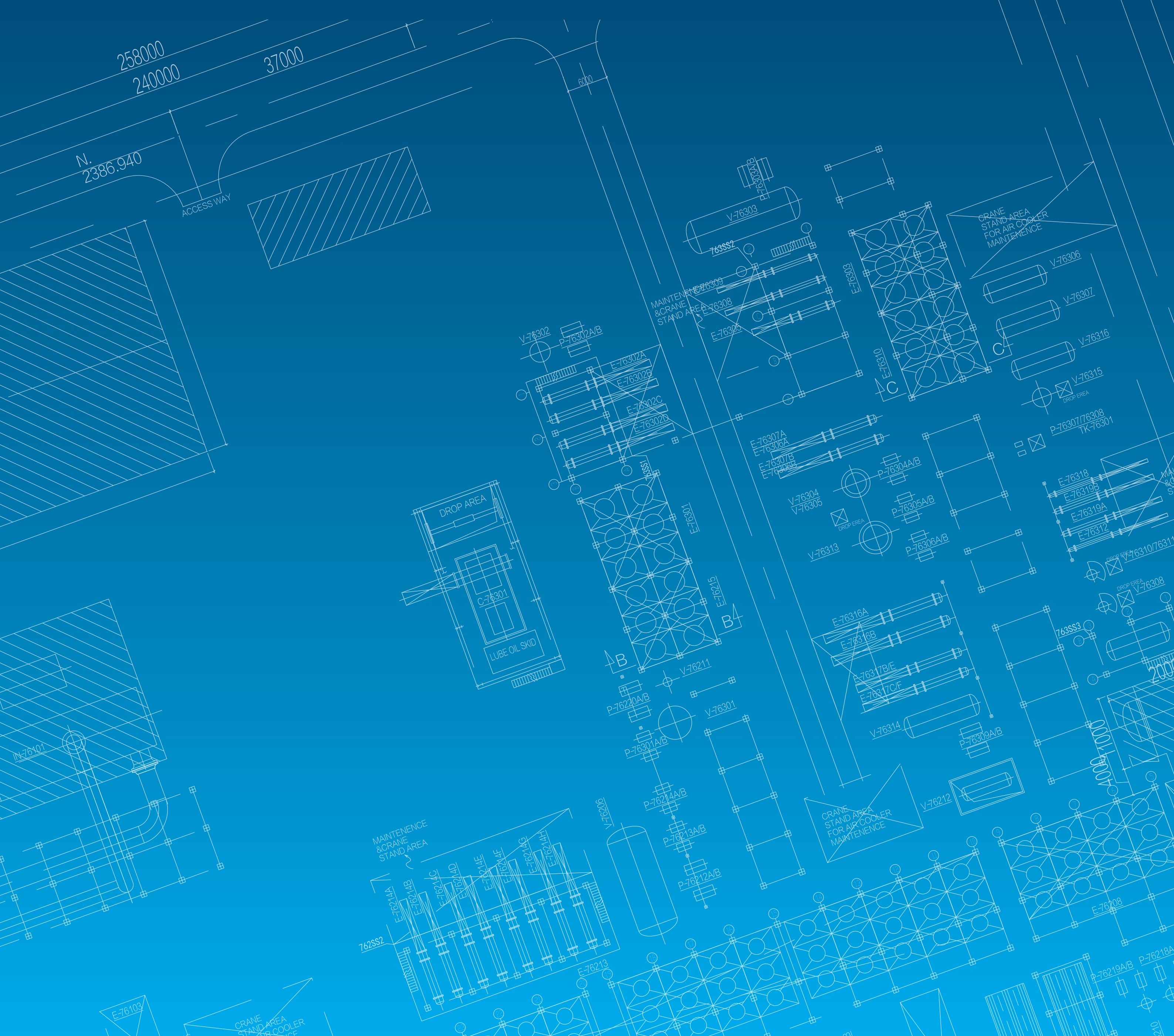
Stock Code: 2386

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

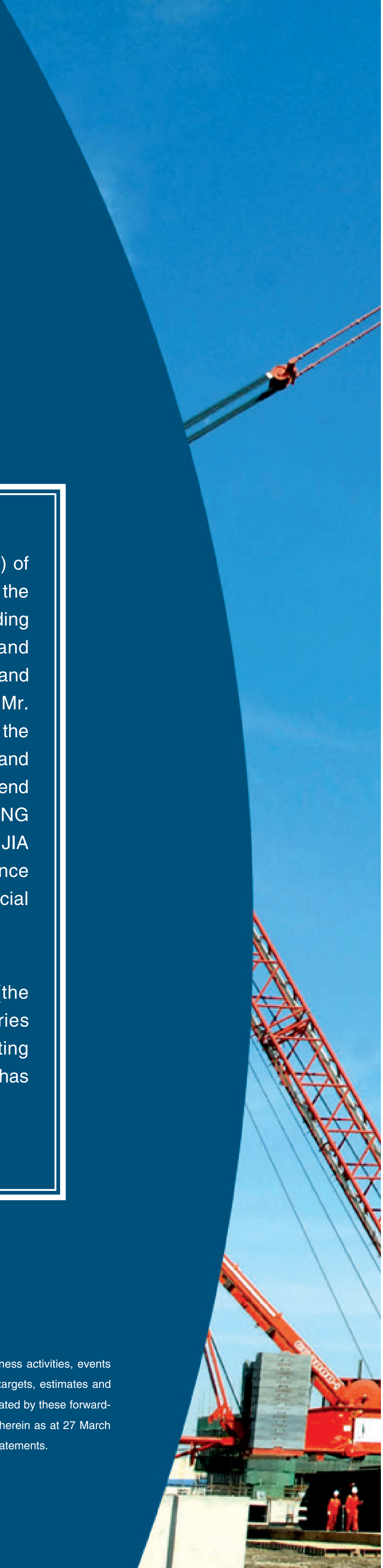
2014 ANNUAL REPORT



Important Notice

The board of directors (the "Board") and the directors (the "Directors") of SINOPEC ENGINEERING (GROUP) CO., LTD. ("SINOPEC SEG" or the "Company") warrant that there are no false representations, misleading statements or material omissions contained in this annual report and hereby are jointly and severally liable for the authenticity, accuracy and completeness of the content hereof. Directors, Mr. LI Guoqing and Mr. JIN Yong, could not attend the fifteenth meeting of the First Session of the Board (the "Meeting") due to official duties. Directors, Mr. LI Guoqing, and Mr. JIN Yong authorised Mr. LU Dong and Mr. HUI Chiu Chung to attend the Meeting, and to vote on their behalves, respectively. Mr. ZHANG Jianhua, 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 2014 (the "Reporting Period") prepared by SINOPEC SEG and its subsidiaries (the "Group") in accordance with the 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, without limitation, 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 27 March 2015 and, unless otherwise required by the relevant regulatory authorities, undertakes no obligation or responsibility to update these statements.


国际领先 国内最强 最大吊装能力1600吨
千吨神力显威 中国石化助推滨海新区
中华第一吊


SINOPEC
中国石化
SINOPEC
35
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Company Profile

The Group has a leading role in the oil refining and chemical engineering industry in the PRC. The Group provides engineering services for a broad range of industries including oil refining, petrochemicals, new coal chemicals, inorganic chemicals, pharmaceutical chemicals, clean energy, storage and transportation engineering, environmental engineering and energy saving engineering with a complete service chain involving 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 Group has achieved great success in engineering and constructing large-scale complexes of oil refining, petrochemical, new coal chemical and other industries with strong competitiveness.

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

Basic Information of the Company

LEGAL NAME

中石化煉化工程(集團)股份有限公司

CHINESE ABBREVIATION

中石化煉化工程

ENGLISH NAME

SINOPEC ENGINEERING (GROUP) CO., LTD.

ENGLISH ABBREVIATION

SINOPEC SEG

LEGAL REPRESENTATIVE

Mr. ZHANG Jianhua

AUTHORISED REPRESENTATIVES

Mr. YAN Shaochun

Mr. SANG Jinghua

SECRETARY TO THE BOARD

Mr. SANG Jinghua

REGISTERED ADDRESS

A6 Huixindong Street, Chaoyang District, Beijing, the PRC

PLACE OF BUSINESS AND CORRESPONDENCE ADDRESS

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

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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

Office of the Board

SINOPEC ENGINEERING (GROUP) CO., LTD.

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

Chaoyang District, Beijing, the PRC

PLACE OF LISTING OF SHARES, STOCK NAME AND STOCK CODE

H Shares: the Hong Kong Stock Exchange

Stock name: SINOPEC SEG

Stock code: 2386

ENTERPRISE LEGAL BUSINESS LICENSE REGISTRATION NO.

100000000041054

TAXATION REGISTRATION NO.

110105710934908

ORGANISATION CODE

71093490-8

NAMES AND ADDRESSES OF AUDITORS

Domestic:

Grant Thornton China (Special General Partnership)

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

22 Jianguomen Wai Avenue, Chaoyang District,
Beijing, the PRC

Overseas:

Grant Thornton Hong Kong Limited

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

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

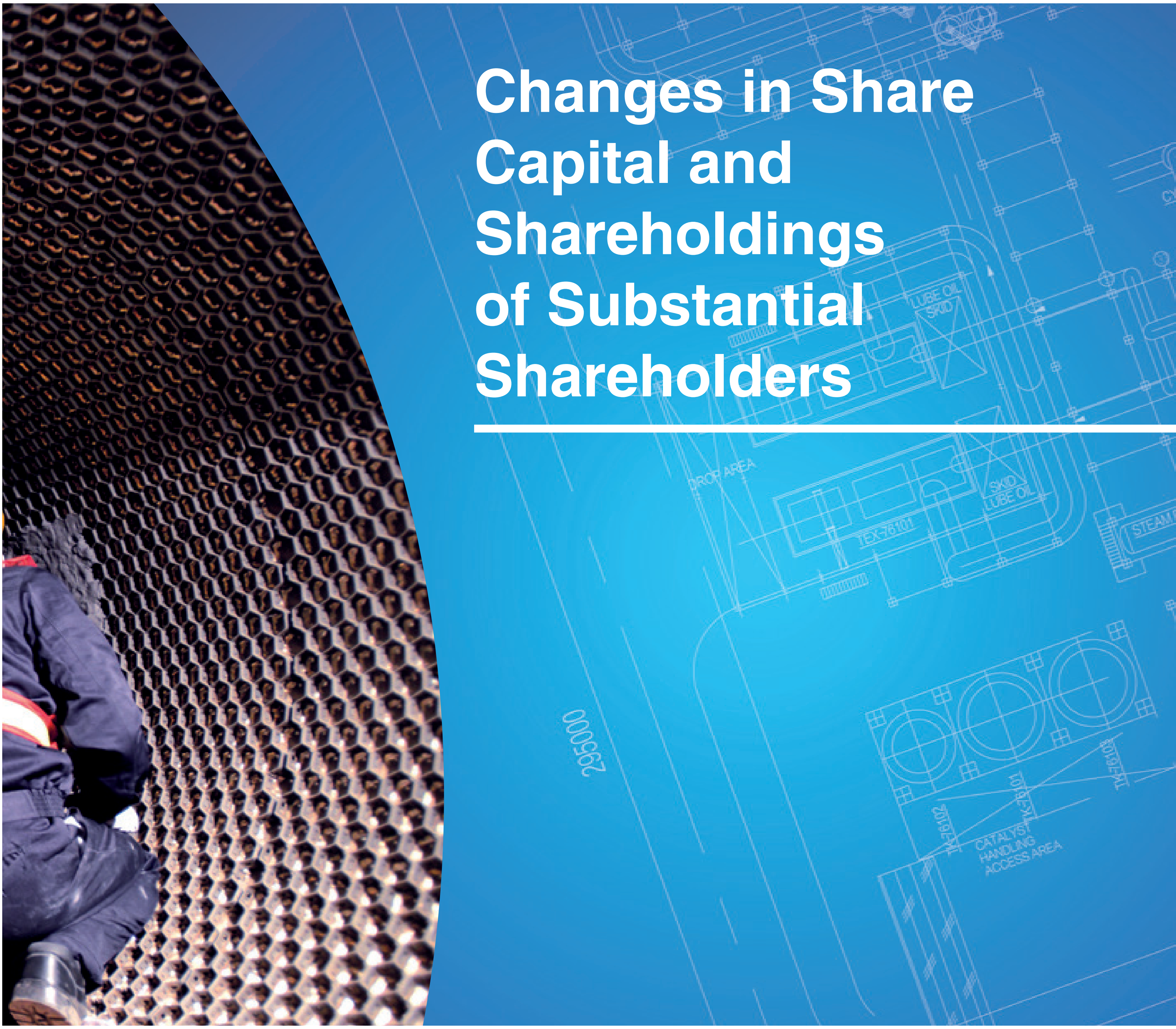
Items	As at 31 December 2014	As at 31 December 2013	As at 31 December 2012	As at 31 December 2011	As at 31 December 2010	Changes from the end of 2013 (%)
Non-current assets	8,052,331	8,166,479	8,078,778	6,992,691	4,325,583	(1.4)
Current assets	44,032,264	39,198,790	29,051,247	37,411,516	31,863,077	12.3
Current liabilities	26,347,950	23,620,920	26,762,416	37,890,135	23,174,891	11.5
Non-current liabilities	2,864,071	2,764,008	3,286,359	3,780,664	3,972,641	3.6
Total equity attributable to shareholders of the Company	22,869,116	20,976,714	7,077,985	2,730,107	9,037,900	9.0
Net assets per share attributable to shareholders of the Company (RMB)	5.16	4.74	2.28	0.88	2.92	8.9

Unit: RMB '000

Items	Year ended 31 December					Changes over the same period of 2013 (%)
	2014	2013	2012	2011	2010	
Revenue	49,345,959	43,571,851	38,526,489	30,600,677	29,897,489	13.3
Gross profit	6,290,612	6,406,191	5,528,106	5,074,336	4,538,699	(1.8)
Operating profit	4,039,003	4,413,485	3,832,023	3,724,592	3,338,083	(8.5)
Profit before taxation	4,550,695	4,751,041	4,252,067	4,243,958	3,678,014	(4.2)
Net profit attributable to shareholders of the Company	3,489,799	3,656,802	3,316,970	3,375,039	2,889,932	(4.6)
Basic earnings per share (RMB)	0.79	0.93	1.07	1.09	0.93	(15.1)
Net cash flow generated from/(used in) operating activities	333,312	(85,995)	1,556,489	1,688,845	4,253,262	—
Net cash flow generated from/(used in) operating activities per share (RMB)	0.08	(0.02)	0.50	0.54	1.37	—

Items	Year ended 31 December				
	2014	2013	2012	2011	2010
Gross profit margin (%)	**12.7**	14.7	14.3	16.6	15.2
Net profit margin (%)	**7.1**	8.4	8.6	11.0	9.7
Return on assets (%)	**7.0**	8.7	8.1	8.4	8.9

Items	**As at 31 December 2014**	As at 31 December 2013	As at 31 December 2012	As at 31 December 2011	As at 31 December 2010
Asset-liability ratio (%)	**56.1**	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 the Company

Unit: Share

	As at 31 December 2013		Increase/Decrease (+, -) during the Reporting Period			As at 31 December 2014	
	Number	Percentage (%)	New shares issued	Others	Subtotal	Number	Percentage (%)
Promoter shares (Domestic Shares)	2,967,200,000	67.01	—	—	—	2,967,200,000	67.01
Foreign shares listed overseas (H Shares)	1,460,800,000	32.99	—	—	—	1,460,800,000	32.99
Total number of shares	4,428,000,000	100.00	—	—	—	4,428,000,000	100.00

2 Shareholdings of Substantial Shareholders of the Company

As at 31 December 2014, there were a total of 1,274 shareholders of the Company. As at 30 March 2015 (the "Report Date"), the public float of the Company satisfied the minimum requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules").

(1) Shareholdings of the top ten shareholders

Unit: Share

Name of Shareholders	Increase/ Decrease during the Reporting Period (+,-)	Number of Domestic Shares held at the end of the Reporting Period	Number of H Shares held at the end of the Reporting Period	Percentage at the end of the Reporting Period	
				In total share capital (%)	In relevant class of shares (%)
China Petrochemical Corporation (1)	0	2,967,200,000	–	67.01	100.00
HKSCC (Nominees) Limited	-6,191,500	–	1,452,345,000	32.99	99.42
High Summit Group Limited	+3,000,000	–	3,000,000	0.00	0.21
TANG Keung Lam	+2,000,000	–	2,000,000	0.00	0.14
Tang's Investments Limited	+1,000,000	–	1,000,000	0.00	0.07
CHAN Lai Kuen Selina	0	–	195,500	0.00	0.01
WONG Chui Chung	0	–	195,500	0.00	0.01
WONG May Jane	0	–	131,000	0.00	0.01
YAN Tat Chiu David	+80,000	–	96,500	0.00	0.01
HUI Mo Chee	+60,000	–	60,000	0.00	0.00
Statement on the connected relationship or action in concert among or between the aforementioned shareholders	The Company is not aware of any connection or action in concert among or between the aforementioned top ten shareholders.				

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

Except for the information disclosed below, as at the end of the Reporting Period, so far as is known to the Board, no person(s) (not being a Director, chief executive or supervisor (the "Supervisor") of the Company) had an interest or short position in the shares or underlying shares or debentures of the Company which would fail to be disclosed under the provisions of Division 2 and 3 of Part XV of the Securities and Futures Ordinance (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	Capacity	Number of Shares with interests held or regarded as being held (Share)	Approximate percentage in shares of the Company of the same class (%)[6]	Approximate percentage in the total share capital of the Company (%)[7]
China Petrochemical Corporation [1]	Domestic Share	Beneficial owner/ Interests of controlled corporation	2,967,200,000(L)	100.00(L)	67.01(L)
National Council for Social Security Fund of the PRC [2]	H Share	Beneficial owner	131,468,000(L)	8.99(L)	2.97(L)
State Administration of Foreign Exchange of the PRC [3]	H Share	Interests of controlled corporation	131,756,000(L)	9.02(L)	2.98(L)
JPMorganChase & Co.[4]	H Share	Trustee/Interests of controlled corporation	101,457,350(L) 260,000(S) 80,816,169(P)	6.94(L) 0.01(S) 5.53(P)	2.29(L) 0.00(S) 1.83(P)
Franklin Mutual Advisers, LLC[5]	H Share	Trustee/Interests of controlled corporation	87,751,183(L)	6.01(L)	1.99(L)

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

(1) China Petrochemical Corporation ("Sinopec Group") directly and/or indirectly holds 2,967,200,000 domestic shares of the Company (the "Domestic Shares"), representing 100.00% of the Domestic Shares and approximately 67.01% of the total share capital of the Company, respectively. Sinopec Assets Management Co., Ltd. is a wholly-owned subsidiary of Sinopec Group and directly holds 59,344,000 Domestic Shares, representing 2.00% of the Domestic Shares and approximately 1.34% of the total share capital of the Company, respectively. For the purposes of the SFO, Sinopec Group is also deemed to be interested in the Domestic Shares held by Sinopec Assets Management Co., Ltd.

(2) The information is based on the Corporate Substantial Shareholders Notices dated 19 November 2013 and filed by the National Council for Social Security Fund of the PRC with the Hong Kong Stock Exchange.

(3) According to the Corporate Substantial Shareholders Notices dated 4 June 2013 and filed by each of (i) the State Administration of Foreign Exchange of the PRC ("SAFE"), (ii) Pagoda Tree Investment Company Limited (華馨投資有限公司), (iii) Compass Investment Company Limited (博遠投資有限公司), (iv) GUOXIN International Investment Corporation Limited (國新國際投資有限公司) and (v) Metroson Holdings Corporation Limited (都盛控股有限公司) with the Hong Kong Stock Exchange, Metroson Holdings Corporation Limited directly holds 131,756,000 H shares of the Company (the "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 SFO.

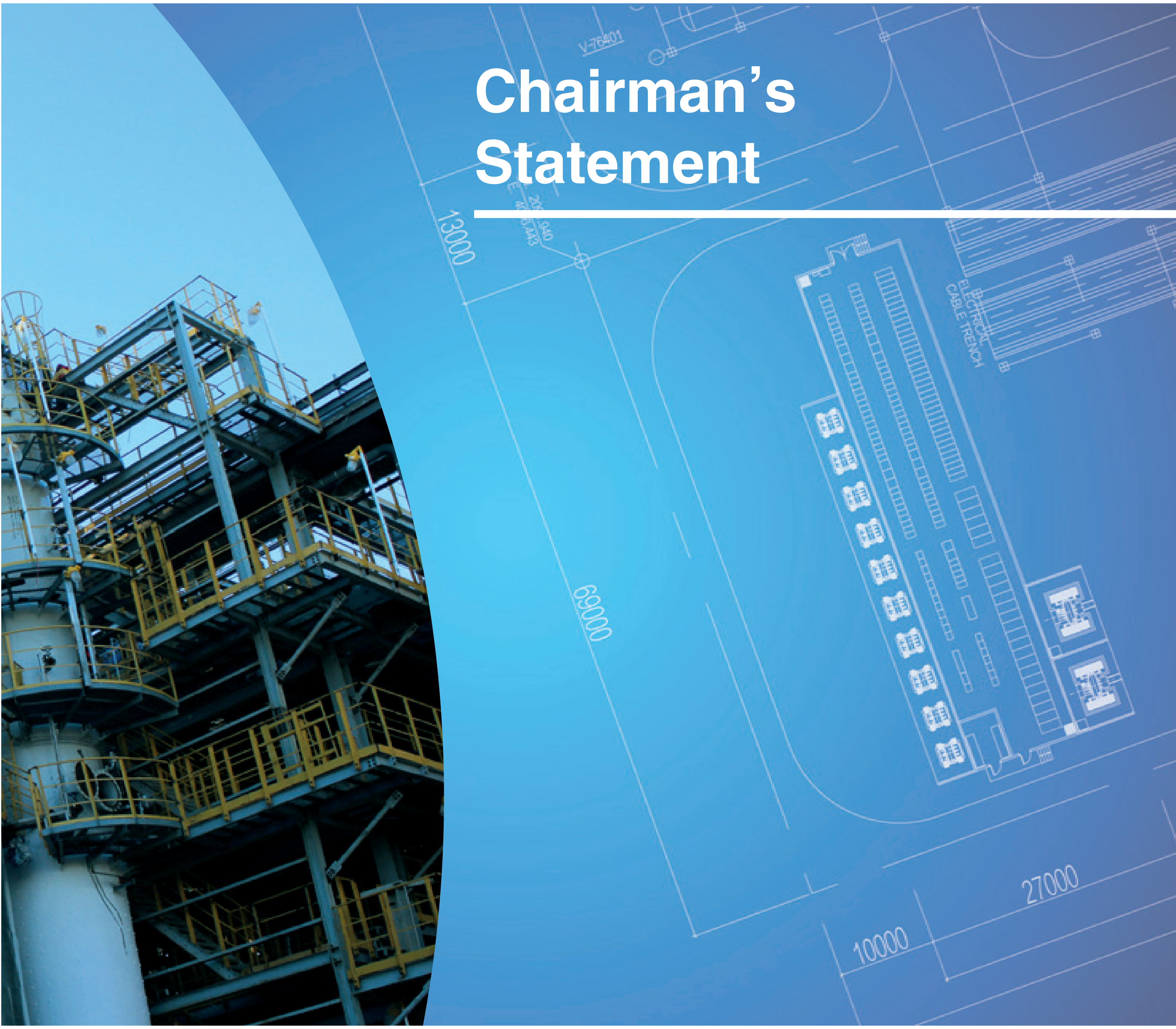
(4) The information is based on the Corporate Substantial Shareholders Notices dated 12 December 2014 and filed by JPMorganChase & Co. with the Hong Kong Stock Exchange.

(5) The information is based on the Corporate Substantial Shareholders Notices dated 10 December 2014 and filed by Franklin Mutual Advisers, LLC with the Hong Kong Stock Exchange.

(6) It is calculated on the basis that the Company has issued 2,967,200,000 Domestic Shares or 1,460,800,000 H Shares.

(7) It is calculated on the basis that the Company has issued 4,428,000,000 shares in total.

Chairman's Statement



Chairman's Statement

Mr. ZHANG Jianhua
Chairman of the Board

Dear Shareholders,

Thank you for your trust and care. In 2014, SINOPEC SEG won great achievements despite a challenging market environment. On behalf of the Board and all the staff, I express my heartfelt gratitude to you.

The world economy faced slowdown in growth and overall downturn in 2014, while the emerging economies grew slowly. China experienced steady economic growth, and the gross domestic product (GDP) for the year increased by 7.4%. In the second half of 2014, since the international crude oil price decreased sharply due to a global imbalance between oil supply and demand, the energy and chemical engineering industry faced serious challenges, and this had a huge impact on the company's external environment. Facing a rapidly-changing and disadvantageous situation, the Board and the management actively responded to domestic and overseas market changes and internal development requirements. We have set "building a world-class engineering company" as our clear goal for development and developed four strategies which are "energy and petrochemical-oriented, innovation-driven, globalisation-targeted and value-focused". The management formulated and implemented feasible plans and measures by following the aforementioned goal and strategies, and continuously exploited the advantages of integration, focused on deepening reform, transformed the development mode, and strengthened technology innovation, all of which laid a good foundation for the long-term development of SINOPEC SEG.

In 2014, the management led our staff to proactively respond to market changes, to integrate our strengths and resources for market development, to enhance publicity and promotion activities, to intensify detailed management practices and to reinforce project process control, which helped maintain a steady development momentum for all work. The total value of new contracts entered into by the Group during the year ended 2014 was RMB60.700 billion. As at the end of 2014, the backlog was RMB103.922 billion. We actively fulfilled our social responsibilities, developed, promoted and applied new environmental protection and energy saving technologies, actively participated in Sinopec's "Clear Water and Blue Sky" ("碧水藍天") project and "Energy Efficiency Doubling" ("能效倍增") project, extensively participated in the construction of environmental protection and energy saving projects, fully implemented QHSE (quality, health, safety and environment) management, adhered to the people-oriented principle, cared for employees and promoted sustainable development of the Company.

In 2014, we achieved a turnover of RMB49.346 billion, representing an increase of 13.3% over the previous year. In accordance with the IFRS, the profit attributable to the Company's shareholders was RMB3.490 billion, representing a decline of 4.6% as compared with that of the same period of the previous year. The Board recommended distributing the final dividend of RMB0.187 per share. In addition to the interim dividend of RMB0.125 per share already distributed, the dividend for 2014 is RMB0.312 per share.

In 2015, the world economy is under profound adjustment and there is insufficient momentum for recovery. The global supply and demand of oil remains imbalanced. It is estimated that the international oil price will continue to fluctuate periodically and be on a downward trend in the short term. China's economic development will enter into a "new normal" ("新常態"), continue to maintain steady growth and adjust the balance of economic structures, and focus on enhancing the quality and effectiveness of economic development. It is estimated that the GDP of the PRC will increase by approximately 7.0% in 2015. 2015 is also a key year for the profound reform of state-owned enterprises in China. It is also expected that China will provide impetus to further improve the modern enterprise system of state-owned enterprises, and actively and steadily promote reform of various systems and institutional mechanisms.

In 2015, we will continue to accelerate the pace of building a world-class engineering company through launching new reform measures and exploring new business areas and models. We will focus on effectiveness when we deepen reform, optimise resources, strengthen the management, vigorously develop domestic and international markets, meticulously organise the production and operation, comprehensively strengthen risk management, continue to promote technology innovation, and constantly improve the standard of corporate governance in order to create greater returns for our shareholders.

Due to job adjustment, Mr.CAI Xiyou resigned as a Director and the Chairman of the Board, Mr. LEI Dianwu, Mr. LING Yiqun and Mr. CHANG Zhenyong resigned as Directors, Mr. ZHANG Jixing, Mr. ZOU Huiping, Mr. GENG Limin, Mr. ZHU Jinbao, Mr. WANG Renli and Mr. WANG Yuejie resigned as Supervisors. Mr. ZHANG Kehua resigned as a Director and the Vice Chairman of the Board in consideration of his age. They have made tremendous contributions to the reorganisation, listing, reform and development of the Company. On behalf of the Board, I hereby pay tribute and express my heartfelt gratitude to them for their hard work.

It is the mission and responsibility of the Board to achieve greater development. With the support of all our shareholders, under the leadership of the management and with the efforts of our staff, we have faith that SINOPEC SEG will make great progress in various work streams of its reform and development. We hope that you will go on this journey with us, and together, hand in hand, we will jointly create a better future for SINOPEC SEG!

ZHANG Jianhua

Chairman of the Board

Beijing, the PRC

27 March 2015

Business Review and Prospects

Business Review and Prospects

1 Business Review

Mr YAN Shaochun

Executive Director and President

(1) Market Environment

The world economy showed significant polarisation in 2014. The United States underwent continued economic recovery, while the European economy was still weak and the overall economic growth of emerging economies was slow. Faced with a complicated domestic and international environment, the Chinese government promoted balance between steady growth and structure adjustment by structural reform, which made for better reform and more coordinated development, thus ensuring overall steady economic development in the "new normal" state. In 2014, the GDP increased by 7.4%, which was among the top in the major economic entities worldwide.

In the second half of 2014, as the supply of global crude oil exceeded the demand for it, the international crude oil price dropped sharply, which in turn greatly affected petroleum and related industries. Since the upstream performance of global petroleum companies declined significantly and the overall profits fell, cash flow was seriously affected. Many measures were adopted to resolve the problem, such as cutting down on investment, reducing cost and disposing of assets. Although the downstream performance showed some improvement, the severe situation forced large integrated petroleum companies to cut capital expenditure in the oil refining and petrochemical sectors, which cast a shadow over the prospects of the oil refining and petrochemical engineering markets in the short term. In addition, the currently low crude oil price had a serious impact on the profitability of domestic new coal chemical projects, which in turn directly affected the development of the new coal chemical industry.

Although the international oil price dropped sharply, oil is still one of the major resources in the world, and the petrochemical industry still plays a crucial role in the development of the world's economy. There are still many opportunities for growth in the oil refining and petrochemical industries amid the current difficult environment. The key driving factors include:

- In 2014, the apparent consumption of refined oil products increased by 2.0% in China compared with that of the previous year, and the apparent consumption of ethylene grew by 3.4% compared with that of the previous year. With the economic growth, especially under the promotion of urbanisation and "Belt and Road" ("一帶一路") strategy, there is still much room for China's oil refining and chemical engineering industries to further develop;
- The declining oil price will restrain the development of alternative energy, as well as accelerate the elimination and update of the outdated production capability of oil refining;
- The low oil price has not only improved the market competitiveness of petroleum-based chemicals and the profitability of the petrochemical industry, but has also brought about new opportunities for the development of the petrochemical industry;

- The widespread fall in the prices of bulk commodities such as oil and steel can, to some extent, reduce the cost of investment in engineering; and
- With the amendment of the environmental protection laws and higher standards for environmental protection and energy saving, the pace of environmental protection, energy saving and emission reduction in the oil refining and chemical engineering industry has progressively accelerated. The promising prospects of the environmental protection and energy saving sectors will bring new opportunities for development.

(2) Operation Overview

During the Reporting Period, the Group's total revenue and net profits attributable to the Company's shareholders were RMB49.346 billion and RMB3.490 billion, respectively. As at the end of the Reporting Period, the Group's backlog was RMB103.922 billion. The value of new contracts entered into by the Group during the Reporting Period was RMB60.700 billion.

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

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

	Year ended 31 December				
	2014		2013		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB '000)	(%)	(RMB '000)	(%)	(%)
Engineering, consulting and licensing	3,645,174	6.8	4,354,199	9.4	(16.3)
EPC Contracting	30,132,251	56.2	23,505,528	50.5	28.2
Construction	19,159,750	35.7	18,024,037	38.7	6.3
Equipment manufacturing	704,107	1.3	684,188	1.5	2.9
Subtotal	53,641,282	100.0	46,567,952	100.0	15.2
Total after inter-segment elimination [(1)]	49,345,959	N/A	43,571,851	N/A	13.3

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

During the Reporting Period, the total revenue of the Group was RMB49.346 billion, an increase of 13.3% from the same period of the previous year, which was mainly because a relatively large portion of several large engineering, procurement and construction ("EPC") contracting ("EPC Contracting") projects had completed a considerable amount of work during the Reporting Period, including the Yuanba Gas Field Natural Gas Purification Complex of Sinopec ("Yuanba Natural Gas Purification Project"), the Sinochem Quanzhou 12 million tons per annum ("Mtpa") Oil Refining Complex ("Sinochem Quanzhou Project"), Shaanxi Pucheng DMTO Project, Shandong Liquefied Natural Gas Complex Receiving Terminal Storage Tank Zone Engineering of Sinopec ("Shangdong LNG Storage Tank Zone Project"), Zhongtian Hechuang Coal Chemical Complex, U.S. JUMBO PTA and PET Project, Aromatics Project of Kazakhstan Atyrau Refinery, etc.

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

	Year ended 31 December				Change
	2014		2013		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	
	(RMB '000)	(%)	(RMB '000)	(%)	(%)
Oil refining	**10,006,661**	**20.3**	12,299,237	28.2	(18.6)
Petrochemicals	**16,010,839**	**32.4**	16,701,785	38.3	(4.1)
New coal chemicals	**14,938,090**	**30.3**	8,855,434	20.3	68.7
Other industries	**8,390,369**	**17.0**	5,715,395	13.1	46.8
Total	**49,345,959**	**100.0**	43,571,851	100.0	13.3

The Group 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 RMB10.007 billion, representing a decline of 18.6% as compared with that of the same period of the previous year. This was mainly because the domestic large-scale refining projects of the Group were in their final stage. The revenue derived from the petrochemical industry was RMB16.011 billion, slightly less than that of the same period of the previous year. The revenue derived from the new coal chemical industry increased sharply to RMB14.938 billion, representing an increase of 68.7% as compared with that of the same period of the previous year. This was mainly due to the revenue growth of large-scale coal chemical projects such as Zhongtian Hechuang Coal Chemical Project and Shaanxi Pucheng DMTO Project. The revenue derived from other industries was RMB8.390 billion, representing an increase of 46.8% as compared with that of the same period of the previous year. This was mainly due to the revenue growth of clean energy projects such as Yuanba Natural Gas Purification Project and Shandong LNG Storage Tank Zone Project.

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

	Year ended 31 December				
	2014		2013		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB '000)	(%)	(RMB '000)	(%)	(%)
PRC	42,507,010	86.1	36,540,730	83.9	16.3
Overseas	6,838,949	13.9	7,031,121	16.1	(2.7)
Total	49,345,959	100.0	43,571,851	100.0	13.3

During the Reporting Period, the revenue of the Group from its overseas business amounted to RMB6.839 billion, representing a decline of 2.7% as compared with that of the same period of the previous year. This decrease was mainly because some of the projects in Saudi Arabia were in their final stage and the relevant revenue generated from the projects decreased as compared with that of the same period of the previous year.

On 13 August 2014, the Company and Kazakhstan Petrochemical Industries ("KPI Company") decided to terminate an EPC contract (the "KPI Contract"). Please refer to the announcement entitled "Termination of an EPC Contract with KPI Company" published by the Company on 14 August 2014 for details. As at the end of the Reporting Period, the backlog of the Group amounted to RMB103.922 billion (excluding the contract value of the KPI Contract), representing an increase of 12.3% as compared with RMB92.568 billion (excluding the contract value of the KPI Contract) as at 31 December 2013, or 2.1 times of the total revenue of RMB49.346 billion in 2014. During the Reporting Period, the value of new contracts entered into by the Group amounted to RMB60.700 billion, representing a decline of 14.0% as compared with RMB70.589 billion (excluding the contract value of the KPI Contract) of the same period in 2013.

During the Reporting Period, the Group entered into the following representative domestic projects: the EPC contract for 1.7 Mtpa coal to methanol and olefin project with ZhongAn LianHe Coal Chemical Co., Ltd. ("ZhongAn Coal Chemical Project"), the EPC Contracting for the receiving terminal station under the Shandong liquefied natural gas (LNG) project with Sinopec Qingdao LNG Co., Ltd., ("Shandong LNG Terminal Station Project"), the EPC Contracting for 180/400 kilo tons per annum ("Ktpa") ethylene oxide/ethylene glycol (EO/EG) project with Fujian Union Refining and Petrochemical Co., Ltd., ("Fujian EO/EG Project"), the engineering and procurement (EP) contract for the detailed engineering design and procurement of the air separation and oil processing units for the 4 Mpta demonstrative indirect coal liquefaction project with Shenhua Ningxia Coal Industry Group ("Shenhua Ningxia Coal Coal-to-Liquids (CTL) Project"), the EPC contract for DMTO and olefin separation units of Phase I of a coal deep-processing demonstration project with Qinghai Damei Coal Industry Co., Ltd. ("Qinghai Damei DMTO Project"), the EPC contract for polypropylene unit of comprehensive utilisation of exhaust-to-olefin project in Qinghai Damei Ganhe Industrial Zone ("Qinghai Damei Polypropylene Project"), the EPC Contracting for process units of a propylene oxide project with Nanjing Jinling Huntsman New Materials Co., Ltd. ("Nanjing Jinling Huntsman Propylene Oxide Project"), and the EPC Contracting for 3 Ktpa SMTO catalyst project with Nanjing Branch of Sinopec Catalyst Company ("Nanjing SMTO Catalyst Project").

During the Reporting Period, representative overseas projects of the Group included the RAPID contract for engineering, procurement, construction and commissioning ("EPCC") of an oil refining and petrochemical integrated development project entered into between the Company and Petroliam Nasional Bhd. from Malaysia ("Malaysia Project"); the contract for a 3 × 1.8 Mtpa sulfuric acid and power plant EPC project for Saudi Arabia Mining entered into with SNC-Lavalin Group Inc. from Canada ("Saudi Sulfuric Acid and Power Plant EPC Project"); the construction contract for the hydrocracking and diesel hydrotreating project of Jazan Refinery of Saudi Aramco Oil Company entered into with Tecnicas Reunidas from Spain ("Saudi Jazan Refinery Construction Project"); and the construction contract for MEI package in a polyoxymethylene project in Saudi Arabia with INTECSA INDUSTRIA ("Saudi POM MEI Construction Project").

The capital expenditure of the Group was mainly used for expanding facilities, upgrading technology and procuring equipment. During the Reporting Period, our capital expenditure was RMB547 million, which was mainly used to improve the conditions of production base and ancillary units, update construction equipment, establish information systems, procure scientific research equipment, and prevent potential hazards, etc.

(3) Business Highlights

Successful Implementation of Major Projects

Zhongtian Hechuang Coal Chemical Project: Please refer to the announcement dated 26 December 2013 published by the Company for details. During the Reporting Period, detailed engineering and construction work under this project was in full swing. As at the end of the Reporting Period, half of the overall progress of this project had been completed, and now this project is in the stage of pre-casting and preparation for the upcoming construction peak in the spring of 2015.

ZhongAn Coal Chemical Project: Please refer to the announcement dated 24 November 2014 published by the Company for details. The design work under this project is in full swing. As at the end of the Reporting Period, approximately 20% of detailed engineering work had been completed. Site construction is in the initial stage, which mainly includes pile foundation and civil construction.

Yuanba Natural Gas Purification Project: The scope of work under the contract for this project mainly includes EPC Contracting for four series of 3 million cubic meters per day natural gas purification units, desulphurisation unit, dehydration unit, sulfur recovery unit, tail gas treatment unit, sulfur forming unit and acidic water stripping unit and other ancillary facilities. During the Reporting Period, 31 units in total, including four integrated purification devices, sulfur forming devices and other devices, were put into operation.

Sinochem Quanzhou Project: The scope of work under the contract for this project includes EPC Contracting for a 12 Mtpa CDU/VDU unit, a 2 Mtpa continuous catalytic reforming unit, a 1.6 Mtpa delayed coking unit, a 3.3 Mtpa residue hydro-treating unit, a 3.4 Mtpa fluid catalytic cracking unit, a 2.6 Mtpa wax oil hydro-cracking unit, a 140,000 normal cubic meters per hour hydrogen production unit, etc. During the Reporting Period, this project was handed over.

Shijiazhuang Oil Refining and Chemical Project: The scope of work under the contract for this project includes the EPC Contracting for building 10 new refinery production devices, improving utilities for storing and delivering water, electricity and gas, facilities, etc. During the Reporting Period, this project was handed over.

Shandong LNG Storage Tank Zone Project: The scope of work under the contract for this project mainly includes the EPC Contracting for first-phase wharf engineering, receiving station engineering, 1-3# storage tank engineering and second-phase 4# storage tank engineering, and light hydrocarbon recovery. As at the end of the Reporting Period, first-phase engineering had been handed over, and approximately 90% of second-phase engineering had been completed. The safety, quality and progress of this project are under full control.

Yulin Coal Chemical Project: The scope of work under the contract for the first phase of this project mainly includes the EPC Contracting for a 1.8 Mtpa of methanol-to-olefin (DMTO) unit, a 300 Ktpa of polyethylene, a 300 Ktpa of polypropylene, and a unit for the comprehensive utilisation of C4, etc. During the Reporting Period, this project was handed over.

700 Ktpa coal-to-olefin project DMTO-II unit of Pucheng Clean Energy Chemical Co., Ltd.: The scope of work under the contract for this project mainly includes the EPC Contracting for 700 Ktpa DMTO-II devices. During the Reporting Period, this project was handed over.

DMTO and Polyolefin Projects of Zhejiang Xingxing New Energy Co., Ltd.: The scope of work under the contract for this project mainly includes the EPC Contracting for a 1.8 Mtpa methanol-to-olefin (DMTO) unit, a 300 Ktpa polyethylene unit, a 390 Ktpa polypropylene unit, etc. During the Reporting Period, this project was handed over.

500 Ktpa engineering plastics project MTO unit, olefin separation unit and polypropylene engineering of Inner Mongolia China Coal Mengda New Energy Chemical Industry Co., Ltd.: The scope of work under the contract for this project mainly includes the EPC Contracting for a 1.8 Mtpa methanol-to-olefin (DMTO) unit, a 300 Ktpa polyolefin unit, a 600 Ktpa olefin separation unit, etc. As at the end of the Reporting Period, approximately 90% of the project had been completed. The safety, quality and progress of this project are under full control.

Shenhua Ningxia Coal Coal-to-Liquids (CTL) Project: The scope of work under the contract for this project mainly includes EP Contracting for 4Mpta coal tar hydrogenation. As at the end of the Reporting Period, approximately 80% of the project had been completed. The safety, quality and progress of this project are under full control.

Qinghai Damei DMTO Project: The scope of work under the contract for this project mainly includes EPC Contracting for a 600 Ktpa methanol-to-olefin (DMTO) unit, a 600 Ktpa olefin separation unit, etc. As at the end of the Reporting Period, approximately 10% of this project had been completed. The safety, quality and progress of this project are under full control.

Malaysia Project: Please refer to the announcement dated 29 August 2014 published by the Company for details. As at the end of the Reporting Period, the project had been advancing smoothly in the design stage.

Aromatics Project of Kazakhstan Atyrau Refinery: The scope of work under the contract for this project mainly includes EPCC of a 1 Mtpa continuous catalytic reforming unit, a 500 Ktpa aromatics extraction, a 500 Ktpa PX unit and utilities, etc. As at the end of the Reporting Period, more than 90% of this project had been completed. This project is expected to be put into operation in the first half of 2015.

Kazakhstan Atyrau FCC Project: The scope of work under the contract for this project mainly includes 13 process units, including 2.43 Mtpa FCC unit, and EPCC of 47 utilities units. As at the end of the Reporting Period, nearly 50% of this project had been completed. The design work under this project has generally been completed and equipment and materials are being sent to the site successively.

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

Excellent Results in Market Development

In the second half of 2014, the global price of crude oil dropped significantly, and there was a decline in the capital expenditure of domestic large oil companies on traditional oil refining and petrochemical engineering projects. Yet the new coal chemical market was not seriously impacted in 2014. Faced with relatively difficult market condition, the Group exploited its overall advantage of its industry chain, business chain and technical chain, and reinforced market expansion. During the Reporting Period, the value of new contracts entered into by the Group was RMB60.700 billion, including RMB49.249 billion for domestic projects and USD1.850 billion for overseas projects.

Domestically, the Group newly entered into the contracts for a number of large projects during the Reporting Period, such as (1) ZhongAn Coal Chemical Project with a contract value of RMB7.038 billion; (2) Shandong LNG Terminal Station Project with a contract value of RMB2.64 billion; (3) Fujian EO/EG Project with a contract value of RMB1.368 billion; (4) Shenhua Ningxia Coal Coal-to-Liquids (CTL) Project with a contract value of RMB3.356 billion; (5) Qinghai Damei DMTO Project with a contract value of RMB2.072 billion; (6) Qinghai Damei Polypropylene Project with a contract amount of about RMB714 million; (7) Nanjing Jinling Huntsman Propylene Oxide Project with a contract value of RMB840 million; and (8) Nanjing SMTO Catalyst Project with a contract value of RMB540 million.

As for overseas projects, during the Reporting Period, the Group newly entered into the contracts for: (1) Malaysia Project with a contract value of USD1.329 billion and a planned construction period of 52 months; (2) Saudi Sulfuric Acid and Power Plant EPC Contracting Project with a contract value of USD764 million (of which the Group shall bear USD257 million) and a planned construction period of 32 months; (3) Saudi Jazan Refinery Construction Project with a contract value of USD194 million and a planned construction period of 30 months; and (4) Saudi POM MEI Construction Project with a contract value of USD55.5 million and a planned construction period of 15 months.

In addition, during the Reporting Period, the Group also followed up on a number of important projects, the contracts for which are expected to be entered into in the future.

Leading Technologies and Breakthroughs Made in Technology Innovation

Maintaining Current Advanced Level in Petrochemical Field

- Following successful industrialisation of the ethylene package technology under the Wuhan ethylene project, Hainan's PX packaged technology, Jinan's counter current reforming technology and SMTO packaged technology, Hubei's chemical fertiliser 200 Ktpa syngas-to-glycol industrial demonstration plant packaged technology completing flow scheme within the Reporting Period, all glycol products passing the quality indicators, the key indicator of UV light transmittance reaching the standard of national superior products, and the demonstration units reaching 95% production load. Our next step is to assess the production units for the purposes of the technical evaluation of such units.
- SE oriental furnace industrial demonstration unit project of "cold-wall typed single injector pulverised coal pressurised gasification (SE) packaged technology development" succeeded in gasified feed intake during the Reporting Period. Transformation, purification and other procedures were put into operation and qualified hydrogen was produced and fed into the pipeline network. The project was successful in first commissioning and the unit was in good operation.
- For industrial tests of renewable wet flue gas desulfurisation technology, the flue gas desulfurisation project of Sinopec Jinan branch 1.4 Mtpa residual fluid catalytic cracking unit completed construction and successful commissioning. The technology would avoid sulphate discharge as a result of using the traditional technology.
- The 50 Ktpa fluidised-bed hydrogenation unit is being launched in Sinopec Nanjing branch. The achievements of desulfurisation and denitration technology have been put into extensive application. These innovative results have led to a tremendous impact on the Group's technology to drive and lead the market.

Improving Technology of Coal Chemical Industry Chain

- DMTO integrated unit of Shandong Shenda/Haoda 1 Mtpa commissioned on 29 November 2014, marking it the world's first set of DMTO integrated unit adopting olefin separation technology of proprietary intellectual property rights to succeed in the first commissioning.
- 700 Ktpa coal-to-olefin project DMTO-II unit of Pucheng Clean Energy Chemical Co., Ltd. was put into operation successfully.
- Our moving bed methanol-to-propylene catalyst and technical study passed review of the Department of Science and Technology of Sinopec Group and also accomplished the development of 2,000-ton per day SE pulverised coal gasification technology package.
- We completed cold mold fluidisation test with fluid bed MTG technology jointly developed with ExxonMobil Research and Engineering Company, as well as construction of a thermal state pilot plant.
- 3,000 Nm^3/h coal to natural gas (SNG) pilot unit was put into operation in Shaanxi Datang and completed calibration. The semi-industrial device is under engineering.

Expanding Technical Research and Development in New Realms

During the Reporting Period, the Group set up more than 150 new technical research and development ("R&D") programmes, involving technical development of new energy utilisation, technology R&D of various technologies for environmental protection, and R&D of safety and environmental protection construction technology. Our R&D focused on LNG, shale gas utilisation, development and utilisation of new energy, as well as terrestrial heat, low-temperature heat utilisation and other environmental protection and energy saving technologies. Meanwhile, in concert with market development, we explored technical cooperation in pollution abatement technology, atmospheric control, sewage treatment, etc. with a view to gain share in new markets with new technology.

Orderly Carrying out Technology Licensing and Intellectual Property Protection

Due to the impact of the overall slowing economic development, the contract value of the technology licensing contract entered into by the Group during the Reporting Period was RMB138 million. We maintained good intellectual property protection and completed 411 patent applications (212 patents for invention) and 361 authorised patents in the entire year. The Group has 1,414 valid patents in total, and 690 patent applications being reviewed by the patent office.

Achieving Numerous Fruitful Results in Technology Innovation

During the Reporting Period, the Group won 46 prizes of provincial/ministerial level or higher for scientific and technological progress, including 1 special award, 5 first prizes, 6 second prizes and 5 third prizes.

At the National Science and Technology Awards Conference, the "DMTO" technology project engaged and developed by the Group was awarded the first prize of National Technical Invention; the "Design, Manufacturing and Maintenance of Important Pressure Vessel under Extreme Conditions" engaged by the Group was awarded the first prize of the State Scientific and Technological Progress; the "R&D and Application of New Technology on Emission-Reduction of Fine Particulate Pollutants in Major Chemical Engineering Equipment" engaged by the Group was awarded the second prize of National Technical Invention; the "Technology Innovation and Industrial Application of Full High Efficiency Processing of Peracid Heavy Crude Oil" engaged by the Group was awarded the second prize of the State Scientific and Technological Progress. 17 scientific R&D achievements in which the Group participated were awarded the 2013 Science and Technology Progress Award by Sinopec Group. Sinopec Ningbo Engineering Co., Ltd. and Sinopec Tenth Construction Co., Ltd. were awarded the Advanced Enterprise of Scientific and Technology Innovation by China Association of Construction Enterprise Management.

Intensified Enterprise Reform

We have extensively promoted resource optimisation and reform and restructuring according to the vision of "building a world-class engineering company" and the development concept of "intensifying professional restructuring, optimising resource allocation and achieving greatest effectiveness".

During the Reporting Period, the Group effectively boosted the restructuring and reform of heavy crane transportation service, and all work of the newly established Sinopec Heavy Lifting and Transportation Co., Ltd. (the "Lift and Transportation Company") has been carried out in an orderly manner. In 2014, the Lift and Transportation Company completed business registration, obtained safety production license, passed final review of QHSE system certification, obtained quality, environment and occupational health safety management system certifications, and acquired "Road Transportation Operation Permit" in the beginning of 2015, which enables us to commence physical and professional operation. By excelling at the lifting business, expanding the transportation business and strengthening the integration of lifting and transportation, the Lift and Transportation Company will make the Group a domestically leading and internationally first-class comprehensive service provider in the professional lifting and transportation business.

During the Reporting Period, the Group, based on the R&D foundation of the former Luoyang Engineering Company, established "SINOPEC Engineering (Group) Co., Ltd. Luoyang Engineering Technology Research and Development Center" (the "R&D Center"). The R&D Center will optimise the resource utilisation efficiency of the Group's technology R&D, build a characterised advantage of the Group's R&D, and develop into an engineering technology R&D platform as well as a foundation for technical support and service, serving the entire Group to improve its technology innovation and capability. The R&D Center will adopt as its goal to provide technical support for "building a world-class engineering company integrating engineering contractors and technology licensors" and carry out the R&D of engineering technology which is targeted at the Company's subsidiaries, conduct technology collaboration and service as a R&D platform, and provide technical support for the market expansion and business development of the Group's main business sectors.

During the Reporting Period, the Group established SINOPEC Engineering Group Saudi Arabia Co., Ltd. (the "Saudi Company") for the purpose of integrating and optimising our resources and enhancing our competitiveness in the Saudi region. Overall, the Saudi Company will be reponsible for our business in Saudi Arabia and the unification and integration of personnel, money and commodities, including production and living bases and various engineering construction equipments and machine tools, to achieve centralised management and optimal utilisation of resources.

Safe Operation

During the Reporting Period, the Group further improved the QHSE management system and enhanced QHSE management and control capability. The Group carried out comprehensive and strict management of activities, paid close attention to the implementation of policies and assignment of responsibilities, and based on the principle of strengthening management and implementation of responsibilities, implemented the requirements for full participation, assignment of responsibilities, perfection of systems, continual improvement, process control and serving clients. Through activities such as signing QHSE liability statements, conducting training, supervision and inspections, we strengthened the management of sub-contractors, seriously looked for weak links, properly managed the QHSE supervision and management of direct operation segments. As a result, the basic management work was further enhanced, and the quality, safety and overseas public security of the projects under construction were under full control. The lost time injury frequency rate of the whole year (number of injuries per million labour-hour) is 0.0016 and the recordable event rate (number of injuries per million labour-hour) is 0.0288.

Other Aspects

During the Reporting Period, the Group officially released Visual Image Recognition System Management Manual of SINOPEC ENGINEERING (GROUP) CO., LTD. (the "VI Manual"). Releasing the VI Manual only one year after the Company was listed is an important milestone for the Group in promoting the establishment of brand management system, standardising enterprise branding image, create and bring about widespread influence of our brand domestically and internationally, and this is necessary for internal reform and management of our workforce.

2 Business Prospects

(1) Actively Explore the Market, Strive to Succeed Amid Adversity

Looking forward to 2015, the world's economic situation is still complex: The price for crude oil is expected to remain at low levels while the market for new coal chemical engineering will temporarily face adverse conditions. In the past two years, the expansion of the capability in the oil refining industry slowed down. However, the low oil price is advantageous to the revitalisation of the petrochemical industry, and the market for new coal chemical engineering will revive with a rally of oil price in the future.

In 2015, the Group will respond to the situations appropriately, seize opportunities, meet challenges and make every effort to implement existing projects by strengthening internal management and promoting resource optimisation. We will give full play to our competitive advantages, strengthen market development efforts, and ensure the undertaking of key projects. In 2015, the target domestic new contract amount of the Group is RMB40 billion, and the target overseas new contract amount is USD2.5 billion.

(2) Continuously Promote In-depth Reform, Resource Optimisation and Professionalised Restructuring

In 2015, the Group will stick to the general keynote of seeking improvement in stability, actively adapt to the "new normal", center on efficiency, deepen reform, strengthen management, optimise resources and govern the Company according to laws, so as to expedite the progress of building a world-class engineering company.

Firstly, we will continue to promote physical operation of the Lift and Transportation Company and relevant work, as well as to promote the transformation, upgrade and differentiated development of our subsidiaries.

Secondly, we will continue to adjust overseas company structure and promote internationalisation process steadily. Depending on the existing projects in Malaysia, Saudi Arabia and Kazakhstan, we will set up and promote a unified brand image of the Group and enhance our competitiveness. While devoting ourselves to expanding the regional market in the Middle East and Central Asia with our projects under construction, we will also steadily enter the markets in Southeast Asia, America and Africa.

Thirdly, we will effectively promote reform and development of the R&D centers to embody the benefits of resource optimisation. The Group, as the bond and bridge for transforming advanced technology into advanced productivity, will give full play to the advantage of production, learning, research and construction, and lay a foundation for our commercial development mode of "technology + engineering".

Fourthly, we will continue to promote the reform of our manufacturing business and facilitate high-end oriented development of the manufacturing business.

Fifthly, we will initiate the relevant work of the Group's environmental protection companies and energy saving companies, integrate relevant resources and facilitate the development of our related businesses.

(3) Positively Exploit International Cooperation and Open up New Business Realms

According to the strategy of technology-guiding-the-market, the Group will positively promote proprietary technology, vigorously launch strategic cooperation with internationally well-known technology licensors and continuously improve our industry chain to improve the overall competitiveness of the Group. We will constitute overall advantage in the coal gasification domain through strategic cooperation with internationally renowned gasifier licensors, and realise technical coverage of the whole coal chemical industry chain, especially the enrichment and expansion of processing and utilisation of lignite gasification and lignite upgrading industry chain. We will realise technical coverage of the whole industry chain of shell gas processing and utilisation through strategic cooperation with internationally renowned technology licensors in the domains of shale gas purification and liquidation, etc. We will build up overall advantage of energy-saving service domain through sorting out our energy-saving technology and strategic cooperation with energy-saving technology licensors and equipment manufacturers. We will build up an advantage of an overall industry chain in environmental protection domain through strategic cooperation with well-known domestic and foreign licensors in the fields of water treatment and gas purification, etc. We will consider "engineering + engineering" cooperation, for example, cooperation with upstream oil exploitation, coal preparation and other superior engineering companies, in addition to "technology + engineering" cooperation.

(4) Reinforce Control of Project Process, Take Various Measures Simultaneously, and Reduce Cost While Increasing Efficiency

Firstly, we will reinforce communication and coordination in all respects to guarantee smooth implementation of projects and enhance our contract performance. We will precisely master the operational condition of projects through contract information management system and comprehensively collect, combine and analyse financial statement information, strengthen communication with the owners, and timely coordinate the problems existing in project implementation to further guarantee the smooth implementation of projects.

Secondly, we will strengthen project management during the execution process, timely confirm progress and contract alteration, and pay attention to settlement and collection of claim evidences. We will periodically collect analysis of settlement data, analyze existing problems, provide solutions, set targets for settlement, formulate plans to reduce inventories and receivables, and speed up recovery of project funds.

Thirdly, we will intensify sub-contracting management, realise resource sharing, reduce cost and enhance economic benefit of the Company. We will establish and perfect the sub-contracting management system, build a unified management mechanism of sub-contractor resources, sub-contracting project bidding and sub-contractor assessment.

(5) Steadily Exploit Overseas Market and Solidly Promote International Operation

As we target to be a world-class company as our target, we will further reinforce and optimise our international business. We will establish a comprehensive management system and set standards for overseas projects, establish the protection mechanism for overseas projects, devote ourselves to building a team of talents with international exposure and improving the project management and execution capability of our employees, gradually consolidate overseas branches (subsidiaries), intensify market exploitation, explore the markets of Middle East countries while using Saudi Arabia as the centre, explore the Central Asia and Russia markets using the support of our business in Kazakhstan, and explore the Southeast Asia market using the support of our business in Malaysia and achieve substantial breakthrough in Africa and South America markets. We will further enhance the cooperation with international engineering companies and actively participate in tender offers with overseas consortiums.

The Group will keep following opportunities for strategic development brought about by China's "Belt and Road" strategy. "Belt and Road" is the route which will lead to joint development and prosperity, mutual understanding and comprehensive communication. The strategy is proposed by the Chinese government and aims to facilitate the planning of regional collaboration to be driven by countries along the road as well as international stakeholders. The wide variation of natural resources along the "Belt and Road" region would have a significant economic compensation effect on related countries with great potential for cooperation. The interconnect and interwork of energy infrastructure is one of the top priorities for cooperation. The utilisation and development of energy and output of the refined oil and chemical products in related countries will be improved. The Group will work towards becoming both the builder and beneficiary.

(6) Strive to Elevate Scientific and Technology Innovation and Maintain Technological Leadership Advantage

By establishing the R&D Center, we could develop technologies for sustainable development of the Group and provide technical support for engineering projects as well as special technical service for the energy and chemical engineering industries. We will create and build two "platforms" with a view to serve for the scientific development policy of "deepened cooperation, breakthrough at key points, collaborative innovation and future leadership" of the Group, turning them into the driving force for the improvement of the engineering technology of the Group.

Firstly, we will give play to the strengths of integration, consolidate internal resources and be committed to creating a resource-sharing engineering technology R&D platform, serving the development of first-class engineering companies and all subsidiaries internally.

Secondly, we will strengthen cooperation by leveraging on the characteristics of being an engineering company and differentiation of hardware and software resources, and be devoted to creating a new technology innovation platform of collaborative innovation, serving technology-exploited market of the Group externally.

The Group will extensively carry out technologies exchange and cooperation, guarantee investment and improve the standard of managing technology R&D. Firstly, we will build and complement an advanced engineering research platform for the purpose of the development of our main businesses. We will expand the scope of research and service with a focus, including petrochemical and new energy, and improve our technical capability. Secondly, we will strengthen organisation and collaboration of engineering technology R&D, support development of oil refining, olefin, arene and new coal chemical industry and consolidate and upgrade technologies such as catalyzing, reforming, hydrogenation, coking, ethylene and low carbon olefin utilisation, MTO, flue gas cleaning, sewage treatment, and provide services for technology licensing, engineering design and on-site services.

(7) Vigorously Exploit Environmental Protection and Energy Saving Fields, and Create New Business Growth Points

With many regulations and standards being enacted, the requirements on environmental protection are becoming more and more rigid, and thus the energy enterprises are bound to increase environmental protection input. Targeted at the huge potential of the environmental protection market, the Group has formed an overall solution of environmental protection field based on existing, advanced technology and the advantageous technology cooperated with third parties. We will reinforce treatment of waste water, flue gas desulfurisation and denitrification, carbon dioxide emission reduction, soil restoration, and development of the environmental protection market, make every endeavor to establish a new mode of the environmental protection project with controllable risks, and actively participate in Sinopec Group's "Clear Water and Blue Sky" project.

The energy-saving market will embrace new opportunities, and the oil refining and chemical engineering industry will bring room for development of the energy-saving market due to potential tapping and efficiency increase. The R&D and application of new technologies have promoted the project progress, and the national policies have provided positive guidance. We have set up a working team for the "Energy Efficiency Doubling" plan, and will further strengthen energy-saving technology R&D and foreign technology cooperation, and promote industrialised application in the future. We will provide energy conservation plan for enterprises, and explore potential and increase efficiency of the existing devices by resorting to our strong engineering advantage and leading technology. We will collaborate with professional technology merchants in the field of low-temperature heat electricity generation, ethylene stove energy conservation, etc., to explore energy management contracting, and actively participate in Sinopec Group's "Energy Efficiency Doubling" project.

In addition, we plan to set up the Engineering Technology Centre for Energy-saving and Environmental Protection (the "Centre"). The Centre will reorganise in-house resources, and upgrade the existing technology of energy-saving and environmental protection. For enhancing the energy-saving and environmental protection businesses, it will drive the engineering technology R&D, cooperation with third-parties, marketing, etc.

(8) Establish Modern Human Resource Management System and Management Incentive Mechanism

Firstly, we will establish a flexible project employment mechanism. Subject to the orderly development of the size of our personnel and the vitalisation of our internal human resources, we will fully utilise social resources and construct a management mechanism of flexible labour usage for the project department, in order to satisfy the needs of human resources of different projects.

Secondly, we will speed up construction of the multi-level and full-channel staff career system. Based on the existing position-management system and our strategic goal, we will match the position hierarchy with talent echelon. We will make the career advancement of our staff smooth and scientific through establishing a position capability model and improving the criteria of talents selection.

Thirdly, we will perfect our salary management system. Currently, the Group has initially established a market-oriented salary system conforming to the requirements of a modern enterprise. The Group is dedicated to continuously improving the labour cost allocation mechanism connected with the goals of business development and effectiveness, and promoting the salaries of our employees to match the market trend and maintain competitiveness.

Fourthly, we will construct a scientific performance assessment system. We will break down our strategies, define the performance targets of our staff, establish an integrated staff performance assessment and management system centered on setting performance indicators qualitatively and quantitatively combined with differentiation so as to fully stimulate the enthusiasm and creativity of each employee.

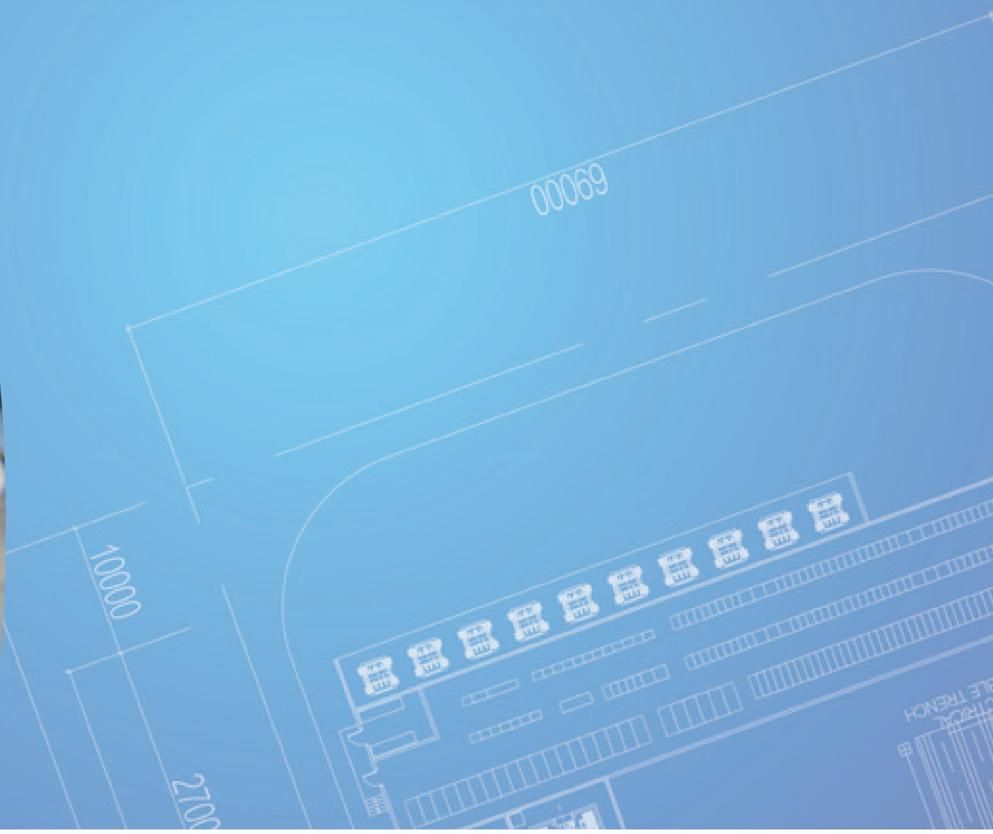
Fifthly, we will implement a mid- and long-term incentive mechanism. We have been formulating a mid- and long-term incentive plan for our senior management and key staff in order to motivate and utilise business intelligence and the decision-making capabilities of the management, thus promoting the sustainable development of the Company.

(9) Construct an Integrated Management Information System

Closely following the development strategies of the Group, we would earnestly implement the policy of information work which is “collaborative intelligence, innovative enhancement, concentrated integration, and service sharing”. In accordance with the development plan for information construction of the 12th Five Year Plan and the requirements of the mid- and long-term development plan of the Group, and also, on the principles of expansion and generalisation, improvement and enhancement, emphasising the principles of practical efficiency and breakthrough and with the target of improving quality and effectiveness of development, we will vigorously improve business management platform centering on ERP and BW, the project implementation platform centering on engineering design integration and project management modernisation, the owner delivery platform centering on digital factory and the infrastructure platform centering on engineering cloud and database center. We will enhance information safety, reinforce fundamental work, optimise resource allocation, integrate knowledge management, improve platform effects and application level, and facilitate enterprise management and technology innovation, so as to improve our core competiveness and provide information support for reform development, quality and efficiency enhancement and management solidification.

Management's Discussion and Analysis

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



Management Discussion and Analysis

1 Consolidated Results of Operations

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

	Year ended 31 December				
	2014		2013		
	Amount	Percentage of total revenue	Amount	Percentage of total revenue	Change
	(RMB '000)	(%)	(RMB '000)	(%)	(%)
Revenue	49,345,959	100.0	43,571,851	100.0	13.3
Cost of sales	(43,055,347)	(87.3)	(37,165,660)	(85.3)	15.8
Gross profit	6,290,612	12.7	6,406,191	14.7	(1.8)
Other income	173,788	0.4	78,291	0.2	122.0
Selling and marketing expenses	(121,828)	(0.2)	(100,610)	(0.2)	21.1
Administrative expenses	(1,124,985)	(2.3)	(1,088,531)	(2.5)	3.3
Research and development costs	(934,253)	(1.9)	(629,698)	(1.4)	48.4
Other operating expenses	(261,808)	(0.5)	(256,315)	(0.6)	2.1
Other gains - net	17,477	0.0	4,157	0.0	320.4
Operating profit	4,039,003	8.2	4,413,485	10.1	(8.5)
Finance income	605,803	1.2	428,394	1.0	41.4
Finance expenses	(109,108)	(0.2)	(104,123)	(0.2)	4.8
Finance income, net	496,695	1.0	324,271	0.7	53.2
Share of profits of joint arrangements	844	0.0	1,324	0.0	(36.3)
Share of profits of associates	14,153	0.0	11,961	0.0	18.3
Profit before taxation	4,550,695	9.2	4,751,041	10.9	(4.2)
Income tax expense	(1,060,746)	(2.1)	(1,093,877)	(2.5)	(3.0)
Profit for the year	3,489,949	7.1	3,657,164	8.4	(4.6)
Fair value gains on available-for-sale financial assets	—	—	3,223	0.0	(100.0%)
Accumulated fair value change of available-for-sale financial assets reclassified to profit or loss upon disposal	(11,484)	0.0	—	—	—
Exchange differences arising on translation of foreign operations	3,566	0.0	1,549	0.0	130.2
(Losses)/Gains on revaluation of retirement benefit plans obligations	(195,573)	(0.4)	266,318	0.6	—
Total comprehensive income for the year	3,286,458	6.7	3,928,254	9.0	(16.3)

(1) Revenue

The revenue of the Group increased by 13.3% from RMB43.572 billion for the year ended 31 December 2013 to RMB49.346 billion for the year ended 31 December 2014. The increase was mainly due to that a number of large EPC Contracting projects, such as Yuanba Natural Gas Purification Project, Sinochem Quanzhou Project, Shaanxi Pucheng DMTO Project, Shandong LNG Storage Tank Zone Project, Zhongtian Hechuang Coal Chemical Project, U.S. JUMBO PTA and PET Project, Aromatics Project of Kazakhstan Atyrau Refinery, etc., completed a considerable amount of work during the Reporting Period.

(2) Cost of sales

The cost of sales of the Group increased by 15.8% from RMB37.166 billion for the year ended 31 December 2013 to RMB43.055 billion for the year ended 31 December 2014, primarily due to the increased direct costs including sub-contracting and expenditure on procurement of materials and equipment caused by the increase in revenue.

(3) Gross profit

The gross profit of the Group decreased by 1.8% from RMB6.406 billion for the year ended 31 December 2013 to RMB6.291 billion for the year ended 31 December 2014, which was mainly due to the reduction of engineering business with high gross profit margin, as compared with the same period of the previous year.

(4) Other income

The other income of the Group increased by 122.0% from RMB78 million for the year ended 31 December 2013 to RMB174 million for the year ended 31 December 2014, which was mainly due to the subsidies and rewards granted by the government during the Reporting Period.

(5) Selling and marketing expenses

The selling and marketing expenses of the Group increased by 21.1% from RMB101 million for the year ended 31 December 2013 to RMB122 million for the year ended 31 December 2014, mainly due to the Group's increased investment in marketing during the Reporting Period.

(6) Administrative expenses

The administrative expenses of the Group increased by 3.3% from RMB1.089 billion for the year ended 31 December 2013 to RMB1.125 billion for the year ended 31 December 2014, which is similar to that of the same period of the previous year.

(7) Research and development costs

The research and development costs of the Group increased by 48.4% from RMB630 million for the year ended 31 December 2013 to RMB934 million for the year ended 31 December 2014, which was mainly due to the Group's increase in investment in research and development.

(8) Other operating expenses

The other operating expenses of the Group increased by 2.1% from RMB256 million for the year ended 31 December 2013 to RMB262 million for the year ended 31 December 2014, which is similar to that of the same period of the previous year.

(9) Other gains - net

The net other gains of the Group increased by 320.4% from RMB4 million for the year ended 31 December 2013 to RMB17 million for the year ended 31 December 2014, which was mainly due to the increase of investment gains through disposal of the available-for-sale financial assets during the Reporting Period.

(10) Operating profit

Due to the above reasons, the operating profit of the Group decreased by 8.5% from RMB4.413 billion for the year ended 31 December 2013 to RMB4.039 billion for the year ended 31 December 2014.

(11) Finance income - net

The net finance income of the Group increased by 53.2% from RMB324 million for the year ended 31 December 2013 to RMB497 million for the year ended 31 December 2014, mainly due to an increase in the interest income receivable from the ultimate holding company and bank deposits interest income as compared with the same period of the previous year.

(12) Income tax expense

The Group's income tax expense decreased by 3.0% from RMB1.094 billion for the year ended 31 December 2013 to RMB1.061 billion for the year ended 31 December 2014. The main reason for the decrease was that the Group's profit before taxation decreased from RMB4.751 billion for the year ended 31 December 2013 to RMB4.551 billion for the year ended 31 December 2014.

(13) Profit for the year

Due to the above reasons, the profit in the Reporting Period decreased by 4.6% from RMB3.657 billion for the year ended 31 December 2013 to RMB3.490 billion for the year ended 31 December 2014.

(14) Total comprehensive income for the year

As a combined result of the reasons above and the effects of other comprehensive income from the Group, the total amount of the comprehensive income of the Group decreased by 16.3% from RMB3.928 billion for the year ended 31 December 2013 to RMB3.286 billion for the year ended 31 December 2014.

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:

	Segment revenue		Segment gross profit		Segment gross profit margin		Segment operating profit		Segment operating profit margin	
	Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	(RMB '000)		(RMB '000)		(%)		(RMB '000)		(%)	
Engineering, consulting and licensing	**3,645,174**	4,354,199	**1,597,360**	2,016,563	**43.8**	46.3	**721,669**	1,391,265	**19.8**	32.0
EPC Contracting	**30,132,251**	23,505,528	**3,589,804**	3,312,352	**11.9**	14.1	**2,776,297**	2,537,411	**9.2**	10.8
Construction	**19,159,750**	18,024,037	**1,072,187**	1,078,916	**5.6**	6.0	**506,287**	499,873	**2.6**	2.8
Equipment manufacturing	**704,107**	684,188	**31,261**	(1,640)	**4.4**	(0.2)	**254**	(40,965)	**0.0**	(6.0)
Unallocated	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**34,496**	25,901	**N/A**	N/A
Subtotal	**53,641,282**	46,567,952	**6,290,612**	6,406,191	**N/A**	N/A	**4,039,003**	4,413,485	**N/A**	N/A
Total after inter-segment elimination (3)	**49,345,959**	43,571,851	**6,290,612**	6,406,191	**12.7**(1)	14.7(1)	**4,039,003**	4,413,485	**8.2**(2)	10.1(2)

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

(2) Total operating profit margin is calculated based on the total operating profit 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 Group's Engineering, Consulting and Licensing business are as follows:

	Year ended 31 December			
	2014		2013	
	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue
	(RMB '000)	(%)	(RMB '000)	(%)
Revenue	**3,645,174**	**100.0**	4,354,199	100.0
Cost of sales	**(2,047,814)**	**(56.2)**	(2,337,636)	(53.7)
Gross profit/(loss)	**1,597,360**	**43.8**	2,016,563	46.3
Selling and marketing expenses	**(25,498)**	**(0.7)**	(19,522)	(0.4)
Administrative expenses	**(225,079)**	**(6.2)**	(215,572)	(5.0)
Research and development costs	**(600,966)**	**(16.5)**	(386,338)	(8.9)
Other income and expenses	**(24,148)**	**(0.7)**	(3,866)	(0.1)
Operating profit	**721,669**	**19.8**	1,391,265	32.0

(1) Revenue

The revenue generated from the Group's Engineering, Consulting and Licensing segment decreased by 16.3% from RMB4.354 billion for the year ended 31 December 2013 to RMB3.645 billion for the year ended 31 December 2014. This was mainly because (1) the number of newly signed contracts for engineering business decreased and (2) some engineering projects in hand were in the detailed engineering phase and the execution periods were relatively long.

(2) Cost of sales

The cost of sales of the Group's Engineering, Consulting and Licensing segment decreased by 12.4% from RMB2.338 billion for the year ended 31 December 2013 to RMB2.048 billion for the year ended 31 December 2014. This was mainly due to the reduction in engineering business.

(3) Gross profit

The gross profit of the Group's Engineering, Consulting and Licensing segment decreased by 20.8% from RMB2.017 billion for the year ended 31 December 2013 to RMB1.597 billion for the year ended 31 December 2014. This was mainly due to the decrease in revenue generated from this segment. The gross profit margin of the Group's Engineering, Consulting and Licensing segment decreased from 46.3% for the year ended 31 December 2013 to 43.8% for the year ended 31 December 2014. This was because the decrease in cost of sales of this segment is not as much as the decrease in revenue due to the effects of fixed expenditure such as labour cost. However, the gross profit of this segment still maintained a relatively high level.

(4) Selling and marketing expenses

The selling and marketing expenses of the Group's Engineering, Consulting and Licensing segment increased by 30.6% from RMB20 million for the year ended 31 December 2013 to RMB25 million for the year ended 31 December 2014, mainly due to the Group's increased investment in marketing.

(5) Administrative expenses

The administrative expenses of the Group's Engineering, Consulting and Licensing segment increased by 4.4% from RMB216 million for the year ended 31 December 2013 to RMB225 million for the year ended 31 December 2014, basically the same as that of the same period of the previous year.

(6) Research and development costs

The research and development costs of the Group's Engineering, Consulting and Licensing segment increased by 55.6% from RMB386 million for the year ended 31 December 2013 to RMB601 million for the year ended 31 December 2014. The increase was mainly because the Group continued making large investments in R&D in order to maintain its advantage in the engineering technology.

(7) Operating profit

Due to the above reasons, the operating profit of the Group's Engineering, Consulting and Licensing segment decreased by 48.1% from RMB1.391 billion for the year ended 31 December 2013 to RMB722 million for the year ended 31 December 2014.

EPC Contracting

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

	Year ended 31 December			
	2014		2013	
	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue
	(RMB '000)	(%)	(RMB '000)	(%)
Revenue	**30,132,251**	**100.0**	23,505,528	100.0
Cost of sales	**(26,542,447)**	**(88.1)**	(20,193,176)	(85.9)
Gross profit	**3,589,804**	**11.9**	3,312,352	14.1
Selling and marketing expenses	**(47,895)**	**(0.2)**	(41,803)	(0.2)
Administrative expenses	**(336,894)**	**(1.1)**	(323,788)	(1.4)
Research and development costs	**(281,313)**	**(0.9)**	(218,703)	(0.9)
Other income and expenses	**(147,405)**	**(0.5)**	(190,647)	(0.8)
Operating profit	**2,776,297**	**9.2**	2,537,411	10.8

(1) Revenue

The revenue generated from the Group's EPC Contracting segment increased by 28.2% from RMB23.506 billion for the year ended 31 December 2013 to RMB30.132 billion for the year ended 31 December 2014. The increase was mainly due to growth in the segment's business volume, and the smooth implementation of Yuanba Natural Gas Purification Project, Sinochem Quanzhou project, Shaanxi Pucheng DMTO Project, Shandong LNG Storage Tank Zone Project, Zhongtian Hechuang Coal Chemical Project, U.S. JUMBO PTA and PET Project, Aromatics Project of Kazakhstan Atyrau Refinery, etc.

(2) Cost of sales

The cost of sales of the Group's EPC Contracting segment increased by 31.4% from RMB20.193 billion for the year ended 31 December 2013 to RMB26.542 billion for the year ended 31 December 2014. This was mainly due to the increased cost of procurement of equipment and materials, as well as sub-contracting and labour costs, as a result of the growth in business volume.

(3) Gross profit

The gross profit of the Group's EPC Contracting segment increased by 8.4% from RMB3.312 billion for the year ended 31 December 2013 to RMB3.590 billion for the year ended 31 December 2014, and the gross profit margin decreased from 14.1% for the year ended 31 December 2013 to 11.9% for the year ended 31 December 2014. Compared with the same period of the previous year, there were fewer large-scale EPC Contracting projects in the settlement stage during the Reporting Period. In addition, due to the decrease in the oil price internally and the sluggish world economy, the owners were reducing capital expenditure and were more in pursuit of investment return, which in turn intensified market competition. Therefore, the gross profit of the EPC Contracting projects decreased.

(4) Selling and marketing expenses

The selling and marketing expenses of the Group's EPC Contracting segment increased by 14.6% from RMB42 million for the year ended 31 December 2013 to RMB48 million for the year ended 31 December 2014. The increase was mainly due to the increased investment in marketing.

(5) Administrative expenses

The administrative expenses of the Group's EPC Contracting segment increased by 4.0% from RMB324 million for the year ended 31 December 2013 to RMB337 million for the year ended 31 December 2014, basically the same as that of the same period of the previous year.

(6) Research and development costs

The research and development costs of the Group's EPC Contracting segment increased by 28.6% from RMB219 million for the year ended 31 December 2013 to RMB281 million for the year ended 31 December 2014. The increase was mainly because the Group continued making large investments in R&D.

(7) Operating profit

Due to the above reasons, the operating profit of the Group's EPC Contracting segment increased by 9.4% from RMB2.537 billion for the year ended 31 December 2013 to RMB2.776 billion for the year ended 31 December 2014.

Construction

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

	Year ended 31 December			
	2014		2013	
	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue
	(RMB '000)	(%)	(RMB '000)	(%)
Revenue	**19,159,750**	**100.0**	18,024,037	100.0
Cost of sales	**(18,087,563)**	**(94.4)**	(16,945,121)	(94.0)
Gross profit	**1,072,187**	**5.6**	1,078,916	6.0
Selling and marketing expenses	**(44,835)**	**(0.2)**	(35,504)	(0.2)
Administrative expenses	**(535,488)**	**(2.8)**	(522,461)	(2.9)
Research and development costs	**(44,512)**	**(0.2)**	(23,374)	(0.1)
Other income and expenses	**58,935**	**0.3**	2,296	0.0
Operating profit	**506,287**	**2.6**	499,873	2.8

(1) Revenue

The revenue generated from the Group's Construction segment increased by 6.3% from RMB18.024 billion for the year ended 31 December 2013 to RMB19.160 billion for the year ended 31 December 2014, primarily because part of the construction projects entered their peak stage of construction. Therefore, the relevant workload increased.

(2) Cost of sales

The cost of sales of the Group's Construction segment increased by 6.7% from RMB16.945 billion for the year ended 31 December 2013 to RMB18.088 billion for the year ended 31 December 2014. The increase was mainly due to the increase in labour-hours, material costs and rating for machinery as a result of the increased workload.

(3) Gross profit

The gross profit of the Group's Construction segment decreased by 0.6% from RMB1.079 billion for the year ended 31 December 2013 to RMB1.072 billion for the year ended 31 December 2014, and the gross profit margin decreased from 6.0% for the year ended 31 December 2013 to 5.6% for the year ended 31 December 2014. These were mainly because the increase in cost of sales was greater than the increase in revenue.

(4) Selling and marketing expenses

The selling and marketing expenses of the Group's Construction segment increased by 26.3% from RMB36 million for the year ended 31 December 2013 to RMB45 million for the year ended 31 December 2014. The increase was mainly due to the Group's increased investment in marketing.

(5) Administrative expenses

The administrative expenses of the Group's Construction segment increased by 2.5% from RMB522 million for the year ended 31 December 2013 to RMB535 million for the year ended 31 December 2014, basically the same as that of the same period of the previous year.

(6) Research and development costs

The research and development costs of the Group's Construction segment increased by 90.4% from RMB23 million for the year ended 31 December 2013 to RMB45 million for the year ended 31 December 2014. The increase was mainly due to the Group's intensified investment in research and development of new construction technologies and new construction methods.

(7) Operating profit

Due to the above reasons, the operating profit of the Group's Construction segment increased by 1.3% from RMB500 million for the year ended 31 December 2013 to RMB506 million for the year ended 31 December 2014.

Equipment Manufacturing

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

	Year ended 31 December			
	2014		2013	
	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue
	(RMB '000)	(%)	(RMB '000)	(%)
Revenue	704,107	100.0	684,188	100.0
Cost of sales	(672,846)	(95.6)	(685,828)	(100.2)
Gross profit/(loss)	31,261	4.4	(1,640)	(0.2)
Selling and marketing expenses	(3,600)	(0.5)	(3,781)	(0.6)
Administrative expenses	(27,524)	(3.9)	(26,710)	(3.9)
Research and development costs	(7,462)	(1.1)	(1,283)	(0.2)
Other income and expenses	7,579	1.1	(7,551)	(1.1)
Operating profit/(loss)	254	0.0	(40,965)	(6.0)

(1) Revenue

The revenue generated from the Group's Equipment Manufacturing segment increased by 2.9% from RMB684 million for the year ended 31 December 2013 to RMB704 million for the year ended 31 December 2014, mainly due to the increase in business volume of the segment.

(2) Cost of sales

The cost of sales of the Group's Equipment Manufacturing segment decreased by 1.9% from RMB686 million for the year ended 31 December 2013 to RMB673 million for the year ended 31 December 2014. This was mainly because the Group was continuously enhancing cost control.

(3) Gross profit/(loss)

Due to the above reasons, the gross profit of the Group's Equipment Manufacturing segment changed from a loss of RMB2 million for the year ended 31 December 2013 to a profit of RMB31 million for the year ended 31 December 2014.

(4) Selling and marketing expenses

The selling and marketing expenses of the Group's Equipment Manufacturing segment were RMB4 million for the year ended 31 December 2014, which remained relatively stable as compared with the amount of the same period of the previous year.

(5) Administrative expenses

The administrative expenses of the Group's Equipment Manufacturing segment were RMB28 million for the year ended 31 December 2014, which remained relatively stable as compared with the amount of the same period of the previous year.

(6) Research and development costs

The research and development costs of the Group's Equipment Manufacturing segment increased from RMB1 million for the year ended 31 December 2013 to RMB7 million for the year ended 31 December 2014.

(7) Operating profit/(loss)

Due to the above reasons, the operating profit of the Group's Equipment Manufacturing segment changed from the loss of RMB41 million for the year ended 31 December 2013 to the profit of RMB0.254 million for the year ended 31 December 2014.

3 Discussion on the results by other classification

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

	Year ended 31 December				
	2014		2013		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB '000)	(%)	(RMB '000)	(%)	(%)
Oil refining	10,006,661	20.3	12,299,237	28.2	(18.6)
Petrochemicals	16,010,839	32.4	16,701,785	38.3	(4.1)
New coal chemicals	14,938,090	30.3	8,855,434	20.3	68.7
Other industries	8,390,369	17.0	5,715,395	13.1	46.8
Total	49,345,959	100.0	43,571,851	100.0	13.3

The revenue generated from the refining, petrochemical and other traditional industries declined as compared with those of the same period of the previous year. However, the revenue generated from new coal chemical industry, clean energy and other industries increased gradually. The proportion of the revenue generated from the new coal chemical industry in the total revenue increased to 30.3% from 20.3%, which was mainly due to the revenue growth of large-scale coal chemical projects such as Zhongtian Hechuang Coal Chemical Project and Shaanxi Pucheng DMTO Project; the proportion of the revenue generated from the clean energy and other industries in the total revenue increased to 17.0% from 13.1%, which was mainly due to the increase in the revenue generated from clean energy projects such as Yuanba Natural Gas Purification Project and Shandong LNG Storage Tank Zone Project.

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

	Year ended 31 December				
	2014		2013		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB '000)	(%)	(RMB '000)	(%)	(%)
PRC	**42,507,010**	**86.1**	36,540,730	83.9	16.3
Overseas	**6,838,949**	**13.9**	7,031,121	16.1	(2.7)
Total	**49,345,959**	**100.0**	43,571,851	100.0	13.3

The Group's revenue generated overseas was slightly lower than that of the same period of the previous year. The Group's revenue generated from the PRC increased to a relatively great extent as compared with that of the same period of the previous year, which was mainly because the domestic large-scale EPC Contracting projects such as Zhongtian Hechuang Coal Chemical Project, Sinochem Quanzhou Project and Shandong LNG Storage Tank Zone Project were progressing smoothly.

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

	Year ended 31 December				
	2014		2013		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB '000)	(%)	(RMB '000)	(%)	(%)
Sinopec Group and its associates	**19,338,263**	**39.2**	16,638,928	38.2	16.2
Non-Sinopec Group and its associates	**30,007,696**	**60.8**	26,932,923	61.8	11.4
Total	**49,345,959**	**100.0**	43,571,851	100.0	13.3

The revenue from (1) Sinopec Group and its associates and (2) non-Sinopec Group and its associates as a percentage of the total revenue during the Reporting Period were similar to those of the same period of the previous year. The revenue generated during the Reporting Period was much greater than that of the same period of the previous year. The income from Sinopec Group and its associates increased by 16.2% from RMB16.639 billion to RMB19.338 billion, which was mainly because projects such as Zhongtian Hechuang Coal Chemical Project, Yuanba Natural Gas Purification Project and Shandong LNG Storage Tank Zone Project were progressing smoothly; the revenue from non-Sinopec Group and its associates increased by 11.4% from RMB26.933 billion to RMB30.008 billion, which was mainly due to the increase in the revenue generated from large-scale EPC Contracting projects such as Sinochem Quanzhou Project and U.S. JUMBO PTA and PET Project.

4 Discussion on the backlog and new contracts

On 13 August 2014, both the Company and KPI Company decided to terminate the KPI Contract. Please refer to the announcement entitled "Termination of an EPC Contract with KPI Company" published by the Company on 14 August 2014 for more details. Projects involved in this contract were excluded in the discussion of value of backlog and new contracts.

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

	As at 31 December 2014	As at 31 December 2013	Change
	(RMB '000)	(RMB '000)	(%)
Engineering, consulting and licensing	6,514,745	6,050,017	7.7
EPC Contracting	82,079,668	74,039,061	10.9
Construction	15,191,362	12,216,820	24.3
Equipment manufacturing	136,508	262,454	(48.0)
Total	103,922,283	92,568,352	12.3

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

	As at 31 December 2014	As at 31 December 2013	Change
	(RMB '000)	(RMB '000)	(%)
Oil refining	26,639,953	18,752,220	42.1
Petrochemicals	23,600,743	27,275,478	(13.5)
New coal chemicals	47,261,719	39,159,298	20.7
Other industries	6,419,869	7,381,356	(13.0)
Total	103,922,283	92,568,352	12.3

The following table sets forth the total value of backlog categorised by different regions where the Group's clients operate as at the dates indicated:

	As at 31 December 2014 (RMB '000)	As at 31 December 2013 (RMB '000)	Change (%)
PRC	77,288,816	70,546,482	9.6
Overseas	26,633,467	22,021,870	20.9
Total	103,922,283	92,568,352	12.3

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

	As at 31 December 2014 (RMB '000)	As at 31 December 2013 (RMB '000)	Change (%)
Sinopec Group and its associates	41,346,352	36,450,335	13.4
Non-Sinopec Group and its associates	62,575,932	56,118,017	11.5
Total	103,922,283	92,568,352	12.3

As at 31 December 2014, the value of the Group's backlog amounted to RMB103.922 billion, increased by 12.3% as compared with that as at 31 December 2013, representing 2.1 times of the total revenue of RMB49.346 billion in 2014.

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

	Year ended 31 December		
	2014 (RMB '000)	2013 (RMB '000)	Change (%)
Engineering, consulting and licensing	4,109,902	5,411,511	(24.1)
EPC Contracting	38,172,858	51,234,601	(25.5)
Construction	18,299,071	13,439,019	36.2
Equipment manufacturing	118,059	504,333	(76.6)
Total	60,699,890	70,589,464	(14.0)

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

	Year ended 31 December		
	2014	2013	Change
	(RMB '000)	(RMB '000)	(%)
Oil refining	17,894,394	6,969,953	156.7
Petrochemicals	12,336,104	23,648,150	(47.8)
New coal chemicals	23,040,511	34,828,363	(33.8)
Other industries	7,428,881	5,142,998	44.4
Total	60,699,890	70,589,464	(14.0)

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

	Year ended 31 December		
	2014	2013	Change
	(RMB '000)	(RMB '000)	(%)
PRC	49,249,344	59,294,522	(16.9)
Overseas	11,450,546	11,294,942	1.4
Total	60,699,890	70,589,464	(14.0)

The following table sets forth the total value of new contracts entered into by the Group with the clients of each of Sinopec Group and its associates and non-Sinopec Group and its associates in the periods indicated:

	Year ended 31 December		
	2014	2013	Change
	(RMB '000)	(RMB '000)	(%)
Sinopec Group and its associates	24,234,279	28,089,140	(13.7)
Non-Sinopec Group and its associates	36,465,611	42,500,324	(14.2)
Total	60,699,890	70,589,464	(14.0)

During the Reporting Period, the value of the Group's new contracts was RMB60.700 billion, representing a decrease of 14.0% as compared with that of the same period of the previous year.

5 Assets, Liabilities, Equity and Cash Flows

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

(1) Assets, Liabilities and Equity

Units: RMB'000

	As at 31 December 2014	As at 31 December 2013	Changes
Total assets	**52,084,595**	47,365,269	4,719,326
Current assets	**44,032,264**	39,198,790	4,833,474
Non-current assets	**8,052,331**	8,166,479	(114,148)
Total liabilities	**29,212,021**	26,384,928	2,827,093
Current liabilities	**26,347,950**	23,620,920	2,727,030
Non-current liabilities	**2,864,071**	2,764,008	100,063
Non-controlling interests	**3,458**	3,627	(169)
Total equity	**22,872,574**	20,980,341	1,892,233
Total equity attributable to shareholders of the Company	**22,869,116**	20,976,714	1,892,402
Share capital	**4,428,000**	4,428,000	0
Reserves	**18,441,116**	16,548,714	1,892,402

As at the end of the Reporting Period, the total assets of the Group were RMB52.085 billion, the total liabilities were RMB29.212 billion, and the total equity attributable to the shareholders of the Company was RMB22.869 billion. The changes in the assets and liabilities as compared with those at 31 December 2013 and the main reasons are as follows:

As at the end of the Reporting Period, the total assets were RMB52.085 billion, increased by RMB4.719 billion as compared with that at the end of 2013. In particular, the current assets were RMB44.032 billion, increased by RMB4.833 billion as compared with that at the end of 2013, mainly due to the increase in notes and trade receivables. The non-current assets were RMB8.052 billion, representing a decrease of RMB114 million as compared with that at the end of 2013, mainly due to the decrease in amortisation of intangible assets and land use right.

As at the end of the Reporting Period, the total liabilities were RMB29.212 billion, increased by RMB2.827 billion as compared with that at the end of 2013. In particular, the current liabilities were RMB26.348 billion, increased by RMB2.727 billion as compared with that at the end of 2013, mainly due to increase in notes and trade payables and amounts due to customers for contract work as compared with those at the beginning of 2014. The non-current liabilities were RMB2.864 billion, increased by RMB100 million as compared with that at the end of 2013, mainly due to the increase in retirement and other supplemental benefit obligations.

The total equity attributable to shareholders of the Company was RMB22.869 billion, increased by RMB1.892 billion as compared with that at the end of 2013, primarily as the result of the increase in the profit of the Group during the Reporting Period.

(2) Cash Flows

During the Reporting Period, the net increase in cash and cash equivalents was RMB3.662 billion and net cash generated from operating activities was RMB333 million. The following table sets forth the main items and their changes in the Group's consolidated statements of cash flows for the years ended 31 December 2014 and 2013, respectively.

Units: RMB'000

Major items of cash flow	Year ended 31 December	
	2014	2013
Net cash generated from/(used in) operating activities	333,312	(85,995)
Net cash generated from/(used in) investing activities	4,725,026	(6,963,183)
Net cash (used in)/generated from financing activities	(1,396,551)	7,810,661
Net increase in cash and cash equivalents	3,661,787	761,483

During the Reporting Period, the profit before taxation was RMB4.551 billion, and the profit was RMB4.798 billion after adjusting the items in expenses that did not affect the cash flow in operating activities (the "Non-cash Items") which was mainly reflected in: an increase of RMB607 million for depreciation and amortisation, an increase of RMB238 million for impairment of trade and other receivables, a decrease of by RMB606 million for interest income, an increase of RMB109 million for interest expense and a decrease of RMB87 million for net foreign exchange gains. The changes in working capital caused a cash outflow of RMB3.764 billion in operating activities, mainly because: trade receivables and inventories balance increased due to growth of business volume, affecting the net cash outflow from operating activities by RMB5,504 million; trade payables increased due to the growth in business volume and purchasing costs, affecting the net cash inflow from operating activities by RMB1.341 billion; and cash flow for contract work-in-progress increased due to the enhancement of engineering project settlement by the Group, causing a net cash inflow of RMB406 million.

After adjusting for Non-cash Items, receivables and payables for the profit before taxation, and after deducting the income tax paid amounting to RMB924 million, the net cash generated from operating activities was RMB333 million.

Net cash generated from investing activities was RMB4.725 billion, mainly due to a cash inflow of RMB4.937 billion as collection of time deposits in third-party financial institutions by the Group.

Net cash used in financing activities was RMB1.397 billion, mainly due to the payment of dividends of RMB1.394 billion by the Group during the Reporting Period.

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

(3) Summary of Financial Ratios

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

Main financial ratios	Year ended 31 December	
	2014	2013
Net profit margin (%)	**7.1**	8.4
Return on assets (%) (1)	**7.0**	8.7
Return on equity (%) (2)	**15.3**	17.4
Return on invested capital (3)	**15.3**	17.4

Main financial ratios	As at 31 December 2014	As at 31 December 2013
Gearing ratio (%) (4)	**0.0**	0.0
Net debt to equity ratio (%) (5)	**net cash**	net cash
Current ratio (%) (6)	**1.7**	1.7
Quick ratio (%) (7)	**1.6**	1.6

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

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

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

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

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

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

(7) Quick ratio = $\frac{\text{current assets - inventories}}{\text{current liabilities}}$

Return on assets

During the Reporting Period, the Group's return on assets decreased to 7.0% for the year ended 31 December 2014 from 8.7% for the year ended 31 December 2013. The decrease was mainly due to the decrease in the net profit and increase in the total average asset at the end of the Reporting Period as compared with those at the beginning of the Reporting Period.

Return on equity

The Group's return on equity decreased to 15.3% for the year ended 31 December 2014 from 17.4% for the year ended 31 December 2013, mainly due to the decrease in the net profit and increase in the total equity as compared to those of the same period of the previous year.

Return on invested capital

The Group's return on invested capital decreased to 15.3% for the year ended 31 December 2014 from 17.4% for the year ended 31 December 2013 for the same reasons as the decrease in return on equity.

Gearing ratio

As at 31 December 2014, the Group's gearing ratio is 0, which remained stable as compared with that as at 31 December 2013, since the Group did not have any borrowings as at the end of the Reporting Period.

Net debt to equity ratio

The Group maintained positive net cash both as at 31 December 2014 and 31 December 2013.

Current ratio

As at 31 December 2014, the Group's current ratio is 1.7, which remained stable as compared with that as at 31 December 2013.

Quick ratio

As at 31 December 2014, the Group's quick ratio is 1.6, which remained stable as compared with that as at 31 December 2013.

Significant Events

Significant Events

1 Connected Transactions

Continuing Connected Transactions between the Group and Sinopec Group

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

(1) the Engineering and Construction Services Framework Agreement;

(2) the Financial Services Framework Agreement;

(3) the Technology R&D Framework Agreement;

(4) the General Services Framework Agreement;

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

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

(7) the Safe Production Insurance; and

(8) the Trademark Licensing Agreement.

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

The Group's Connected Transactions

During the Reporting Period, the aggregate amount of connected transactions incurred of the Group was RMB20.892 billion. In particular, the expenses amounted to RMB1.104 billion and the revenue amounted to RMB19.788 billion (including RMB19.355 billion from sales of products and services and RMB433 million from interest income), thus satisfying the exemption conditions specified by 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 Group amounted to RMB1.090 billion, which was within the exempted cap. The engineering and construction services (preliminary consulting, technology licensing, engineering design, EPC Contracting, construction and equipment manufacturing, etc.) provided by the Group to Sinopec Group amounted to RMB19.257 billion, which was within the exempted cap.

During the Reporting Period, the expenses relating to the settlement of entrustment loans and other financial services between the Group and Sinopec Finance Co., Ltd. and Sinopec Century Bright Capital Investment Limited were RMB2 million, which was within the exempted cap. The daily maximum balance of deposits and interest income was RMB5.510 billion, which was within the exempted cap. The daily maximum balance of entrusted loans was RMB11.600 billion, which was within the exempted cap.

During the Reporting Period, the technology R&D services provided by the Group to Sinopec Group amounted to RMB94 million, which was within the exempted cap.

During the Reporting Period, the counter-guarantees provided by Sinopec Group to the Group amounted to USD191 million, which was within the exempted cap.

During the Reporting Period, the general services provided by Sinopec Group to the Group amounted to RMB9 million, which was within the exempted cap.

During the Reporting Period, the land use right and property lease contracts provided by the Group to Sinopec Group amounted to RMB4 million, which was within the exempted cap.

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

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

Please refer to Note 40 to the Financial Statements in this annual report, which was prepared in accordance with the IFRS, for the major related party transactions carried out during the Reporting Period.

The above-mentioned connected transactions during the Reporting Period were approved at the twelfth meeting of the First Session of the Board. The connected transactions carried out during the Reporting Period are in compliance with the Hong Kong Listing Rules.

The external auditor of the Company was engaged to report on the Group'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 an unqualified letter containing the conclusions in respect of the above-mentioned continuing connected transactions in accordance with Rule 14A.56 of the Hong Kong Listing Rules 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 Company and the shareholders of the Company as a whole; and

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

Approval to Provide Counter Guarantee to Sinopec Group

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

2 Litigation or Arbitration Events

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

As for the arbitration case between the Company and Medicine Bow Fuel & Power LLC filed by Medicine Bow Fuel & Power LLC at the International Dispute Resolution Center under the American Arbitration Association, the Medicine Bow Fuel & Power LLC has withdrawn such arbitration application.

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

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

3 Other Material Contracts

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

4 Repurchase, Sale and Redemption of Shares

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

5 Reserves

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

6 Use of IPO Proceeds

During the Reporting Period, the amount of the large-scale lifting equipment purchased by the Group was about RMB143 million. The Company contributed RMB500 million as the registered capital of the Lift and Transportation Company. The Company spent RMB10 million on purchase of scientific R&D equipment. During the Reporting Period, a total of RMB653 million was used. At the end of the Reporting Period, the Group had spent RMB3.045 billion. As at the end of the Reporting Period, the remaining amount of proceeds was HKD9.708 billion.

7 Assets Transactions

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

8 Insolvency and Restructuring

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

9 Significant Trusteeship, Contracting and Lease

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

10 Significant Acquisitions and Sale

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

11 Financial Derivatives for Hedging Purposes

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

12 Pledged Assets

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

13 Debt

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

14 Review of Annual Report

The audit committee of the Company (the "Audit Committee") has reviewed this annual report and does not have different views on the financial statements in this annual report.

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

15 Other important matters

During the Reporting Period, none of the Company, the Board, the Directors and the Supervisors was punished by administrative means or criticisms by the Securities and Futures Commission of Hong Kong or censured publicly by the Hong Kong Stock Exchange.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Corporate Governance

Corporate Governance

1 Enhancement 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, the Company strictly standardised corporate governance based on the working rules, systems and norms such as the Rules of Procedure of Shareholders Meeting, the Rules of Procedure of the Board and the Rules of Procedure of the Supervisory Committee and updated the internal documents timely in accordance with the Hong Kong Listing Rules and other applicable laws and regulations, improving the internal control systems and enhancing the execution of internal control of the Company. To standardise 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.

The Company further enhanced on-the-job training to promote the sense of responsibility of all Directors, Supervisors and its senior management (the "Senior Management"), and provided Directors with information on the business performance and financial situation of the Company in a timely manner, which empowers the Directors to make reasonable decisions. We continue to prioritise information disclosure and our relationship with our investors by strengthening communication, increasing the 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.

During the Reporting Period, the supervisory committee of the Company (the "Supervisory Committee") had no objection regarding all supervised matters. Furthermore, no administrative punishments or criticisms by the Securities and Futures Commission of Hong Kong were issued against the Company, the Board, the Directors, the Supervisors, the Senior Management, controlling shareholders of the Company or the beneficial owners of the Company, nor were any of them censured publicly by the Hong Kong Stock Exchange.

2 Preparation of the Strategy Clarification and Reformation of Institutional Framework

The Group has solidified the construction of its strategy clarification and control system. Using internationally renowned engineering companies as its benchmark, the Company has organised comprehensive analysis and diagnosis of the current management situation, determined the vision of "building a world-class engineering company" and the four strategies which are "energy and petrochemical-oriented, innovation-driven, globalisation-targeted and value-focused". Specifically, the energy and petrochemical-oriented strategy focuses on the petrochemical industry, highlights the oil refining, petrochemical, natural gas and coal chemical businesses, leverages on the accumulation of personnel, technologies and management advantages throughout the years, and develops biological and unconventional energy, environmental protection and energy saving businesses through cooperation in the form of joint ventures and mergers and acquisitions. The innovation-driven strategy aims to set up an innovative system centering on technology innovation, increase inputs in R&D of engineering technologies, enhance technological exchange and cooperation both in the PRC and foreign regions so as to expand the market, enhance competitiveness and facilitate value appreciation by innovation. The globalisation-targeted strategy means to accelerate the construction of the capacity of overseas business and the expansion of overseas markets by taking domestic businesses as the foothold, to create comprehensively an overseas business platform by making the Middle East, Middle Asia, Southeast Asia, Africa and America as the core areas, so as to enable mutual improvement and collaborative development between the domestic and the overseas markets. The value-focused strategy is to increase the proportion of high-end businesses such as consultation, front-end design, basic design, EPC, PMC, etc. It plans to provide high value services, focus on high value clients, ensure the consistency between the benefits of the shareholders, the clients, the society and the employees and in turn to maximise the overall benefits. Guided by the vision and the strategies, the Group will stress the cultivation and continuous elevation of its core competence as "providing one-stop integrated solutions". Meanwhile, the Group has also acknowledged the position of the Company as the "strategic decision making center, resource allocation center, risk control center and service support center" and the position of its affiliates and branches as the "business development and operation center".

In order to adapt to the control requirements of the Group and to establish an organisational structure where the upper and the lower levels could mutually correspond, where the interface is clear, and where the responsibilities are explicitly defined and the communication is smooth, the Company has adjusted and optimised its department configuration and the setting of the department functions. It transferred the strategic management, comprehensive plan and statistic functions of the Company to the Department of Enterprise Reform Management from the current Department of Development Planning and the Department of Enterprise Reform Management was renamed as the "Department of Strategic Planning". The Department of Development Planning was renamed as the "Department of Capital Operation". The Department of Production Operation was divided into the Marketing Department and the Project Department. After such adjustment and optimisation, the Company now consists of 16 departments, namely, the Office of the Board of Directors, the Department of Comprehensive Management, the Human Resource Department, the Department of Finance and Assets, the Department of Strategic Planning, the Department of Capital Operation, the Legal Department, the Technology Department, the Marketing Department, the Project Department, the Department of International Business, the Procurement Department, the IT Department, the QHSE Department, the Auditing Department and the Department of Discipline Inspection and Supervision. Relevant responsibilities of each department have also been adjusted and optimised.

3 Equity Interests of Directors, Supervisors and Other Members of the Senior Management

During the Reporting Period, none of the Directors, Supervisors and members of the Senior Management, as well as their respective associates have any interests or short positions in any Shares, underlying Shares or debentures of the Company or any associated corporations (as defined under Part XV of the SFO) which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company 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 the Company and the Hong Kong Stock Exchange that are regarded, or treated as being held, in accordance with the SFO in the shares of the Company or any associated corporation. Based on specific enquiries to all Directors, all Directors have confirmed that they have complied with 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

The Company has a sufficient number of independent non-executive Directors with appropriate professional qualifications or accounting or related financial management expertise in accordance with the Hong Kong Listing Rules. The Company appointed three independent non-executive Directors, Mr. HUI Chiu Chung, Stephen, Mr. JIN Yong and Mr. YE Zheng. The Company 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. The Company considers all of its independent non-executive Directors to be independent.

5 The Company's Independence from Controlling Shareholders

On 19 March 2015, Sinopec Group provided the following declaration to the Company and its independent non-executive Directors confirming its compliance with the terms of the Non-competition Agreement:

From 1 January 2014 to 31 December 2014, 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-Competition Agreement and undertaking. The aforesaid was concluded based on Sinopec Group's overall review of the compliance with every provision.

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

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

6 Construction and Implementation of Internal Control System of the Group

Internal Control Construction

In 2014, the Company revised the "Internal Control Manual (2013 edition)", published and implemented the "Internal Control Manual (2014 edition)" (the "Internal Control Manual") to standardise internal management, prevent operation risks and guarantee the realisation of the development strategies and operation goals of the Company. The Internal Control Manual 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 Ministry of Finance of PRC, the SFO and the Hong Kong Listing Rules. To ensure the quality of the modification of the Internal Control Manual, we (1) prepared and approved the work plan for modification of the Internal Control Manual; (2) further adjusted and improved the business process and key control points, targeting the set up of the Company's departments and their functions, so that the control points could involve each position and each individual; and (3) accomplished the informationalisation of the Internal Control Manual, realised online testing, evaluation and reporting.

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, 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 defence mechanisms for internal control departments: the periodic testing of responsible departments (units), daily management and 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 Department of Strategic Planning of the Company, which is assigned to administer overall supervision of internal control, is responsible for the daily supervision of internal control and the organisation of individual inspection. The Audit Department is in charge of internal control evaluations and independent, comprehensive inspections and evaluation of internal control. The Company and its subsidiaries established a two-level internal control inspection and evaluation system where the subsidiaries of the Company conduct self-inspections and evaluate internal control every year and the Company inspects the evaluation of internal control every year in a comprehensive manner.

Arrangement for Internal Control Made by the Board

The Board will review the amended Internal Control Manual every year. The Board is responsible for the communication, supervision and inspection of internal and external auditing through the Audit Committee, as well as the inspection and supervision of effectiveness of self-evaluation of internal control.

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 asset 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, items and matters in accounting statements are connected with control measures, so that internal control can reasonably ensure that the disclosed financial statements are authentic and reliable.

Internal Control Deficiencies and Rectification

No significant internal control deficiencies were discovered within the Group during the Reporting Period. For other internal control deficiencies discovered during the inspection, the management has designed and adopted various rectification measures, and discussed these measures with external auditors. After a follow-up examination, all deficiencies relating to financial reporting were rectified during the Reporting Period, and other management deficiencies were rectified or rectification measures were adopted.

Businesses with Sanctioned Countries

The Group did not engage in any sanctioned businesses during the Reporting Period. "Sanctioned businesses" refer to activities and businesses with, or for the benefit of any sanctioned countries (countries subject to comprehensive and nation-wide economic sanctions imposed by the United States, the European Union, Australia or the United Nations for the relevant period of time) or any other governments, individuals or entities under the sanctions imposed by the European Union, United Nations, the United States or Australia (including, without limitation, any government, individual or entity that is the subject of any sanctions administered by the Office of Foreign Assets Control of the US Department of the Treasury).

7 Assessment and Incentive Mechanism for the Senior Management

In order to establish and improve the incentive and disciplinary mechanism, to provide effective incentives to the Senior Management, to effectively mobilise the management, and to make efforts to enhance their performance and the Company's core competitiveness, the Group proposes to implement a mid- and long-term incentive scheme to the Senior Management based on the current incentive of assessment, in accordance with relevant laws, regulations and by referring to international conventional practices and combining the current situation of the remuneration and performance evaluation of the Group. Currently, the scheme is being improved and filed for approval.

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

(1) Compliance with Corporate Governance Code

From the listing date of the Company to 31 December 2014, the Company abided by the provisions in the Code on Corporate Governance Practices set out in Appendix 14 to the Hong Kong Listing Rules and did not conduct any acts which deviated from such provisions.

A BOARD

A.1 Board

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

b. The Board holds at least one meeting quarterly. The Board communicates on the meeting time and subject matters 14 days prior to the meeting. The documents and materials for the meeting will usually be sent 10 days in advance to each Director. In 2014, the Company held four 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 2014. The Board was of the view that the composition of the 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 the Company and its shareholders. The Directors and the Senior Management carefully fulfilled their responsibilities and actively took part in training and continuing professional development, which led to the improvement of governance of the Company.

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

A.2 Chairman and Chief Executive Officer

a. Mr. Zhang Jianhua 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. 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 and holding meetings with them at least once every year, at which no executive Director shall be present.

c. The Chairman of the Board shall 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 consisted of 9 members with extensive professional and management experiences from 1 January 2014 to 12 January 2015. Among the nine (9) members, there were one (1) executive Director, five (5) non-executive Directors and three (3) independent non-executive Directors. The independent non-executive Directors represented one third of the Board.

Due to job adjustment, Mr. CAI Xiyou, former Director, submitted his resignation to resign as a non-executive Director, the Chairman of the Board and a member of the nomination committee on 15 November 2014. Meanwhile, due to job adjustment, each of former directors, Mr. LEI Dianwu, Mr. LING Yiqun and Mr. CHANG Zhenyong, submitted resignations to resign as a non-executive Director and a member of the strategy and development committee of the Company (the "Strategy and Development Committee") on 15 November 2014. The Company adjusted the Board through legal procedures on 12 January 2015.

The Board consisted of 9 members with extensive professional and management experiences from 12 January 2015 to the Report Date. For details, please refer to the chapter entitled "Directors, Supervisors, Senior Management and Employees." Among the nine (9) members, there are four (4) executive Directors, two (2) non-executive Directors and three (3) independent non-executive Directors. The independent non-executive Directors represent one third of the Board.

From 1 January 2014 to the Report Date, all the executive Directors and non-executive Directors of the Company are experienced in refining and chemical engineering, the petroleum and petrochemical profession or large-sized enterprise management. The independent non-executive Directors are well-known technological experts of chemical engineering, 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. The Company 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 2014. The Company concluded that each of the independent non-executive Directors is independent.

A.4 Appointment, Re-election and Dismissal

a. Within the Company, the term of each session of the Directors (including non-executive Directors) is 3 years, and the consecutive term of office of an independent non-executive Director shall not exceed 6 years.

b. All Directors will be elected through legal procedures, and the Board has no power to appoint temporary Directors.

c. For newly appointed Directors, the Company 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.

A.5 Nomination Committee

a. The Company established a nomination committee (the "Nomination Committee"). From 1 January 2014 to 12 January 2015, the members were as follows: Mr. CAI Xiyou, the Chairman of the Board and a non-executive Director, was the chairman of the Nomination Committee,; Mr. HUI Chiu Chung, Stephen, an independent non-executive Director, was the vice chairman of the Nomination Committee; Mr. YAN Shaochun, an executive Director, and Mr. JIN Yong and Mr. YE Zheng, independent non-executive Directors, were members of the Nomination Committee. The terms of reference of the Nomination Committee were established and are available on the websites of the Company and the Hong Kong Stock Exchange. Due to adjustment of Directors, the Company conducted adjustment on the Nomination Committee upon approval by the fourteenth meeting of the First Session of the Board on 12 January 2015. After the adjustment, Mr. ZHANG Jianhua, the President and a non-executive Director, served as chairman of the committee, Mr. HUI Chiu Chung, Stephen, an independent non-executive Director, as vice chairman of committee, and Mr. LU Dong, the Vice President and an executive Director, Mr. JIN Yong and Mr. YE Zheng, independent non-executive Directors as committee members. For details, please refer to the announcement of the Company entitled "List of Directors and their Role and Function" dated 13 January 2015. The Nomination Committee will recommend appointment or re-election of the Directors as well as the succession plan of Directors (especially the Chairman of the Board and the President of the Company), 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 of the Board in 2014 are rational and conform to the strategies of the Group.

c. Nomination Committee members may engage independent professionals. Reasonable costs arising from or in connection with such consultation are borne by the Group. The expenses of the Nomination Committee will be included in the budget of the Company.

d. Please refer to the "Report of the Board - Meetings Held by the Special Committees of the Board" of this annual report for information about meetings held by the Nomination Committee.

A.6 Responsibility of Directors

a. All the non-executive Directors of the Company 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 are clearly defined in the Articles of Association and the Rules of Procedure of the Board of the Company.

b. Each of the Directors was able to devote sufficient time and effort to handling the matters of the Company.

c. Each of the Directors of the Company confirmed that they complied with the Model Code during the Reporting Period.

d. The Company is responsible for arranging training for Directors and providing for corresponding expenses. The Directors actively participated in continuing professional development. The Company 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 organising and preparing materials for the Board meetings, including the preparation for each proposal to ensure thorough understanding of each Director. The management of the Group 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 the Group and related explanations.

B Remuneration of Directors and Senior Management

a. The Company established a remuneration committee (the "Remuneration Committee"). From 1 January 2014 to 8 May 2014, the members were as follows: Mr. HUI Chiu Chung, Stephen, an independent non-executive Director, was the chairman of the Committee, and Mr. ZHANG Kehua, a non-executive Director, and Mr. JIN Yong and Mr. YE Zheng, independent non-executive Directors, were members of the committee. The terms of reference of the Remuneration Committee are available on the websites of the Company and the Hong Kong Stock Exchange. Due to the resignation of some directors, on 8 May 2014, the Company adjusted the Remuneration Committee, after which Mr. HUI Chiu Chung, Stephen, an independent non-executive Director, is the chairman of the committee and Mr. JIN Yong and Mr. YE Zheng, independent non-executive Directors, are members of the committee. For details, please refer to the announcement of the Company entitled "List of Directors and their Role and Function" dated 9 May 2014. The Remuneration Committee is responsible for studying the compensation structures and policies of all Directors, Supervisors and Senior Management and proposing recommendations to the Board thereof, or setting and determining the compensation and welfare of individual executive Directors and Senior Management members as authorised by the Board or proposing recommendations thereof to the Board.

b. Members of the Remuneration Committee may engage independent professionals. Reasonable costs arising from or in connection with such consultation are borne by the Group. Meanwhile, the Remuneration Committee appointed the advisory member to assist in specific daily routines. The expenses of the Remuneration Committee were included in the budget of the Company.

c. Please refer to "Report of the Board - Meetings Held by the Special Committees of the Board" of this annual report for information about meetings held by the Remuneration Committee.

C Accountability and Auditing

C.1 Financial Reporting

a. The Directors are responsible for supervising 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 during the corresponding period. The Board approved the financial report for the year 2014 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 contents therein.

b. The Company 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. The Company adopted an internal control mechanism to ensure that the management and relevant departments provide sufficient financial data and related explanations and data to the Board and the Audit Committee.

d. The external auditors of the Company issued a statement about their reporting responsibilities in the financial statement contained in the accountants' report.

C.2 Internal Control

a. In 2014, the Company compiled the Internal Control Manual per the regulations and requirements regarding internal control under 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 regulates the controls on the company level and business level, and realises the internal control on all elements.

b. The management of the Company has 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. The Company established an internal audit department, staffed by adequate professional personnel to ensure sound internal auditing functions.

d. For this year, the Company 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. Mr. YE Zheng, an independent non-executive Director, is the chairman of the Audit Committee, and Mr. HUI Chiu Chung, Stephen and Mr. JIN Yong, both independent non-executive Directors, are members of the committee. In addition, corresponding working rules have been established. The terms of reference of the Audit Committee are available on the websites of the Company and the Hong Kong Stock Exchange. The Audit Committee advises on the appointment, re-appointment, termination of appointment of the independent auditors and their remuneration, reviews the financial reports to be submitted to the Board, and examines the Company's financial policies, internal auditing system, internal control system and risk management system. As verified, none of them had served as a partner or former partner in our current auditing firm.

b. Please refer to "Report of the Board - Meetings Held by the Special Committees of the Board" of this annual report for information about meetings held by the Audit Committee. Review opinions signed by the members of the Audit Committee were issued at such meetings and submitted to the Board. During the Reporting Period, the Board and the Audit Committee concurred with the review opinions from the meetings.

c. Members of the Audit Committee may engage independent professionals. Reasonable costs arising from or in connection with such consultation are borne by the Group. Meanwhile, the Audit Committee appointed the advisory member to assist the Audit Committee in specific daily routines. The expenses of the Audit Committee are included in the budget of the Group.

d. In the absence of the management, the Audit Committee held meetings with the auditors three times in 2014 either through writing or meeting in person and discussed the auditing of financial reports and the auditing fee for 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 concluded that the Company's management performed their 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 reporting, reporting through letters, meeting with reporters, complaint mail box, etc., to report and complain regarding their discovered breaches of the Company's internal control system. The Audit Committee has considered and approved this system.

D Delegation of Power by the Board

a. The Board, the management and Board special 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 the Board and the Working Rules for the President set forth a clear scope of duties, authorities and delegation of power of the Board and the management.

b. In addition to the Nomination Committee, Audit Committee and Remuneration Committee, the Board also established the Strategy and Development Committee, which is responsible for studying the long-term development strategies as well as major decisions on capital expenditure, investment and financing of the Company. The Strategy and Development Committee consisted of six Directors. Mr. ZHANG Kehua, Vice Chairman of the Board and a non-executive Director served as the chairman of the committee. Mr. JIN Yong, an independent non-executive Director, served as the vice chairman of the committee. Mr. YAN Shaochun, President and an executive Director and Mr. LEI Dianwu, Mr. LING Yiqun and Mr. CHANG Zhenyong, non-executive Directors, served as members. On 8 May 2014, Mr. ZHANG Kehua, former Director, resigned as a Director and the chairman of the Strategy and Development Committee in consideration of his age. Due to adjustment of Directors, the Company conducted adjustment on the Strategy and Development Committee upon approval by the fourteenth meeting of the First Session of the Board on 12 January 2015. After the adjustment, Mr. LU Gong, Vice President and an executive Director, serves as chairman of the committee, Mr. JIN Yong, an independent non-executive Director, as vice chairman of committee, and Mr. YAN Shaochun, President and an executive Director, Mr. LI Guoqing, a non-executive Director, Ms. SUN Lili and Mr. WU Derong, executive Directors, as members of the committee. For details, please refer to the announcement of the Company entitled "List of Directors and their Role and Function" dated 13 January 2015.

c. Each Board committee has clear terms of reference, according to which such committees are required to report their decisions or recommendations to the Board.

d. Please refer to "Report of the Board - Meetings Held by the Special Committees of the Board" of this annual report for information about meetings held by the Strategy and Development Committee.

E Investor Relations

a. The Company pays close attention to investor relations. The Senior Management conducts road shows for investors every year to introduce issues that investors may be concerned about, such as development strategies, production and the business performance of the Company. The Office of the Board is responsible for communication with investors in compliance with regulatory provisions through meetings with, site visits by and setting up emails for investors, which enhanced communication with investors.

b. During the Reporting Period, each resolution was separately proposed in relation to an individual issue at the general meetings. All resolutions were voted by poll to safeguard the interests of all the shareholders of the Company. A meeting notice was delivered to each shareholder 45 days (exclusive of the day of the meeting) prior to the general meetings.

c. The Chairman of the Board hosted the general meeting as the chairman of such meeting. Members of the Board and the Senior Management also attended the general meetings and answered the questions raised by the shareholders of the Company.

d. During the Reporting Period, the Articles of Association were not revised.

F Company Secretary

a. The secretary to the Board is recognised 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 and reports to the Company and the Board. The secretary to the Board 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% (including 10%) of the total voting shares issued by the Company may request in writing for the Board to convene an extraordinary general meeting or class meetings. 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 aforesaid provisions are subject to the following conditions: the proposals proposed at the general meeting shall fall within the terms of reference of the general meetings, with specified proposals and resolutions, and in compliance with the relevant laws, administrative regulations and the Articles of Association.

b. When the Company holds a general meeting, shareholders who individually or collectively hold 3% or more of the total voting shares issued by the Company 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 notices to all shareholders of the Company.

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

(2) Auditors

In the 2013 annual general meeting of the Company held on 8 May 2014, the Company approved reappointment of Grant Thornton China (Special General Partnership) and Grant Thornton Hong Kong Limited as the domestic and overseas auditors of the Company, respectively, in 2014 and authorised the Board to determine their compensation. As approved at the tenth meeting of the First Session of the Board, the audit fee for 2014 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.

The Company has not changed its auditors since the commencement of preparation for its listing on the Hong Kong Stock Exchange.

(3) Other Information about Corporate Governance of the Company

Except for their working relationships with the Group, none of the Directors, Supervisors and the members of the Senior Management has any financial, business or familial 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 the Board, please refer to page 82; for information regarding the equity interests of Directors, Supervisors and Senior Management, please refer to page 71; for information regarding the resume and annual remuneration of Directors, Supervisors and Senior Management, please refer to page 98 to page 112.

Report of the Board

Report of the Board

The Board is pleased to present the report for the year ended 31 December 2014 for shareholders' review.

1 Meetings of the Board

During the Reporting Period, the Company held four (4) Board meetings. The details are as follows:

The tenth meeting of the First Session of the Board was held in Beijing, the PRC on 14 March 2014, whereby the following 18 proposals were considered and approved: the proposed report of the Board for the year 2013; the proposed report on the fulfilment of the targets for the year 2013 and the proposed key work arrangements for the year 2014; the proposed report on the operating results, financial conditions and other relevant matters for the year 2013; the proposed opinions from the independent auditors on the 2013 annual financial report of the Company; the proposed opinions of the Audit Committee on the 2013 annual financial report and the relevant matters; the proposed approval for the audited financial report for the year 2013; the proposed 2013 annual report and results announcement; the proposed sustainable development report for the year 2013; the proposed business operation plan, investment plan and financial budget for the year 2014; the proposed approval of the 2013 annual general meeting for final dividend distribution plan for the year 2013 and the proposed authorisation to the Board to determine the interim profit distribution plan for the year 2014; the proposed appointment of independent auditors and authorisation to the Board to fix their remuneration for the year 2014; the proposed election of a director of the Company; the proposed appointment of a vice president of the Company; the proposed amendments to the internal control rules and procedures; the proposed adjustments to the annual caps for the year ended 31 December 2013 and each of the two years ending 31 December 2015 for the continuing connected transactions under the technology R&D framework agreement entered into between the Company and China Petrochemical Corporation dated 19 December 2012; the proposed approval at the annual general meeting for the year 2013, the class meeting for holders of Domestic Shares and the class meeting for holders of H shares for the grant of general mandate to the Board to repurchase Domestic Shares and/or H shares; the proposed approval at the annual general meeting for the year 2013 for the grant of generate mandate to the Board to issue Domestic Shares and/or H shares; and the proposed approval to convene the annual general meeting for the year 2013, the class meeting for holders of Domestic Shares and the class meeting for holders of H shares.

The eleventh meeting of the First Session of the Board was held on 28 May 2014 in the form of written resolutions whereby two proposals were considered and approved, including the proposed appointment of two vice presidents of the Company.

The twelfth meeting of the First Session of the Board was held in Beijing, the PRC on 15 August 2014, whereby the following eight proposals were considered and approved: the proposed report on the fulfillment of the key targets for the first half of 2014 and the proposed report on the work arrangements for the second half of 2014; the proposed report on the operating results, financial conditions and other relevant matters for the first half of 2014; the audit opinion of the Company's independent auditor, Grant Thorton Hong Kong Limited, on the Company's audited 2014 interim financial report; the opinions of the Company's audit committee on the audited 2014 interim financial report and other relevant matters; the proposal to approve the audited 2014 interim financial report; the proposed 2014 interim report and results announcement; the proposed 2014 interim dividend distribution plan; and the proposal to determine the annual cap of the Company's performance guarantee provided by its parent company for the year 2014.

The thirteenth meeting of the First Session of the Board was held on 20 November 2014 in the form of written resolutions whereby the following four proposals were considered and approved: the proposed appointments of Directors; the proposed appointments of Supervisors; the proposed adjustment of the members of the Senior Management; and the proposed approval to convene the first extraordinary general meeting for the year 2015.

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 meetings during the Reporting Period:

Name	Board Meetings (times)		Attendance by Proxy (times)	Attendance Conditions of the Shareholders' Meetings in 2014[2]	Attendance of Training
	Site Meetings	Written Resolutions			
CAI Xiyou	2	2	0	3	yes
ZHANG Kehua [1]	0	0	1	0	no
LEI Dianwu	1	2	1	0	yes
LING Yiqun	0	2	2	0	yes
CHANG Zhenyong	2	2	0	3	yes
YAN Shaochun	2	2	0	3	yes
LI Guoqing [1]	1	2	0	0	yes
HUI Chiu Chung, Stephen	2	2	0	0	yes
JIN Yong	1	2	1	3	yes
YE Zheng	2	2	0	3	yes

Notes:

(1) In May 2014, Mr. ZHANG Kehua resigned as a Director. Mr. LI Guoqing was appointed as a Director at the 2013 annual general meeting convened on 8 May 2014.

(2) On 8 May 2014, three shareholders' meetings were held, including the 2013 annual general meeting, the class meeting for holders of Domestic Shares and the class meeting for holders of H Shares.

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's management created four special committees, namely the Risk Control Committee, the Confidentiality Committee, the QHSE Committee and the Sustainable Development Committee.

During the Reporting Period, the Audit Committee held two meetings and the Nomination Committee held one meeting. The Remuneration Committee and the Strategy and Development Committee each held one meeting on 12 January 2015. All members of each committee were present at the abovementioned meetings. Details of those meetings are as follows:

The second meeting of the First Session of the Audit Committee was held in Beijing, the PRC on 13 March 2014, whereby they reviewed the 2013 interim self-inspection work report of internal control, the audited 2013 annual financial report, the 2013 annual report, the proposed appointment of auditors for the year 2014, the execution of 2013 continuing connected transactions, and non-compete situation for the year 2013 and provided review opinions.

The third meeting of the First Session of the Audit Committee was held in Beijing, the PRC on 14 August 2014, whereby they reviewed the topics concerning the audited 2014 interim financial report, the 2014 interim report, the self-inspection work report of internal control in the first half of 2014, the execution of continuing connected transactions in the first half of 2014, the remuneration for the independent auditors for the 2014 and the evaluation report of risk management in the first half of 2014, and provided review opinions.

The second meeting of the First Session of the Nomination Committee was held in Beijing, the PRC on 20 November 2014. At the meeting, Mr. ZHANG Jianhua was nominated as a candidate for non-executive Director and Mr. LU Dong as a candidate for executive Director. The term of office for them is until the expiry of the term of the First Session of the Board. The Nomination Committee provided review opinions.

The second meeting of the First Session of the Remuneration Committee was held in Beijing, the PRC on 12 January 2015, whereby they reviewed the draft share appreciation rights incentive scheme for senior management, and provided review opinions.

The second meeting of the First Session of the Strategy and Development Committee was held in Beijing, the PRC on 12 January 2015, whereby they reviewed the optimised strategic plan of the Company, and provided review opinions.

5 Performance

The financial results of the Group for the year ended 31 December 2014 were prepared in accordance with the IFRS and its financial position as at that date and the accompanying analysis are set out from page 116 to page 187 of this annual report.

6 Dividends

At the 2013 annual general meeting convened on 8 May 2014, an ordinary resolution was passed to approve the authorisation to the Board to determine the interim profit distribution plan for the year 2014. The dividend distribution plan of RMB0.125 per share (inclusive of applicable tax) for the six months ended 30 June 2014 was approved at the twelfth meeting of the First Session of the Board convened on 15 August 2014. The dividend distribution plan was implemented after review and approval at the twelfth meeting of the First Session of the Board.

The final dividend distribution plan for the year ended 31 December 2014 was approved at the fifteenth meeting of the First Session of the Board. The final dividend distribution shall be calculated based on the total number of Shares on 28 May 2015 (the "Record Date") and the final cash dividend distribution shall be based on RMB0.187 per Share (inclusive of applicable tax). That distribution scheme will be implemented after review and approval at the annual general meeting to be held on 18 May 2015. The dividend will be paid on or before Tuesday, 30 June 2015 to all the shareholders of the Company whose names appear on the register of members of the Company at the close of business on Thursday, 28 May 2015. In order to qualify for the dividend, the holders of H Shares must lodge all share certificates accompanied by the transfer documents with Computershare Hong Kong Investor Services Ltd. (address: Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong) before 4:30 p.m. on Friday, 22 May 2015. For the purpose of ascertaining Shareholders who qualify for the dividend, the register of members for H Shares will be closed from Saturday, 23 May 2015 to Thursday, 28 May 2015 (both days inclusive).

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

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

If the individual holders of H Shares are Hong Kong or Macau residents or residents of the countries which had an agreed tax rate of 10% for the cash dividends to them with the PRC under the relevant tax agreement, the Company 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 be residents of the countries which had an agreed tax rate of less than 10% with the PRC under the relevant tax agreement, the Company 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 due to the application of 10% tax rate, the Company can apply for the relevant agreed preferential tax treatment provided that the relevant shareholders submit the evidence required by the notice of the tax agreement to the H share register of the Company within the timeline set out below. The Company will assist with the tax refund after the approval of the competent tax authority. Should the individual holders of H Shares be residents of the countries which had an agreed tax rate of over 10% but less than 20% with the PRC under the tax agreement, the Company 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, the Company shall withhold and pay the individual income tax at a rate of 20%.

Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知) (Caishui [2014] No. 81):

For domestic investors investing in the H Shares through Shanghai-Hong Kong Stock Connect, the Company shall withhold and pay income tax at the rate of 20% on behalf of individual investors and securities investment funds. The Company will not withhold or pay the income tax in respect of dividends for domestic enterprise investors. Those domestic enterprise investors shall report and pay the relevant tax themselves.

7 Major Suppliers and Clients

During the Reporting Period, the total purchases from the top five suppliers of the Group accounted for 11.1% of the total purchases by the Group, of which the purchases from the largest supplier accounted for 3.3% of the total purchases of the Group.

The total sales to the five largest clients of the Group accounted for 42.6% of the total sales of the Group of which sales to the largest client accounted for 24.8% 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 and their associates or any shareholders holding 5% or more of the share capital of the Company 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 Group as at 31 December 2014 are set out in Note 26 to the financial statements prepared in accordance with the IFRS in this annual report.

9 Fixed Assets

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

10 Reserves

Changes to the reserves of the Group during the Reporting Period are set out in the consolidated statement of changes in equity in the financial statements prepared in accordance with the IFRS in this annual report.

11 Donations

During the Reporting Period, the amount of charity donations made by the Group amounted to RMB0.462 million.

12 Pre-emptive Right

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

13 Repurchase, Sale and Redemption of Shares

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

14 Core Competitiveness Analysis

The Group is a leading oil refining, petrochemical and new coal chemical engineering company in the PRC. The Group has the legacy of being among the first batch of oil refining and petrochemical engineering enterprises established in the PRC in the 1950s. Leveraging on 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, etc., which usually include a series of process units and utilities, and we are highly competitive in the international engineering market.

The competitive strengths of the Group are particularly reflected in the largest business scale, strongest executive capacity, excellent management and technical team, advanced industrialised proprietary and patented technologies, sound management system, advanced software and equipments, rich and reliable suppliers and subcontractors resources, complete service chain in the technology R&D and licensing, preliminary project consulting, financing, engineering, procurement, construction, trial test/commissioning and maintenance services and excellent one-stop engineering service capability.

Our competitive advantages in industry chain, business chain, technology chain and supply chain have established the Group as a leader in the oil refining and engineering industry in China, and established us as being on the cutting edge of the rapidly developing China and international engineering markets.

15 Risk Factors

Risks relating to the Uncertain Trend of Global Macroeconomy

The business performance of the Group is closely related to the economic situation of the PRC as well as the global economic situation. The current global economy is undergoing complicated and profound changes. The U.S. economy is showing obvious signs of recovery recently due to years of the stimulus of the “quantitative easing” policy. The U.S economic data continues to become better with the stock index hitting new records successively; however, potential conflicts are, to some degree, restricting the stable development of the economy in the long run with the fading out of the “quantitative easing” policy. However, it is possible that there is some blind optimism existing which may lead to a new round of bubble bursting. In Europe, Greece’s debt default still fluctuates, which exerts extremely negative influences on the economic stability of the Eurozone. Despite that the European version of “quantitative easing” promulgated by the European Central Bank may support the market to a certain extent, the overall economy of Europe is still weak and in a state of negative growth. Affected by the plummeting of the international oil price, emerging economies, especially important oil producing countries are subject to heavy blows on their economic development, which impacts the economic and political stability of some countries. In 2015, there still exist uncertainties. The blur in the global economy enormously influences global petrochemical engineering companies, especially the Group who expects to enlarge its overseas market share and pursue stable overseas development. The uncertain economic future may make it more difficult to fulfil our market expansion targets.

Risks brought by the Changes in Market Environment

In 2015, it is expected that the international oil price will continue to linger at a low level for a relatively long time under the prerequisites that OPEC (Organisation of Petroleum Exporting Countries) insists on no decrease in production and the demand for crude oil continues to slow down. New construction and upgrading refining and petrochemical projects will be subject to constraints, and investment in new large-scale refining-chemical integration projects will be done after they are given more prudent consideration. In consideration of the technical problems showing in the demonstration projects, pressures in environment protection, fall of oil price and other factors alike, China's policies with respect to the development of new coal chemical may change direction. There may appear slowing down in progress, fund shortage, restructuring and other phenomenon for new coal chemical products under construction. Projects for which permits have been given and projects under planning may be suspended. With the implementation of the new Environmental Law, the requirements on the technical level and the production management of petrochemicals will become more stringent, which virtually raises the threshold for new projects. If the downturn of the international oil price lasts long, the shale gas market will also be affected seriously and the market development of the Group will meet major difficulties.

Risks Relating to Changes in Policies

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

Turbulent and unstable political situation in the countries where the Group has overseas projects, policy discontinuity due to partisan policy, and government intervention in the overseas investments may elevate political risks. In some regions in Africa, government nationalisation, cancellation, seizure, confiscation, and suspension of refinery projects occur from time to time. Little or even no compensation is paid to investors. Thus, relevant project participants may suffer huge losses. Under this situation, the risks relating to the activities to explore new markets in affected countries are relatively high and this may hinder market expansion of the Group.

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

If the host country's public policies, in particular, security policies, are flawed, for instance, if the regulations on rallies, demonstrations and strikes are flawed, once certain events occur, the project implementation will be directly affected, and even legal proceedings could be initiated. These conditions will indirectly affect any new market exploration in the country hereof.

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

Changes in income tax, customs tax, insurance tax and other aspects of the host countries' 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 in the host regions of projects in the Middle East or Middle Asia, such as changes in environmental protection laws, investment laws, labour laws and other relevant laws, 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 environmental protection, safety and health are revised or updated, or standards are raised, the costs of business operations will be affected.

Risks relating to Project Delays and Budget Overview

(1) Risks relating to inaccurate project quotation and preliminary budget

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

(2) Risks relating to sub-contractor management

The Group frequently engages sub-contractors to assist in projects, however, if the resource distribution of sub-contractors is inadequate, it will delay current project completion and impede the undertaking of other projects. Concurrently, the delay in sub-contractors' progress will increase the risk of project delay. Additionally, the Group assumes joint liability for subcontracted projects, which means that the Group may be subject to compensation liability due to quality problems of sub-contracted projects and may be subject to lawsuits and compensation claims, undertake joint liability for the on-site security accidents of the sub-contractors and bear the risk of the losses in project performance and company image. It is possible that our business and financial status as well as our business operations will be adversely affected by these matters.

(3) Risks relating to regular fluctuation of raw material prices for construction

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

(4) Risks relating to inflation, including the increase in cost of human resources

The Middle East and Middle Asia are the primary target markets of the Group's international business. Currently, we are vigorously developing the regional markets in Southeast Asia. Considering that the economy in Southeast Asia as a whole in those areas are unstable with high inflation rates, this may directly lead to price increases of contract and labour markets. Concurrently, due to the fluctuation in the exchange rate for Renminbi, the cost of exported labour services increases, which further increases project costs.

(5) Risk relating to project management

Risks relating to project management are mainly reflected in financing management, engineering design and capability for claiming indemnity. Some of our on-going overseas projects are financing 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 from China's standards, the Group's design team's abilities may be hampered. Delay in implementation of the design will result in difficulties in the execution of procurement and construction. Due to the complexity of the construction projects, the capability for claiming indemnity may directly affect the profitability of a project. If the project team's experience in claims and counter claims are inadequate to meet the requirements of the undertaken project, especially for our projects overseas, if we fail to properly deal with claims and counter claims in some EPC Contracting projects where the conditions are complex and the demand is high, this will cause a negative impact on the effectiveness and profitability of such projects.

Risks relating to QHSE

In recent years, both the domestic and overseas markets require better 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 its survival and future development. The Group is a member of the petrochemical engineering industry, which has both "petrochemical" and "engineering" production characteristics. The high-risk features of the petrochemical and engineering industries in fact increase the pressure and difficulty in our QHSE management.

Any non-standard, non-regulated, imperfect situation or insufficient execution in the Group's QHSE management principles, models and system may result in QHSE incidents. On the other hand, if our overseas public safety management cannot fulfil the overseas expansion demand, it can also lead to overseas public safety incidents.

Risks relating to Exchange Rate

During the Reporting Period, our overseas projects have accounts receivable and payable which are settled in foreign currencies. We also raised funds which are settled in foreign currencies by offering H Shares. 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 in exchange rates may affect our business performance and financial status. Moreover, the exchange and remittance of foreign currencies are subject to PRC laws and regulations on foreign currency and therefore, it cannot be guaranteed that foreign trade policies of current accounts and capital accounts will remain unchanged. Foreign currency policies may limit our ability to obtain adequate foreign currencies. We cannot ensure that we have enough foreign currencies to meet the demand of the Group under certain exchange rates. This will affect the execution of our projects settled in foreign currencies.

Risks relating to the Uncertainty of Obtaining New Projects

The Group's revenue mainly comes 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 supply 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 of ensuring service demand. If government subsidies or other economic stimulating measures are implemented to lower the prices of the substitute resources, and if technological breakthroughs for substitute resource suppliers and users may be achieved, the cost advantages of traditional resources will diminish. This will diminish our business turnover on a large scale.

Risks relating 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 Group being dependent on a small group of clients, especially on the largest client which is the Group's controlling shareholder, and its associates. If our major clients choose to switch to a competitor of the Group, or reduce orders because of financial difficulties, we will face severe business or income fluctuations or decreases. We endeavor to attract more new clients for both our domestic and international businesses. However, it is likely that the majority of our clients and revenue will continue to come from our current clients. Therefore, we cannot guarantee stability and growth of our revenue due to potential risks which may result in significant negative impact on our business performance.

Risks relating to Changes in Investment Strategies and Tactics

In recent years, both domestic and overseas engineering companies have placed emphasis on 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. There might be great difficulties in how to recognise all significant risks during our due diligence investigation, achieve synergy and resource integration, and successfully operate an expanded company after acquisition. 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 Group or pursue acquisitions in the future. The Group plans to explore the overseas markets and potential new businesses. It may also increase research investment in substitute resources and substitute chemical raw materials. The future of these investments and trades will be mainly under the influence of government policies, which is out of our control. We cannot guarantee maintaining our powerful growth momentum. In case the investments are not successful, this may result in a significant negative impact on the business and financial status of the Group

Risks relating to New Business Segments

The Group is vigorously exploring new businesses such as new coal chemical engineering, energy saving and environmental protection, LNG and shale gas. Faced with the intricate market environment, if the Group does not have comprehensive technological reserves of the new fields, has defects in project engineering and constructional experience, and does not obtain enough information regarding the credit status of its clients, it is very difficult for the Group to fully identify and avoid the major risks existing in the new businesses.

Risks relating to the New Business Models

The Group proactively explores new business models such as contract environmental protection management, contract energy management and BT/BOT. The Group will invest in the whole process of a project, and scale back on costs and earn profits by sharing environmental protection and energy saving benefits with our clients after a project is put into operation. As it involves the corporate operation and project operation of the clients, the Group will face, for instance, credit risks due to the transferring of project benefits by the clients, the risks brought about by improper corporate operation of the clients or by legal disputes, the project risks in failure to achieve expected targets in terms of energy saving and environmental protection benefits and failures in timely pay-back of investments. In view of the input in contract energy management and contract environmental management projects, the Group may also face transforming risks as an asset-light company.

By Order of the Board

ZHANG Jianhua

Chairman of the Board

Beijing, the PRC

27 March 2015

Report of the Supervisory Committee

Report of the Supervisory Committee

Mr. Guan Qingjie

Chairman, Supervisory Committee

Dear Shareholders,

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

During the Reporting Period, the Supervisory Committee held three meetings, where the 2013 annual report, the 2014 interim report, financial reports, production and operation plans, investment plans and financial budgets, dividend distribution plan and changes of Supervisors were reviewed.

The fourth meeting of the First Session of the Supervisory Committee was held on 14 March 2014. The 2013 annual report, the 2013 financial report, the business operation plan, investment plan and financial budget for the year 2014, the final dividend distribution plan for the year 2013, and the report of the Supervisory Committee for the year 2013 were reviewed and approved at the meeting.

The fifth meeting of the First Session of the Supervisory Committee was held on 15 August 2014. The 2014 interim financial report, the 2014 interim report and the 2014 interim dividend distribution plan were reviewed and approved at the meeting.

The sixth meeting of the First Session of the Supervisory Committee was convened in the form of written proposals on 15 November 2014. The proposal concerning adjustment of the Supervisors was reviewed and approved at the meeting.

The Supervisory Committee, through its supervision over the Company's major decision-making and operation conditions, is of the opinion that: the year 2014 was an essential transition year to determine the orientation, adjust the structure and seek development for the Company after its reorganisation and listing. The Company deepened reform, optimised resources, and strengthened management by closely following the central work of "enhancement of development quality, effectiveness and profitability", by which, the Company delivered sound operational performance and realised elevation in the overall competence of the Company. The Supervisory Committee has no disagreement with 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 the Articles of Association, and made scientific decisions on major issues concerning production and operation, reform and development, etc; the senior management of the Company carefully implemented the decisions made by the Board, strengthened research and development of technologies, emphasised innovative development and optimised resource allocation, and 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 laws, regulations, or the Articles of Association, nor have any of their actions damaged the interests of the Company or its shareholders.

Secondly, the reports prepared by the Company in 2014 were in compliance with the relevant regulations of domestic and overseas securities regulators, and truly and fairly represented the Company's financial status and operating results.

Thirdly, the Company strictly implemented relevant regulations regarding proceeds from the raised funds. The actual use of proceeds was consistent with the disclosures.

Fourthly, the Company disclosed material information according to securities regulations 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-making, increase the strength of inspection and supervision and protect the interests of the Company and its shareholders.

GUAN Qingjie

Chairman, Supervisory Committee

Beijing, the PRC

27 March 2015


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Directors, Supervisors, Senior Management and Employees (Note)

Note: The ages of the Directors, the Supervisors and the Senior Management members stated in this annual report are calculated as at the end of the Reporting Period.

Directors, Supervisors, Senior Management and Employees

1 Basic Information on Directors, Supervisors and Senior Management

(1) Directors

Mr. ZHANG Jianhua (章建華) - Chairman of the Board and Non-executive Director

Mr. ZHANG Jianhua (章建華), aged 50, is the Chairman of the Board of SINOPEC SEG, who is also a director and senior vice president of Sinopec Corp. and the chairman of the board of directors of Sinopec (Hong Kong) Ltd (中石化(香港)有限公司). Mr. ZHANG is a professor level senior engineer with a PhD degree. From April 1999 to September 2001, he was deputy manager of Shanghai Gaoqiao Petrochemical Company (上海高橋石油化工公司). From February 2000 to September 2000, he served as deputy manager of Sinopec Shanghai Gaoqiao Company (中國石油化工股份有限公司上海高橋分公司). From September 2000 to June 2003, he was the manager of Sinopec Shanghai Gaoqiao Company. From April 2003 to March 2005, he was the vice president of China Petroleum & Chemical Corporation. From November 2003 to November 2005, he served as the director of the Production and Operation Management Department of China Petroleum & Chemical Corporation (中國石油化工股份有限公司生產經營管理部) concurrently. Since March 2005, he has been the senior vice president of China Petroleum & Chemical Corporation. Since May 2006, he has been a director of China Petroleum & Chemical Corporation. Since June 2007, he has been the chairman of the board of directors of Sinopec (Hong Kong) Limited concurrently. He has been the Chairman of the Board of SINOPEC SEG since January 2015.

Mr. LU Dong (陸東) - Vice Chairman of the Board and Executive Director

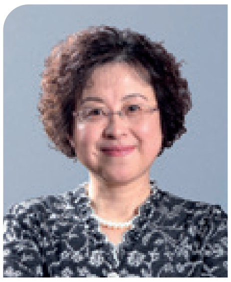
Mr. LU Dong (陸東), aged 51, is the Vice Chairman of SINOPEC SEG. Mr. LU is a senior engineer at professor level with a university diploma. From January 2000 to March 2004, he was the vice president of Yangzi Petrochemical Limited Liability Company (揚子石油化工有限責任公司). From March 2003 to July 2004, he worked as the deputy director of Chemical Department of China Petroleum and Chemical Corporation (中國石油化工股份有限公司化工事業部). From July 2004 to December 2007, he served as the president of Fujian Petrochemical Company Limited (福建煉油化工有限公司). From July 2004 to October 2014, he was a director of Fujian Petrochemical Company Limited. From December 2005 to October 2014, he worked as the chairman of the board of directors of Fujian Petrochemical Company Limited. From February 2007 to October 2014, he served as the chairman of the board of directors of and president of Fujian Refining & Petrochemical Company Limited (福建聯合石油化工有限公司). He has been the Vice Chairman of the Board of SINOPEC SEG since January 2015.

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

Mr. YAN Shaochun (閆少春), aged 49, is a Director and the President of SINOPEC SEG. Mr. YAN is a senior engineer at professor level with a university diploma. From October 1998 to July 1999, he served as Associate Dean of Sinopec Beijing Designing Institute (中石化北京設計院). From July 1999 to June 2004, he undertook various roles at Sinopec Engineering Incorporation (中國石化工程建設公司). From May 2001 to June 2004, he was the vice president of Sinopec Engineering Incorporation (中國石化工程建設公司). From June 2004 to December 2008, he served as the 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 December 2008 to April 2012, he served as the president of Sinopec Group LPEC. From April 2012 to September 2012, he served as an executive director and president of each of Sinopec Luoyang Petrochemical Engineering Corporation (中石化洛陽工程有限公司, "LPEC") and Sinopec Guangzhou Engineering Co., Ltd. (中石化廣州工程有限公司, "SGEC"). He was the Vice President of SINOPEC SEG from August 2012 to September 2012 and the Standing Vice President of SINOPEC SEG from September 2012 to April 2013 and has been an executive Director and President of SINOPEC SEG since April 2013.

Mr. LI Guoqing (李國清) - Non-executive Director

Mr. LI Guoqing (李國清), aged 57, is a Director of SINOPEC SEG, and the director of the Engineering Department of Sinopec Corp. (中國石化股份有限公司工程部). Mr. LI is a senior engineer at professor level with a university diploma. From December 2001 to January 2003, he served as the deputy manager of China Petrochemical Corporation Luoyang Petrochemical Engineering Corporation (中國石油化工總公司洛陽石油化工工程公司). From January 2003 to April 2005, he was the director of the designing management division of the engineering and construction administration department of Sinopec Group. He served as deputy director general of the engineering and construction administration department of Sinopec Group from April 2005 to June 2007 and deputy director general of the engineering department of China Petroleum & Chemical Corporation from June 2007 to June 2012. From June 2012 to November 2013, he was an executive director and general manager of Sinopec Engineering Incorporation (中國石化工程建設有限公司). He served as the Vice President of SINOPEC SEG from August 2012 to December 2013. He has been the director of the engineering department of China Petroleum & Chemical Corporation since November 2013 and the Director of SINOPEC SEG since May 2014.



Ms. SUN Lili (孫麗麗) - Executive Director

Ms. SUN Lili (孫麗麗), aged 53, is a Director of SINOPEC SEG, and a Director and President of Sinopec Engineering Incorporation. Ms. SUN is a senior engineer at professor level with a university diploma. 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. (中國石化國際石油勘探開發有限公司). Since September 2011, she has served as the chairman of the Project Supervision and Management Committee of Saudi Yanbu Refinery Joint Venture (沙特延布煉廠合資公司). Since December 2011, she has served as the president of Saudi Yanbu Refinery Project and a member of the remuneration committee and audit committee of the board of directors 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. From Janurary 2014 to November 2014, she served as the Vice President of SINOPEC SEG. She has been a Director of SINOPEC SEG since January 2015.

Mr. WU Derong (吳德榮) - Executive Director

Mr. WU Derong (吳德榮), aged 54, is a Director of SINOPEC SEG and also a director and president of SINOPEC Shanghai Engineering Co., Ltd. (中石化上海工程有限公司). Mr. WU is a senior engineer at professor level with a university diploma. From February 1998 to December 2000, he worked as the deputy dean of Shanghai Pharmaceutical Designing Institute (上海醫藥設計院). From December 2000 to January 2003, he worked as the 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). From January 2003 to October 2006, he served as the vice president of Sinopec Group Shanghai Engineering Co., Ltd. (中國石化集團上海工程有限公司). From October 2006 to April 2012, he worked as the chairman of the board and the president of Sinopec Group Shanghai Engineering Co., Ltd. Mr. WU has been the chairman of the board and the president of Sinopec Shanghai Engineering Co., Ltd. since April 2012. He was a Vice President of SINOPEC SEG from June 2012 to November 2014. He has been a Director of SINOPEC SEG since January 2015.

Mr. HUI Chiu Chung, Stephen (許照中) - Independent non-executive Director

Mr. HUI Chiu Chung (許照中), J.P., aged 67, is an independent non-executive Director of SINOPEC SEG. 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), Hong Kong Exchanges and Clearing Limited (Stock Code: 388), China South City Holdings Limited (Stock Code: 1668) and Agile Property Holdings Limited (Stock Code: 3383) 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 OSK Asia 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. HUI has been an independent non-executive Director of SINOPEC SEG since April 2013.

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

Mr. JIN Yong (金涌), aged 79, is an independent non-executive Director of SINOPEC SEG. Mr JIN currently is a member of Chinese Academy of Engineering, 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 has been an independent non-executive Director of SINOPEC SEG since April 2013.

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

Mr. YE Zheng (葉政), aged 50, is an independent non-executive Director of SINOPEC SEG. Mr. YE is a practicing director of Mazars CPA Limited (瑪澤會計師事務所有限公司). He worked in Shanghai Municipal Finance Bureau (上海市財政局) from October 1982 to January 1989. Mr. YE has over 19 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. He has been a practicing director of Mazars CPA Limited since November 2006 and an independent non-executive Director of SINOPEC SEG since April 2013. On 1 November 2014, Mr. YE was appointed by the Ministry of Finance of the People's Republic of China as a consulting expert for the third session of the committee for enterprise internal control standards with a term of two years.

Profile of the Directors of the First Session of the Board as at the date of this report

Name	Gender	Age	Position in the Company	Term of Office as Director
ZHANG Jianhua	Male	50	Chairman of the Board and Non-executive Director	January 2015 - August 2015
LU Dong	Male	51	Vice Chairman of the Board and Executive Director	January 2015 - August 2015
YAN Shaochun	Male	49	Executive Director and President	April 2013 - August 2015
LI Guoqing	Male	57	Non-executive Director	May 2014 - August 2015
SUN Lili	Female	53	Executive Director	January 2015 - August 2015
WU Derong	Male	54	Executive Director	January 2015 - August 2015
HUI Chiu Chung, Stephen	Male	67	Independent non-executive Director	April 2013 - August 2015
JIN Yong	Male	79	Independent non-executive Director	April 2013 - August 2015
YE Zheng	Male	50	Independent non-executive Director	April 2013 - August 2015

List of relevant situation of the resigned directors within and after the Reporting Period

Name	Gender	Age	Position in the Company	Term of office
CAI Xiyou	Male	53	Chairman of the Board and Non-executive Director	August 2012 - January 2015
ZHANG Kehua	Male	61	Vice Chairman of the Board and Non-executive Director	August 2012 - May 2014
LEI Dianwu	Male	52	Non-executive Director	August 2012 - January 2015
LING Yiqun	Male	52	Non-executive Director	August 2012 - January 2015
CHANG Zhenyong	Male	56	Non-executive Director	August 2012 - January 2015

(2) Supervisors

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

Mr. GUAN Qingjie (官慶杰), aged 55, is the Chairman of the Supervisory Committee of SINOPEC SEG. Mr. GUAN is a senior accountant with a university diploma. Mr. GUAN served as deputy chief accountant of Jinzhou Petrochemical Company (錦州石油化工公司) 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 (中國石油化工總公司)) 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 Sinopec Asset Management Co., Ltd Sinopec Group. ("SAMC", 中石化集團資產經營管理公司) from March 2006 to July 2010. He was deputy director general of the Capital Operation Department of each of Sinopec Group and China Petroleum & Chemical Corporation as well as vice president of SAMC from July 2010 to June 2012, and has been the Chairman of the Supervisory Committee since August 2012.

Mr. ZHOU Yingguan (周贏冠) - Supervisor

Mr. ZHOU Yingguan (周贏冠), aged 46, is a Supervisor of SINOPEC SEG and a vice president of Sinopec Nanjing Engineering Co., Ltd. (中石化南京工程有限公司). Mr. ZHOU is a senior engineer with a university diploma. From March 2004 to July 2010, Mr. ZHOU worked as the deputy manager of the Sinopec Group Second Construction Company (中國石化集團第二建設公司). From July 2010 to April 2012, he served as the vice president of Sinopec Group Second Construction Company. Since April 2012, he has been the vice president of Sinopec Group Nanjing Engineering Co., Ltd. (中國石化集團南京工程有限公司). He has been the Supervisor of SINOPEC SEG since January 2015.

Mr. FAN Jixian (樊繼賢) - Supervisor

Mr. FAN Jixian (樊繼賢), aged 52, is a Supervisor of SINOPEC SEG and an executive director and president of Sinopec Tenth Construction Co., Ltd. (中石化第十建設有限公司). Mr. FAN is a senior engineer with a master degree. From March 2001 to October 2006, he was the deputy manager of Sinopec Group Tenth Construction Company (中國石化集團第十建設公司). From October 2006 to December 2008, he worked as the manager of Sinopec Group Tenth Construction Company. From December 2008 to April 2012, he worked as the president of Sinopec Group Tenth Construction Company. Since April 2012, he has been an executive director and president of Sinopec Tenth Construction Co., Ltd. From June 2012 to November 2014, he was a Vice President of the SINOPEC SEG. He has been a Supervisor of SINOPEC SEG since January 2015.

Mr. WANG Guoliang (王國良) - Supervisor

Mr. WANG Guoliang (王國良), aged 54, is a Supervisor of SINOPEC SEG and a vice president of each of Luoyang Petrochemical Engineering Corporation (LPEC)/SINOPEC (中石化洛陽工程有限公司) and Guangzhou Petrochemical Engineering Corporation (GPEC)/SINOPEC (中石化廣州工程有限公司). Mr. WANG is a senior engineer at professor level with a PhD degree. From September 1997 to November 2001, he worked as the deputy manager of China Petrochemical Luoyang (中國石油化工總公司洛陽石油化工工程公司). From November 2001 to May 2003, he was the secretary of the CPC Committee of Sinopec Group Luoyang Petrochemical Engineering Corporation (中國石化集團洛陽石油化工工程公司). From May 2003 to December 2008, he was the deputy manager of Sinopec Group Luoyang Petrochemical Engineering Corporation. From December 2008 to April 2012, he was the vice president of Sinopec Group Luoyang Petrochemical Engineering Corporation. From April 2012 to September 2012, he was the vice president of Luoyang Petrochemical Engineering Corporation (LPEC)/SINOPEC and Guangzhou Petrochemical Engineering Corporation (GPEC)/SINOPEC. From September 2012 to November 2014, he was an executive director and president of each of Luoyang Petrochemical Engineering Corporation (LPEC)/SINOPEC and Guangzhou Petrochemical Engineering Corporation (GPEC)/SINOPEC. From December 2012 to November 2014, he was the Vice President of the Company. Since November 2014, he has been the vice president and secretary of the party committee of each of Luoyang Petrochemical Engineering Corporation (LPEC)/SINOPEC and Guangzhou Petrochemical Engineering Corporation (GPEC)/SINOPEC. He has been a Supervisor of SINOPEC SEG since January 2015.

Mr. ZHU Fei (朱斐) - Employee Representative Supervisor

Mr. ZHU Fei (朱斐), aged 50, is an Employee Representative Supervisor of SINOPEC SEG and also a vice president of Sinopec Fourth Construction Co., Ltd. (中石化第四建設有限公司). Mr. ZHU is a senior engineer with a university diploma. From October 1998 to July 1999, he was the deputy head of Beijing Design Institute (北京設計院). From July 1999 to December 2002, he undertook different roles at Sinopec Engineering Incorporation. From December 2002 to April 2012, he worked as the vice president of Sinopec Engineering Incorporation. From April 2012 to October 2014, he was the vice president of Sinopec Engineering Incorporation. Since November 2014, he has been the vice president of Sinopec Fourth Construction Co., Ltd. He has been an employee representative Supervisor of SINOPEC SEG since January 2015.

Mr. JIANG Dejun (蔣德軍) - Employee Representative Supervisor

Mr. JIANG Dejun (蔣德軍), aged 49, is an Employee Representative Supervisor of SINOPEC SEG, who is also and vice president of Sinopec Fifth Construction Co., Ltd. (中石化第五建設有限公司). Mr. JIANG is a senior engineer at professor level with a PhD degree. From November 2001 to September 2003, he was the deputy head of Lanzhou Design Institute of Sinopec Engineering and Construction Incorporation (中國石化工程建設公司蘭州設計院). From September 2003 to June 2007, he was the director and vice president of Sinopec Ningbo Engineering Co., Ltd. (中石化寧波工程有限公司). From June 2007 to December 2008, he was the deputy manager of SINOPEC Engineering Co., Ltd. (中石化集團煉化工程有限公司). From December 2008 to September 2012, he was the Vice President of SINOPEC SEG. Since September 2012, he has been the vice president of Sinopec Fifth Construction Co., Ltd. He has been an employee representative Supervisor of SINOPEC SEG since January 2015.

Mr. XU Yijun (許一君) - Employee Representative Supervisor

Mr. XU Yijun (許一君), aged 51, is an Employee Representative Supervisor of SINOPEC SEG, who is and vice president of Sinopec Ningbo Engineering Co., Ltd. Mr. XU is a senior economist at professor level with a PhD degree. From April 2001 to September 2003, he was the deputy manager of the Third Construction Company of Sinopec Group (中石化集團第三建設公司). From September 2003 to April 2012, he was the vice president of Ningbo Engineering Co., Ltd. He has been the vice president of Sinopec Ningbo Engineering Co., Ltd. since April 2012. He has been an employee representative Supervisor of SINOPEC SEG since January 2015.

Profile of the Supervisors of the First Session of the Supervisory Committee as at the date of this report

Name	Gender	Age	Position in the Company	Term of Office as Supervisor
GUAN Qingjie	Male	55	Chairman, Supervisory Committee	August 2012 - August 2015
ZHOU Yingguan	Male	46	Supervisor	January 2015 - August 2015
FAN Jixian	Male	52	Supervisor	January 2015 - August 2015
WANG Guoliang	Male	54	Supervisor	January 2015 - August 2015
ZHU Fei	Male	50	Employee Representative Supervisor	January 2015 - August 2015
JIANG Dejun	Male	49	Employee Representative Supervisor	January 2015 - August 2015
XU Yijun	Male	51	Employee Representative Supervisor	January 2015 - August 2015

Relevant situation of the resigned Supervisors within and after the Reporting Period

Name	Gender	Age	Position in the Company	Term of office
ZHANG Jixing	Male	51	Supervisor	August 2012 - January 2015
ZOU Huiping	Male	54	Supervisor	August 2012 - January 2015
GENG Limin	Male	60	Supervisor	August 2012 - January 2015
ZHU Jinbao	Male	59	Employee Representative Supervisor	August 2012 - January 2015
WANG Renli	Male	54	Employee Representative Supervisor	August 2012 - January 2015
WANG Yuejie	Male	51	Employee Representative Supervisor	August 2012 - January 2015

(3) Other Senior Management

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 56, is a Vice President of SINOPEC SEG. Mr. XIAO is a senior economist at professor level with a university diploma. From July 1986 to March 2004, Mr. XIAO has held positions in the Beijing Yanshan Petrochemical Corporation (北京燕山石化公司), Sinopec Engineering Incorporation, the Engineering & Construction Department of China Petrochemical Corporation and Engineering & Construction Management Department of Sinopec Group. Mr. XIAO served as Secretary of CPC Committee and Secretary of Discipline Inspection Committee of Sinopec Group SCC from March 2004 to January 2006; Manager of Sinopec Group FCC from January 2006 to December 2008; President of Sinopec Group FCC from December 2008 to April 2012; and Director and President of FCC from April 2012 to November 2014. He has been a Vice President of SINOPEC SEG since August 2012.

Mr. XIANG Wenwu (向文武) - Vice President

Mr. XIANG Wenwu (向文武), aged 48, is a Vice President of SINOPEC SEG. Mr. XIANG is a senior economist at professor level with a PhD degree. Mr. XIANG served as 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; Director and President of Sinopec Group Nanjing from December 2009 to April 2012; and Executive Director and President of SNEI from April 2012 to November 2014. He has been a Vice President of SINOPEC SEG since August 2012.

Mr. QI Guosheng (戚國勝) - Vice President

Mr. QI Guosheng (戚國勝), aged 54, is a Vice President of SINOPEC SEG. Mr. QI is a senior engineer at professor level with a university diploma. From August 1983 to February 2002, Mr. QI has held positions in Anti Chemical Command and Engineering Institute of the Chinese People's Liberation Army, Beijing Petrochemical Engineering Company, Engineering & Construction Department of China Petrochemical Corporation, Engineering & Construction Management Department of Sinopec Group and Sinopec Engineering Incorporation. Mr. QI served as vice president of Sinopec Engineering Incorporation from December 2002 to April 2012 and vice president of Sinopec Engineering Incorporation from April 2012 to November 2014. He has been a Vice President of SINOPEC SEG since November 2014.

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

Mr. JIA Yiqun (賈益群), aged 47, is the Chief Financial Officer of SINOPEC SEG. Mr. JIA is a senior engineer with a master degree. From July 1990 to April 2003, Mr. JIA has held positions in Sinopec Research Institute of Petroleum Engineering (科學研究院), China Petrochemical International Company (石化國際事業公司), Foreign Affairs Bureau of Sinopec Group; Mr. JIA served as Deputy Chief Representative of the Hong Kong Representative Office of Sinopec Corp. from April 2003 to June 2012 and has been the Chief Financial Officer of SINOPEC SEG since August 2012. Mr. JIA obtained the qualifications of Chartered Financial Analyst issued by CFA Institute in September 2006.

Mr. SANG Jinghua (桑菁華) - Vice President, Secretary to the Board, Company Secretary

Mr. SANG Jinghua (桑菁華), aged 47, is a Vice President, the Secretary to the Board and the Company Secretary of SINOPEC SEG. Mr. SANG is a senior engineer with a university diploma. From July 1990 to September 2012, Mr. SANG has held positions in the Shijiazhuang Refinery (石家莊廠), and Board Secretariat of Sinopec Corp. Mr. SANG served as Securities Representative of Sinopec Corp. from May 2012 to January 2013. He has been the secretary to the Board since August 2012, the Company Secretary of SINOPEC SEG since December 2012 and a Vice President of SINOPEC SEG since May 2014.

Mr. SUN Xiaobo (孫曉波) - Vice President

Mr. SUN Xiaobo (孫曉波), aged 54, is a Vice President of SINOPEC SEG, who is also the president of Sinopec Lift and Transportation Company. Mr. SUN is a senior engineer with a university diploma. From April 1980 to October 2012, Mr. SUN has held positions in the Third Design Institute of the Ministry of Chemical Industry, Beijing Heavy Machinery Company of the Ministry of Chemical Industry, Engineering Department of China Petrochemical Corporation, Sinopec Engineering Incorporation, Engineering & Construction Management Department of Sinopec Group and SINOPEC SEG. Mr. SUN served as President Assistant of SINOPEC SEG and Director of Department for Enterprise Reform and Management from October 2012 to April 2014. He has been a Vice President of SINOPEC SEG and President of Sinopec Lift and Transportation Company Since May 2014.

Profile of other Senior Management as at the date of this report

Name	Gender	Age	Position in the Company	Date of Taking Office
YAN Shaochun	Male	49	Executive Director and President	April 2013
XIAO Gang	Male	56	Vice President	August 2012
XIANG Wenwu	Male	48	Vice President	August 2012
QI Guosheng	Male	54	Vice President	November 2014
JIA Yiqun	Male	47	Chief Financial Officer	August 2012
SANG Jinghua	Male	47	Vice President Secretary to the Board Company Secretary	May 2014 August 2012 December 2012
SUN Xiaobo	Male	54	Vice President	May 2014

Profile of the resigned members of the Senior Management during the Reporting Period

Name	Gender	Age	Position in the Company	Date of Taking Office
FAN Jixian	Male	52	Vice President	August 2012
WU Derong	Male	54	Vice President	August 2012
WANG Guoliang	Male	54	Vice President	December 2012
SUN Lili	Female	53	Vice President	December 2013
HE Jianbo	Male	51	Vice President	March 2014
TIAN Jianjun	Male	58	Vice President	August 2012
LI Xusheng	Male	52	Vice President	September 2012

2 Appointment and Resignation of Directors within and after the Reporting Period

In consideration of his age, Mr. ZHANG Kehua resigned as a Director in May 2014.

On 8 May 2014, Mr. LI Guoqing was elected as a Director at the 2013 annual general meeting of the Company.

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

On 12 January 2015, Mr. ZHANG Jianhua and Mr. LU Dong were elected as Directors at the first extraordinary general meeting of the Company for the year 2015.

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

On 12 January 2015, it was approved at the fourteenth meeting of the First Session of the Board that Mr. ZHANG Jianhua was appointed as the Chairman of the Board, and Mr. LU Dong was appointed as the Vice Chairman of the Board.

3 Appointment and Resignation of Supervisors within and after the Reporting Period

Due to job adjustment, Mr. ZHANG Jixing, Mr. ZOU Huiping, Mr. GENG Limin, Mr. ZHU Jinbao, Mr. WANG Renli and Mr. WANG Yuejie have no longer served as Supervisors since January 2015.

On 12 January 2015, Mr. ZHOU Yingguan, Mr. FAN Jixian and Mr. WANG Guoliang were elected as Supervisors at the first extraordinary general meeting of the Company for the year 2015.

On 12 January 2015, Mr. ZHU Fei, Mr. JIANG Dejun and Mr. XU Yijun were elected as the employee representative Supervisors through democratic procedures.

4 Appointment and Resignation of other Senior Management members within the Reporting Period

On 8 May 2014, it was approved at the eleventh meeting of the First Session of the Board of the Company that Mr. SANG Jinghua and Mr. SUN Xiaobo were appointed as Vice Presidents of the Company.

Due to job adjustment, Mr. FAN Jixian, Mr. WU Derong, Mr. WANG Guoliang, Ms. SUN Lili, Mr. He Jianbo, Mr. TIAN Jianjun and Mr. LI Xusheng have no longer served as members of the Senior Management since November 2014.

On 20 November 2014, it was approved at the thirteenth meeting of the First Session of the Board of the Company that Mr. QI Guosheng was appointed as Vice President of the Company.

5 Contract Benefits of Directors and Supervisors

As at 31 December 2014 or any time during the Reporting Period, none of the Directors and Supervisors had signed major contracts which would entitle the Director or the Supervisor with significant benefits with the Company, its holding company or any subsidiaries or fellow subsidiaries.

All executive Directors and non-executive Directors have entered into service agreements with the Company. Such service agreements are effective from the date of their relevant appointment by the shareholders to the expiry of the term of the First Session of the Board. The service agreements can be renewed in accordance with the Articles of Association and applicable laws and regulations.

All Supervisors have entered into agreements with the Company concerning the issues of compliance with relevant laws and regulations, the Article of Association and arbitration regulations. The term of office for Supervisors starts from the date of their relevant appointment to the expiry of the First Session of the Supervisory Committee. The service agreements can be renewed in accordance with the Articles of Association and applicable laws and regulations.

6 Remuneration of Directors, Supervisors and Senior Management

During the Reporting Period, the total number of Directors, Supervisors and members of other Senior Management paid by the Company was 18, and the annual total remuneration paid was RMB14.479 million. Please see Note 40 to the financial statements of this annual report for details.

7 Employees

As at 31 December 2014, there are in total 18,851 employees working in the Group. The following list is a categorisation of employee details in different business sectors as at 31 December 2014.

	31 December 2014	
	Number of Employees	Percentage of the Total Employees (%)
Engineering and Technical Personnel	13,587	72.1
Management Personnel	1,078	5.7
Production Personnel	4,186	22.2
In total	18,851	100.0

The following list is a categorisation of employee details in accordance with education categories as at 31 December 2014.

	31 December 2014	
	Number of Employees	Percentage of the Total Employees (%)
Master Degree	1,492	7.9
Bachelor Degree	7,974	42.3
Tertiary Qualification	3,574	19.0
Others	5,811	30.8
In total	18,851	100.0

8 Employee Remuneration

During the Reporting Period, we maintained good labour relations. The remuneration of our employees mainly consists of salary, bonuses and contributions to the compulsory social security funds. In accordance with the laws and regulations of the PRC, the Group participates in different retirement pension related programmes for our employees, including the programmes organised 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 Group's business. For the year ended 31 December 2013 and 31 December 2014, the employment cost of the Group is approximately RMB5.162 billion and RMB5.373 billion, respectively.

9 Employee Training Programmes

During the Reporting Period, the Group organised more than 30 key point professional training sessions including "Project Management" and "Engineering English Language Improvement Training". In terms of qualification training, the Group organised "Engineering Safety Management," "Cold Working and Sheet-Metal Engineering", other essential business training and technical skills competitions. During the Reporting Period, there were a total of 14.2 thousand attendees, where there were 32.3 thousand attendances for training, of which there were 8.3 thousand attendances of operation management staff, 14.8 thousand attendances of engineering and technical staff, and 9.4 thousand attendances of operational staff.

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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 116 to 187, which comprise the consolidated and company statements of financial position as at 31 December 2014, 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 and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated 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 2014 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

27 March 2015

Shaw Chi Kit

Practising Certificate No.: P04834

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the year ended 31 December	
		2014	2013
		RMB'000	RMB'000
Revenue	6	49,345,959	43,571,851
Cost of sales		(43,055,347)	(37,165,660)
Gross profit		6,290,612	6,406,191
Other income	8	173,788	78,291
Selling and marketing expenses		(121,828)	(100,610)
Administrative expenses		(1,124,985)	(1,088,531)
Research and development costs		(934,253)	(629,698)
Other operating expenses		(261,808)	(256,315)
Other gains, net	9	17,477	4,157
Operating profit		4,039,003	4,413,485
Finance income	10	605,803	428,394
Finance expenses	10	(109,108)	(104,123)
Finance income, net		496,695	324,271
Share of profits of joint arrangements	20(a)	844	1,324
Share of profits of associates	20(b)	14,153	11,961
Profit before taxation	11	4,550,695	4,751,041
Income tax expense	12	(1,060,746)	(1,093,877)
Profit for the year		3,489,949	3,657,164

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

	Note	For the year ended 31 December	
		2014	2013
		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
Accumulated fair value change of available-for-sale financial assets reclassified to profit or loss upon disposal		(11,484)	—
Exchange differences arising on translation of foreign operations		3,566	1,549
		(7,918)	4,772
Item that will not be reclassified subsequently to profit or loss:			
(Losses)/Gains on revaluation of retirement benefit plans obligations		(195,573)	266,318
Other comprehensive income for the year, net of tax		(203,491)	271,090
Total comprehensive income for the year		3,286,458	3,928,254
Profit attributable to:			
Equity holders of the Company		3,489,799	3,656,802
Non-controlling interests		150	362
Profit for the year		3,489,949	3,657,164
Total comprehensive income attributable to:			
Equity holders of the Company		3,286,308	3,927,892
Non-controlling interests		150	362
Total comprehensive income for the year		3,286,458	3,928,254

		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	0.79	0.93

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December	
		2014	2013
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	4,089,588	4,049,488
Land use rights	18	2,807,632	2,857,234
Intangible assets	19	384,847	443,779
Investment in joint arrangements	20(a)	7,812	8,184
Investment in associates	20(b)	105,213	95,059
Available-for-sale financial assets	21	2,750	19,362
Deferred income tax assets	36	654,489	693,373
Total non-current assets		8,052,331	8,166,479
Current assets			
Inventories	25	1,623,654	1,245,147
Notes and trade receivables	22	11,076,064	6,946,818
Prepayments and other receivables	23	5,368,153	4,608,499
Amounts due from customers for contract work	24	6,656,897	5,952,132
Loans due from the ultimate holding company	26	9,600,000	9,500,000
Restricted cash	27	25,644	19,152
Time deposits	28	500,000	5,412,552
Cash and cash equivalents	29	9,181,852	5,514,490
Total current assets		44,032,264	39,198,790
Total assets		52,084,595	47,365,269

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Note	As at 31 December	
		2014	2013
		RMB'000	RMB'000
EQUITY			
Share capital	30	**4,428,000**	4,428,000
Reserves	31	**18,441,116**	16,548,714
Consolidated equity attributable to equity holders of the Company		**22,869,116**	20,976,714
Non-controlling interests		**3,458**	3,627
Total equity		**22,872,574**	20,980,341
LIABILITIES			
Non-current liabilities			
Retirement and other supplemental benefit obligations	32	**2,529,913**	2,396,554
Provision for litigation claims	33	**302,094**	329,890
Deferred income tax liabilities	36	**32,064**	37,564
Total non-current liabilities		**2,864,071**	2,764,008
Current liabilities			
Notes and trade payables	34	**12,287,138**	10,194,259
Other payables	35	**7,827,395**	8,361,040
Amounts due to customers for contract work	24	**6,014,636**	4,903,978
Current income tax liabilities		**218,781**	161,643
Total current liabilities		**26,347,950**	23,620,920
Total liabilities		**29,212,021**	26,384,928
Total equity and liabilities		**52,084,595**	47,365,269
Net current assets		**17,684,314**	15,577,870
Total assets less current liabilities		**25,736,645**	23,744,349

Approved and authorised for issue by the Board of Directors on 27 March 2015.

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

STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December	
		2014	2013
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	37,654	10,164
Land use rights	18	29,401	30,020
Intangible assets		342	291
Investment in subsidiaries	20(c)	7,346,869	6,644,135
Deferred income tax assets	36	263	13,704
Total non-current assets		7,414,529	6,698,314
Current assets			
Inventories		176,463	302
Trade receivables	22	195,425	137,411
Prepayments and other receivables	23	1,836,429	585,072
Amounts due from customers for contract work	24	78,688	—
Loans due from the ultimate holding company	26	9,600,000	9,500,000
Restricted cash		1,523	808
Time deposits	28	500,000	5,412,552
Cash and cash equivalents	29	8,358,463	4,344,785
Total current assets		20,746,991	19,980,930
Total assets		28,161,520	26,679,244

STATEMENT OF FINANCIAL POSITION (Continued)

	Note	As at 31 December	
		2014	2013
		RMB'000	RMB'000
EQUITY			
Share capital	30	4,428,000	4,428,000
Reserves	31	12,132,628	11,795,090
Total equity		16,560,628	16,223,090
LIABILITIES			
Non-current liabilities			
Retirement and other supplemental benefit obligations		605	573
Total non-current liabilities		605	573
Current liabilities			
Trade payables	34	63,480	48,450
Other payables	35	11,188,436	10,350,097
Amounts due to customers for contract work	24	318,072	57,034
Current income tax liabilities		30,299	—
Total current liabilities		11,600,287	10,455,581
Total liabilities		11,600,892	10,456,154
Total equity and liabilities		28,161,520	26,679,244
Net current assets		9,146,704	9,525,349
Total assets less current liabilities		16,561,233	16,223,663

Approved and authorised for issue by the Board of Directors on 27 March 2015.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company									
	Share capital	Capital reserve	Statutory surplus reserve	Investment revaluation reserve	Specific reserve	Exchange translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	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 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 2014	4,428,000	10,118,960	191,517	11,484	123,788	1,549	6,101,416	20,976,714	3,627	20,980,341
Profit for the year	–	–	–	–	–	–	3,489,799	3,489,799	150	3,489,949
Other comprehensive income:										
Accumulated fair value change of available-for-sale financial assets reclassified to profit or loss upon disposal - gross	–	–	–	(15,279)	–	–	–	(15,279)	–	(15,279)
Accumulated fair value change of available-for-sale financial assets reclassified to profit or loss upon disposal - tax	–	–	–	3,795	–	–	–	3,795	–	3,795
Defined benefits obligation revaluation of actuarial gain and loss - gross	–	–	–	–	–	–	(237,733)	(237,733)	–	(237,733)
Defined benefits obligation revaluation of actuarial gain and loss - tax	–	–	–	–	–	–	42,160	42,160	–	42,160
Exchange differences arising on translation of foreign operations	–	–	–	–	–	3,566	–	3,566	–	3,566
Total comprehensive income	–	–	–	(11,484)	–	3,566	3,294,226	3,286,308	150	3,286,458
Transactions with owners:										
Final dividends for 2013 (Note 14)	–	–	–	–	–	–	(841,320)	(841,320)	–	(841,320)
Interim dividends for 2014 (Note 14)	–	–	–	–	–	–	(553,023)	(553,023)	–	(553,023)
Appropriation of specific reserve	–	–	–	–	115,980	–	(115,980)	–	–	–
Utilisation of specific reserve	–	–	–	–	(87,073)	–	87,073	–	–	–
Transfer to statutory surplus reserve	–	–	173,190	–	–	–	(173,190)	–	–	–
Others	–	353	–	–	–	–	84	437	(319)	118
Total transactions with owners	–	353	173,190	–	28,907	–	(1,596,356)	(1,393,906)	(319)	(1,394,225)
At 31 December 2014	4,428,000	10,119,313	364,707	–	152,695	5,115	7,799,286	22,869,116	3,458	22,872,574

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	For the year ended 31 December	
		2014	2013
		RMB'000	RMB'000
Cash flows from operating activities			
Cash generated from operations	38	1,034,012	906,831
Income tax paid		(924,269)	(1,110,233)
Interest received		223,569	117,407
Net cash generated from/(used in) operating activities		333,312	(85,995)
Cash flows from investing activities			
Purchase of property, plant and equipment		(457,605)	(361,084)
Purchase of intangible assets		(32,150)	(46,362)
Purchase of land use rights		(12,023)	(52,310)
Interest income on the loans to the ultimate holding company		382,234	310,987
Proceeds from disposal of property, plant and equipment		1,169	7,952
Proceeds from disposal of available-for-sale financial assets		1,333	—
Dividends received from associates		3,999	1,520
Dividends received from joint arrangements		1,216	3,129
Net decrease/(increase) in time deposits		4,936,853	(5,467,015)
Loans to the ultimate holding company		(10,195,678)	(11,600,000)
Repayments of loans due from the ultimate holding company		10,095,678	10,240,000
Net cash generated from/(used in) investing activities		4,725,026	(6,963,183)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

	Note	For the year ended 31 December	
		2014	2013
		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		900,313	499,774
Repayments of borrowings from fellow subsidiaries		(900,313)	(656,912)
Interest paid		(2,208)	(3,038)
Dividends paid		(1,394,343)	(956,651)
Capital transferred to Sinopec Group related to Reorganisation		—	(2,000,000)
Net cash (used in)/generated from financing activities		(1,396,551)	7,810,661
Net increase in cash and cash equivalents		3,661,787	761,483
Cash and cash equivalents at beginning of year		5,514,490	4,822,490
Exchange gains/(losses) on cash and cash equivalents		5,575	(69,483)
Cash and cash equivalents at end of year	29	9,181,852	5,514,490

Notes To The Financial Statements

For the year ended 31 December 2014

1. Principal Activities, Organisation and Reorganisation

1.1 Principal activities

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

1.2 Organisation and reorganisation

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

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

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

Pursuant to a reorganisation of engineering, consulting and licensing, EPC Contracting, construction and equipment manufacturing in respect of oil refining, petrochemical engineering, storage and transportation of Sinopec Group in preparation for the primary listing (the “Listing”) of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) (“the Reorganisation”), Sinopec Group transferred the equity interests of its refining and engineering entities to the Company and the Company became the holding company of the subsidiaries now comprising the Group. Subsequent to the above reorganisation transactions which were completed in April 2012, the Company was 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 Company has completed its listing on the Main Board of the Hong Kong Stock Exchange on 23 May 2013.

2. Basis of Presentation

As the Company and its subsidiaries described in Note 1.2 are under the control of Sinopec Group, both before and after the Reorganisation and control is not transitory, the Reorganisation has been accounted for as a reorganisation of business under common control and the consolidated financial statements of the Group have been prepared using the principals of merger accounting.

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 requirements of the predecessor Hong Kong Companies Ordinance (Cap. 32) for this financial year and the comparative period, and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the 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.

Pursuant to relevant PRC laws and regulations and as part of the Reorganisation, property, plant and equipment, land use rights and intangible assets of certain subsidiaries were revalued by the independent qualified valuers and approved by relevant government authorities upon the completion of the Reorganisation. 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.

3. Summary of Significant Accounting Policies (Continued)

3.1 Basis of preparation (Continued)

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 2014:

• The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of “currently has a legally enforceable right of set-off” and “simultaneous realisation and settlement”. The application of these amendments to IAS 32 has no material impact on the Group’s consolidated financial statements.

• The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal. The application of these amendments to IAS 36 has no material impact on the Group’s consolidated financial statements.

The revised and new accounting standards issued but not yet effective for the accounting year ended 31 December 2014 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 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 recognised 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 amendments to IAS 19, “Defined Benefit Plans: Employee Contributions” clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee. For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees’ periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees’ periods of service. The standard is effective for accounting periods beginning on or after 1 July 2014. Initial indications are that it is not expected to have a material impact on the Group’s financial statements.

• IFRS 15, “Revenue from Contracts with Customers” contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

(i) Identify the contract with the customer;

(ii) Identify the performance obligations in the contract;

(iii) Determine the transaction price;

(iv) Allocate the transaction price to the performance obligations; and

(v) Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for accounting periods beginning on or after 1 January 2017. The Group is yet to assess IFRS 15’s full impact.

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 recognises any non-controlling interests in the acquiree either at fair value or at the non-controlling interests' proportionate share of the acquiree's net assets.

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

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

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

Transactions with non-controlling interests

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

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

Joint Arrangements

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

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

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

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 recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss (Note 3.8).

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

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

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

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

3.3 Segment reporting

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

3.4 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 recognised in the consolidated statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents and all other 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 recognised in other comprehensive income.

3. Summary of Significant Accounting Policies (Continued)

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.

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

3.7 Intangible assets

Computer software

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

Patent and proprietary technologies

Patents and proprietary technologies are initially recorded at cost 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 recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

3. Summary of Significant Accounting Policies (Continued)

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.

(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 recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets 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 recognised in the consolidated statement of comprehensive income when there is objective evidence that the asset is impaired. Such impairment losses will not reverse in subsequent periods.

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

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

3. Summary of Significant Accounting Policies (Continued)

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

3.12 Cash and cash equivalents

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

3.13 Share capital

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

3.14 Borrowings

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

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

3.15 Payables

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

3.16 Employee benefits

Pension obligations

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

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

3. Summary of Significant Accounting Policies (Continued)

3.16 Employee benefits (Continued)

Pension obligations (Continued)

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

Other post-employment obligations

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

Termination and early retirement benefits

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

Housing benefits

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

Bonus entitlements

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

3.17 Taxation

Current and deferred income tax

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

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

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

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

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

3. Summary of Significant Accounting Policies (Continued)

3.17 Taxation (Continued)

Current and deferred income tax (Continued)

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 recognised because it is not probable that an outflow of economic resources will be required or the amount of the obligation cannot be measured reliably.

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

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

3.19 Provisions

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

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

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

3.20 Government grants

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

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

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

3. Summary of Significant Accounting Policies (Continued)

3.21 Contract work

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

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

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

The Group uses the "percentage of completion method" to determine the appropriate amount of profit to be recognised in a given period. Depending on the nature of the contract, the stage of completion is based on (a) percentage of work performed to date as a percentage of total contract value, or (b) the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the 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 recognised for expected losses on contract work-in-progress, as soon as they are foreseen, and deducted from the cost. The cost includes direct project costs, direct labour cost, materials costs, costs of subcontracted work, other directly attributable costs, rental charges and maintenance costs for the equipment used. The project progress is determined on the basis according to the preceding paragraph. Profits are not recognised unless a reliable estimate can be made of the result on completion of the project. The balance of the value of contract work-in-progress and progress billings is determined on a project to project basis.

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

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

3.22 Revenue recognition

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

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

Revenue from construction and service contracts

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

3. Summary of Significant Accounting Policies (Continued)

3.22 Revenue recognition (Continued)

Sales of products

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

Dividend income

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

Interest income

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

3.23 Research and development

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

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

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

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

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

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

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

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

3.24 Dividend distribution

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

3.25 Financial guarantee contract

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

3.26 Leases

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

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

4. Financial and Capital Risks Management

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

4.1 Financial risk management

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

(a) Market risk

Foreign exchange risk

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

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

The Group is exposed to currency risk primarily through provision of engineering contracting services which give rise to trade and other receivables, trade and other payables, restricted cash, time deposits and cash and cash equivalents that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currency that gives rise to this risk is primarily in USD, EUR, Saudi Arabian Riyal ("SAR") as at 31 December 2014 and 2013.

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 recognised assets or liabilities denominated in a currency other than RMB to which they relate.

At 31 December 2014	USD	EUR	SAR	Others
	RMB'000	RMB'000	RMB'000	RMB'000
Restricted cash, time deposits and cash and cash equivalents	5,547,609	161,427	60,944	21,716
Trade and other receivables	923,250	94	294,058	21,805
Trade and other payables	(279,189)	(1,515)	(533,547)	(63,703)
Net exposure in RMB	6,191,670	160,006	(178,545)	(20,182)

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

A 5% strengthening of RMB against the USD and EUR as at 31 December 2014 and 2013 would have decreased the equity and net profit by the amounts shown below:

	2014	2013
	RMB'000	RMB'000
Changes in equity and net profit		
– USD	(232,188)	(233,123)
– EUR	(6,000)	(9,557)

A 5% weakening of RMB as at 31 December 2014 and 2013 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.

4. Financial and Capital Risks Management (Continued)

4.1 Financial risk management (Continued)

(a) Market risk (Continued)

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 fellow subsidiaries and ultimate holding company 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.

	2014	2013
	RMB'000	RMB'000
Impact on equity		
(Decrease)/Increase in equity for the year		
– as a result of increase in equity securities price	**10**	726
– as a result of decrease in equity securities price	**(10)**	(726)

(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 good 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 2014							
Trade and other payables	**N/A**	**13,233,054**	**—**	**—**	**—**	**13,233,054**	**13,233,054**

	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

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.

	2014	2013
	RMB'000	RMB'000
Total borrowings and other liabilities	**13,233,054**	11,240,350
Less: Restricted cash, time deposits and cash and cash equivalents	**(9,707,496)**	(10,946,194)
Net debt	**3,525,558**	294,156
Total equity (excluding non-controlling interests)	**22,869,116**	20,976,714
Total capital	**26,394,674**	21,270,870
Gearing ratio	**13%**	1%

4. Financial and Capital Risks Management (Continued)

4.3 Fair value estimation

Fair value measurements

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

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

Fair value disclosures

The carrying amounts of the Group's financial assets and liabilities including restricted cash, time deposits, cash and cash equivalents, trade and other receivables, 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 2014 and 2013.

The following table presents the Group's assets that are measured at fair value as at 31 December 2014 and 2013.

	2014	2013
	RMB'000	RMB'000
Level 1		
Available-for-sale financial assets – Listed equity securities	—	16,612

5. Critical Accounting Estimates and Judgement

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

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

(a) Construction contracts

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

(b) Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment. 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.

5. Critical Accounting Estimates and Judgement (Continued)

(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 expense in different regions. In the event that the finalised amounts recognised for such tax events are different from those originally recorded, this could result in material adjustments to income tax expense and deferred income tax.

The estimates of deferred income tax assets require estimates over future taxable profit and corresponding applicable income tax rates of respective years. The change in future income tax rates and timing would affect income tax expense or benefit, as well as deferred income tax balance. The realisation of deferred income tax assets also depends on the realisation of sufficient profitability (taxable profit) of the Group. Deviation of future profitability from the estimate could result in material adjustments to the carrying amount of deferred income tax assets. Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation in the 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 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 claims for compensation to third parties against the Group, the best estimate of provision for litigation claims will be recognised. If the management believes that the legal proceedings may be more likely not to result claims for compensation to third parties against the Group, no provision will be recognised under any potential litigation claims. Except to the extent that the situations and uncertainties involved, that will be disclosed as contingent liabilities. To access the outcome of legal proceedings and any potential amount of litigation claims, significant judgement is required.

(g) Tax matters pursuant to the Reorganisation

In connection with the Reorganisation, Sinopec Group undertakes the related tax obligation arising from the Reorganisation, 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 reorganisation transactions remained uncertain and as such the Group did not provide for the tax obligation. In the event that tax obligation arose from the reorganisation transactions which 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):

	2014	2013
	RMB'000	RMB'000
Engineering, consulting and licensing	3,645,174	4,354,199
EPC Contracting	30,132,251	23,505,528
Construction	15,324,529	15,214,927
Equipment manufacturing	244,005	497,197
	49,345,959	43,571,851

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;

(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 facilities including oil refining and chemical facilities.

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

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

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

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

7. Segment Information (Continued)

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

(i) As at and for the year ended 31 December 2014:

The segment results for the year ended 31 December 2014 are as follows:

	Engineering, consulting and licensing	EPC Contracting	Construction	Equipment manufacturing	Unallocated	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue and results							
Revenue from external customers	3,645,174	30,132,251	15,324,529	244,005	—	—	49,345,959
Inter-segment revenue	—	—	3,835,221	460,102	—	(4,295,323)	—
Segment revenue	3,645,174	30,132,251	19,159,750	704,107	—	(4,295,323)	49,345,959
Segment result	721,669	2,776,297	506,287	254	34,496	—	4,039,003
Finance income							605,803
Finance expenses							(109,108)
Share of profits of joint arrangements	844	—	—	—	—	—	844
Share of profits of associates	11,560	—	2,593	—	—	—	14,153
Profit before taxation							4,550,695
Income tax expense							(1,060,746)
Profit for the year							3,489,949
Other segment items							
Depreciation	114,777	52,335	268,337	18,401	—	—	453,850
Amortisation	85,516	39,106	25,999	2,086	—	—	152,707
Capital expenditures							
– Property, plant and equipment	62,905	37,641	385,904	15,963	—	—	502,413
– Land use rights	—	—	12,023	—	—	—	12,023
– Intangible assets	13,667	15,867	857	1,759	—	—	32,150
Provision/(Reversal) for impairment on trade and other receivables	18,007	175,873	49,785	(5,382)	—	—	238,283

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

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

7. Segment Information (Continued)

(ii) 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 taxation							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

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

7. Segment Information (Continued)

Analysis of information by geographical regions:

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

Revenue

	2014	2013
	RMB'000	RMB'000
The PRC	42,507,010	36,540,730
Other countries	6,838,949	7,031,121
	49,345,959	43,571,851

The customer accounted for more than 10% of the total revenue of the Group and revenue from it for the years ended 31 December 2014 and 2013, the details are as follows:

	2014	2013
	RMB'000	RMB'000
A fellow subsidiary and its subsidiaries	12,224,025	14,178,045

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

Specified non-current assets

	2014	2013
	RMB'000	RMB'000
The PRC	7,092,744	7,311,804
Other countries	302,348	141,940
	7,395,092	7,453,744

8. Other Income

	2014	2013
	RMB'000	RMB'000
Operating lease rental income on property, plant and equipment	39,521	45,607
Income from write-back long outstanding payables	6,113	17,030
Government grants	104,088	9,904
Others	24,066	5,750
	173,788	78,291

9. Other Gains, Net

	2014	2013
	RMB'000	RMB'000
(Losses)/Gains on disposal/write-off of property, plant and equipment	(1,579)	4,157
Gain on disposal of available-for-sale financial assets	19,056	—
	17,477	4,157

10. Finance Income and Finance Expenses

	2014	2013
	RMB'000	RMB'000
Finance income		
Interest income from the ultimate holding company	382,234	310,987
Bank interest income	223,569	117,407
	605,803	428,394
Finance expenses		
Interest expenses to fellow subsidiaries on balances wholly repayable within 5 years	(2,208)	(3,038)
Interest expenses on retirement and other supplementary benefit obligation	(106,900)	(101,085)
	(109,108)	(104,123)
	496,695	324,271

11. Profit Before Taxation

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

	2014 RMB'000	2013 RMB'000
Staff costs, including directors and supervisors emoluments	5,372,966	5,161,972
Retirement benefit plan contribution (including in the above mentioned staff costs)	685,789	605,699
Cost of goods sold	15,776,747	13,959,690
Subcontracting costs	19,393,107	14,472,259
Depreciation and amortisation		
– Property, plant and equipment	453,850	445,395
– Land use rights	61,625	61,837
– Intangible assets	91,082	79,346
Operating lease rentals		
– Property, plant and equipment	463,974	328,266
Provision for impairment on assets		
– Trade receivables, prepayment and other receivables	238,283	61,167
– Expected losses on contract work-in-progress	—	1,652
Rental income from property, plant and equipment after relevant expenses	(20,122)	(25,074)
Research and development costs	934,253	629,698
Losses/(Gains) on disposal/write-off of property, plant and equipment	1,579	(4,157)
Gain on disposal of available-for-sale financial assets	(19,056)	—
Auditors' remuneration	4,700	4,700
Exchange losses, net	226	167,634

12. Income Tax Expense

	2014 RMB'000	2013 RMB'000
Current tax		
PRC enterprise income tax	874,188	1,001,879
Overseas enterprise income tax	39,078	29,639
Under-provision for income tax in prior years	68,141	43,706
	981,407	1,075,224
Deferred tax		
Origination and reversal of temporary differences	79,339	18,653
Income tax expense	1,060,746	1,093,877

According to the Corporate Income Tax Law of the PRC, the applicable income tax of the years ended 31 December 2014 and 2013 is 25%.

According to the normal statutory PRC corporate income tax and relevant rules, apart from a certain subsidiaries of the Company subjected to the relevant development zone policy or participation in technology development and 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 2014 and 2013, other members of the Group are subject to 25% income tax rate.

The tax of other countries (mainly Saudi Arabia, Federal Republic of Nigeria, Singapore, United States and United Kingdom) is based on the nation's tax laws, where the relevant company 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:

	2014 RMB'000	2013 RMB'000
Profit before taxation	4,550,695	4,751,041
Taxation calculated at the statutory tax rate	1,137,674	1,187,760
Income tax effects of:		
Preferential income tax treatments of certain companies	(336,476)	(185,143)
Difference in overseas profits tax rates	(9,770)	(1,744)
Non-deductible expenses	156,654	42,798
Income not subject to tax	(199)	(4,896)
Unrecognised tax losses	48,480	13,045
Utilisation of previously unrecognised tax losses	(3,758)	(1,649)
Under provision for income tax in prior years	68,141	43,706
Income tax expense	1,060,746	1,093,877
Effective income tax rate	23%	23%

13. Earnings Per Share

(a) Basic

The basic earnings per share for each of the years ended 31 December 2014 and 2013 is calculated based on the profit attributable to the equity holders of the Company and the weighted average number of ordinary shares in issue.

	2014	2013
Profit attributable to equity holders of the Company (RMB'000)	3,489,799	3,656,802
Weighted average number of ordinary shares in issue	4,428,000,000	3,911,353,425
Basic earnings per share (RMB)	0.79	0.93

(b) Diluted

As the Company had no dilutive shares for the each of the years ended 31 December 2014 and 2013, dilutive earnings per share for the years ended 31 December 2014 and 2013 are the same as basic earnings per share.

14. Dividends

Dividends represented dividends declared by the Company during each of years ended 31 December 2014 and 2013.

	2014	2013
	RMB'000	RMB'000
Special dividends[(1)]	—	363,299
Interim dividends of RMB0.125 per ordinary share (2013: RMB0.134)[(2)]	553,023	593,352
Proposed final dividends of RMB0.187 per ordinary share (2013: RMB0.190)[(3)]	828,036	841,320

(1) 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 reorganisation 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 distributed to the original state-owned shareholder on 10 April 2013, the special distribution was declared and approved to distribute to the original state-owned shareholders.

(2) Pursuant to a resolution passed at the Directors' meeting on 15 August 2014, the Directors authorised to declare the interim dividends for the year ended 31 December 2014 of RMB0.125 per share totalling RMB553,023,000 (2013: RMB593,352,000). Interim dividends have been paid in October 2014.

(3) Pursuant to the Directors' meeting on 27 March 2015, the Directors recommended to declare the final dividends for the year ended 31 December 2014 of RMB0.187 per share totalling RMB828,036,000 (2013: RMB841,320,000). 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 recognised 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 2014

	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	—	—	—	—
ZHANG Kehua [2]	—	—	—	—
LI Guoqing [3]	—	—	—	—
YAN Shaochun	213	537	55	805
LEI Dianwu	—	—	—	—
LING Yiqun	—	—	—	—
CHANG Zhenyong	—	—	—	—
HUI Chiu Chung, Stephen	180	—	—	180
JIN Yong	180	—	—	180
YE Zheng	180	—	—	180
	753	537	55	1,345
Supervisors				
GUAN Qingjie	189	456	55	700
ZHANG Jixing	—	—	—	—
ZOU Huiping	—	—	—	—
GENG Liming	—	—	—	—
ZHU Jinbao [1]	145	347	51	543
WANG Renli [1]	155	329	53	537
WANG Yuejie [1]	180	464	57	701
	669	1,596	216	2,481
	1,422	2,133	271	3,826

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 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	—	—	—	—
ZHANG Kehua	—	—	—	—
YAN Shaochun	202	403	56	661
LEI Dianwu	—	—	—	—
LING Yiqun	—	—	—	—
CHANG Zhenyong	—	—	—	—
HUI Chiu Chung, Stephen	120	—	—	120
JIN Yong	120	—	—	120
YE Zheng	120	—	—	120
	562	403	56	1,021
Supervisors				
GUAN Qingjie	186	354	56	596
ZHANG Jixing	—	—	—	—
ZOU Huiping	—	—	—	—
GENG Liming	—	—	—	—
ZHU Jinbao (1)	148	270	52	470
WANG Renli (1)	145	238	34	417
WANG Yuejie (1)	175	373	52	600
	654	1,235	194	2,083
	1,216	1,638	250	3,104

Note:

(1) These 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.

(2) Resigned on 8 May 2014.

(3) Appointed on 8 May 2014.

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

(b) Five highest paid individuals

The number of director or supervisor and non-director or supervisor included in the five highest paid individuals for the years ended 31 December 2014 and 2013 are set forth below:

	2014	2013
Director or supervisor	1	—
Non-director or supervisor	4	5
	5	5

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

	2014	2013
	RMB'000	RMB'000
Basic salaries, other allowances and benefits-in-kind	789	908
Discretionary bonuses	2,051	3,020
Contributions to pensions plans	488	160
	3,328	4,088

The emoluments of the four (2013: five) highest paid individuals who are non-director or supervisor are within the following bands:

	2014	2013
HK$1,000,001 to HK$2,000,000	3	2
Nil to HK$1,000,000	1	3
	4	5

16. Employment Benefits

	2014	2013
	RMB'000	RMB'000
Salaries, wages and bonuses	3,271,476	2,866,932
Retirement benefits (1)	562,728	495,117
Early retirement and supplemental pension benefit (Note32(b))		
– service cost	16,161	9,497
– interest cost	106,900	101,085
Housing fund (2)	248,136	218,160
Welfare, medical and other expenses	1,167,565	1,471,181
	5,372,966	5,161,972

Note:

(1) **Retirement benefits**

The Group is required to make specific contributions to the state-managed retirement plan at a rate of 17% to 22% of the specified salaries of the PRC employees for the years ended 31 December 2014 and 2013. The PRC government is responsible for the pension liability to the retired employees. The PRC employees of the Group are entitled to a monthly pension upon their retirements.

(2) **Housing fund**

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

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 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 and 1 January 2014				
Cost	3,153,634	3,274,751	346,624	6,775,009
Accumulated depreciation and impairment	(885,585)	(1,839,936)	—	(2,725,521)
Net book amount	2,268,049	1,434,815	346,624	4,049,488
Year ended 31 December 2014				
Opening net book amount	2,268,049	1,434,815	346,624	4,049,488
Transfers	281,568	120,492	(402,060)	—
Additions	44,317	336,022	122,074	502,413
Depreciation	(124,211)	(329,639)	—	(453,850)
Disposals/write-off	(297)	(8,166)	—	(8,463)
Closing net book amount	2,469,426	1,553,524	66,638	4,089,588
At 31 December 2014				
Cost	3,457,699	3,686,318	66,638	7,210,655
Accumulated depreciation and impairment	(988,273)	(2,132,794)	—	(3,121,067)
Net book amount	2,469,426	1,553,524	66,638	4,089,588

17. Property, Plant and Equipment (Continued)

Group (Continued)

Depreciation expense recognised is analysed as follows:

	2014	2013
	RMB'000	RMB'000
Cost of sales	412,166	410,008
Selling and marketing expenses	2,115	899
Administrative expenses	39,569	34,488
	453,850	445,395

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 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 and 1 January 2014				
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
Year ended 31 December 2014				
Opening net book amount	3,052	7,112	—	10,164
Transfers	—	431	(431)	—
Additions	—	23,986	6,315	30,301
Depreciation	(255)	(2,556)	—	(2,811)
Closing net book amount	2,797	28,973	5,884	37,654
At 31 December 2014				
Cost	4,402	39,332	5,884	49,618
Accumulated depreciation and impairment	(1,605)	(10,359)	—	(11,964)
Net book amount	2,797	28,973	5,884	37,654

17. Property, Plant and Equipment (Continued)

Company (Continued)

Depreciation expense recognised is analysed as follows:

	2014	2013
	RMB'000	RMB'000
Cost of sales	1,085	227
Administrative expenses	1,726	1,520
	2,811	1,747

18. Land Use Rights

Group

	2014	2013
	RMB'000	RMB'000
Beginning of the year	2,857,234	2,866,761
Additions	12,023	52,310
Amortisation	(61,625)	(61,837)
End of the year	2,807,632	2,857,234

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

Amortisation recognised is analysed as follows:

	2014	2013
	RMB'000	RMB'000
Cost of sales	30,749	30,723
Selling and marketing expenses	665	780
Administrative expenses	30,211	30,334
	61,625	61,837

Company

	2014	2013
	RMB'000	RMB'000
Beginning of the year	30,020	30,640
Amortisation	(619)	(620)
End of the year	29,401	30,020

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	Total
	RMB'000	RMB'000	RMB'000
At 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 and 1 January 2014			
Cost	479,882	238,398	718,280
Accumulated amortisation	(110,383)	(164,118)	(274,501)
Net book amount	369,499	74,280	443,779
Year ended 31 December 2014			
Opening net book amount	369,499	74,280	443,779
Additions	—	32,150	32,150
Amortisation	(55,194)	(35,888)	(91,082)
Closing net book amount	314,305	70,542	384,847
At 31 December 2014			
Cost	479,882	265,498	745,380
Accumulated amortisation	(165,577)	(194,956)	(360,533)
Net book amount	314,305	70,542	384,847

Amortisation recognised is analysed as follows:

	2014	2013
	RMB'000	RMB'000
Cost of sales	31,287	32,231
Selling and marketing expenses	69	314
Administrative expenses	59,726	46,801
	91,082	79,346

20. Investment in Joint Arrangements, Associates and Subsidiaries

(a) Investment in joint arrangements

	2014	2013
	RMB'000	RMB'000
Joint ventures		
Beginning of the year	**8,184**	7,666
Addition of investment costs	**—**	1,265
Share of total comprehensive income	**844**	1,324
Dividend distribution	**(1,216)**	(2,071)
End of the year	**7,812**	8,184

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.

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

(a) Investment in joint arrangements (Continued)

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

	2014	2013
	RMB'000	RMB'000
Current assets	105,088	150,087
Non-current assets	3,339	3,751
Total assets	108,427	153,838
Current liabilities	(92,803)	(137,471)
Total liabilities	(92,803)	(137,471)
Equity	15,624	16,367
Share of equity by the Group (50%) (2013: 50%)	7,812	8,184

	2014	2013
	RMB'000	RMB'000
Revenue	144,632	134,131
Profit and total comprehensive income for the year	1,688	2,648
Share of total comprehensive income (50%) (2013:50%)	844	1,324

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

	2014	2013
	RMB'000	RMB'000
Beginning of the year	95,059	84,618
Share of total comprehensive income	14,153	11,961
Dividend distribution	(3,999)	(1,520)
End of the year	105,213	95,059

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

(b) Investment in associates (Continued)

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 Co., Ltd. (中國石油化工科技開發有限公司) (1)	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) (2)	The PRC	15,000	40.00%	Construction contracting/The PRC
Shanghai KSD Bulk Solids Engineering Co., Ltd. (上海金申德粉体工程有限公司) (3)	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.

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

	2014	2013
	RMB'000	RMB'000
Current assets	517,688	513,338
Non-current assets	26,386	15,285
Total assets	544,074	528,623
Current liabilities	(336,934)	(342,456)
Non-current liabilities	(19)	—
Total liabilities	(336,953)	(342,456)
Equity attributable to equity holders	200,619	176,759
Non-controlling interests	6,502	9,408
	207,121	186,167
Share of equity by the Group (35%) (2013: 35%)	70,217	61,866

	2014	2013
	RMB'000	RMB'000
Revenue	222,380	416,881
Profit and total comprehensive income for the year attributable to equity holders	23,861	22,805
Profit and total comprehensive income for the year attributable to non-controlling interests	1,393	2,302
Share of total comprehensive income (35%) (2013: 35%)	8,351	7,982

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

(b) Investment in associates (Continued)

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

	2014 RMB'000	2013 RMB'000
Current assets	65,514	55,414
Non-current assets	36,103	36,536
Total assets	101,617	91,950
Current liabilities	(27,131)	(26,107)
Total liabilities	(27,131)	(26,107)
Equity	74,486	65,843
Share of equity by the Group (40%) (2013: 40%)	29,794	26,337

	2014 RMB'000	2013 RMB'000
Revenue	93,642	67,408
Profit and total comprehensive income for the year	8,644	5,346
Share of total comprehensive income (40%) (2013: 40%)	3,458	2,138

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

(b) Investment in associates (Continued)

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

	2014	2013
	RMB'000	RMB'000
Current assets	57,685	82,328
Non-current assets	1,043	1,102
Total assets	58,728	83,430
Current liabilities	(44,420)	(64,575)
Non-current liabilities	(2)	—
Total liabilities	(44,422)	(64,575)
Equity	14,306	18,855
Share of equity by the Group (36.36%) (2013: 36.36%)	5,202	6,856

	2014	2013
	RMB'000	RMB'000
Revenue	71,855	56,430
Profit and total comprehensive income for the year	6,447	5,063
Share of total comprehensive income (36.36%) (2013: 36.36%)	2,344	1,841

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

	2014	2013
	RMB'000	RMB'000
Unlisted investments, at cost [(2)]	7,346,869	6,644,135

(1) Particulars of the Company's principal subsidiaries are set out in Note 41.

(2) The increase in the year ended 31 December 2014 is due to further capital injection in certain subsidiaries amounting to RMB202,734,000 as well as a newly set up subsidiary with capital injection amounting to RMB500,000,000.

21. Available-For-Sale Financial Assets

	2014 RMB'000	2013 RMB'000
Beginning of the year	19,362	15,065
Net fair value gains transferred to equity	—	4,297
Disposals	(16,612)	—
End of the year	2,750	19,362

Available-for-sale financial assets include the following:

	2014 RMB'000	2013 RMB'000
Listed securities:		
Equity securities – PRC	—	16,612
Unlisted securities:		
Equity securities – PRC	2,750	2,750
	2,750	19,362
Market value of listed securities	—	16,612

As at 31 December 2013, 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). During the Year 2014, these assets were fully disposed.

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 values cannot be measured reliably.

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

22. Notes and Trade Receivables

Group

	2014 RMB'000	2013 RMB'000
Trade receivables		
Fellow subsidiaries	3,714,925	3,001,530
Joint ventures of fellow subsidiaries	170,941	178,760
Associates of fellow subsidiaries	1,255,275	—
A joint venture	1,280	1,280
Third parties	5,372,684	3,399,677
	10,515,105	6,581,247
Less: Provision for impairment	(272,620)	(170,602)
Trade receivables - net	10,242,485	6,410,645
Notes receivables	833,579	536,173
Notes and trade receivables - net	11,076,064	6,946,818

The carrying amounts of the Group's notes and trade receivables as at 31 December 2014 and 2013 approximate their fair values.

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

The Group usually provide customers with a credit term between 15 and 90 days. For the settlement of trade receivables from provision of services, the Group usually reaches an agreement on the term of each payment with the customer by taking into account of factors such as, among other things, the credit history of the customer, its liquidity position and the Group's working capital needs, which varies on a case-by-case basis that requires the judgment and experience of the management. The Group and the Company do not hold any collateral as security.

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

	2014 RMB'000	2013 RMB'000
Within 1 year	10,246,620	6,200,689
Between 1 and 2 years	644,152	484,713
Between 2 and 3 years	109,006	203,040
Between 3 and 4 years	59,781	57,969
Between 4 and 5 years	16,505	202
Over 5 years	—	205
	11,076,064	6,946,818

22. Notes and Trade Receivables (Continued)

Group (Continued)

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

	2014	2013
	RMB'000	RMB'000
Beginning of the year	170,602	149,699
Provisions	159,269	84,963
Receivables written off as uncollectible	(1,708)	(6,336)
Reversal	(55,543)	(57,724)
End of the year	272,620	170,602

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

	2014	2013
	RMB'000	RMB'000
RMB	9,959,972	5,664,064
USD	891,212	1,092,107
SAR	213,356	176,579
Others	11,524	14,068
	11,076,064	6,946,818

Company

	2014	2013
	RMB'000	RMB'000
Trade receivables		
Fellow subsidiaries	126,617	—
Third parties	68,812	137,716
Less: Provision for impairment	(4)	(305)
	195,425	137,411

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

	2014	2013
	RMB'000	RMB'000
Within 1 year	195,418	135,907
Between 1 and 2 years	7	1,504
	195,425	137,411

The carrying amounts of the Company's trade receivables as at 31 December 2014 and 2013 approximate their fair values.

The carrying amounts of the Company's trade receivables are denominated in USD.

23. Prepayments and Other Receivables

Group

	2014 RMB'000	2013 RMB'000
Prepayments		
Prepayments for construction and materials:		
– Ultimate holding company	8	112
– Fellow subsidiaries	168,554	122,658
Prepayments for construction	945,922	834,928
Prepayments for materials and equipments	2,033,375	1,908,425
Prepayments for labour costs	305,853	64,924
Prepayments for rent	3,078	9,234
Others	56,938	110,990
	3,513,728	3,051,271
Other receivables		
Amounts due from fellow subsidiaries (1)	30,280	25,175
Amounts due from joint ventures of fellow subsidiaries (1)	15	15
Dividends receivable	1,500	3,313
Interests receivable	29,626	9,052
Petty cash funds	45,057	42,860
Retention deposits	1,575,066	1,305,473
Other guarantee deposits and deposits	115,398	106,529
Payment in advance	241,721	138,918
Maintenance funds	77,340	76,659
Others	98,463	75,123
	2,214,466	1,783,117
Less: Provision for impairment	(360,041)	(225,889)
Prepayments and other receivables - net	5,368,153	4,608,499

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

The carrying amounts of the Group's prepayments and other receivables as at 31 December 2014 and 2013 approximate their fair values.

23. Prepayments and Other Receivables (Continued)

Group (Continued)

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

	2014	2013
	RMB'000	RMB'000
Beginning of the year	225,889	191,961
Provisions	174,340	85,093
Receivables written off as uncollectible	(405)	—
Reversal	(39,783)	(51,165)
End of the year	360,041	225,889

Company

	2014	2013
	RMB'000	RMB'000
Prepayments for construction		
– Subsidiaries	378,109	162,462
– Third parties	34,055	—
Prepayments for materials and equipments	162,063	6,433
Prepayments for rent	8,854	54
Others	40,983	3,324
	624,064	172,273
Other receivables		
Prepayment for petty cash funds	806	720
Other retention funds and deposits	121	141
Retention deposits	18,616	18,799
Prepayment in advance	6,487	4,852
Amounts due from fellow subsidiaries (1)	118,856	59,206
Loans due from subsidiaries (2)	1,038,298	320,531
Interests receivables	29,626	9,052
	1,212,810	413,301
Less: Provision for impairment	(445)	(502)
Prepayments and other receivables - net	1,836,429	585,072

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

(2) Loans due from subsidiaries are unsecured and repayable within one year, except for a loan amounting to RMB118,000,000 with interest bearing of 4.20% per annum (2013: except for a loan amounting to RMB48,000,000 with interest bearing of 4.10% per annum), others are denominated in USD and interest bearing of 2.00% per annum. (2013: 2.00%)

The carrying amounts of the Company's prepayments and other receivables as at 31 December 2014 and 2013 approximate their fair values.

24. Contract Work-In-Progress

Group

	2014 RMB'000	2013 RMB'000
Contract cost incurred plus recognised profit less recognised losses	136,677,128	97,941,837
Less: Progress billings	(136,034,867)	(96,893,683)
Contract work-in-progress	642,261	1,048,154
Representing:		
Amounts due from customers for contract work	6,658,549	5,953,784
Less: Provision for impairment	(1,652)	(1,652)
Net amounts due from customers for contract work	6,656,897	5,952,132
Amounts due to customers for contract work	(6,014,636)	(4,903,978)
	642,261	1,048,154

	2014 RMB'000	2013 RMB'000
Contract revenue recognised as revenue in the year	45,456,780	38,720,455

Company

	2014 RMB'000	2013 RMB'000
Contract cost incurred plus recognised profit less recognised losses	527,451	272,037
Less: Progress billings	(766,835)	(329,071)
Contract work-in-progress	(239,384)	(57,034)
Representing:		
Amounts due from customers for contract work	78,688	—
Amounts due to customers for contract work	(318,072)	(57,034)
	(239,384)	(57,034)

	2014 RMB'000	2013 RMB'000
Contract revenue recognised as revenue in the year	589,430	456,219

25. Inventories

	2014	2013
	RMB'000	RMB'000
Raw materials	1,155,213	951,652
Turnover materials	80,144	51,610
Goods in transit	388,297	241,885
	1,623,654	1,245,147

As at 31 December 2014 and 2013, no provision for impairment on inventories of the Group has been made.

For the years ended 31 December 2014 and 2013, the cost of inventories recognised as expense and included in cost of sales amounted to RMB15,776,747,000 and RMB13,959,690,000 respectively.

26. Loans Due from the Ultimate Holding Company

Group and Company

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

	2014	2013
Loans due from the ultimate holding company	4.50%	4.50%

27. Restricted Cash

	2014	2013
	RMB'000	RMB'000
Restricted cash		
– RMB	24,120	18,344
– AED	42	42
– KZT	1,482	766
	25,644	19,152

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

As at 31 December 2014 and 2013, 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

	2014 RMB'000	2013 RMB'000
Time deposits with initial term over three months:		
Time deposits	—	3,412,552
Time deposits in a fellow subsidiary	500,000	2,000,000
	500,000	5,412,552

	2014 RMB'000	2013 RMB'000
Denominated in:		
– RMB	500,000	2,000,000
– USD	—	3,412,552
	500,000	5,412,552

The fellow subsidiary is Sinopec Century Bright Capital Investment Limited.

The effective interest rate per annum on time deposits, with maturities of one year (2013: three to six months), is approximately 3.60% as at 31 December 2014 (2013: 1.87% to 3.60%).

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

	2014 RMB'000	2013 RMB'000
Cash at bank and in hand	5,640,653	3,524,055
Deposits in fellow subsidiaries	3,541,199	1,990,435
	9,181,852	5,514,490

	2014 RMB'000	2013 RMB'000
Denominated in:		
– RMB	3,391,680	1,945,680
– USD	5,547,609	3,252,465
– SAR	60,944	109,564
– EUR	161,427	191,646
– AED	3,536	1,018
– KZT	14,562	11,506
– Others	2,094	2,611
	9,181,852	5,514,490

29. Cash and Cash Equivalents (Continued)

Company

	2014	2013
	RMB'000	RMB'000
Cash at bank and in hand	4,559,584	2,637,108
Deposits in fellow subsidiaries	3,798,879	1,707,677
	8,358,463	4,344,785

	2014	2013
	RMB'000	RMB'000
Denominated in:		
– RMB	3,161,369	1,430,445
– USD	5,187,461	2,912,556
– AED	166	32
– KZT	9,441	1,745
– Others	26	7
	8,358,463	4,344,785

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

As at 31 December 2014 and 2013, 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

	2014		2013	
	Number of shares	Share capital	Number of shares	Share capital
		RMB'000		RMB'000
Registered, issued and fully paid				
– Domestic shares of RMB1.00 each (1)	2,967,200,000	2,967,200	2,967,200,000	2,967,200
– H Shares of RMB1.00 each (2)	1,460,800,000	1,460,800	1,460,800,000	1,460,800
Including: H Shares issued by the Company	1,328,000,000	1,328,000	1,328,000,000	1,328,000
H Shares held by NSSF	132,800,000	132,800	132,800,000	132,800
	4,428,000,000	4,428,000	4,428,000,000	4,428,000

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

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

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

(2) 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 represented reserve recognised due to the revaluation arising from the Reorganisation 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 available-for-sale financial assets at the end of year and is treated according to accounting policies Note 3.9.

(v) Exchange translation reserve

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

(vi) Distributable profits

The distributable profits of the Company are as follows:

	2014	2013
	RMB'000	RMB'000
Distributable profits	550,746	386,398

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 reorganisation 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 transfer 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 distributed to the original state-owned shareholder on 10 April 2013, the special distribution was declared and approved to distribute to the original state-owned shareholders.

Profit/(Loss) attributable to the equity holders of the Company are recognised in the financial statements of the Group:

	2014	2013
	RMB'000	RMB'000
Profit/(Loss) for the year	1,731,908	(46,243)

31. Reserves (Continued)

(vi) Distributable profits (Continued)

Company

	Share capital	Capital reserve	Statutory surplus reserve	Retained earnings	Total equity
	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
At 1 January 2014	**4,428,000**	**11,217,175**	**191,517**	**386,398**	**16,223,090**
Profit for the year	**—**	**—**	**—**	**1,731,908**	**1,731,908**
Other comprehensive income:					
Defined benefits obligation revaluation of actuarial gain and loss - gross	**—**	**—**	**—**	**(36)**	**(36)**
Defined benefits obligation revaluation of actuarial gain and loss - tax	**—**	**—**	**—**	**9**	**9**
Total comprehensive income	**—**	**—**	**—**	**1,731,881**	**1,731,881**
Transactions with owners:					
2013 final dividend (Note 14)	**—**	**—**	**—**	**(841,320)**	**(841,320)**
2014 interim dividend (Note 14)	**—**	**—**	**—**	**(553,023)**	**(553,023)**
Transfer to statutory surplus reserve	**—**	**—**	**173,190**	**(173,190)**	**—**
Total transactions with owners	**—**	**—**	**173,190**	**(1,567,533)**	**(1,394,343)**
At 31 December 2014	**4,428,000**	**11,217,175**	**364,707**	**550,746**	**16,560,628**

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 from 17% to 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 2014 and 2013 are as follows:

	2014	2013
	RMB'000	RMB'000
Contributions to state-managed retirement plan	562,728	495,117

(b) Group employee retirement benefit plans

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

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

The exposure to actuarial risks of the Group's retirement benefit plans include: discount rate risk, benefit 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 2014 was performed by an independent qualified actuarial firm: Mercer Consulting Limited. The present value, related current service cost and past service cost of the Group's retirement benefit plan obligation are prepared by qualified actuary using the projected unit credit actuarial cost method.

(i) Discount rates adopted (per annum):

	2014	2013
Retirement with honors benefit plan	3.50%	4.50%
Retirement benefit plan	3.70%	4.70%
Early retirement benefit plan	3.40%	4.30%

(ii) Benefit growth rates (per annum):

	2014	2013
Retirement with honors benefit plan	2.70%	3.30%
Retirement benefit plan	2.20%	1.90%
Early retirement benefit plan	3.00%	3.40%

(iii) Duration:

	2014	2013
Retirement with honors benefit plan	5.0 years	5.2 years
Retirement benefit plan	9.7 years	9.2 years
Early retirement benefit plan	3.1 years	3.1 years

32. Retirement and Other Supplemental Benefit Obligations (Continued)

(b) Group employee retirement benefit plans (Continued)

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

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

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

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

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

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 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 recognised 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 recognised in other comprehensive income	11,011	(356,065)	—	(345,054)
Total benefit cost recognised in the consolidated statement of comprehensive income	16,851	(262,322)	10,999	(234,472)

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 2014				
Service cost:				
Past service cost	—	—	16,161	16,161
Net interest expenses	4,517	98,257	4,126	106,900
Benefit cost recognised in profit or loss	4,517	98,257	20,287	123,061
Revaluation of net benefit obligation liabilities				
Actuarial revaluation of economic assumptions change	1,968	258,469	—	260,437
Actuarial revaluation of other assumptions change	7,686	(30,390)	—	(22,704)
Benefit cost recognised in other comprehensive income	9,654	228,079	—	237,733
Total benefit cost recognised in the consolidated statement of comprehensive income	14,171	326,336	20,287	360,794

The Group's benefit plans do not include incumbent employees. No current service cost of each benefit plan 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 recognised in employment benefits, part of the administrative expenses and finance expenses of the consolidated statement of comprehensive income. Revaluation of net liabilities of benefit obligation is recognised as other comprehensive income in the consolidated statement of comprehensive income.

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

	2014	2013
	RMB'000	RMB'000
Net liabilities of retirement benefit plan obligation	2,529,913	2,396,554

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 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):				
Actuarial revaluation of economic assumptions change	(6,429)	(207,626)	—	(214,055)
Actuarial revaluation of other assumptions change	17,440	(148,439)	—	(130,999)
Direct benefit paid by the Group	(22,172)	(186,190)	(38,244)	(246,606)
At 31 December 2013 and 1 January 2014	**110,240**	**2,178,219**	**108,095**	**2,396,554**
Past service cost	**—**	**—**	**16,161**	**16,161**
Net interest expenses	**4,517**	**98,257**	**4,126**	**106,900**
Revaluation gain/(loss):				
Actuarial revaluation of economic assumptions change	**1,968**	**258,469**	**—**	**260,437**
Actuarial revaluation of other assumptions change	**7,686**	**(30,390)**	**—**	**(22,704)**
Direct benefit paid by the Group	**(19,717)**	**(175,277)**	**(32,441)**	**(227,435)**
At 31 December 2014	**104,694**	**2,329,278**	**95,941**	**2,529,913**

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

33. Provision for Litigation Claims

	2014	2013
	RMB'000	RMB'000
Beginning of the year	**329,890**	369,244
Exchange difference	**(25,855)**	(34,293)
Payment	**(1,941)**	(5,061)
End of the year	**302,094**	329,890

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

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

For the years ended 31 December 2014 and 2013, no additional provision for litigation claims is provided.

34. Notes and Trade Payables

Group

	2014 RMB'000	2013 RMB'000
Trade payables		
Fellow subsidiaries	280,682	83,119
Associates	1,240	5,215
Third parties	11,990,753	10,078,906
	12,272,675	10,167,240
Notes payables	14,463	27,019
Notes and trade payables	12,287,138	10,194,259

The carrying amounts of the Group's notes and trade payables as at 31 December 2014 and 2013 approximate their fair values.

Ageing analysis of notes and trade payables based on invoice date is as follows:

	2014 RMB'000	2013 RMB'000
Within 1 year	8,726,897	7,676,211
Between 1 and 2 years	2,154,331	1,712,698
Between 2 and 3 years	933,501	541,099
Over 3 years	472,409	264,251
	12,287,138	10,194,259

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

	2014 RMB'000	2013 RMB'000
RMB	11,566,695	9,398,842
USD	169,962	323,205
EUR	1,515	20,800
KZT	59,554	49,084
SAR	488,536	401,543
Others	876	785
	12,287,138	10,194,259

Company

	2014 RMB'000	2013 RMB'000
Trade payables		
Third parties	63,480	48,450

The carrying amounts of the Company's trade payables as at 31 December 2014 and 2013 approximate their fair values.

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

	2014	2013
	RMB'000	RMB'000
Contract deposits advance:		
Fellow subsidiaries	478,484	880,536
Joint ventures of fellow subsidiaries	276,290	344,947
An associate of fellow subsidiaries	—	7,010
A joint venture	—	1,821
Third parties	6,126,705	6,080,635
Salaries payables	51,138	102,622
Other taxation payables	268,078	201,108
Deposits and guarantee deposits payables	111,795	93,900
Advanced payables	120,079	276,410
Rent, property management and maintenance payables	66,122	69,403
Contracts payables	64,026	109,318
Amounts due to fellow subsidiaries (1)	1,088	3,065
Amounts due to a joint venture (1)	71	71
Others	263,519	190,194
Total other payables	7,827,395	8,361,040

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

The carrying amounts of the Group's other payables as at 31 December 2014 and 2013 approximate their fair values.

Company

	2014	2013
	RMB'000	RMB'000
Contract advance from:		
Third parties	939,806	895,125
Salaries payables	809	810
Other taxation payables	—	24,293
Deposits and guarantee deposits payables	36,295	436
Advanced payables	2,001	38,926
Amounts due to fellow subsidiaries (1)	10,207,818	9,386,504
Others	1,707	4,003
Total other payables	11,188,436	10,350,097

(1) 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 2014 and 2013 approximate their fair values.

36. Current and Deferred Taxation

Group

Deferred income tax assets and liabilities recognised:

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

	2014 RMB'000	2013 RMB'000
Deferred income tax assets	654,489	693,373
Deferred income tax liabilities	(32,064)	(37,564)
Deferred income tax assets, net	622,425	655,809

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

	2014 RMB'000	2013 RMB'000
Beginning of the year	655,809	754,272
Credited/(Charged) to equity for fair value change of available-for-sale financial assets	3,795	(1,074)
Credited/(Charged) to equity for defined benefit obligations revaluation of actuarial gain or loss	42,160	(78,736)
Tax charged to profit for the year (Note 12)	(79,339)	(18,653)
End of the year	622,425	655,809

The movement in deferred income tax assets/(liabilities) during the years ended 31 December 2014 and 2013, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Tax losses RMB'000	Provision for retirement and other supplemental benefit obligation RMB'000	Provision for impairment on assets RMB'000	Others RMB'000	Total RMB'000
At 1 January 2013	—	658,346	72,441	62,968	793,755
Credited/(Charged) to:					
Profit for the year	13,359	(40,195)	19,375	(14,185)	(21,646)
Equity	—	(78,736)	—	—	(78,736)
At 31 December 2013 and 1 January 2014	13,359	539,415	91,816	48,783	693,373
Credited/(Charged) to:					
Profit for the year	(13,359)	(86,107)	20,925	(2,503)	(81,044)
Equity	—	42,160	—	—	42,160
At 31 December 2014	—	495,468	112,741	46,280	654,489

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 2013	36,762	2,721	39,483
(Credited)/Charged to:			
Profit for the year	(2,993)	—	(2,993)
Equity	—	1,074	1,074
At 31 December 2013 and 1 January 2014	33,769	3,795	37,564
(Credited)/Charged to:			
Profit for the year	(1,705)	—	(1,705)
Equity	—	(3,795)	(3,795)
At 31 December 2014	32,064	—	32,064

Deferred income tax assets not recognised

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

	2014	2013
	RMB'000	RMB'000
Tax losses for which no deferred income tax asset was recognised	182,946	251,495

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

Company

Deferred income tax assets recognised:

The analysis of deferred income tax assets is as follows:

	2014	2013
	RMB'000	RMB'000
Deferred income tax assets	263	13,704

36. Current and Deferred Taxation (Continued)

Company (Continued)

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

	2014	2013
	RMB'000	RMB'000
Beginning of the year	13,704	157
Charged to equity for defined benefit obligations revaluation of actuarial gain or loss	(25)	(8)
Tax (charged)/credited to profit for the year	(13,416)	13,555
End of the year	263	13,704

The movement in deferred income tax assets during the years ended 31 December 2014 and 2013, without taking into 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	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013	—	157	—	157
Credited/(Charged) to:				
Profit for the year	13,359	(6)	202	13,555
Equity	—	(8)	—	(8)
At 31 December 2013 and 1 January 2014	13,359	143	202	13,704
Credited/(Charged) to:				
Profit for the year	(13,359)	33	(90)	(13,416)
Equity	—	(25)	—	(25)
At 31 December 2014	—	151	112	263

37. Commitments

(a) Capital commitments

Capital commitments for the purchase of property, plant and equipment outstanding at 31 December 2014 and 2013 not provided for in the consolidated financial statements are as follows:

	2014	2013
	RMB'000	RMB'000
Contracted but not provided for		
– Property, plant and equipment	92,397	134,247

37. Commitments (Continued)

(b) Operating leasing commitments

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

	2014	2013
	RMB'000	RMB'000
Less than 1 year	37,601	51,428
1 year to 5 years	30,954	47,982
Over 5 years	40,031	49,272
Total	108,586	148,682

38. Cash Generated from Operations

	2014	2013
	RMB'000	RMB'000
Profit before taxation	4,550,695	4,751,041
Adjustments for:		
Provision for impairment on trade and other receivables	238,283	61,167
Expected losses on contract work-in-progress	—	1,652
Depreciation of property, plant and equipment	453,850	445,395
Amortisation of land use rights	61,625	61,837
Amortisation of intangible assets	91,082	79,346
Net losses/(gains) on disposal/write-off of property, plant and equipment	1,579	(4,157)
Interest income	(605,803)	(428,394)
Interest expense	109,108	104,123
Net foreign exchange (gains)/losses	(87,094)	86,331
Share of profits of joint arrangements	(844)	(1,324)
Share of profits of associates	(14,153)	(11,961)
Cash flows from operating activities before changes in working capital	4,798,328	5,145,056
Changes in working capital:		
– Inventories	(378,507)	(498,030)
– Contract work-in-progress	405,893	(2,707,583)
– Trade and other receivables	(5,125,770)	(896,836)
– Trade and other payables	1,340,560	(140,878)
– Restricted cash	(6,492)	5,102
Cash generated from operations	1,034,012	906,831

39. 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).

40. 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.

40. Significant Related Party Transactions and Balances (Continued)

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 2014 and 2013 and balances as at 31 December 2014 and 2013.

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:

	2014	2013
	RMB'000	RMB'000
Construction and services provided to		
– Ultimate holding company	21,713	12,587
– Joint ventures of fellow subsidiaries	1,912,738	1,081,931
– Associates of fellow subsidiaries	3,073,915	—
– Fellow subsidiaries	14,217,515	15,252,179
– Joint ventures	—	667
– Associates	30,752	140,336
	19,256,633	16,487,700
Construction and services received from		
– Ultimate holding company	703	—
– Associates of fellow subsidiaries	2,150	—
– Fellow subsidiaries	1,085,994	1,022,110
– Associates	696	2,753
	1,089,543	1,024,863
Technology research and development provided to		
– Ultimate holding company	—	5,189
– Fellow subsidiaries	94,284	146,706
	94,284	151,895
Interest income on loans		
– Ultimate holding company	382,234	310,987
Interest expense on borrowings		
– Fellow subsidiaries	2,208	3,038
Deposit interest income from fellow subsidiaries	50,628	21,747

	As at 31 December 2014	As at 31 December 2013
	RMB'000	RMB'000
Deposits and time deposits placed in fellow subsidiaries	4,041,199	3,990,435

40. 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 mainly in 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 subsidiaries in Note 23 and loans due from the ultimate holding company in Note 26, trade receivables, prepayments and other receivables are unsecured, interest free and repayable on demand.

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 for employee services is shown below:

	2014	2013
	RMB'000	RMB'000
Basic salaries, other allowances and benefits-in-kind	4,363	3,266
Discretionary bonus	8,907	5,691
Contributions to pension plans	1,209	750
	14,479	9,707

41. Particulars of Principal Subsidiaries

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

Name	Establishment/Place of incorporation and type of legal entity	Registered and fully paid capital	Effective interest held		Principal activities and place of operation
			Direct held	Indirect held	
		RMB'000			
SEI (中國石化工程建設有限公司)	The PRC/Limited liability company	500,000	100%	—	Engineering contracting, engineering and consulting/The PRC
LPEC (中石化洛陽工程有限公司)	The PRC/Limited liability company	500,000	100%	—	Engineering contracting, engineering and consulting/The PRC
SSEC (中石化上海工程有限公司)	The PRC/Limited liability company	200,000	100%	—	Engineering contracting, engineering and consulting/The PRC
SNEC (中石化寧波工程有限公司)	The PRC/Limited liability company	300,000	100%	—	Engineering contracting, design, equipment manufacturing/The PRC
SNEI (中石化南京工程有限公司)	The PRC/Limited liability company	556,005	100%	—	Engineering contracting, design/The PRC
FCC (中石化第四建設有限公司)	The PRC/Limited liability company	350,000	100%	—	Engineering contracting/The PRC
SFCC (中石化第五建設有限公司)	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 Heavy Lifting & Transportation Co., Ltd. (中石化重型起重運輸工程有限公司)	The PRC/Limited liability company	500,000	100%	—	Engineering contracting, technical services, equipment selling and leasing/The PRC
Sinopec Engineering Group Saudi Arabia Co., Ltd. (中石化煉化工程(集團)股份有限公司沙特公司)	Saudi Arabia/Limited liability company	3,356 (SAR 18,000,000)	100%	—	Engineering contracting/Saudi Arabia
Sinopec Engineering & Construction (Singapore) Pte. Ltd. (中石化煉化工程(集團)股份有限公司新加坡有限公司)	Singapore/Limited liability company	2,560 (SGD500,000)	100%	—	Engineering contracting/Singapore
Sinopec Engineering Group America, L.L.C (中石化煉化工程(集團)有限公司美國有限公司)	United States/Limited liability company	3,075 (USD500,000)	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

41. Particulars of Principal Subsidiaries (Continued)

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

Name	Establishment/Place of incorporation and type of legal entity	Registered and fully paid capital	Effective interest held		Principal activities and place of operation
			Direct held	Indirect held	
		RMB'000			
Guangzhou Xinyue Refining and Petrochemical Engineering Designing Co., Ltd. (廣州新粵煉化工程設計有限公司)	The PRC/Limited liability company	1,000	—	100%	Engineering design/ The PRC
Sinopec Tenth Construction Qingdao Co., Ltd. (中石化第十建設青島有限公司)	The PRC/Limited liability company	100,000	—	100%	Construction, equipment manufacturing/The PRC
Beijing Jinhaiwan Engineering and Construction Supervision Co., Ltd. (北京金海灣工程建設監理有限公司)	The PRC/Limited liability company	10,000	—	100%	Construction, project supervision/The PRC
Urumqi Chenjiqian Construction Equipment Co., Ltd. (烏魯木齊宸吉齊安工程設備有限公司)	The PRC/Limited liability company	5,000	—	100%	Equipment installation and leasing/The PRC
Luoyang Gaoxinlongpu Petrochemical Development Co., Ltd. (洛陽高新龍浦石油化工開發有限公司)	The PRC/Limited liability company	35,000	—	100%	Oil production/The PRC
Luoyang Xinuo Fuel Oil Quality Testing Center, Ltd. (洛陽西諾燃料油質量檢驗中心有限公司)	The PRC/Limited liability company	5,000	—	100%	Oil inspection/The PRC
Jiangsu Nanhua Engineering and Technology Complete Development Co., Ltd. (江蘇南華工程技術開發成套有限責任公司)	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

42. Subsequent Events

Pursuant to the approval from independent shareholders at the second extraordinary general meeting dated 10 March 2015, the Company will provide USD1.329 billion (approximate RMB8.192 billion) of the Counter Guarantee in respect of Project RAPID signed with PETRONAS company in favour of Sinopec Group.

DOCUMENTS FOR INSPECTION

The following documents will be available for inspection during normal business hours after 30 March 2015 (Monday) at the registered address of the Company upon request by the relevant regulatory authorities and shareholders of the Company 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 2014 prepared in accordance with the IFRS and signed by the Chairman of the Board, the President, the Chief Financial Officer and the Head of the Finance Department; and

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

By Order of the Board

ZHANG Jianhua

Chairman of the Board

Beijing, the PRC

27 March 2015

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

中石化煉化工程（集團）股份有限公司
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