute of Chemical Physics at Chinese Academy of Sciences (中國科學院蘭州化學物理研究所) in May 1994, and a Doctorate degree of Science in Physical Chemistry from the Graduate University of Chinese Academy of Sciences (中國科學院研究生院) in March 2003. Mr. WANG was recognized as a Professor-level Senior Engineer by Sinopec Group in November 2001.

Ms. SUN Lili (孫麗麗) - Vice President

Ms. SUN Lili (孫麗麗), aged 52, is the Vice President of SINOPEC SEG and the Executive Director and President of SINOPEC Engineering Incorporation. From August 1983 to September 1997, Ms. Sun worked at the Processes Department of SINOPEC Beijing Design Institute. From September 1997 to July 1999, she served as the Deputy Chief Engineer of SINOPEC Beijing Design Institute, and from May 1999 to July 1999, she also served as the Acting Director of the Processes Department of SINOPEC Beijing Design Institute. From July 1999 to July 2000, she served as the Acting Director of the Refinery Processes Department of SINOPEC Engineering Incorporation, and from July 1999 to June 2004, she also served as the Deputy Chief Engineer of SINOPEC Engineering Incorporation. She has served as the Deputy Director of the Technology Committee of SINOPEC Engineering Incorporation since April 2002. From January 2003 to June 2004, she served as the Assistant to the President of SINOPEC Engineering Incorporation. From June 2004 to April 2012, she served as the Vice President of SINOPEC Engineering Incorporation. From January 2006 to May 2008, she served as the Vice President of SINOPEC International Petroleum Exploration and Development Co., Ltd. Since September 2011, she has served as a member of the Project Supervision and Management Committee of Saudi Yanbu Refinery Joint Venture. Since December 2011, she has served as the President of Saudi Yanbu Refinery Project and the Director of Saudi Yanbu Refinery Joint Venture. From April 2012 to November 2013, she served as the Vice President of SINOPEC Engineering Incorporation. Since November 2013, she has served as the Executive Director and President of SINOPEC Engineering Incorporation. Since December 2013, she has served as the Vice President of SINOPEC SEG. Ms. Sun graduated from the East China Petroleum Institute in July 1983 with an engineering bachelor degree in petroleum processing. Ms. Sun was awarded the title of Professor Level Senior Engineer by Sinopec Group in December 1999.

Mr. TIAN Jianjun (田建軍) - Vice President

Mr. TIAN Jianjun (田建軍), aged 57, is a Vice President of SINOPEC SEG, who is also the Executive Director and President of SFCC. Mr. TIAN started his career in May 1974 and his career in the oil refining and chemical engineering industries started in July 1976. Mr. TIAN worked in the Lanhua Chemical and Construction Corporation (蘭化化建公司) ("Lanhua Chemical") from December 1984 to May 1995. He served as Deputy Manager of Lanhua Chemical from May 1995 to July 1999; Deputy Manager of Sinopec Group Fifth Construction Company (中國石化集團第五建設公司) from July 1999 to December 2002; Manager of Sinopec Group Fifth Construction Company from December 2002 to December 2008; and President of Sinopec Group Fifth Construction Company from December 2008 to April 2012. He has been the Executive Director and President of SFCC since April 2012 and the Vice President of SINOPEC SEG since August 2012. Mr. TIAN graduated from Lanhua Workers' University (蘭化職工大學) majoring in Chemical Machinery in July 1983, and Gansu University of Technology (甘肅工業大學) majoring in Construction Engineering in June 2001. He obtained an MBA degree from China University of Petroleum, Beijing (中國石油大學(北京)) in June 2007. Mr. TIAN was recognized as a Senior Engineer by Sinopec Group in December 2004.

Mr. LI Xusheng (李旭升) - Vice President

Mr. LI Xusheng (李旭升), aged 50, is a Vice President of the Company, who is also the Chief Accountant of SEI. Mr. LI worked in the Finance Division of the Engineering Department of China Petrochemical Corporation and Sinopec Fushun Project Department from July 1985 to June 1996. He served as Deputy Director of the Finance Division of the Engineering Department of China Petrochemical Corporation from June 1996 to December 1998; Deputy Director and Director of the Finance Division of Sinopec Engineering Incorporation (中國石化工程建設公司) from December 1998 to December 2008; Chief Accountant of Sinopec Engineering Incorporation from December 2008 to April 2012; and Chief Accountant of SEI since April 2012 and the Vice President of the Company since September 2012. Mr. LI obtained a Bachelor's degree in Infrastructure Finance from Shanghai Finance and Economics Institute (上海財經學院) in July 1985, and a Master's degree in Management Science and Engineering from China University of Petroleum, Beijing in January 2007. Mr. LI was recognized as a Senior Accountant by Sinopec Group in March 1998.

Mr. JIA Yiqun (賈益群) - Chief Financial Officer

Mr. JIA Yiqun (賈益群), aged 46, is the Chief Financial Officer of SINOPEC SEG. Mr. JIA worked in the SINOPEC Research Institute of Petroleum Engineering (中國石化股份石油化工科學研究院) ("SINOPEC Research Institute") from July 1990 to April 1999. He served as Deputy Director of the Foreign Affairs Office of SINOPEC Research Institute from April 1999 to July 1999; Deputy Director-level Officer of the Export Division of Sinopec International from July 1999 to September 1999; Deputy Manager of Economic and Trade Consulting Company of China Petrochemical International Company (中國石化國際事業公司經貿諮詢公司) from September 1999 to January 2000; Deputy Director of the International Cooperation Office under the Foreign Affairs Bureau of Sinopec Group from January 2000 to April 2003; and Deputy Chief Representative of the Hong Kong Representative Office of Sinopec Corp. from April 2003 to June 2012. He has been the Chief Financial Officer of SINOPEC SEG since August 2012. Mr. JIA obtained a Bachelor's degree in Chemical Engineering from Tianjin University in July 1990, and an MBA degree from Dalian University of Technology in July 1999. Mr. JIA was recognized as a Senior Engineer by Sinopec Group in November 1999, and obtained the qualifications of Chartered Financial Analyst issued by CFA Institute in September 2006.

Mr. SANG Jinghua (桑菁華) - Board Secretary and Company Secretary

Mr. SANG Jinghua (桑菁華), aged 46, is the Board Secretary and Company Secretary of SINOPEC SEG. Mr. SANG worked in the Shijiazhuang Refinery (石家莊煉油廠) and China Petrochemical Corporation Northern China Imported Crude Oil Transfer and Connection Engineering Preparation Team from July 1990 to June 2001. He served as the Supervisor of Financial Information Division under the Board Secretariat of Sinopec Corp. from June 2001 to November 2001; Deputy Director of Financial Information Division under the Board Secretariat of Sinopec Corp. from November 2001 to November 2003; Director of Financial Information Division (known as the Securities Affairs Division from July 2010) under the Board Secretariat of Sinopec Corp. from November 2003 to September 2012, and Securities Representative of Sinopec Corp. from May 2012 to January 2013. He has been the Board Secretary of our Company since August 2012 and the Company Secretary of SINOPEC SEG since December 2012. Mr. SANG graduated from Dalian University of Technology with a Bachelor's degree in Engineering for Macromolecule Chemical Engineering in July 1990. Mr. SANG was recognized as a Senior Engineer by Sinopec Group in June 2001.

Profile of other senior managers during the Reporting Period

Name	Gender	Age	Position in the Sinopec Engineering	Date of Taking Office
YAN Shaochun	Male	48	President	April 2013
XIAO Gang	Male	55	Vice President	August 2012
FAN Jixian	Male	51	Vice President	August 2012
WU Derong	Male	53	Vice President	August 2012
SHAO Jianxiong (1)	Male	55	Vice President	August 2012
XIANG Wenwu	Male	47	Vice President	August 2012
WANG Guoliang	Male	53	Vice President	December 2012
SUN Lili	Female	52	Vice President	December 2013
TIAN Jianjun	Male	57	Vice President	August 2012
LI Xusheng	Male	50	Vice President	September 2012
JIA Yiqun	Male	46	Chief Financial Officer	August 2012
SANG Jinghua	Male	46	Secretary to the Board/Company secretary	August 2012/December 2012

Note:
(1) Mr. SHAO Jianxiong no longer served as Vice President for SINOPEC SEG due to work reassignment since March 2014.
On 14 March 2014, the Tenth Meeting of the First Session of the Board approved that Mr. He Jianbo was appointed as Vice President of Sinopec Engineering.

Profile of other senior managers during the Reporting Period

Name	Gender	Age	Position in the Sinopec Engineering	Term of Office
LI Guoqing	Male	56	Vice President	August 2012-December 2013

2 Appointment and Resignation of Directors, Supervisors and Other Senior Managers

In April 2013, the first extraordinary general meeting of SINOPEC SEG elected Mr. YAN Shaochun as a member of the First Session of the Board. Approved by the Fifth Meeting of the First Session of the Board dated 26 February 2013, Mr. YAN Shaochun was appointed as the President.

As a result of position adjustment, Mr. Li Guoqing no longer serves as the Vice President of SINOPEC SEG from December 2013. On 12 December 2013, it was approved at the Ninth Meeting of the First Session of the Board that Ms. Sun Lili was appointed as the Vice President.

3 Contract Benefits of Directors and Supervisors

Following the year ended 31 December 2012 through 31 December 2013, none of the Directors or Supervisors have signed major contracts, the signing of which would entitle the Director or the Supervisor with significant benefits with Sinopec Engineering, its holding company or any subsidiaries or fellow subsidiaries.

4 Remuneration of Directors, Supervisors and Senior Managers

During the Reporting Period, the total number of Directors, Supervisors and other senior managers paid by SINOPEC SEG was 19, or the annual total remuneration paid was RMB 9.71 million. Please see Note 42 to the Financial Statements of this annual report the detail information.

5 Employees

As at 31 December 2013, there are in total 19,219 employees working in the Company. This following list is a categorized employee details in accordance with business categories as at 31 December 2013.

	31 December 2013	
	Number of Employees	Percentage of the Total Employees
Engineering and Technical Personnel	13,719	71.38%
Management Personnel	1,125	5.85%
Production Personnel	4,375	22.76%
In total	19,219	100%

This following list is a categorized employee details in accordance with education categories as at 31 December 2013.

	31 December 2013	
	Number of Employees	Percentage of the Total Employees
Master Degree	1,320	6.87%
Bachelor Degree	7,900	41.11%
Tertiary Qualification	3,674	19.12%
Others	6,325	32.91%
In total	19,219	100%

6 Employees Remunerations

During the Reporting Period, we maintained good labor relations. The remuneration of our employees mainly consists of salary, bonuses and contributions to the compulsory social security funds. In accordance with PRC's laws and regulations, SINOPEC SEG participates in different retirement pension related programs for our employees, including the programs organized by the provincial and municipal governments of the PRC and other complementary retirement pension related plans. Bonuses are usually decided in accordance with the entire performance of the Company's business performance. For the year ended 31 December 2012 and 31 December 2013, the employment cost of our company is approximately RMB 4.519 billion and RMB 5.162 billion respectively.

7 Employee Training Programs

The Company established an employee training management system, continuously standardizing our training management. Through on-the-job training, in-class teaching, distance learning, skill competition and other methods, we provided our employees with new employee training, pre-service training, professional training and management training, which constantly upgrades job skills and business abilities of our employees, and guarantees the healthy growth of our employees as well as the realization of the development strategies of the Company.

During the Reporting Period, we organized more than 10 key training programs including "Upgrading of the project management of International refinery project", "Refinery project management seminar", as well as a number of skill competitions for different positions. During the Reporting Period, we have 30.8 thousand people. Among the 30.8 thousand attendances at the internal and external trainings organized by SINOPEC SEG, there were 1.4 thousand attendances of operation management staff, 22.2 thousand attendances of engineering and technical staff and 7.2 thousand attendances of production staff.

Financial Statements

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Independent Auditor's Report

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

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

We have audited the consolidated financial statements of SINOPEC Engineering (Group) Co., Ltd. (the "Company") and its subsidiaries (together the "Group") set out on pages 112 to 177, which comprise the consolidated and company statements of financial position as at 31 December 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013 and of the Group's financial results and cash flows for the year then ended in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton Hong Kong Limited

Certified Public Accountants

Level 12

28 Hennessy Road

Wanchai

Hong Kong

14 March 2014

Shaw Chi Kit

Practising Certificate No.: P04834

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the year ended 31 December	
		2013	2012
		RMB'000	RMB'000
Revenue	6	43,571,851	38,526,489
Cost of sales		(37,165,660)	(32,998,383)
Gross profit		6,406,191	5,528,106
Other income	8	78,291	85,392
Selling and marketing expenses		(100,610)	(90,546)
Administrative expenses		(1,088,531)	(947,076)
Research and development costs		(629,698)	(547,561)
Other operating expenses		(256,315)	(154,559)
Other gains/(losses), net	9	4,157	(41,733)
Operating profit		4,413,485	3,832,023
Finance income	10	428,394	525,965
Finance expenses	10	(104,123)	(121,300)
Finance income, net		324,271	404,665
Share of profits of joint arrangements	20(a)	1,324	1,753
Share of profits of associates	20(b)	11,961	13,626
Profit before taxation	11	4,751,041	4,252,067
Income tax expense	12	(1,093,877)	(934,798)
Profit for the year		3,657,164	3,317,269

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

	Note	For the year ended 31 December	
		2013	2012
		RMB'000	RMB'000
Other comprehensive income for the year, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Fair value gains on available-for-sale financial assets		3,223	851
Share of other comprehensive income of joint arrangements	20(a)	—	93
Exchange differences arising on translation of foreign operations		1,549	—
		4,772	944
Item that will not be reclassified subsequently to profit or loss:			
Gains on revaluation of retirement benefit plans obligations		266,318	292,645
Other comprehensive income for the year, net of tax		271,090	293,589
Total comprehensive income for the year		3,928,254	3,610,858
Profit attributable to:			
Equity holders of the Company		3,656,802	3,316,970
Non-controlling interests		362	299
Profit for the year		3,657,164	3,317,269
Total comprehensive income attributable to:			
Equity holders of the Company		3,927,892	3,610,559
Non-controlling interests		362	299
Total comprehensive income for the year		3,928,254	3,610,858
		RMB	RMB
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in RMB per share) – Basic and diluted	13	0.93	1.07

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December	
		2013	2012
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	4,049,488	3,834,150
Land use rights	18	2,857,234	2,866,761
Intangible assets	19	443,779	476,763
Investment in joint arrangements	20(a)	8,184	7,666
Investment in associates	20(b)	95,059	84,618
Available-for-sale financial assets	21	19,362	15,065
Deferred income tax assets	36	693,373	793,755
Total non-current assets		8,166,479	8,078,778
Current assets			
Inventories	25	1,245,147	747,117
Notes and trade receivables	22	6,946,818	6,074,402
Prepayments and other receivables	23	4,608,499	4,658,720
Amounts due from customers for contract work	24	5,952,132	4,584,264
Loans due from the ultimate holding company	26	9,500,000	8,140,000
Restricted cash	27	19,152	24,254
Time deposits	28	5,412,552	—
Cash and cash equivalents	29	5,514,490	4,822,490
Total current assets		39,198,790	29,051,247
Total assets		47,365,269	37,130,025

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Note	As at 31 December	
		2013	2012
		RMB'000	RMB'000
EQUITY			
Share capital	30	**4,428,000**	3,100,000
Reserves	31	**16,548,714**	3,977,985
Consolidated equity attributable to equity holders of the Company		**20,976,714**	7,077,985
Non-controlling interests		**3,627**	3,265
Total equity		**20,980,341**	7,081,250
LIABILITIES			
Non-current liabilities			
Retirement and other supplemental benefit obligations	32	**2,396,554**	2,877,632
Provision for litigation claims	33	**329,890**	369,244
Deferred income tax liabilities	36	**37,564**	39,483
Total non-current liabilities		**2,764,008**	3,286,359
Current liabilities			
Notes and trade payables	34	**10,194,259**	8,366,282
Other payables	35	**8,361,040**	11,801,526
Amounts due to customers for contract work	24	**4,903,978**	6,242,041
Loans due to fellow subsidiaries	37	**—**	157,138
Current income tax liabilities		**161,643**	195,429
Total current liabilities		**23,620,920**	26,762,416
Total liabilities		**26,384,928**	30,048,775
Total equity and liabilities		**47,365,269**	37,130,025
Net current assets		**15,577,870**	2,288,831
Total assets less current liabilities		**23,744,349**	10,367,609

Approved and authorised for issue by the Board of Directors on 14 March 2014

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

STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December	
		2013	2012
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	10,164	9,243
Land use rights	18	30,020	30,640
Intangible assets		291	53
Investment in subsidiaries	20(c)	6,644,135	6,448,450
Deferred income tax assets	36	13,704	157
Total non-current assets		6,698,314	6,488,543
Current assets			
Inventories		302	—
Trade receivables	22	137,411	10,356
Prepayments and other receivables	23	585,072	1,757,160
Loans due from the ultimate holding company	26	9,500,000	4,900,000
Restricted cash		808	282
Time deposits	28	5,412,552	—
Cash and cash equivalents	29	4,344,785	3,075,115
Total current assets		19,980,930	9,742,913
Total assets		26,679,244	16,231,456

STATEMENT OF FINANCIAL POSITION (Continued)

	Note	As at 31 December	
		2013	2012
		RMB'000	RMB'000
EQUITY			
Share capital	30	4,428,000	3,100,000
Reserves	31	11,795,090	3,198,471
Total equity		16,223,090	6,298,471
LIABILITIES			
Non-current liabilities			
Retirement and other supplemental benefit obligations		573	626
Total non-current liabilities		573	626
Current liabilities			
Trade payables	34	48,450	—
Other payables	35	10,350,097	9,902,991
Amounts due to customers for contract work	24	57,034	26,391
Current income tax liabilities		—	2,977
Total current liabilities		10,455,581	9,932,359
Total liabilities		10,456,154	9,932,985
Total equity and liabilities		26,679,244	16,231,456
Net current assets/(liabilities)		9,525,349	(189,446)
Total assets less current liabilities		16,223,663	6,299,097

Approved and authorised for issue by the Board of Directors on 14 March 2014

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company									
	Share capital	Capital reserve	Statutory surplus reserve	Investment revaluation reserve	Specific reserve	Exchange translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000 (Note 31)	RMB'000 (Note 31)	RMB'000 (Note 31)	RMB'000 (Note 31)	RMB'000 (Note 31)	RMB'000 (Note 31)	RMB'000	RMB'000	RMB'000
At 1 January 2012	400,000	2,147,721	—	7,317	46,574	—	128,495	2,730,107	3,301	2,733,408
Profit for the year	—	—	—	—	—	—	3,316,970	3,316,970	299	3,317,269
Other comprehensive income:										
Fair value change of available-for-sale financial assets - gross	—	—	—	1,133	—	—	—	1,133	—	1,133
Fair value change of available-for-sale financial assets - tax	—	—	—	(282)	—	—	—	(282)	—	(282)
Defined benefits obligation revaluation of actuarial gain and loss - gross	—	—	—	—	—	—	378,611	378,611	—	378,611
Defined benefits obligation revaluation of actuarial gain and loss - tax	—	—	—	—	—	—	(85,966)	(85,966)	—	(85,966)
Share of other comprehensive income of joint arrangements	—	—	—	93	—	—	—	93	—	93
Total comprehensive income	—	—	—	944	—	—	3,609,615	3,610,559	299	3,610,858
Transactions with owners:										
Assets transferred from the Group to Sinopec Group	—	(19,448)	—	—	—	—	—	(19,448)	—	(19,448)
Capital contributions by Sinopec Group to subsidiaries of the Company	—	243,628	—	—	—	—	—	243,628	—	243,628
Assets transferred from Sinopec Group to subsidiaries of the Company	—	513,199	—	—	—	—	—	513,199	—	513,199
Acquisition of non-controlling interests of subsidiaries	—	—	—	—	—	—	(60)	(60)	(335)	(395)
Transformation into joint stock company with limited liability (Note 1.2)	2,700,000	(2,365,628)	—	—	—	—	(334,372)	—	—	—
Transfer to statutory surplus reserve	—	—	191,517	—	—	—	(191,517)	—	—	—
Appropriation of specific reserve	—	—	—	—	165,558	—	(165,558)	—	—	—
Utilisation of specific reserve	—	—	—	—	(113,379)	—	113,379	—	—	—
Total transactions with owners	2,700,000	(1,628,249)	191,517	—	52,179	—	(578,128)	737,319	(335)	736,984
At 31 December 2012	3,100,000	519,472	191,517	8,261	98,753	—	3,159,982	7,077,985	3,265	7,081,250

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

	Attributable to equity holders of the Company									
	Share capital	Capital reserve	Statutory surplus reserve	Investment revaluation reserve	Specific reserve	Exchange translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000 (Note 31)	RMB'000 (Note 31)	RMB'000 (Note 31)	RMB'000 (Note 31)	RMB'000 (Note 31)	RMB'000 (Note 31)	RMB'000	RMB'000	RMB'000
At 1 January 2013	3,100,000	519,472	191,517	8,261	98,753	—	3,159,982	7,077,985	3,265	7,081,250
Profit for the year	—	—	—	—	—	—	3,656,802	3,656,802	362	3,657,164
Other comprehensive income:										
Fair value change of available-for-sale financial assets - gross	—	—	—	4,297	—	—	—	4,297	—	4,297
Fair value change of available-for-sale financial assets - tax	—	—	—	(1,074)	—	—	—	(1,074)	—	(1,074)
Defined benefits obligation revaluation of actuarial gain and loss - gross	—	—	—	—	—	—	345,054	345,054	—	345,054
Defined benefits obligation revaluation of actuarial gain and loss - tax	—	—	—	—	—	—	(78,736)	(78,736)	—	(78,736)
Exchange differences arising on translation of foreign operations	—	—	—	—	—	1,549	—	1,549	—	1,549
Total comprehensive income	—	—	—	3,223	—	1,549	3,923,120	3,927,892	362	3,928,254
Transactions with owners:										
Special dividends (Note 14)	—	—	—	—	—	—	(363,299)	(363,299)	—	(363,299)
Interim dividends for 2013 (Note 14)	—	—	—	—	—	—	(593,352)	(593,352)	—	(593,352)
Issuance of ordinary shares for Listing, net (Note 30(ii))	1,328,000	9,599,488	—	—	—	—	—	10,927,488	—	10,927,488
Appropriation of specific reserve	—	—	—	—	145,164	—	(145,164)	—	—	—
Utilisation of specific reserve	—	—	—	—	(120,129)	—	120,129	—	—	—
Total transactions with owners	1,328,000	9,599,488	—	—	25,035	—	(981,686)	9,970,837	—	9,970,837
At 31 December 2013	4,428,000	10,118,960	191,517	11,484	123,788	1,549	6,101,416	20,976,714	3,627	20,980,341

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	For the year ended 31 December	
		2013	2012
		RMB'000	RMB'000
Cash flows from operating activities			
Cash generated from operations	39	906,831	3,295,154
Income tax paid		(1,110,233)	(1,772,196)
Interest received		117,407	33,531
Net cash (used in)/generated from operating activities		(85,995)	1,556,489
Cash flows from investing activities			
Purchase of property, plant and equipment		(361,084)	(368,659)
Purchase of intangible assets		(46,362)	(23,076)
Purchase of land use rights		(52,310)	(976,218)
Acquisition of non-controlling interests		—	(395)
Interest income on the loans to the ultimate holding company		310,987	492,434
Proceeds from disposal of property, plant and equipment		7,952	54,783
Proceeds from disposal of land use rights		—	25,174
Dividends received from associates		1,520	7,000
Dividends received from joint arrangements		3,129	705
Net increase in time deposits		(5,467,015)	—
Loans to the ultimate holding company		(11,600,000)	(13,850,000)
Repayments of loans from the ultimate holding company		10,240,000	12,970,000
Net cash used in investing activities		(6,963,183)	(1,668,252)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

	Note	For the year ended 31 December	
		2013	2012
		RMB'000	RMB'000
Cash flows from financing activities			
Proceeds from global offering		11,128,846	—
Payment of fees relating to Listing		(201,358)	—
Borrowings from fellow subsidiaries		499,774	447,546
Repayments of borrowings from fellow subsidiaries		(656,912)	(339,771)
Interest paid		(3,038)	(2,739)
Dividends paid		(956,651)	(374,248)
Capital transferred to Sinopec Group relating to Reorganization		(2,000,000)	—
Capital contributions received from Sinopec Group		—	200,510
Repayments to fellow subsidiaries		—	(562,847)
Financing costs paid		—	(12,420)
Net cash generated from/(used in) financing activities		7,810,661	(643,969)
Net increase/(decrease) in cash and cash equivalents		761,483	(755,732)
Cash and cash equivalents at beginning of year		4,822,490	5,575,335
Exchange (losses)/gains on cash and cash equivalents		(69,483)	2,887
Cash and cash equivalents at end of year	29	5,514,490	4,822,490

Notes To The Financial Statements

For the year ended 31 December 2013

1. Principal Activities, Organization and Reorganization

1.1 Principal activities

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

1.2 Organization and reorganization

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

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

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

Upon the establishment of the Company, Sinopec Group held its 100% equity interests. Sinopec Group transferred 2% of the Company's equity interest to Sinopec Assets Management Co., Ltd. (中國石化集團資產經營管理有限公司, "SAMC"), a wholly-owned subsidiary of Sinopec Group, at nil consideration with 31 May 2012 as the measurement date.

Pursuant to a reorganization of engineering, consulting and licensing, EPC Contracting, construction and equipment manufacturing in respect of oil refining, petrochemical engineering, storage and transportation (the "Core Business") of Sinopec Group in preparation for the primary listing (the "Listing") of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") (the "Reorganization"), Sinopec Group transferred the equity interests of its refining and engineering entities with 31 December 2011 being the measurement date to the Company, the Company became the holding company of the subsidiaries now comprising the Group. The Company then transformed into a joint stock company with limited liability and renamed as SINOPEC Engineering (Group) Co., Ltd. (中石化煉化工程(集團)股份有限公司) on 28 August 2012.

The principal reorganization transactions include:

(a) Sinopec Group transferred the equity interests of the following subsidiaries and their subsidiaries to the Company:

- (i) 100% equity interest in Sinopec Engineering Incorporation (中國石化工程建設有限公司, "SEI"), formerly known as China Petrochemincal Corporation, Engineering Incorporation (中國石化工程建設公司);
- (ii) 100% equity interest in Sinopec Luoyang Petrochemical Engineering Corporation (中石化洛陽工程有限公司, "LPEC"), formerly known as China Petrochemical Corporation, Luoyang Petrochemical Engineering Corporation (中國石化集團洛陽石油化工工程公司);
- (iii) 100% equity interest in Sinopec Shanghai Engineering Co., Ltd (中石化上海工程有限公司, "SSEC"), formerly known as China Petrochemical Corporation, Shanghai Engineering Company Limited (中國石化集團上海工程有限公司);
- (iv) 100% equity interest in Sinopec Ningbo Engineering Company Limited (中石化寧波工程有限公司, "SNEC"), formerly known as China Petrochemical Corporation, Ningbo Engineering Co., Ltd (中國石化集團寧波工程有限公司);
- (v) 100% equity interest in Sinopec Nanjing Engineering & Construction Incorporation (中石化南京工程有限公司, "SNEI"), formerly known as China Petrochemical Corporation, Nanjing Engineering & Construction Incorporation (中國石化集團南京工程有限公司);
- (vi) 100% equity interest in Sinopec The Fourth Construction Company Limited (中石化第四建設有限公司, "FCC"), formerly known as The Fourth Construction Company of China Petrochemical Corporation (中國石化集團第四建設公司);
- (vii) 100% equity interest in the Fifth Construction Company of Sinopec (中石化第五建設有限公司, "SFCC"), formerly known as The Fifth Construction Company of China Petrochemical Corporation (中國石化集團第五建設公司);
- (viii) 100% equity interest in Sinopec Tenth Construction Company (中石化第十建設有限公司, "TCC"), formerly known as The Tenth Construction Company of China Petrochemical Corporation (中國石化集團第十建設公司);
- (ix) 100% equity interest in Sinopec Ningbo Engineering Research Institute Company Limited (中石化寧波技術研究院有限公司, "Ningbo Institute"), formerly known as China Petrochemical Corporation, Ningbo Institute of Technology (中國石化集團寧波技術研究院);

(b) The Company and certain subsidiaries of the Company, including those transferred from the Sinopec Group described in Note 1.2(a), where applicable, were transformed from state-owned enterprises into companies with limited liability under the Company Law of the PRC.

1. Principal Activities, Organization and Reorganization (Continued)

1.2 Organization and reorganization (Continued)

(c) In connection with the reorganization described in Note 1.2(a) and (b), the following assets and liabilities were transferred to Sinopec Group at nil consideration:

(i) operating assets and liabilities (the "Other Operations") which are unrelated to the Core Business, mainly including real estate business; and

(ii) certain individual assets (the "Other Assets") which are not directly related to the Core Business.

(d) Sinopec Group undertook all the related tax liabilities of non-current assets arising from the reorganization.

During the process of Reorganization, as requested by Sinopec Group, the Group was required to transfer RMB12.2 billion to Sinopec Group in 2011, which was accounted as other payables to Sinopec Group as at 31 December 2011. As a result, the Group's capital reserve was reduced accordingly as at 31 December 2011. Subsequent to the above reorganization transactions which were completed in April 2012, the Company was transformed into a joint stock company with limited liability on 28 August 2012.

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

2. Basis of Presentation

2.1 As the Company and its subsidiaries described in Note 1.2(a) are under the control of Sinopec Group, both before and after the Reorganization and control is not transitory, the Reorganization has been accounted for as a reorganization of business under common control and the consolidated financial statements of the Group have been prepared using the principals of merger accounting. The consolidated statement of financial position as at 31 December 2012 and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2012 have been presented as if the current group structure had been in existence throughout the year ended 31 December 2012 or since respective dates of incorporation/establishment or acquisition, whichever is the shorter period.

2.2 The consolidated financial statements have not included the assets, liabilities and results of the Other Operations as described in Note 1.2(c)(i) above, on the basis that these operations are engaged in dissimilar business from those of the Group, have separate management personnel and accounting records and have been financed and operated historically as if they were autonomous.

2.3 The consolidated financial statements have however included in the Other Assets as described in Note 1.2(c)(ii) above, because they were not managed or accounted for separately and could not be clearly distinguished from the Core Business. These assets were transferred to Sinopec Group upon the completion of the Reorganization.

The Other Assets that were transferred to Sinopec Group for the year ended 31 December 2012 were summarised as follow:

	Year ended 31 December 2012
	RMB'000
Non-current assets	
– **Property, plant and equipment**	15,051
– **Land use rights**	4,397
	19,448

3. Summary of Significant Accounting Policies

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

3.1 Basis of preparation

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

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, which are carried at fair value, and certain property, plant and equipment, land use rights and intangible assets, which are carried at deemed cost.

3. Summary of Significant Accounting Policies (Continued)

3.1 Basis of preparation (Continued)

Pursuant to relevant PRC laws and regulations and as part of the Reorganization, property, plant and equipment, land use rights and intangible assets of certain subsidiaries were revalued on 31 December 2011 by the independent qualified valuers and approved by relevant government authorities upon the completion of the Reorganization on 31 December 2011. The amendment to IFRS1 allows first-time adopters to use an even-driven fair value as deemed cost for assets and liabilities, even if the event occurs after the date of transition to IFRS, but before the first set of IFRS financial statements are issued, the Group has elected the exemption granted under the amendment to IFRS 1 in applying such values as the deemed cost in the first IFRS financial statements.

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

The IASB has issued a number of new and revised IFRS. The Group has adopted all these new and revised IFRS, which are effective for the accounting periods beginning on or after 1 January 2013:

• The amendments to IAS 1 (Revised), "Presentation of financial statements – Presentation of items of other comprehensive income" require companies to classify items within other comprehensive income under two categories: (i) items that may be reclassified subsequently to profit or loss and (ii) items that will not be reclassified subsequently to profit or loss. The adoption of the amended IAS 1 (Revised) only affects the presentation of the consolidated statement of comprehensive income.

• Under IFRS 10, "Consolidated financial statements", there is a single approach for determining control for the purpose of consolidation of subsidiaries by an entity based on the concept of power, variability of returns and the ability to use power to affect the amount of returns. This replaces the previous approach which emphasised legal control under IAS 27 (Revised) (for companies) or exposure to risks and rewards under SIC-INT 12 (for special purpose entities). The adoption of IFRS 10 does not have any financial impact on the Group as all subsidiaries within the Group satisfy the requirements for control under IFRS 10 and there are no new subsidiaries identified under the new guidance.

• Under IFRS 11, "Joint arrangements", investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangements. In accordance with IFRS 11, joint ventures are accounted for by the Group using the equity method under IAS 28 (2011), while assets, liabilities, revenue and expenses of joint operations are apportioned between the joint operators in accordance with the agreement. The Group has reclassified the investment from jointly controlled entity to joint venture. The investment continues to be accounted for using the equity method and therefore this reclassification does not have any material impact on the financial position and the financial result of the Group.

• IFRS 12, "Disclosure of interests in other entities" specifies the disclosure requirements for subsidiaries, joint arrangements and associates, and introduces new disclosure requirements for unconsolidated structured entities. The adoption of IFRS 12 only affects the disclosures relating to the subsidiaries, associates and the joint arrangements in the Group's consolidated financial statements.

• IFRS 13, "Fair value measurement" establishes a single source of guidance for all fair value measurements required or permitted by IFRS. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions, and enhances disclosures about fair value measurement. The adoption of IFRS 13 only affects disclosures on financial assets and financial liabilities in the Group's financial statements.

The revised and new accounting standards issued but not yet effective for the accounting year ended 31 December 2013 which are relevant to the Group but the Group has not early adopted are set out below:

• IFRS 9, "Financial instruments" addresses the classification and measurement of financial assets and financial liabilities which is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2015 but is available for early adoption. The Group is yet to assess IFRS 9's full impact. However, initial indications are that it may affect the Group's accounting for its available-for-sale financial assets, as IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognized directly in the consolidated statement of comprehensive income. However, initial indications are that it is not expected to have a material impact on the Group's financial statements.

The Group has early adopted the new accounting standards that have been issued and revised but not yet be effective for the whole accounting year ended 31 December 2012 :

• IAS 19 (Amendment), "Employee benefits" eliminates the corridor approach and calculates finance costs on a net funding basis. This amendment requires that all actuarial gains and losses have to be recognized immediately in other comprehensive income, to ensure that the net pension asset or liability recognized in consolidated statement of financial position can reflect the full value of the planned deficit or surplus.

3. Summary of Significant Accounting Policies (Continued)

3.2 Consolidation

Subsidiaries

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

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

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

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

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

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

Transactions with non-controlling interests

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

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

Joint Arrangements

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

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

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

3. Summary of Significant Accounting Policies (Continued)

3.2 Consolidation (Continued)

Associates

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

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

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

Dilution gains and losses arising in investments in associates are recognized in the consolidated statement of comprehensive income.

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

3.3 Segment reporting

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

3.4 Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

Group companies

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

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

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

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

3.5 Property, plant and equipment

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

3. Summary of Significant Accounting Policies (Continued)

3.5 Property, plant and equipment

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

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

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

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

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

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

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

3.6 Land use rights

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

3.7 Intangible assets

Computer software

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

Patent and proprietary technologies

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

3.8 Impairment of non-financial assets

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

3.9 Financial assets

Classification

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

(i) Loans and receivables

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

3. Summary of Significant Accounting Policies (Continued)

3.9 Financial assets (Continued)

(ii) Available-for-sale financial assets

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

Recognition and measurement

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

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

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

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale investments, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investments previously recognized in the consolidated statement of comprehensive income — is removed from equity and recognized in the consolidated statement of comprehensive income. Impairment losses recognized in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income. Impairment loss on the available-for-sale investment is measured as the difference between the carrying amount of the investment and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset (Note 3.11).

Offsetting financial instruments

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

3.10 Inventories

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

3.11 Trade and other receivables

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

3. Summary of Significant Accounting Policies (Continued)

3.12 Cash and cash equivalents

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

3.13 Share capital

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

3.14 Borrowings

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

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

3.15 Payables

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

3.16 Employee benefits

Pension obligations

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

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

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

Other post-employment obligations

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

Termination and early retirement benefits

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

3. Summary of Significant Accounting Policies (Continued)

3.16 Employee benefits (Continued)

Housing benefits

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

Bonus entitlements

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

3.17 Taxation

Current and deferred income tax

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

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

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

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

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

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

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

Value-added taxation ("VAT")

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

Business tax

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

3.18 Contingencies

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

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

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

3. Summary of Significant Accounting Policies (Continued)

3.19 Provisions

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

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

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

3.20 Government grants

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

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

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

3.21 Contract work

Contract costs are recognized as expense in the year in which they are incurred.

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

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

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

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

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

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

3.22 Revenue recognition

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

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

3. Summary of Significant Accounting Policies (Continued)

3.22 Revenue recognition (Continued)

Revenue from construction and service contracts

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

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

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

Services rendered

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

Sales of products

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

Dividend income

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

Interest income

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

3.23 Research and development

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

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

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

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

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

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

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

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

3.24 Dividend distribution

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

3. Summary of Significant Accounting Policies (Continued)

3.25 Financial guarantee contract

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

3.26 Leases

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

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

4. Financial and Capital Risks Management

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

4.1 Financial risk management

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

(a) Market risk

Foreign exchange risk

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

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

The Group is exposed to currency risk primarily through provision of engineering contracting services which give rise to trade and other receivables, trade and other payables, restricted cash, time deposits and cash and cash equivalents that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currency that gives rise to this risk is primarily in USD, EUR, and Saudi Arabian Riyal (“SAR”) as at 31 December 2013 and 2012.

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

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

At 31 December 2013	USD	EUR	SAR	Others
	RMB’000	RMB’000	RMB’000	RMB’000
Restricted cash, time deposits and cash and cash equivalents	6,665,017	191,646	109,564	15,943
Trade and other receivables	1,569,480	84,014	295,070	267,928
Trade and other payables	(2,017,871)	(20,800)	(534,511)	(108,700)
Net exposure in RMB	6,216,626	254,860	(129,877)	175,171

4. Financial and Capital Risks Management (Continued)

4.1 Financial risk management (Continued)

(a) Market risk (Continued)

Foreign exchange risk (Continued)

At 31 December 2012	USD	EUR	SAR	Others
	RMB'000	RMB'000	RMB'000	RMB'000
Restricted cash and cash and cash equivalents	2,905,189	265,674	95,112	10,253
Trade and other receivables	1,072,907	45,572	205,468	70,451
Trade and other payables	(3,557,308)	(822)	(209,435)	(20,058)
Net exposure in RMB	420,788	310,424	91,145	60,646

A 5% strengthening of RMB against the USD and EUR as at 31 December 2013 and 2012 would have decreased the equity and net profit by the amounts shown below:

	2013	2012
	RMB'000	RMB'000
Changes in equity and net profit		
– USD	(233,123)	(15,780)
– EUR	(9,557)	(11,641)

A 5% weakening of RMB as at 31 December 2013 and 2012 would have had the equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remain constant.

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

Interest rate risk

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

Price risk

The Group is exposed to equity securities price risk because the Group's equity securities investments are classified as available-for-sale financial assets which are required to be stated at their fair values.

The following table details the Group's sensitivity to a 5% increase and 5% decrease in equity securities price on the available-for-sale financial assets at the end of each reporting period while all other variables were held constant. Management has used 5% to illustrate the equity price risk as the fluctuation in equity securities price is unpredictable.

	2013	2012
	RMB'000	RMB'000
Impact on equity		
Increase/(decrease) in equity for the year		
– as a result of increase in equity securities price	726	565
– as a result of decrease in equity securities price	(726)	(565)

(b) Credit risk

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

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

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

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

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

4. Financial and Capital Risks Management (Continued)

4.1 Financial risk management (Continued)

(c) Liquidity risk

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

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

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

	Weighted average effective interest rate	Within 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2013							
Trade and other payables	N/A	11,240,350	—	—	—	11,240,350	11,240,350

	Weighted average effective interest rate	Within 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2012							
Trade and other payables	N/A	11,539,015	—	—	—	11,539,015	11,539,015
Amounts due to fellow subsidiaries	2.02% - 2.60%	159,528	—	—	—	159,528	157,138
		11,698,543	—	—	—	11,698,543	11,696,153

4.2 Capital risk management

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

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

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

	2013	2012
	RMB'000	RMB'000
Total borrowings and other liabilities	11,240,350	11,696,153
Less: Restricted cash, time deposits and cash and cash equivalents	(10,946,194)	(4,846,744)
Net debt	294,156	6,849,409
Total equity (excluding non-controlling interests)	20,976,714	7,077,985
Total capital	21,270,870	13,927,394
Gearing ratio	1%	49%

4. Financial and Capital Risks Management (Continued)

4.3 Fair value estimation

Fair value measurements

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

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

Fair value disclosures

The carrying amounts of the Group's financial assets and liabilities including restricted cash, time deposits, cash and cash equivalents, trade and other receivables, trade and other payables and short-term borrowings approximate their fair values due to their short maturities. There are no financial liabilities that are measured at fair value as at 31 December 2013 and 2012.

The following table presents the Group's assets that are measured at fair value as at 31 December 2013 and 2012.

	2013	2012
	RMB'000	RMB'000
Level 1		
Available-for-sale financial assets – Listed equity securities	16,612	12,315

5. Critical Accounting Estimates and Judgement

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

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

(a) Construction contracts

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

(b) Useful lives of property, plant and equipment

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

(c) Provision for impairment on trade receivables

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

(d) Current taxation and deferred taxation

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

5. Critical Accounting Estimates and Judgement (Continued)

(d) Current taxation and deferred taxation (Continued)

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

(e) Pension obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for provisions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of corporate securities which have maturity approximating to the terms of the related pension liability. Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 32.

(f) Provision for litigation claims

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

(g) Tax matters pursuant to the Reorganization

In connection with the Reorganization, Sinopec Group undertakes the related tax obligation arising from the Reorganization. The Group as a result has not provided these potential tax liabilities, for example capital gain on revaluation. The Group determines that the tax obligation of the reorganization transactions remained uncertain and as such the Group did not provide for the tax obligation. In the event that tax obligation arising from the reorganization transactions could result in material adjustments to income tax expense, Sinopec Group has provided a guarantee to the Company that Sinopec Group will bear all such taxes.

6. Revenue

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

	2013	2012
	RMB'000	RMB'000
Engineering, consulting and licensing	4,354,199	4,121,829
EPC Contracting	23,505,528	20,082,442
Construction	15,214,927	13,825,409
Equipment manufacturing	497,197	496,809
	43,571,851	38,526,489

7. Segment Information

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

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

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

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

7. Segment Information (Continued)

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

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

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

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

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

Capital expenditure comprises additions to property, plant and equipment (Note 17), land use rights (Note 18), intangible assets (Note 19) and other non-current assets, including additions resulting from acquisitions through business combinations.

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

(i) As at and for the year ended 31 December 2013:

The segment results for the year ended 31 December 2013 are as follows:

	Engineering, consulting and licensing	EPC Contracting	Construction	Equipment manufacturing	Unallocated	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue and results							
Revenue from external customers	4,354,199	23,505,528	15,214,927	497,197	—	—	43,571,851
Inter-segment revenue	—	—	2,809,110	186,991	—	(2,996,101)	—
Segment revenue	4,354,199	23,505,528	18,024,037	684,188	—	(2,996,101)	43,571,851
Segment result	1,391,265	2,537,411	499,873	(40,965)	25,901	—	4,413,485
Finance income							428,394
Finance expenses							(104,123)
Share of profits of joint arrangements	1,324	—	—	—	—	—	1,324
Share of profits of associates	10,357	—	1,604	—	—	—	11,961
Profit before income tax							4,751,041
Income tax expense							(1,093,877)
Profit for the year							3,657,164
Other segment items							
Depreciation	116,165	52,596	258,704	17,930	—	—	445,395
Amortisation	77,569	35,467	26,562	1,585	—	—	141,183
Capital expenditures							
– Property, plant and equipment	34,102	71,473	445,319	113,634	—	—	664,528
– Land use rights	—	—	52,310	—	—	—	52,310
– Intangible assets	40,208	4,932	1,222	—	—	—	46,362
Provision for impairment on trade and other receivables	10,235	27,344	15,242	8,346	—	—	61,167

7. Segment Information (Continued)

(i) As at and for the year ended 31 December 2013 (Continued):

The segment assets and liabilities as at 31 December 2013 are as follows:

	Engineering, consulting and licensing	EPC Contracting	Construction	Equipment manufacturing	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets						
Segment assets	6,742,641	16,554,089	13,329,955	966,007	(1,228,020)	36,364,672
Investment in joint arrangements	8,184	—	—	—	—	8,184
Investment in associates	75,306	—	19,753	—	—	95,059
Other unallocated assets						10,897,354
Total assets						47,365,269
Liabilities						
Segment liabilities	3,262,643	13,130,254	10,623,973	396,871	(1,228,020)	26,185,721
Other unallocated liabilities						199,207
Total liabilities						26,384,928

(ii) As at and for the year ended 31 December 2012:

The segment results for the year ended 31 December 2012 are as follows:

	Engineering, consulting and licensing	EPC Contracting	Construction	Equipment manufacturing	Unallocated	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue and results							
Revenue from external customers	4,121,829	20,082,442	13,825,409	496,809	—	—	38,526,489
Inter–segment revenue	—	—	2,471,417	128,151	—	(2,599,568)	—
Segment revenue	4,121,829	20,082,442	16,296,826	624,960	—	(2,599,568)	38,526,489
Segment result	1,239,912	2,305,347	317,904	(41,435)	10,295	—	3,832,023
Finance income							525,965
Finance expenses							(121,300)
Share of profits of joint arrangements	1,753	—	—	—	—	—	1,753
Share of profits of associates	12,109	—	1,517	—	—	—	13,626
Profit before income tax							4,252,067
Income tax expense							(934,798)
Profit for the year							3,317,269
Other segment items							
Depreciation	119,450	67,663	351,085	33,467	—	—	571,665
Amortisation	73,169	30,753	22,980	—	—	—	126,902
Capital expenditures							
– Property, plant and equipment	98,811	43,859	318,749	48,687	—	—	510,106
– Land use rights	312,736	198,323	393,798	71,361	—	—	976,218
– Intangible assets	12,741	8,509	1,826	—	—	—	23,076
Provision for/(reversal of) impairment on trade and other receivables	1,621	60,662	24,841	(9,236)	—	—	77,888

7. Segment Information (Continued)

(ii) As at and for the year ended 31 December 2012 (Continued):

The segment assets and liabilities as at 31 December 2012 are as follows:

	Engineering, consulting and licensing	EPC Contracting	Construction	Equipment manufacturing	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets						
Segment assets	6,127,420	19,586,004	11,142,714	670,073	(1,282,225)	36,243,986
Investment in joint arrangements	7,666	—	—	—	—	7,666
Investment in associates	65,329	—	19,289	—	—	84,618
Other unallocated assets						793,755
Total assets						37,130,025
Liabilities						
Segment liabilities	2,790,488	17,290,590	10,704,995	310,015	(1,282,225)	29,813,863
Other unallocated liabilities						234,912
Total liabilities						30,048,775

Analysis of information by geographical regions:

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

Revenue

	2013	2012
	RMB'000	RMB'000
The PRC	**36,540,730**	32,011,159
Other countries	**7,031,121**	6,515,330
	43,571,851	38,526,489

The customer accounted for more than 10% of the total revenue of the Group and revenue from it for the years ended 31 December 2013 and 2012 is as follows:

	2013	2012
	RMB'000	RMB'000
A fellow subsidiary	**14,178,045**	17,502,813

The revenue from that customer is derived from the segments of engineering, consulting and licensing, EPC contracting ,construction and equipment manufacturing.

Specified non-current assets

	2013	2012
	RMB'000	RMB'000
The PRC	**7,311,804**	7,105,500
Other countries	**141,940**	164,458
	7,453,744	7,269,958

8. Other Income

	2013 RMB'000	2012 RMB'000
Operating lease rental income on property, plant and equipment	45,607	32,866
Income from write-back long outstanding payables	17,030	1,482
Others	15,654	51,044
	78,291	85,392

9. Other Gains/(Losses), net

	2013 RMB'000	2012 RMB'000
Gains/(Losses) on disposal of property, plant and equipment	4,157	(10,311)
Losses on disposal of land use rights	—	(31,422)
	4,157	(41,733)

10. Finance Income and Finance Expenses

	2013 RMB'000	2012 RMB'000
Finance income		
Interest income from the ultimate holding company	310,987	492,434
Bank interest income	117,407	33,531
	428,394	525,965
Finance expenses		
Interest expenses to fellow subsidiaries on balances wholly repayable within 5 years	(3,038)	(2,739)
Interest expenses on retirement and other supplementary benefit obligation	(101,085)	(118,561)
	(104,123)	(121,300)
	324,271	404,665

11. Profit Before Taxation

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

	2013	2012
	RMB'000	RMB'000
Staff costs, including directors and supervisors emoluments	5,161,972	4,519,252
Retirement benefit plan contribution (including the above mentioned staff costs)	605,699	543,914
Cost of goods sold	13,959,690	12,661,527
Subcontracting costs	14,472,259	12,465,710
Depreciation and amortisation		
– Property, plant and equipment	445,395	571,665
– Land use rights	61,837	52,784
– Intangible assets	79,346	74,118
Operating lease rentals		
– Property, plant and equipment	328,266	239,993
Provision for impairment on assets		
– trade receivables, prepayment and other receivables	61,167	77,888
– expected losses on contract work-in-progress	1,652	—
Rental income from property, plant and equipment after relevant expenses	(25,074)	(7,598)
Provision for litigation claims (including other operating expenses)	—	19,772
Research and development costs	629,698	547,561
(Gains)/Losses on disposal/write-off of property, plant and equipment	(4,157)	10,311
Losses on disposal of land use rights	—	31,422
Auditors' remuneration (i)	4,700	—
Exchange losses, net	167,634	6,508

Note:
(i) The auditors' remuneration for the year ended 31 December 2012 is borne by the ultimate holding company, Sinopec Group.

12. Income Tax Expense

	2013	2012
	RMB'000	RMB'000
Current tax		
PRC enterprise income tax	1,001,879	873,024
Overseas enterprise income tax	29,639	5,640
Under-provision for PRC enterprise income tax in prior years	43,706	49,904
	1,075,224	928,568
Deferred tax		
Origination and reversal of temporary differences	18,653	6,230
Income tax expense	1,093,877	934,798

According to the Corporate Income Tax Law of the PRC, the applicable income tax of the years ended 31 December 2013 and 2012 is 25%.

According to the normal statutory PRC corporate income tax and relevant rules, apart from a certain subsidiary of the Company subjected to the relevant development zone policy or participated in technology development and China's western development project can enjoy 15-24% preferential tax rate during different period in the related period. For the years ended 31 December 2013 and 2012, the majority of the members of the Group is subject to 25% income tax rate.

12. Income Tax Expense (Continued)

The tax of other countries (mainly Saudi Arabia, Federal Republic of Nigeria, Singapore, the United States and the United Kingdom) 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:

	2013	2012
	RMB'000	RMB'000
Profit before taxation	4,751,041	4,252,067
Taxation calculated at the statutory tax rate	1,187,760	1,063,017
Income tax effects of:		
Preferential income tax treatments of certain companies	(185,143)	(191,155)
Difference in overseas profits tax rates	(1,744)	(418)
Non-deductible expenses	42,798	11,472
Income not subject to tax	(4,896)	(12,554)
Unrecognized tax losses	13,045	18,516
Utilization of previously unrecognized tax losses	(1,649)	(3,984)
Under provision for PRC enterprise income tax in prior years	43,706	49,904
Income tax expense	1,093,877	934,798
Effective income tax rate (i)	23.0%	22.0%

Note:

(i) The changes of effective income tax rate were primarily attributable to the fluctuation in profitability and different expirations of preferential income tax treatments of certain companies now comprising the Group.

13. Earnings Per Share

(a) Basic

The basic earnings per share for each of the years ended 31 December 2013 and 2012 is calculated based on the profit attributable to the equity holders of the Company and the weighted average number of ordinary shares in issue, and on the assumption that 3,100,000,000 Shares issued upon the transformation of the Company from a limited liability company to a joint stock company with limited liability had been in issue since 1 January 2012.

On 23 May 2013, the Company newly issued 1,328,000,000 ordinary shares at HK$10.50 per share as the result of the Listing.

	2013	2012
Profit attributable to equity holders of the Company (RMB'000)	3,656,802	3,316,970
Weighted average number of ordinary shares in issue	3,911,353,425	3,100,000,000
Basic earnings per share (RMB)	0.93	1.07

(b) Diluted

As the Company had no diluted shares for the each of the years ended 31 December 2013 and 2012, diluted earnings per share for the years ended 31 December 2013 and 2012 are the same as basic earnings per share.

14. Dividends

Dividends represented dividends declared by the Company during each of years ended 31 December 2013 and 2012.

	2013	2012
	RMB'000	RMB'000
Special dividends (i)	363,299	—
Interim dividends of RMB0.134 per ordinary share (2012: Nil) (ii)	593,352	—
Proposed final dividends of RMB0.190 per ordinary share (2012: Nil) (iii)	841,320	—

14. Dividends (Continued)

(i) According to the interim regulation about the management of state-owned capital and the accounting treatment during the enterprise corporate restructuring published by Ministry of Finance of PRC on 27 February 2002 (〈企業公司制改建有關國有資本管理與財務管理的暫行規定〉(財企[2002]313號)) and the notice forwarded by the General Office of the State Council about the suggestion of further regulating the reorganization of the state-owned enterprise published by State-owned Assets Supervision and Administration Commission of the State Council (〈國務院辦公廳轉發國資委關於進一步規範國有企業改制工作實施意見的通知〉(國辦發[2005]60號)), an increase of net assets coming from profit should be distributed to its state-owned shareholder or transferred to state-owned equity after the approval of its state-owned shareholder. A special distribution is the increase of net assets of the Group between 30 June 2012 to 28 August 2012 which is to be distributed to the original state-owned shareholder. As at 31 December 2012, the amount of the special distribution is RMB363,299,000 which has not been declared and distributed and is included in the retained earnings. On 10 April 2013, the special distribution was declared and approved to distribute to the original state-owned shareholders.

(ii) Pursuant to a resolution passed at the Directors' meeting on 16 August 2013 and the extraordinary general meeting of the Company on 28 October 2013, the Directors and the shareholders authorized to declare the interim dividends for the year ended 31 December 2013 of RMB0.134 (2012: Nil) per Share totalling RMB593,352,000 (2012: Nil). Interim dividends have been paid on 18 November 2013.

(iii) Pursuant to the Directors' meeting on 14 March 2014, the Directors recommended to declare the final dividends for the year ended 31 December 2013 of RMB0.190 (2012:Nil) per Share totalling RMB841,320,000 (2012: Nil). Such recommendation is to be approved by the shareholders at the annual general meeting. Dividends declared after the end of the Reporting Period are not recognized as a liability at the end of the Reporting Period.

15. Directors' and Supervisors' Emoluments and Five Highest Individuals' Emoluments

(a) Directors' and supervisors' emoluments

Details of directors and supervisors of the Company are as follows:

(i) For the year ended 31 December 2013

	Basic salaries, other allowances and benefits-in-kind	Discretionary bonus	Contributions to pension plans	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Directors				
CAI Xiyou (i)	—	—	—	—
ZHANG Kehua (i)	—	—	—	—
YAN Shaochun (v)	202	403	56	661
LEI Dianwu (i)	—	—	—	—
LING Yiqun (i)	—	—	—	—
CHANG Zhenyong (i)	—	—	—	—
HUI Chiu Chung, Stephen (ii)	120	—	—	120
JIN Yong (ii)	120	—	—	120
YE Zheng (ii)	120	—	—	120
	562	403	56	1,021
Supervisors				
GUAN Qingjie (i)	186	354	56	596
ZHANG Jixing (i)	—	—	—	—
ZOU Huiping (i)	—	—	—	—
GENG Liming (i)	—	—	—	—
ZHU Jinbao (i) (iii)	148	270	52	470
WANG Renli (i) (iii)	145	238	34	417
WANG Yuejie (i) (iii)	175	373	52	600
	654	1,235	194	2,083
	1,216	1,638	250	3,104

15. Directors' and Supervisors' Emoluments and Five Highest Individuals' Emoluments (Continued)

(a) Directors' and supervisors' emoluments (Continued)

Details of directors and supervisors of the Company are as follows: (Continued)

(ii) For the year ended 31 December 2012

	Basic salaries, other allowances and benefits-in-kind	Discretionary bonus	Contributions to pension plans	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Directors				
CAI Xiyou (i)	—	—	—	—
ZHANG Kehua (i)	—	—	—	—
LIU Jiaming (i) (iv)	222	463	52	737
LEI Dianwu (i)	—	—	—	—
LING Yiqun (i)	—	—	—	—
CHANG Zhenyong (i)	—	—	—	—
HUI Chiu Chung, Stephen (ii)	—	—	—	—
JIN Yong (ii)	—	—	—	—
YE Zheng (ii)	—	—	—	—
	222	463	52	737
Supervisors				
GUAN Qingjie (i)	289	214	52	555
ZHANG Jixing (i)	—	—	—	—
ZOU Huiping (i)	—	—	—	—
GENG Liming (i)	—	—	—	—
ZHU Jinbao (i) (iii)	145	285	40	470
WANG Renli (i) (iii)	141	249	43	433
WANG Yuejie (i) (iii)	175	352	47	574
	750	1,100	182	2,032
	972	1,563	234	2,769

Note:
(i) Appointed on 24 August 2012.
(ii) Appointed on 17 December 2012.
(iii) These directors and supervisors receive no emoluments for their services provided to the Company but they however receive emoluments from the Group for their services as directors and/or supervisors of a number of subsidiaries.
(iv) The director was deceased during the year ended 31 December 2012.
(v) Appointed on 10 April 2013.

(b) Five highest paid individuals

The number of director and supervisor and non-director/supervisor included in the five highest paid individuals for the years ended 31 December 2013 and 2012 are set forth below:

	2013	2012
Director or supervisor	—	1
Non-director or supervisor	5	4
	5	5

15. Directors' and Supervisors' Emoluments and Five Highest Individuals' Emoluments (Continued)

(b) Five highest paid individuals (Continued)

The aggregate of the emoluments in respect of the remaining highest paid non-director/supervisor are as follows:

	2013	2012
	RMB'000	RMB'000
Basic salaries, other allowances and benefits-in-kind	908	625
Discretionary bonuses	3,020	2,267
Contributions to pensions plans	160	108
	4,088	3,000

The emoluments of the five (2012: four) highest paid individuals who are not director or supervisor are within the following bands:

	2013	2012
HK$1,000,001 to HK$2,000,000	2	—
Nil to HK$1,000,000	3	4
	5	4

16. Employment Benefits

	2013	2012
	RMB'000	RMB'000
Salaries, wages and bonuses	2,866,932	2,561,259
Retirement benefits (a)	495,117	418,240
Early retirement and supplemental pension benefit (Note32(b))		
– interest cost	101,085	118,561
– service cost	9,497	7,113
Housing fund (b)	218,160	175,219
Welfare, medical and other expenses	1,471,181	1,238,860
	5,161,972	4,519,252

Note:

(a) Retirement benefits

The Group is required to make specific contributions to the state-managed retirement plan at a rate of 17% to 22% of the specified salaries of the PRC employees for the years ended 31 December 2013 and 2012. The PRC government is responsible for the pension liability to the retired employees. The PRC employees of the Group are entitled to a monthly pension upon their retirements.

(b) Housing fund

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

17. Property, Plant and Equipment

Group

	Buildings and other facilities	Plant and machinery, transportation equipment and other equipment	Construction-in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012				
Cost	2,597,997	2,847,540	32,652	5,478,189
Accumulated depreciation and impairment	(647,204)	(1,368,330)	—	(2,015,534)
Net book amount	1,950,793	1,479,210	32,652	3,462,655
Year ended 31 December 2012				
Opening net book amount	1,950,793	1,479,210	32,652	3,462,655
Transfers	23,065	17,412	(40,477)	—
Additions	7,347	244,385	258,374	510,106
Transfer from Sinopec Group	462,125	51,074	—	513,199
Depreciation	(152,392)	(419,273)	—	(571,665)
Transfer to Sinopec Group	(15,051)	—	—	(15,051)
Disposals/write-off	(23,858)	(29,048)	(12,188)	(65,094)
Closing net book amount	2,252,029	1,343,760	238,361	3,834,150
At 31 December 2012 and 1 January 2013				
Cost	3,010,890	2,954,734	238,361	6,203,985
Accumulated depreciation and impairment	(758,861)	(1,610,974)	—	(2,369,835)
Net book amount	2,252,029	1,343,760	238,361	3,834,150
Year ended 31 December 2013				
Opening net book amount	2,252,029	1,343,760	238,361	3,834,150
Transfers	125,771	35,677	(161,448)	—
Additions	23,523	371,294	269,711	664,528
Depreciation	(131,688)	(313,707)	—	(445,395)
Disposals/write-off	(1,586)	(2,209)	—	(3,795)
Closing net book amount	2,268,049	1,434,815	346,624	4,049,488
At 31 December 2013				
Cost	3,153,634	3,274,751	346,624	6,775,009
Accumulated depreciation and impairment	(885,585)	(1,839,936)	—	(2,725,521)
Net book amount	2,268,049	1,434,815	346,624	4,049,488

17. Property, Plant and Equipment (Continued)

Group (Continued)

Depreciation expense recognized is analysed as follows:

	2013	2012
	RMB'000	RMB'000
Cost of sales	410,008	527,770
Selling and marketing expenses	899	851
Administrative expenses	34,488	43,044
	445,395	571,665

Company

	Buildings and other facilities	Plant and machinery, transportation equipment and other equipment	Construction in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012				
Cost	4,402	10,018	—	14,420
Accumulated depreciation and impairment	(840)	(5,587)	—	(6,427)
Net book amount	3,562	4,431	—	7,993
Year ended 31 December 2012				
Opening net book amount	3,562	4,431	—	7,993
Additions	—	2,955	—	2,955
Depreciation	(255)	(1,437)	—	(1,692)
Disposals/write-off	—	(13)	—	(13)
Closing net book amount	3,307	5,936	—	9,243
At 31 December 2012 and 1 January 2013				
Cost	4,402	12,973	—	17,375
Accumulated depreciation and impairment	(1,095)	(7,037)	—	(8,132)
Net book amount	3,307	5,936	—	9,243
Year ended 31 December 2013				
Opening net book amount	3,307	5,936	—	9,243
Transfers	—	2,668	(2,668)	—
Additions	—	—	2,668	2,668
Depreciation	(255)	(1,492)	—	(1,747)
Closing net book amount	3,052	7,112	—	10,164
At 31 December 2013				
Cost	4,402	14,916	—	19,318
Accumulated depreciation and impairment	(1,350)	(7,804)	—	(9,154)
Net book amount	3,052	7,112	—	10,164

17. Property, Plant and Equipment (Continued)

Company (Continued)

Depreciation expense recognized is analysed as follows:

	2013	2012
	RMB'000	RMB'000
Cost of sales	227	222
Administrative expenses	1,520	1,470
	1,747	1,692

18. Land Use Rights

Group

	2013	2012
	RMB'000	RMB'000
Beginning of the year	2,866,761	2,010,363
Additions	52,310	976,218
Amortisation	(61,837)	(52,784)
Transfer to Sinopec Group	—	(4,397)
Disposals	—	(62,639)
End of the year	2,857,234	2,866,761

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

Amortisation recognized is analysed as follows:

	2013	2012
	RMB'000	RMB'000
Cost of sales	30,723	30,603
Selling and marketing expenses	780	309
Administrative expenses	30,334	21,872
	61,837	52,784

Company

	2013	2012
	RMB'000	RMB'000
Beginning of the year	30,640	17,696
Additions	—	13,270
Amortisation	(620)	(326)
End of the year	30,020	30,640

Land use rights represent prepayment by the Company for the land use rights located in the PRC which are held on leases for 50 years. Amortisation of land use rights has been included in administrative expenses in the statement of comprehensive income.

19. Intangible Assets

	Patent	Computer software	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012				
Cost	479,882	169,058	4,562	653,502
Accumulated amortisation	—	(121,428)	(4,269)	(125,697)
Net book amount	479,882	47,630	293	527,805
Year ended 31 December 2012				
Opening net book amount	479,882	47,630	293	527,805
Additions	—	23,076	—	23,076
Amortisation	(55,191)	(18,634)	(293)	(74,118)
Closing net book amount	424,691	52,072	—	476,763
At 31 December 2012 and 1 January 2013				
Cost	479,882	192,134	—	672,016
Accumulated amortisation	(55,191)	(140,062)	—	(195,253)
Net book amount	424,691	52,072	—	476,763
Year ended 31 December 2013				
Opening net book amount	424,691	52,072	—	476,763
Additions	—	46,362	—	46,362
Amortisation	(55,192)	(24,154)	—	(79,346)
Closing net book amount	369,499	74,280	—	443,779
At 31 December 2013				
Cost	479,882	238,398	—	718,280
Accumulated amortisation	(110,383)	(164,118)	—	(274,501)
Net book amount	369,499	74,280	—	443,779

Amortisation recognized is analysed as follows:

	2013	2012
	RMB'000	RMB'000
Cost of sales	32,231	69,648
Selling and marketing expenses	314	427
Administrative expenses	46,801	4,043
	79,346	74,118

20. Investment in Joint Arrangements, Associates and Subsidiaries

(a) Investment in joint arrangements

	2013 RMB'000	2012 RMB'000
Joint ventures		
Beginning of the year	7,666	6,683
Addition of investment costs	1,265	—
Share of total comprehensive income	1,324	1,846
Dividend distribution	(2,071)	(863)
End of the year	8,184	7,666

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

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

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

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

	2013 RMB'000	2012 RMB'000
Current assets	150,087	115,906
Non-current assets	3,751	4,128
Total assets	153,838	120,034
Current liabilities	(137,471)	(104,702)
Total liabilities	(137,471)	(104,702)
Equity	16,367	15,332
Share of equity by the Group (50%) (2012: 50%)	8,184	7,666

	2013 RMB'000	2012 RMB'000
Revenue	134,131	226,067
Profit and total comprehensive income for the year	2,648	3,692
Share of total comprehensive income (50%) (2012: 50%)	1,324	1,846

20. Investment in Joint Arrangements, Associates and Subsidiaries (Continued)

(a) Investment in joint arrangements (Continued)

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

(b) Investment in associates

	2013	2012
	RMB'000	RMB'000
Beginning of the year	84,618	77,992
Share of total comprehensive income	11,961	13,626
Dividend distribution	(1,520)	(7,000)
End of the year	95,059	84,618

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

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

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

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

	2013	2012
	RMB'000	RMB'000
Current assets	513,338	526,802
Non-current assets	15,285	1,455
Total assets	528,623	528,257
Current liabilities	(342,456)	(367,197)
Total liabilities	(342,456)	(367,197)
Equity attributable to equity holders	176,759	153,954
Non- controlling interests	9,408	7,106
	186,167	161,060
Share of equity by the Group (35%) (2012: 35%)	61,866	53,884

20. Investment in Joint Arrangements, Associates and Subsidiaries (Continued)

(b) Investment in associates (Continued)

	2013 RMB'000	2012 RMB'000
Revenue	416,881	543,981
Profit and total comprehensive income for the year attributable to equity holders	22,805	27,969
Profit and total comprehensive income for the year attributable to non- controlling interests	2,302	3,405
Share of total comprehensive income (35%) (2012: 35%)	7,982	9,789

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

	2013 RMB'000	2012 RMB'000
Current assets	55,414	48,303
Non-current assets	36,536	38,991
Total assets	91,950	87,294
Current liabilities	(26,107)	(22,997)
Total liabilities	(26,107)	(22,997)
Equity	65,843	64,297
Share of equity by the Group (40%) (2012: 40%)	26,337	25,719

	2013 RMB'000	2012 RMB'000
Revenue	67,408	51,583
Profit and total comprehensive income for the year	5,346	5,058
Share of total comprehensive income (40%) (2012: 40%)	2,138	2,023

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

	2013 RMB'000	2012 RMB'000
Current assets	82,328	87,383
Non-current assets	1,102	1,199
Total assets	83,430	88,582
Current liabilities	(64,575)	(74,790)
Total liabilities	(64,575)	(74,790)
Equity	18,855	13,792
Share of equity by the Group (36.36%) (2012: 36.36%)	6,856	5,015

20. Investment in Joint Arrangements, Associates and Subsidiaries (Continued)

(b) Investment in associates (Continued)

	2013 RMB'000	2012 RMB'000
Revenue	56,430	133,645
Profit and total comprehensive income for the year	5,063	5,312
Share of total comprehensive income (36.36%) (2012: 36.36%)	1,841	1,814

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

(c) Investment in subsidiaries

Company

	2013 RMB'000	2012 RMB'000
Unlisted investments, at cost (ii)	6,644,135	6,448,450

(i) Particulars of the Company's principal subsidiaries are set out in Note 43.
(ii) The increase in the year ended 31 December 2013 is due to further capital injection in certain subsidiaries amounting to RMB192,610,000, as well as a newly set up subsidiary with capital injection amounting to RMB3,075,000.

21. Available-for-sale Financial Assets

	2013 RMB'000	2012 RMB'000
Beginning of the year	15,065	13,932
Net fair value gains transferred to equity	4,297	1,133
End of the year	19,362	15,065

Available-for-sale financial assets include the following:

	2013 RMB'000	2012 RMB'000
Listed securities:		
Equity securities – PRC	16,612	12,315
Unlisted securities:		
Equity securities – PRC	2,750	2,750
	19,362	15,065
Market value of listed securities	16,612	12,315

As at 31 December 2013 and 2012, the listed available-for-sale financial assets represented 1.07% equity interest of Lanzhou Huanghe Enterprise Co., Ltd. (蘭州黃河企業股份有限公司).

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

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

22. Notes and Trade Receivables

Group

	2013 RMB'000	2012 RMB'000
Trade receivables		
Fellow subsidiaries	3,001,530	3,582,591
A joint venture of fellow subsidiaries	178,760	16,170
An associate of fellow subsidiaries	—	13,740
Associates	1,280	—
Third parties	3,399,677	2,030,074
	6,581,247	5,642,575
Less: Provision for impairment	(170,602)	(149,699)
Trade receivables-net	6,410,645	5,492,876
Notes receivables	536,173	581,526
Notes and trade receivables-net	6,946,818	6,074,402

The carrying amounts of the Group's notes and trade receivables as at 31 December 2013 and 2012 approximate their fair value.

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

The Group usually provide customers with a credit term between 15 and 90 days. For the settlement of trade receivables from provision of services, the Group usually reaches an agreement on the term of each payment with the customer by taking into account factors such as, among other things, the credit history of the customer, its liquidity position and the Group's working capital needs, which varies on a case-by-case basis that requires the judgment and experience of the management. The Group and the Company do not hold any collateral as security.

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

	2013 RMB'000	2012 RMB'000
Within 1 year	6,200,689	5,552,785
Between 1 and 2 years	484,713	394,282
Between 2 and 3 years	203,040	107,527
Between 3 and 4 years	57,969	483
Between 4 and 5 years	202	13,387
Over 5 years	205	5,938
	6,946,818	6,074,402

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

	2013 RMB'000	2012 RMB'000
At the beginning of the year	149,699	102,068
Provisions	84,963	80,368
Receivables written off as uncollectible	(6,336)	(398)
Reversal	(57,724)	(32,339)
At the end of the year	170,602	149,699

22. Notes and Trade Receivables (Continued)

Group (Continued)

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

	2013	2012
	RMB'000	RMB'000
RMB	5,664,064	5,703,485
USD	1,092,107	269,206
SAR	176,579	99,698
Others	14,068	2,013
	6,946,818	6,074,402

Company

	2013	2012
	RMB'000	RMB'000
Trade receivables		
Third parties	137,716	10,356
Less: Provision for impairment	(305)	—
	137,411	10,356

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

	2013	2012
	RMB'000	RMB'000
Within 1 year	135,907	10,356
Between 1 and 2 years	1,504	—
	137,411	10,356

The carrying amounts of the Company's trade receivables as at 31 December 2013 and 2012 approximate their fair value.

The carrying amounts of the Company's trade receivables are denominated in USD.

23. Prepayments and Other Receivables

Group (Continued)

	2013 RMB'000	2012 RMB'000
Prepayments		
Prepayments for construction and materials:		
– Ultimate holding company	112	450
– Fellow subsidiaries	122,658	81,824
Prepayments for construction	834,928	936,800
Prepayments for materials and equipments	1,908,425	2,696,095
Prepayments for labour costs	64,924	17,954
Prepayments for rent	9,234	6,711
Others	110,990	135,467
	3,051,271	3,875,301
Other receivables		
Amount due from the ultimate holding company (i)	—	295
Amounts due from fellow subsidiaries (i)	25,175	18,366
Amounts due from joint ventures of fellow subsidiaries (i)	15	—
Dividends receivable	3,313	5,635
Intererts receivable	9,052	—
Petty cash funds	42,860	60,770
Retention deposits	1,305,473	557,726
Other guarantee deposits and deposits	106,529	67,834
Rent receivables	—	2,680
Payment in advance	138,918	141,442
Maintenance funds	76,659	75,778
Others	75,123	44,854
	1,783,117	975,380
Less: Provision for impairment	(225,889)	(191,961)
Prepayments and other receivables-net	4,608,499	4,658,720

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

The carrying amounts of the Group's prepayments and other receivables as at 31 December 2013 and 2012 approximate their fair value.

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

	2013 RMB'000	2012 RMB'000
At the beginning of the year	191,961	179,200
Provisions	85,093	78,604
Receivables written off as uncollectible	—	(17,098)
Reversal	(51,165)	(48,745)
At the end of the year	225,889	191,961

23. Prepayments and Other Receivables (Continued)

Company

	2013	2012
	RMB'000	RMB'000
Prepayments for construction		
– Subsidiaries	162,462	—
Prepayments for materials and equipments	6,433	10,850
Prepayments for rent	54	513
Others	3,324	620
	172,273	11,983
Other receivables		
Prepayment for petty cash funds	720	162
Other retention funds and deposits	141	664
Retention deposits	18,799	—
Prepayment in advance	4,852	—
Amounts due from fellow subsidiaries (i)	59,206	2,862
Amount due from the ultimate holding company (i)	—	42
Loans due from subsidiaries (ii)	320,531	190,000
Interests receivables	9,052	—
Dividends receivables	—	1,551,460
	413,301	1,745,190
Less: Provision for impairment	(502)	(13)
Prepayments and other receivables-net	585,072	1,757,160

(i) The amounts due from related parties are unsecured, interest free and repayable on demand.
(ii) Loans due from subsidiaries are unsecured and repayable within one year, except for a loan amounting to RMB48,000,000 with interest bearing of 4.20% per annum, others are denominated in USD and interest bearing of 2.00% per annum. (2012: 4.42%)

The carrying amounts of the Company's prepayments and other receivables as at 31 December 2013 and 2012 approximate their fair value.

24. Contract Work-in-progress

Group

	2013	2012
	RMB'000	RMB'000
Contract cost incurred plus recognized profit less recognized losses	97,941,837	73,971,276
Less: Progress billings	(96,893,683)	(75,629,053)
Contract work-in-progress	1,048,154	(1,657,777)
Representing:		
Amounts due from customers for contract work	5,953,784	4,584,264
Less: Provision for impairment	(1,652)	—
Net amounts due from customers for contract work	5,952,132	4,584,264
Amounts due to customers for contract work	(4,903,978)	(6,242,041)
	1,048,154	(1,657,777)

	2013	2012
	RMB'000	RMB'000
Contract revenue recognized as revenue in the year	38,720,455	33,907,851

24. Contract Work-in-progress (Continued)

Company

	2013	2012
	RMB'000	RMB'000
Contract cost incurred plus recognized profit less recognized losses	272,037	—
Less: Progress billings	(329,071)	(26,391)
Contract work-in-progress	(57,034)	(26,391)
Representing:		
Amounts due to customers for contract work	(57,034)	(26,391)

	2013	2012
	RMB'000	RMB'000
Contract revenue recognized as revenue in the year	456,219	6,669

25. Inventories

	2013	2012
	RMB'000	RMB'000
Raw materials	951,652	589,701
Turnover materials	51,610	68,267
Goods in transit	241,885	75,551
Work-in-process	—	13,598
	1,245,147	747,117

As at 31 December 2013 and 2012, no provision for impairment on inventories of the Group has been made.

For the years ended 31 December 2013 and 2012, the cost of inventories recognized as expense and included in cost of sales amounted to RMB13,959,690,000 and RMB12,661,527,000 respectively.

26. Loans Due from the Ultimate Holding Company

Group

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

	2013	2012
Loans due from the ultimate holding company	4.50%	4.40% to 5.00%

Company

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

	2013	2012
Loans due from the ultimate holding company	4.50%	4.45% to 4.80%

27. Restricted Cash

	2013 RMB'000	2012 RMB'000
Restricted cash		
– RMB	18,344	23,844
– AED	42	171
– KZT	766	239
	19,152	24,254

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

As at 31 December 2013 and 2012, the weighted average effective interest rates per annum on restricted cash with maturities ranging from one to twelve months was determined in accordance with the interest rate per annum of bank current account.

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

28. Time Deposits

Group and Company

	2013 RMB'000	2012 RMB'000
Time deposits with initial term over three months:		
Time deposits	3,412,552	—
Time deposits in a fellow subsidiary	2,000,000	—
	5,412,552	—

	2013 RMB'000	2012 RMB'000
Denominated in:		
– RMB	2,000,000	—
– USD	3,412,552	—
	5,412,552	—

The fellow subsidiary is Sinopec Century Bright Capital Investment Limited.

The effective interest rates per annum on time deposits, with maturities ranging from three months to six months, approximately 1.87% to 3.60% as at 31 December 2013.

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

29. Cash and Cash Equivalents

Group

	2013 RMB'000	2012 RMB'000
Cash at bank and in hand	3,524,055	2,420,861
Deposits in fellow subsidiaries	1,990,435	2,401,629
	5,514,490	4,822,490

29. Cash and Cash Equivalents (Continued)

Group (Continued)

	2013	2012
	RMB'000	RMB'000
Denominated in:		
– RMB	1,945,680	1,546,672
– USD	3,252,465	2,905,189
– SAR	109,564	95,112
– EUR	191,646	265,674
– AED	1,018	1,812
– KZT	11,506	4,956
– Others	2,611	3,075
	5,514,490	4,822,490

Company

	2013	2012
	RMB'000	RMB'000
Cash at bank and in hand	2,637,108	1,738,147
Deposits in fellow subsidiaries	1,707,677	1,336,968
	4,344,785	3,075,115

	2013	2012
	RMB'000	RMB'000
Denominated in:		
– RMB	1,430,445	1,254,494
– USD	2,912,556	1,817,671
– SAR	—	1
– AED	32	98
– KZT	1,745	2,831
– Others	7	20
	4,344,785	3,075,115

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

As at 31 December 2013 and 2012, the weighted average effective interest rates per annum on cash at bank are determined in accordance with the interest rate per annum of bank current account.

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

30. Share Capital

	2013		2012	
	Number of shares	Share capital	Number of shares	Share capital
		RMB'000		RMB'000
Registered, issued and fully paid				
– Domestic shares of RMB1.00 each (i)	2,967,200,000	2,967,200	3,100,000,000	3,100,000
– H Shares of RMB1.00 each (ii)	1,460,800,000	1,460,800	—	—
Including: H Shares issued by the Company	1,328,000,000	1,328,000	—	—
H Shares held by NSSF	132,800,000	132,800	—	—
	4,428,000,000	4,428,000	3,100,000,000	3,100,000

(i) On 28 August 2012, the Company was transformed from a limited liability company into a joint stock company with limited liability by converting total equity into 3,100,000,000 ordinary shares ("domestic shares") with a par value of RMB1.00 each.

On 23 May 2013, 132,800,000 H Shares with a par value of RMB1.00 each were converted from domestic shares and transferred to the National Council for Social Security Fund of the PRC ("NSSF"). As at 31 December 2013, the number of domestic shares are 2,967,200,000 with a par value of RMB1.00.

The 2,967,200,000 domestic shares are comprised as follows:

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

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

(ii) The Company's H shares were listed on the Main Board of the Hong Kong Stock Exchange on 23 May 2013. 1,328,000,000 H Shares were issued at HK$10.50 (equivalent to approximately RMB8.38) per H Share with a par value of RMB1.00 each. The Company received net proceeds of approximately RMB10,927,488,000 from the issuance of H Shares, of which paid up share capital was RMB1,328,000,000 and share premium was approximately RMB9,599,488,000 (net of share issue cost).

31. Reserves

(i) Statutory surplus reserve

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

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

(ii) Capital reserve

Capital reserve arising from event-driven revaluation as at 31 December 2011 represented reserve recognized due to the revaluation arising from the Reorganization as described in Note 1.2, being the excess of fair value over carrying value net of the deferred tax liabilities. Apart from the above mentioned event-driven revaluation, capital reserve included transactions with holding company such as assets transferred from/to Sinopec Group and also the share premium account.

(iii) Specific reserve

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

(iv) Investment revaluation reserve

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

31. Reserves (Continued)

(v) Exchange translation reserve

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

(vi) Distributable profits

The distributable profits of the Company are as follows:

	2013	2012
	RMB'000	RMB'000
Distributable profits	386,398	1,389,267

According to the interim regulation about the management of state-owned capital and the accounting treatment during the enterprise corporate restructuring published by the Ministry of Finance of PRC on 27 February 2002 (〈企業公司制改建有關國有資本管理與財務管理的暫行規定〉(財企[2002]313號)) and the notice forwarded by the General Office of the State Council about the suggestion of further regulating the reorganization of the state-owned enterprise published by State-owned Assets Supervision and Administration Commission of the State Council (〈國務院辦公廳轉發國資委關於進一步規範國有企業改制工作實施意見的通知〉(國辦發[2005]60號)), an increase of net assets coming from profit should be distributed to its state-owned shareholder or transferred to state-owned equity after the approval of its state-owned shareholder. A special distribution is the increase of net assets of the Group between 30 June 2012 to 28 August 2012 which is to be distributed to the original state-owned shareholder. As at 31 December 2012, the amount of the special distribution is RMB363,299,000 which has not been declared and distributed and is included in the retained earnings. On 10 April 2013, the special distribution was declared and approved to distribute to the original state-owned shareholders.

(Loss)/Profit attributable to the equity holders of the Company are recognized in the financial statements of the Group:

	2013	2012
	RMB'000	RMB'000
(Loss)/Profit for the year	(46,243)	1,967,181

Company

	Share capital	Capital reserve	Statutory surplus reserve	(Accumulated losses)/ Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012	400,000	3,245,936	—	(52,126)	3,593,810
Profit for the year	—	—	—	1,967,181	1,967,181
Other comprehensive income:					
Defined benefits obligation revaluation of actuarial gain and loss - gross	—	—	—	134	134
Defined benefits obligation revaluation of actuarial gain and loss - tax	—	—	—	(33)	(33)
Total comprehensive income	—	—	—	1,967,282	1,967,282
Transactions with owners:					
Assets transferred from the Company to Sinopec Group	—	(19,448)	—	—	(19,448)
Capital contribution by Sinopec Group to the Company	—	243,628	—	—	243,628
Assets transferred to the subsidiaries of the Company	—	513,199	—	—	513,199
Transfer to statutory surplus reserve	—	—	191,517	(191,517)	—
Transformation into joint stock company with limited liability (Note 1.2)	2,700,000	(2,365,628)	—	(334,372)	—
Total transactions with owners	2,700,000	(1,628,249)	191,517	(525,889)	737,379
At 31 December 2012	3,100,000	1,617,687	191,517	1,389,267	6,298,471

31. Reserves (Continued)

(vi) Distributable profits (Continued)

Company (Continued)

	Share capital	Capital reserve	Statutory surplus reserve	(Accumulated losses)/ Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013	3,100,000	1,617,687	191,517	1,389,267	6,298,471
Profit for the year	—	—	—	(46,243)	(46,243)
Other comprehensive income:					
Defined benefits obligation revaluation of actuarial gain and loss - gross	—	—	—	33	33
Defined benefits obligation revaluation of actuarial gain and loss - tax	—	—	—	(8)	(8)
Total comprehensive income	—	—	—	(46,218)	(46,218)
Transactions with owners:					
Special dividends	—	—	—	(363,299)	(363,299)
2013 interim dividend	—	—	—	(593,352)	(593,352)
Issuance of share capital for listing, net	1,328,000	9,599,488	—	—	10,927,488
Total transactions with owners	1,328,000	9,599,488	—	(956,651)	9,970,837
At 31 December 2013	4,428,000	11,217,175	191,517	386,398	16,223,090

32. Retirement and Other Supplemental Benefit Obligations

(a) State-managed retirement plan

The Chinese employees of the Group participate in employee social security plans organised and administrated by the PRC government authority. The PRC companies are required to contribute 17% - 22%, depending on the applicable legal regulations, of salaries, wages and bonuses to the state-managed retirement plans. The obligation of these PRC companies with respect to the state-managed retirement plans is to make the specified contributions (Note 16(a)).

The total costs charged to the consolidated statement of comprehensive income during the years ended 31 December 2013 and 2012 are as follows:

	2013	2012
	RMB'000	RMB'000
Contributions to state-managed retirement plan	495,117	418,240

(b) Group employee retirement benefit plans

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

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

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

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

The most recent actuarial valuation as at 31 December 2013 was performed by an independent qualified actuarial firm: Mercer Consulting Limited. The present value, related current service cost and past service cost of the Group's retirement benefit plan obligation are prepared by qualified actuary using the projected unit credit actuarial cost method.

32. Retirement and Other Supplemental Benefit Obligations (Continued)

(b) Group employee retirement benefit plans (Continued)

(i) Discount rates adopted (per annum):

	2013	2012
Retirement with honors benefit plan	4.50%	3.40%
Retirement benefit plan	4.70%	3.70%
Early retirement benefit plan	4.30%	3.20%

(ii) Benefit growth rates (per annum):

	2013	2012
Retirement with honors benefit plan	3.30%	3.20%
Retirement benefit plan	1.90%	2.20%
Early retirement benefit plan	3.40%	2.90%

(iii) Mortality: Average life expectancy of residents in the PRC;

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

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

	Retirement with honors benefit plan	Retirement benefit plan	Early retirement benefit plan	Total
	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2012				
Service cost:				
Past service cost	3,999	—	3,114	7,113
Net interest expenses	3,863	110,462	4,236	118,561
Benefit cost recognized in profit or loss	7,862	110,462	7,350	125,674
Revaluation of net benefit obligation liabilities				
Actuarial revaluation of economic assumptions change	(1,275)	(377,245)	—	(378,520)
Actuarial revaluation of other assumptions change	(2,433)	2,342	—	(91)
Benefit cost recognized in other comprehensive income	(3,708)	(374,903)	—	(378,611)
Total benefit cost recognized in the consolidated statement of comprehensive income	4,154	(264,441)	7,350	(252,937)

32. Retirement and Other Supplemental Benefit Obligations (Continued)

(b) Group employee retirement benefit plans (Continued)

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

	Retirement with honors benefit plan	Retirement benefit plan	Early retirement benefit plan	Total
	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2013				
Service cost:				
Past service cost	2,216	—	7,281	9,497
Net interest expenses	3,624	93,743	3,718	101,085
Benefit cost recognized in profit or loss	5,840	93,743	10,999	110,582
Revaluation of net benefit obligation liabilities				
Actuarial revaluation of economic assumptions change	(6,429)	(207,626)	—	(214,055)
Actuarial revaluation of other assumptions change	17,440	(148,439)	—	(130,999)
Benefit cost recognized in other comprehensive income	11,011	(356,065)	—	(345,054)
Total benefit cost recognized in the consolidated statement of comprehensive income	16,851	(262,322)	10,999	(234,472)

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

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

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

	2013	2012
	RMB'000	RMB'000
Net liabilities of retirement benefit plan obligation	2,396,554	2,877,632

32. Retirement and Other Supplemental Benefit Obligations (Continued)

(b) Group employee retirement benefit plans (Continued)

The movement of retirement benefit plan obligation as follows:

	Retirement with honors benefit plan	Retirement benefit plan	Early retirement benefit plan	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012	129,941	3,079,692	164,182	3,373,815
Past service cost	3,999	—	3,114	7,113
Net interest expenses	3,863	110,462	4,236	118,561
Revaluation gain/ (loss):				
Economic assumption change of actuarial revaluation	(1,275)	(377,245)	—	(378,520)
Other assumption change of actuarial revaluation	(2,433)	2,342	—	(91)
Direct benefit paid by the Group	(18,534)	(188,520)	(36,192)	(243,246)
At 31 December 2012 and 1 January 2013	**115,561**	**2,626,731**	**135,340**	**2,877,632**
Past service cost	**2,216**	**—**	**7,281**	**9,497**
Net interest expenses	**3,624**	**93,743**	**3,718**	**101,085**
Revaluation gain/(loss):				
Economic assumption change of actuarial revaluation	**(6,429)**	**(207,626)**	**—**	**(214,055)**
Other assumption change of actuarial revaluation	**17,440**	**(148,439)**	**—**	**(130,999)**
Direct benefit paid by the Group	**(22,172)**	**(186,190)**	**(38,244)**	**(246,606)**
At 31 December 2013	**110,240**	**2,178,219**	**108,095**	**2,396,554**

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

Duration of the Group's retirement benefit plans:

	2013	2012
Retirement with honors benefit plan	**5.2 years**	5.7 years
Retirement benefit plan	**9.2 years**	10.2 years
Early retirement benefit plan	**3.1 years**	3.3 years

33. Provision for Litigation Claims

	2013	2012
	RMB'000	RMB'000
At the beginning of the year	**369,244**	360,338
Provisions	**—**	19,772
Exchange difference	**(34,293)**	—
Payment	**(5,061)**	(10,866)
At the end of the year	**329,890**	369,244

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

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

The provision for litigation claims has been recognized in other operating expenses in the consolidated statement of comprehensive income for the year ended 31 December 2012. As at year ended 31 December 2013, no provision for litigation claims is provided.

34. Notes and Trade Payables

Group

	2013	2012
	RMB'000	RMB'000
Trade payables		
Fellow subsidiaries	83,119	50,161
A joint venture of fellow subsidiaries	—	300
Associates	5,215	4,052
Third parties	10,078,906	8,311,769
	10,167,240	8,366,282
Notes payables	27,019	—
Notes and trade payables	10,194,259	8,366,282

The carrying amounts of the Group's notes and trade payables as at 31 December 2013 and 2012 approximate their fair value.

Ageing analysis of notes and trade payables is as follows:

	2013	2012
	RMB'000	RMB'000
Within 1 year	7,676,211	6,239,001
Between 1 and 2 years	1,712,698	1,254,907
Between 2 and 3 years	541,099	595,763
Over 3 years	264,251	276,611
	10,194,259	8,366,282

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

	2013	2012
	RMB'000	RMB'000
RMB	9,398,842	7,931,448
USD	323,205	309,528
EUR	20,800	—
AED	—	5,872
KZT	49,084	12,963
SAR	401,543	105,248
Others	785	1,223
	10,194,259	8,366,282

Company

	2013	2012
	RMB'000	RMB'000
Trade payables		
Third parties	48,450	—

The carrying amounts of the Company's trade payables as at 31 December 2013 and 2012 approximate their fair value.

The ageing of trade payables is within one year.

The carrying amounts of the Company's trade payables are denominated in USD.

35. Other Payables

Group

	2013	2012
	RMB'000	RMB'000
Contract deposits advance:		
Fellow subsidiaries	880,536	1,177,820
A joint venture of fellow subsidiaries	344,947	91,007
An associate of fellow subsidiaries	7,010	7,010
A joint venture	1,821	—
Associates	—	1,484
Third parties	6,080,635	7,351,472
Salaries payables	102,622	200,717
Other taxation payables	201,108	299,588
Deposits and guarantee deposits payables	93,900	67,951
Advanced payables	276,410	331,531
Rent, property management and maintenance payables	69,403	66,358
Contracts payables	109,318	8,560
Retention payables	—	30
Amount due to the ultimate holding company (i)	—	2,000,000
Amounts due to fellow subsidiaries (i)	3,065	40,102
Amounts due to joint ventures (i)	71	—
Others	190,194	157,896
Total other payables	8,361,040	11,801,526

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

The carrying amounts of the Group's other payables as at 31 December 2013 and 2012 approximate their fair value.

Company

	2013	2012
	RMB'000	RMB'000
Contract advance from:		
Third parties	895,125	1,861,362
Salaries payables	810	75
Other taxation payables	24,293	3,871
Deposits and guarantee deposits payables	436	—
Advanced payables	38,926	949
Amount due to the ultimate holding company (i)	—	2,000,000
Amounts due to fellow subsidiaries (i)	9,386,504	6,036,690
Others	4,003	44
Total other payables	10,350,097	9,902,991

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

The carrying amounts of the Company's other payables as at 31 December 2013 and 2012 approximate their fair value.

36. Current and Deferred Taxation

Group

Deferred income tax assets and liabilities recognized:

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

	2013	2012
	RMB'000	RMB'000
Deferred income tax assets	693,373	793,755
Deferred income tax liabilities	(37,564)	(39,483)
Deferred income tax assets, net	655,809	754,272

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

	2013	2012
	RMB'000	RMB'000
Beginning of the year	754,272	846,750
Charged to equity for fair value change of available-for-sale financial assets	(1,074)	(282)
Charged to equity for retirement and other supplementary benefit actuarial revaluation	(78,736)	(85,966)
Tax charged to the consolidated statement of comprehensive income (Note 12)	(18,653)	(6,230)
End of the year	655,809	754,272

The movement in deferred income tax assets/(liabilities) during the years ended 31 December 2013 and 2012, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Tax losses	Provision for retirement and other supplemental benefit obligation	Provision for impairment on assets	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012	—	771,552	58,643	63,066	893,261
(Charged)/Credited to:					
Profit for the year	—	(27,240)	13,798	(98)	(13,540)
Equity	—	(85,966)	—	—	(85,966)
At 31 December 2012 and 1 January 2013	—	658,346	72,441	62,968	793,755
(Charged)/Credited to:					
Profit for the year	13,359	(40,195)	19,375	(14,185)	(21,646)
Equity	—	(78,736)	—	—	(78,736)
At 31 December 2013	13,359	539,415	91,816	48,783	693,373

36. Current and Deferred Taxation (Continued)

Group (Continued)

Deferred income tax liabilities

	Excess of carrying value of assets over tax bases arising from business combination	Change in fair value of available-for-sale financial assets	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2012	44,072	2,439	46,511
(Credited)/Charged to:			
Profit for the year	(7,310)	—	(7,310)
Equity	—	282	282
As 31 December 2012 and 1 January 2013	36,762	2,721	39,483
(Credited)/Charged to:			
Profit for the year	**(2,993)**	—	**(2,993)**
Equity	—	**1,074**	**1,074**
As 31 December 2013	**33,769**	**3,795**	**37,564**

Deferred income tax assets not recognized

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

	2013	2012
	RMB'000	RMB'000
Tax losses for which no deferred income tax asset was recognized	**251,495**	213,255

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

Company

Deferred income tax assets recognized:

The analysis of deferred income tax assets is as follows:

	2013	2012
	RMB'000	RMB'000
Deferred income tax assets	**13,704**	157

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

	2013	2012
	RMB'000	RMB'000
Beginning of the year	**157**	190
Charged to equity for retirement and other supplementary benefit actuarial revaluation	**(8)**	(33)
Tax credited to the statement of comprehensive income	**13,555**	—
End of the year	**13,704**	157

The movement in deferred income tax assets during the years ended 31 December 2013 and 2012, without taking into the offsetting of balances within the same tax jurisdiction, is as follows:

36. Current and Deferred Taxation (Continued)

Company (Continued)

Deferred income tax assets

	Tax losses	Provision for retirement and other supplemental benefit obligation	Provision for impairment on assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012	—	190	—	190
Charged/(Credited) to:				
Equity	—	(33)	—	(33)
At 31 December 2012 and 1 January 2013	—	157	—	157
Charged/(Credited) to:				
Profit for the year	13,359	(6)	202	13,555
Equity	—	(8)	—	(8)
At 31 December 2013	13,359	143	202	13,704

37. Loans Due to Fellow Subsidiaries

Loans due to fellow subsidiaries are unsecured, repayable within one year and interest bearings as follows.

	2013	2012
Loans due to fellow subsidiaries	—	2.02% - 2.60%

38. Commitments

(a) Capital commitments

Capital commitments for the purchase of property, plant and equipment outstanding at 31 December 2013 and 2012 not provided for in the consolidated financial statements are as follows:

	2013	2012
	RMB'000	RMB'000
Contracted but not provided for		
– Property, plant and equipment	134,247	308,755

(b) Operating leasing commitments

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

	2013	2012
	RMB'000	RMB'000
Less than 1 year	51,428	22,177
1 year to 5 years	47,982	48,222
Over 5 years	49,272	31,465
Total	148,682	101,864

39. Cash Generated from Operations

	2013 RMB'000	2012 RMB'000
Profit before taxation	4,751,041	4,252,067
Adjustment for:		
Provision for impairment on trade and other receivables	61,167	77,888
Expected losses on contract work-in-progress	1,652	—
Depreciation of property, plant and equipment	445,395	571,665
Amortisation of intangible assets	79,346	74,118
Amortisation of land use rights	61,837	52,784
Net (gains)/losses on disposal of property, plant and equipment	(4,157)	10,311
Losses on disposal of land use rights	—	31,422
Interest income	(428,394)	(525,965)
Interest expense	104,123	121,300
Net foreign exchange losses	86,331	218
Share of profits of joint ventures	(1,324)	(1,753)
Share of profits of associates	(11,961)	(13,626)
Cash flows from operating activities before changes in working capital	5,145,056	4,650,429
Changes in working capital:		
– Inventories	(498,030)	(252,604)
– Contract work-in-progress	(2,707,583)	(341,405)
– Trade and other receivables	(896,836)	(1,315,537)
– Trade and other payables	(140,878)	541,042
– Restricted cash	5,102	13,229
Cash generated from operations	906,831	3,295,154

40. Significant Non-cash Transaction

As described in Note 1.2, the Group is required to transfer RMB12.2 billion, which is included in other payables, to Sinopec Group that has not been transferred as at 31 December 2011. During the year ended 31 December 2012, RMB10.2 billion other payables were off-set by loans due from the ultimate holding company (Note 26).

41. Contingencies

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

It is not anticipated that any material liabilities will arise from the contingent liabilities other than those provided for (Note 33).

42. Significant Related Party Transactions and Balances

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. The Group is subject to the control of the PRC government which also controls a significant portion of the productive assets and entities in the PRC (collectively known as the "state-owned enterprises").

In accordance with IAS 24 "Related party disclosures", other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC government are regarded as related parties of the Group ("other state-owned enterprises"). For the purpose of related party disclosures, the Group has in place procedures to identify the immediate ownership structure of its customers and suppliers to determine whether they are state-owned enterprises. Many state-owned enterprises have multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatisation programs. Nevertheless, management believes that meaningful information relating to related party transaction has been adequately disclosed.

In addition to the related party information shown elsewhere in this report, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, including other state-owned enterprises, during the years ended 31 December 2013 and 2012 and balances as at 31 December 2013 and 2012.

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

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

	2013 RMB'000	2012 RMB'000
Construction and services provided to		
– Ultimate holding company	12,587	7,601
– Joint ventures of fellow subsidiaries	1,081,931	282,311
– Associates of fellow subsidiaries	—	8,209
– Fellow subsidiaries	15,252,179	18,863,538
– A joint venture	667	—
– Associates	140,336	51,155
	16,487,700	19,212,814
Construction and services received from		
– A joint venture of fellow subsidiaries	—	48
– Fellow subsidiaries	1,022,110	740,912
– Associates	2,753	26,500
	1,024,863	767,460
Technology research and development provided to		
– Ultimate holding company	5,189	—
– Fellow subsidiaries	146,706	143,469
	151,895	143,469
Interest income on loans		
– Ultimate holding company	310,987	492,434
Interest expense on borrowings		
– Fellow subsidiaries	3,038	2,739
Deposit interest income from fellow subsidiaries	21,747	26,112
Deposits and time deposits placed in fellow subsidiaries	3,990,435	2,401,629

42. Significant Related Party Transactions and Balances (Continued)

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

The majority of these significant related party transactions with Sinopec Group and fellow subsidiaries also constitute continuing connected transactions as defined under Chapter 14A of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange. Further details of these continuing connected transactions are disclosed under the paragraph "Connected Transactions" in this annual report.

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

— Sales and purchases of goods and services;

— Purchases of assets;

— Lease of assets; and

— Bank deposits and borrowings.

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

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

Apart from the disclosure of loans due from the ultimate holding company in Note 26, trade receivables, prepayments and other receivables are unsecured, interest free and repayable on demand.

Apart from the disclosure of loans due to fellow subsidiaries in Note 37, trade and other payables are unsecured, interest free and repayable on demand.

(b) Key management personnel remuneration

Key management includes directors (executive and non-executive), supervisors, president, vice presidents, chief financial officer and secretary to the Board of Directors. The compensation paid or payable to key management form employee services is shown below:

	2013	2012
	RMB'000	RMB'000
Basic salaries, other allowances and benefits-in-kind	**3,266**	3,113
Discretionary bonus	**5,691**	4,736
Contributions to pension plans	**750**	703
	9,707	8,552

43. Particulars of Principal Subsidiaries

As at 31 December 2013, the Company has direct and indirect interests in the following principal subsidiaries:

Name	Establishment/ Place of incorporation and type of legal entity	Registered and fully paid capital	Effective interest held		Principal activities and place of operation
			Direct held	Indirect held	
		RMB'000			
SEI (中國石化工程建設有限公司)	The PRC/Limited liability company	500,000	100%	—	Engineering contracting, engineering and consulting/The PRC
LPEC (中石化洛陽工程有限公司)	The PRC/Limited liability company	500,000	100%	—	Engineering contracting, engineering and consulting/The PRC
SSEC (中石化上海工程有限公司)	The PRC/Limited liability company	200,000	100%	—	Engineering contracting, engineering and consulting/The PRC
SNEC (中石化寧波工程有限公司)	The PRC/Limited liability company	300,000	100%	—	Engineering contracting, design, equipment manufacturing/The PRC
SNEI (中石化南京工程有限公司)	The PRC/Limited liability company	556,005	100%	—	Engineering contracting, design/ The PRC
FCC (中石化第四建設有限公司)	The PRC/Limited liability company	350,000	100%	—	Engineering contracting/The PRC
SFCC (中石化第五建設有限公司)	The PRC/Limited liability company	350,000	100%	—	Engineering contracting/The PRC
TCC (中石化第十建設有限公司)	The PRC/Limited liability company	350,000	100%	—	Engineering contracting/The PRC
Sinopec Guangzhou Engineering Co., Ltd. (中石化廣州工程有限公司)	The PRC/Limited liability company	50,000	100%	—	Engineering contracting/The PRC
Ningbo Institute (中石化寧波技術研究院有限公司)	The PRC/Limited liability company	10,000	100%	—	Technical services/The PRC
Sinopec E&C Middle East Co., Ltd. (中石化煉化工程(集團)股份公司中東(沙特)子公司))	Saudi Arabia/ Limited liability company	3,356 (SAR18,000,000)	100%	—	Engineering contracting/Saudi Arabia
Sinopec Engineering & Construction (Singapore) Pte. Ltd. (中石化煉化工程(集團)股份公司新加坡有限公司)	Singapore/ Limited liability company	2,560 (SGD 500,000)	100%	—	Engineering contracting/Singapore
Sinopec Engineering Group America, L.L.C (中石化煉化工程(集團)有限公司美國有限公司)	United Sates/ Limited liability company	3,075 (USD 500,000)	100%	—	Engineering contracting, engineering and consulting/United States
Beijing BPEC Engineering and Construction Supervision Co.,Ltd. (北京畢派克工程建設監理有限公司)	The PRC/Limited liability company	7,000	—	100%	Engineering project management/ The PRC
Beijing Petrochemical Engineering Consulting Co.,Ltd. (北京石油化工工程諮詢有限公司)	The PRC/Limited liability company	5,100	—	100%	Technical consulting/The PRC
Dalian Economy and Technology Zone Jinghai Petrochemical New Technology Development Co., Ltd. (大連經濟技術開發區京海石化新技術開發有限公司)	The PRC/Limited liability company	1,700	—	100%	Technology development service/ The PRC
SEI (London) Co., Ltd. (中國石化工程倫敦有限公司)	United Kingdom/ Limited liability company	165 (USD20,000)	—	100%	Market consulting agent/ United Kingdom London
Tianjin Tianshi Engineering Project Management Co., Ltd. (天津天實工程項目管理有限公司)	The PRC/Limited liability company	3,000	—	100%	Engineering supervision/The PRC
Lanzhou Xinyue Refining and Petrochemical Engineering Designing Co., Ltd. (蘭州新粵煉化工程設計有限公司)	The PRC/Limited liability company	1,010	—	100%	Engineering design/The PRC
Sinopec Tenth Construction Qingdao Co., Ltd. (中石化第十建設青島有限公司)	The PRC/Limited liability company	100,000	—	100%	Construction, equipment manufacturing/The PRC
Beijing Jinhaiwan Engineering and Construction Supervision Co., Ltd. (北京金海灣工程建設監理有限公司)	The PRC/Limited liability company	10,000	—	100%	Construction, project supervision/The PRC
Urumqi Chenjiqian Construction Equipment Co., Ltd. (烏魯木齊宸吉齊安工程設備有限公司)	The PRC/Limited liability company	5,000	—	100%	Equipment installation and leasing/The PRC

43. Particulars of Principal Subsidiaries (Continued)

As at 31 December 2013, the Company has direct and indirect interests in the following principal subsidiaries (Continued):

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

44. Subsequent Events

Other than the subsequent events disclosed below, no other significant subsequent events took place subsequent to 31 December 2013:

On 25 February 2014, the Company received a written notice from Medicine Bow Fuel & Power LLC ("Medicine Bow") purporting to terminate three agreements from 2012 relating to the engineering, procurement and construction of a coal gasification and liquefaction facility near Medicine Bow, Wyoming in the United States. The Company has also received a demand for arbitration that appears to have been filed by Medicine Bow with the American Arbitration Association on 24 February 2014, in which Medicine Bow seeks an award for damages claimed to arise from the alleged breach by the Company of the above alleged agreements to construct a coal gasification and liquefaction facility near Medicine Bow, Wyoming. The Company denies that it has any liability to Medicine Bow and has engaged legal counsel to represent it and intends to defend against the claims vigorously.

As at the date of this report, no payment has been made to the Company by Medicine Bow, and no revenue and cost with respect to Medicine Bow has been recognized by the Group.

DOCUMENTS FOR INSPECTION

The following documents will be available for inspection during normal business hours after 14 March 2014 (Friday) at the registered address of SINOPEC SEG upon request by the relevant regulatory authorities and shareholders in accordance with the laws and regulations of the PRC and the Articles of Association:

a) the original annual report signed by the Chairman of the Board and the President;

b) the original audited consolidated financial statements for the year ended 31 December 2013 prepared in accordance with IFRS and signed by the Chairman of the Board, the President and the Chief Financial Officer; and

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

By Order of the Board

CAI Xiyou

Chairman of the Board

Beijing, China, 14 March 2014

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

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