2015 INTERIM REPORT

(Stock Code A Share : 600871 ; H Share : 1033)

中石化石油工程技術服務股份有限公司
Sinopec Oilfield Service Corporation

IMPORTANT NOTES

1. The Board and the Supervisory Committee of the Company and its directors, supervisors and senior management warrant that there are no false representations, misleading statements or material omissions in this Interim Report and individually and jointly accept full responsibility for the authenticity, accuracy and completeness of the information contained in this Interim Report.

2. The 2015 Interim Report has been approved at the fourth meeting of the eighth session of the Board. Six Directors attended the meeting. Mr Yuan Zhengwen, the Vice Chairman, was absent from the meeting due to sickness, but had authorised Mr Zhu Ping, the Vice Chairman and General Manager of the Company, to attend the meeting by proxy and to exercise his voting rights on his behalf. Mr Li Lianwu, the Director, was absent from the meeting due to official duties, but had authorised Mr Zhou Shiliang, the Director and Deputy General Manager of the Company, to attend the meeting by proxy and to exercise his voting rights on his behalf.

3. The interim financial statements of the Company for 2015, which have been prepared in accordance with the PRC Accounting Standards for Business Enterprises ("PRC ASBE") and International Financial Reporting Standards ("IFRS"), are unaudited. The interim financial statements of the Company for 2015, which have been prepared in accordance with the IFRS have been reviewed by Grant Thornton Hong Kong Limited.

4. Mr. Jiao Fangzheng, Chairman, Mr. Zhu Ping, Vice Chairman and General Manager, Mr.Wang Hongchen, Chief Financial Officer, and Mr. Song Daoqiang, Director of the Asset and Accounting Department of the Company, hereby warranted the authenticity and completeness of the interim financial statements contained in the Interim Report.

5. According to the Articles of Association of the Company, the Board resolved that no interim dividend to be distributed for the year ending 31 December 2015, and no conversion of capital reserve to share capital.

6. Due to the uncertainty of the forward-looking statement about the future plan and development strategy in the Interim Report, the Company cannot make a substantive commitment to investors, the Company would ask investors to notice the investment risks.

7. There was no appropriation of funds by the controlling shareholder of the Company and its connected parties for non-operation purpose.

8. The Company did not provide external guarantees made in violation of required decision-making procedures.

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Section 1 Definitions

In this Interim Report, unless the context otherwise requires, the following expressions shall have the following meanings:

Company	Means	Sinopec Oilfield Service Corporation (中石化石油工程技術服務股份有限公司), a joint stock limited company incorporated in the PRC whose A Shares are traded on the SSE (Stock code 600871) and H Shares are traded on the Main Board of the Stock Exchange (Stock code 1033)
YCFC	Means	Sinopec Yizheng Chemical Fibre Company Limited (the Company's former name before its name changed)
Group	Means	The Company and its subsidiaries
Board	Means	The board of Directors of the Company
Articles of Association	Means	The articles of association of the Company, as amended, modified or supplemented from time to time
CPC	Means	China PetroChemical Corporation, a wholly state-owned company established in the PRC and the holding company of Sinopec
Sinopec	Means	China Petroleum & Chemical Corporation, a joint stock limited company established in the PRC and listed on the Main Board of the Stock Exchange as well as in New York, London and Shanghai, the subsidiary of CPC. (former controlling shareholder of the Company)
A Share	Means	Shares in the share capital of the Company of par value RMB 1.00 each which are listed on the SSE
H Share	Means	Overseas listed foreign shares in the share capital of the Company of par value RMB 1.00 each which are listed on the Main Board of the Stock Exchange
SSE	Means	Shanghai Stock Exchange
HKSE	Means	The Stock Exchange of Hong Kong Limited
Listing Rules	Means	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Model Code	Means	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
CSRC	Means	China Securities Regulatory Commission
HKSCC (Nominees) Limited	Means	Hong Kong Securities Clearing Company (Nominees) Limited
Material Assets Reorganisation	Means	YCFC sold its total assets and liabilities to Sinopec, repurchased and canceled Sinopec's 2,415,000,000 shares of the Company, and at the same time the Company offered shares to China Petrochemical Corporation and purchased its 100% equity of SOSC, and offered non-public A shares for complementary private placement.
Outgoing Assets	Means	YCFC's total assets and liabilities
Incoming Assets	Means	SOSC's total equity
SOSC	Means	Sinopec Oilfield Service Co., Ltd (中石化石油工程技術服務有限公司)
Complementary private placement	Means	The Company offered non-public shares to no more than 10 qualified specific investors for complementary private placement.
Geophysical exploration, geophysical	Means	A method and theory of exploration the underground mineral and researching the geological formations by using physics principles. Such as seismic exploration, electrical and magnetism exploration.
Drilling	Means	The engineering of drilling formations down to a certain depth by using the mechanical equipment, and finally forming a cylindrical hole.
Completion	Means	The last part of the drilling engineering, including connecting the drilling casing to the oil layer, selection of completion method, cementing, and perforating, etc.
Logging	Means	Acquiring, analysing and interpreting the data related to the geological characteristics and hydrocarbon potential by using special tools or equipment and technology.
Mud Logging	Means	Recording and acquiring the information during the drilling process. Mud Logging is the basic technique in oil and gas exploration and production activities, and is the most timely and most direct way to find and evaluate the reservoir. It has the characters of timely and various to acquire the downhole information.

Section 1 Definitions

Downhole Operation service	Means	During the oilfield exploration, in accordance with the requirement of the oilfield, using take technical measures, equipment and tools to oil or water wells for the purposed of EOR, increasing the amount of injection and production, improving oil flow conditions, improving well conditions and increasing production rate, etc.
Two dimensional geophysical	Means	A method for seismic data gathering by using a set of sound source and one or more collection point; 2D is generally used for drawing geographical structure for a preliminary analysis.
Three dimensional geophysical	Means	A method for seismic data gathering by using two sets of sound source and two or more collection point; 3D is generally used for acquiring sophisticated seismic data, and improving the chances of successful drilling to the oil and gas wells.
CSDC-Shanghai Branch	Means	China Securities Depository and Clearing Corporation Limited (CSDC) - Shanghai Branch
CNPC	Means	China National Petroleum Corporation
CNOOC	Means	China National Offshore Oil Corporation
Yanchang Petroleum Group	Means	Shaanxi Yanchang Petroleum (Group) Corp. Ltd
EPC	Means	Engineering Procurement and Construction; A project contract model, the main services include project design, procurement and construction

Section 2 Company Profile

1. Company information

Company's legal Chinese name	中石化石油工程技術服務股份有限公司
Abbreviation of the Company's legal Chinese name	石化油服
Company's legal English name	Sinopec Oilfield Service Corporation
Abbreviation of the Company's legal English name	SSC
Legal Representative	Jiao Fangzheng

2. Contact information

	Secretary to the board	Securities Affairs Representative
Name	Li Honghai	Wu Siwei
Address	Office of the board of directors, #9 Jishikou Road, Changyang District, Beijing, China.	
Telephone	86-10-59960871	
Fax	86-10-59961033	
E-mail	ir.ssc@sinopec.com	

3. The changes for the Company profile

Registered address	Yizheng City, Jiangsu Province, the PRC
Post Code of Registered address	211900
Office address	#9 Jishikou Road, Changyang District, Beijing, China.
Post Code of Office address	100728
Company Internet Website	http://ssc.sinopec.com
Email	ir.ssc@sinopec.com
Query index for the change during the reporting period	There was no change of the basic information of the Company during the reporting period

4. The changes for the disclosing information and inspection place

Domestic Newspapers disclosing information China Securities, Shanghai Securities News, Securities Times
Internet website designated by CSRC to publish the Interim Report www.sse.com.cn
Internet website designated by HKSE to disclose information www.hkexnews.hk
Place where the Interim Report available for inspection Office of the board of director of the Company
Query index for the change during the reporting period There was no change of information disclosure and place for access to information of the Company during the reporting period

Section 2 Company Profile

5. Stock briefs

Share Type	Place of listing	Stock name	Stock Code	Stock name before altering
A share	SSE	SINOPEC SSC	600871	* ST Yihua
H share	HKSE	SINOPEC SSC	1033	Yizheng Chemical

6. Registration changes during the reporting period

The registration date	20 March 2015 (Altering of the company name)
The registration place	Nanjing, Jiangsu Province
Enterprises Legal Business License Registration Number	320000400000997
Taxation Registration Number	321081625908297
Organisation Number	62590829-7
Query index for the change of registration during the reporting period	Internet website of Jiangsu Administration for Industry & Commerce

7. Other related information

The initial registration date of the Company:	31 December 1993
The initial registration place of the Company:	Yizheng, Jiangsu Province
Auditors	
Domestic:	Grant Thornton (Special General Partnership)
Office address:	5th Floor, Scitech Place, 22 Jianguomen Wai Avenue, Chaoyang District, Beijing
Overseas:	Grant Thornton Hong Kong Limited
Office address:	Level 12, 28 Hennessy Road, Wanchai, Hong Kong
Legal advisor	
Overseas:	Herbert Smith Freehills LLP
Office address:	23rd Floor, Gloucester Tower, 15 Queen's Road Central, Hong Kong
Domestic:	Beijing Haiwen & Partners
Office address:	20/F, Fortune Financial Center, 5 Dong San Huan Central Road, Chaoyang District, Beijing
Sponsor Institution performing duties of continuous supervision and guidance during the reporting period	
Name:	Guotai Junan Securities; UBS Securities Co. Ltd.
Office address:	618 Shangcheng Road, Pudong New District, Shanghai; Floor 15, North Building, Yinglan International Financial Center, 7 Jinrongdajie Street, Xicheng District, Beijing
The signing sponsor representative:	Tang Wei, Liu Yunfeng, Zhang Jin, Li kai
The continuous inspection period:	From 17 December 2014 to 31 December 2015
Share registrars and transfer office	
H Share:	Hong Kong Registrars Limited
Office address:	Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Roads East, Hong Kong
A Share:	China Securities Registration and Clearing Corporation Limited Shanghai Branch
Office address:	36th Floor, China Insurance Building, 166 Lujiazui Eastern Road, Pudong New District, Shanghai

Section 3 Financial Summary

1. Principal financial information and financial indicators prepared under IFRS (Unaudited)

	As at 30 June 2015	As at 31 December 2014	Increase/(Decrease)
	RMB'000	RMB'000	(%)
Total assets	**73,812,786**	81,295,708	(9.2)
Total equity attributable to equity shareholders of the Company	**23,401,862**	18,697,120	25.2
Net assets per share attributable to equity shareholders of the Company [1]	**RMB 1.65**	RMB 1.46	13.0

	For the six months ended 30 June 2015	For the six months ended 30 June 2014	Increase/(Decrease)
	RMB'000	RMB'000	(%)
(Loss)/Profit attributable to equity shareholders of the Company	**(1,247,775)**	(455,775)	Not applicable
Including: continuing operations [2]	**(1,247,775)**	1,293,011	(196.5)
discontinued operations [2]	**—**	(1,748,786)	Not applicable
Basic and diluted (loss)/earnings per share	**RMB (0.090)**	RMB (0.030)	Not applicable
Including: continuing operations	**RMB (0.090)**	RMB 0.085	(205.9)
discontinued operations	**—**	RMB (0.115)	Not applicable
Net cash used in operating activities	**(1,397,163)**	(2,034,103)	Not applicable
Return on net assets	**(5.33%)**	(1.87%)	Decreased by 3.46 percentage points
Net cash used in operating activities per share [3]	**RMB (0.101)**	RMB (0.134)	Not applicable

Note:
1. The per share information was calculated on the base of the number of shares at the end of each reporting period/year.
2. The oilfield business was classified as "Continuing operations" and the fibre business was classified as "Discontinued operations" in the condensed consolidated statement of comprehensive income.
3. The per share information was calculated on the base of the weighted average number of shares during each reporting period.

Section 3 Financial Summary

2. Principal financial information and financial indicators prepared under PRC ASBE (Unaudited)

(1) Principal financial information

	For the six months ended 30 June 2015	For the six months ended 30 June 2014		Increase/(Decrease)
		After adjustment	Before adjustment	
	RMB'000	RMB'000	RMB'000	(%)
Operating income	**23,121,285**	42,109,535	7,924,423	(45.1)
Operating profit ("-" for losses)	**-1,349,881**	-357,179	-1,667,853	Not applicable
Profit before income tax ("-" for losses)	**-1,197,310**	-174,083	-1,676,496	Not applicable
Net profit attributable to equity shareholders of the Company ("-" for losses)	**-1,380,350**	-687,285	-1,750,279	Not applicable
Net profit deducted extraordinary gain and loss attributable to equity shareholders of the Company ("-" for losses)	**-1,401,445**	-1,741,636	-1,741,636	Not applicable
Net cash inflow from operating activities ("-" for outflow)	**-1,371,422**	-1,982,413	-257,014	Not applicable

	As at 30 June 2015	As at 31 December 2014		Increase/(Decrease)
		After adjustment	Before adjustment	
	RMB'000	RMB'000	RMB'000	(%)
Total assets	**73,812,786**	81,295,708	81,295,708	(9.2)
Total equity attributable to equity shareholders of the Company	**23,401,862**	18,697,120	18,697,120	25.2

Note: The before-adjustment information for the first half of 2014 are the related financial information which were disclosed in the Financial Report of the Company 2014 Interim Report. According to the regulation of "Enterprise Accounting Standards No. 20 – Business Combinations", for a business combination under common control, the initial figures of the consolidated balance sheet should be adjusted, while the comparative statements related items to be adjusted. Therefore, the adjusted financial information for the first half of 2014 included the information of outgoing assets and incoming assets.

(2) Principal financial indicators

	For the six months ended 30 June 2015	For the six months ended 30 June 2014		Increase/(Decrease)
		After adjustment	Before adjustment	
	RMB'000	RMB'000	RMB'000	(%)
Basic earnings per share (RMB) ("-" for losses)	**-0.101**	-0.045	-0.292	Not applicable
Diluted earnings per share (RMB) ("-" for losses)	**-0.101**	-0.045	-0.292	Not applicable
Basic earnings per share deducted extraordinary gain and loss (RMB) ("-" for losses)	**-0.102**	-0.114	-0.290	Not applicable
Weighted average return on net assets	**-6.56%**	-2.86%	-28.13%	Decreased by 3.70 percentage points
Weighted average return on net assets deducted extraordinary gain and loss	**-6.66%**	-7.25%	-27.99%	Increased by 0.59 percentage points

3. Extraordinary gain and loss items and amount (figures are based on the interim financial report prepared in accordance with the PRC ASBE) (Unaudited)

Extraordinary gain and loss items	For the six months ended 30 June 2015 RMB'000
Disposal of non-current assets	13,506
Government grants recognised in profit or loss during the current period	19,087
Other non-operating income and expenses excluding the aforesaid items	-3,273
Effect of income tax	-8,225
Total	21,095

4. Significant differences between the interim financial report prepared in accordance with the PRC ASBE and IFRS (Unaudited)

	Net profit attributable to equity shareholders of the Company ("-" for losses)		Total equity attributable to equity shareholders of the Company	
	For the six months ended 30 June 2015	For the six months ended 30 June 2014	**As at 30 June 2015**	As at 31 December 2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
PRC ASBE	**-1,380,350**	-687,285	**23,401,862**	18,697,120
Adjustment items:				
Government grants (a)	**—**	1,416	**—**	—
Specific reserve (b)	**132,575**	230,094	**—**	—
IFRS	**-1,247,775**	-455,775	**23,401,862**	18,697,120

Explanations for the related differences

(a) Government grants

Under PRC ASBE, grants from government that are credited to capital reserve according to relevant regulation cannot be included in deferred income. Under IFRS, the government grants related to assets are recognised initially as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the asset.

(b) Specific reserve

Under PRC ASBE, accrued production safety fund is recognised as expense in profit or loss and separately recorded as a specific reserve in shareholders' equity according to the national regulation. As using production safety fund, if it is profit or loss related, the cost of expenditure is directly charged against the specific reserves. While if it is capital expenditure related, the cost of fixed asset is offset against the specific reserves and the same amount of accumulated depreciation is recognised, then the fixed asset is no longer depreciated in its useful life. Under IFRS, these expenses are recognised in profit or loss as and when incurred. Relevant capital expenditure on production maintenance and safety facilities are recognised as property, plant and equipment and depreciated according to the relevant depreciation method.

Section 4 Report of the Board of Directors

The board is pleased to present its report of the board of directors for perusal.

1. Review of results of operations and the business prospect of the Company during the reporting period

Financial figures, where applicable, contained herein have been extracted from the Company's unaudited interim financial report prepared in accordance with PRC ASBE.

Interim results

During the six months ended 30 June 2015, effected by the decline of workload and service price, the Company's consolidated turnover was RMB 23,121,285,000, decreased by 45.1% from the corresponding period of previous year when that was RMB 42,109,535,000; net loss attributed to the equity shareholders was RMB 1,380,350,000 and basic net loss per share was RMB 0.101 in the first half of 2015. In the corresponding period of previous year, the net loss attributed to equity shareholders was RMB 687,285,000 and basic net loss per share is RMB 0.045.

Market review

Global crude oil prices fluctuated at lower levels in the first half of 2015, and international oil companies as well as domestic ones significantly reduced capital expenditure for oilfield exploration. The continuing slumps down of the global oilfield service industry brought both challenges of declined workloads and that of lower service prices to the market. And oilfield service companies encountered more and more severe competitions and much more pressures. Meanwhile, thanks to the accelerated development of clean energies in China, such as natural gas, shale gas, etc., there are still new opportunities and challenges in the international and domestic oilfield service markets.

Operation Review

In the face of complicated and challenging market environments in the first half of 2015, the Company has carried out overall measures to enhance business operation, further explore markets, strengthen cost control more vigorously, and speed up integration of internal resources. Also the Company has channeled all efforts to adjust scales and frequencies of investments moderately, transform and upgrade industrial structures more quickly, and surmounted difficulties to achieve better business results.

A. Geophysical service

The Company's operation revenue in geophysical service was RMB 2,145,093,000 in the first half of 2015, representing a decline of 21.4% over the same period of the previous year, for which the figure was RMB 2,728,483,000. The completed 2Dseismic have accumulated for 17,057 kilometers, declined by 24.1% from the same period last year; while the 3D seismic for 5,809 square kilometers, representing a decline of 49.7% over the same period last year. The Company has made joint effort to meet the demand of oilfield exploration and production. With focuses on technology and quality, it has refined the engineering operations and maintained sustainable increases in work efficiencies of seismic engineering as well as materials quality, providing vigorous supports to development of upstream exploration and production. Meanwhile, by expanding overseas markets, the Company achieved its newly signed contracts of geophysical service with the value of USD 150 million, with a period-on-period increase of 158.0%.

B. Drilling service

The Company's operation revenue in drilling service was RMB 12,473,028,000 in the first half of 2015, representing a decline of 30.0% over the same period of the previous year, for which the figure was RMB 17,814,014,000. Its completed drilling footage was accumulated for 3,370 kilometers, performing a decline of 40.4% over the same time of the previous year. The domestic and international oil companies cut down their investment and workload. But thanks to the fact that the Company ensured Sinopec's exploration and production with finer quality, more advanced technology, higher efficiency and better services, its market shares inside the Group have been increased steadily. At the same time, it continued to enlarge the domestic market outside the Group, and the overseas markets went well, with newly signed contracts of USD 1.03 billion, with a period-on-period increase of 13.4%.

C. Logging/mud logging service

The Company's operation revenue in logging/mud logging service was RMB 769,351,000 in the first half of 2015, a decline of 50.2% over the same time of previous year, for which the figure was RMB 1,545,591,000. Its completed logging projects have accumulated for 95,460,000 standard meters, performing a decline of 43.8% compared with the same period of the previous year. Its completed mud logging projects have accumulated for 3,440,000 meters, performing a decline of 42.2% compared with the same period of the previous year. To tackle the severe and challenging environments where the logging/mud logging workload declined sharply, the Company captured opportunities with capabilities of providing proactive, qualified and efficient services. Meanwhile, it made efforts to extend the external market by means of drilling lump sum and project co-ordinations, etc.

D. Downhole operation service

The Company's operation revenue in downhole operation was RMB 2,122,757,000 in the first half of 2015, with a period-on-period decline of 33.2%, and the figure was RMB 3,175,439,000 at the same time of the previous year. It has completed downhole operation for 2,437 wells, with a period-on-period decline of 32.3%. In Fuling, the Company studied economic feasibilities of testing, fracturing and completion technologies of the shale gas. and has optimised the projects to further drop the cost and increase benefit by means of modifying procedures including project design, engineering organisation, supporting equipment and procurement of materials, etc.

E. Engineering and construction service

The Company's operation revenue in engineering and construction service was RMB 4,987,120,000 in the first half of 2015, with a period-on-period decline of 38.1%, and the figure was RMB 8,054,139,000 at the same time of the previous year. Due to the constant decrease of investments in outbound markets, its accumulated completed contracts valued RMB 4.88 billion in the first six months, performing a period-on-period decline of 33.8%. Its newly signed contracts were valued RMB 5.80 billion, with a period-on-period decline of 5.6%. The Fuling - Wangchang shale gas pipeline project, which is to externally transport shale gas from Fuling, a district of Chongqing Municipality to Wangchang, a little town of Hubei Province, has been completed and put into operation earlier than planned, forming a new EPC general contracting model. Meanwhile, the Company has successfully completed a series of significant and challenging projects, such as safety regulation project of Dongying-Huangdao Multiple Track, and project of Lhasa oil product tanks, etc.

F. International business service

The Company's operation revenue in international business service was RMB 6,250,362,000 in the first half of 2015, a year on year decline of 28.0%, and the figure was RMB 8,682,594,000 at the same time last year. The revenue contributed by the international business accounted for 27.0% of the total revenue of the first half in 2015. It has formulated 5 large-scaled markets in the Middle East, Africa, the Americas and Central Asia and Mongolia, and the Southeast Asia. Its newly signed contracts in the overseas markets valued USD 1.67 billion, performing a period-on-period increase of 26.6%.Its business in key markets made better performance against the severe and challenging environments. For example, in Saudi Arabia it completed contracts valued USD 0.44 billion, with a period-on-period increase of 10.4%. In Kuwait, its completed contract value reached USD 0.14 billion, with a period-on-period increase of 144.7%.The effect of developing large scale markets has been generally proved.

G. Research & development

Over the first half of 2015, the Company has studied prominent segments and the demands in the oil and gas E & P markets, and channeled efforts into technical innovation. Progress has been made in developing its own technologies with strong strength. It has applied for domestic or international patents of 100 items, and has 161 authorised ones. Thanks to the enrollment into supporting technologies to the Fuling shale gas engineering project, it has generally formulated 5 main technology series of drilling, logging or mud logging, fracturing and testing, equipment manufacturing and engineering construction, all of which are suitable for shale layers at the depth less than 3500 meters. The key technologies have been developed domestically and the supporting technologies have been leading domestic ones of the same kind. It has generally completed designs for techniques for complex mountain front areas, including surface structure investigation and statics correction, shooting, receiving and noise depression, layout system parameter's degradation and optimisation analysis. In terms of deep water drilling, it has developed the treating chemical for deep water drilling fluid hydrate, and the liquid cement system with low density for low temperature deep water.

H. Internal reforms and management

In the first half of 2015, the Company has enhanced the cost-based management among the staff. Thanks to the implementation of increasing return of investment, dropping the cost of human resources and procurement, optimising the organisation and execution of production, and cutting down rental fees, maintenance cost, financial fees and management cost, etc, its dropped cost and cut down fees accumulated to reach RMB 0.45 billion. Also it has improved the employment mechanism considering the total workload and cost per capita. For example, we outsourced non-core business, and dismissed temporary employees, etc. As a result, a total of 2,700 employees were dismissed in the first half of the year. At the same time, it made steady movement of transformation, and smoothed paths of developing new business including information technology of geophysical mapping, and programs of environmental protection and saving energy. Moreover, the Company strictly enhanced the operation safety, environmental protection and risk control.

Section 4 Report of the Board of Directors

(1) Main business analysis of the Company

A. Changes in the relevant items of financial statements

	For the six months ended 30 June 2015	For the six months ended 30 June 2014	Increase/(Decrease)
	RMB'000	RMB'000	(%)
Revenue	23,121,285	42,109,535	(45.1)
Cost of sales	22,305,940	38,285,942	(41.7)
Selling expenses	25,343	149,526	(83.1)
General and administrative expenses	1,560,959	2,174,491	(28.2)
Finance costs	203,506	440,674	(53.8)
Net cash inflow from operating activities ("-" for outflow)	-1,371,422	-1,982,413	Not applicable
Net cash inflow from investing activities ("-" for outflow)	-446,519	-922,895	Not applicable
Net cash inflow from financing activities ("-" for outflow)	3,614,062	2,633,749	37.2
Research and development expenditure	54,808	90,158	(39.2)

Reasons for the changes:

(a) The change in revenue was mainly due to the decrease of the workload of oil service business and the disposal of fiber business.

(b) The change in cost of sales was mainly due to the decrease of the workload of oil service business and the strengthening control to the cost.

(c) The change in selling expenses was mainly due to the disposal of fiber business.

(d) The change in finance costs was mainly due to the decrease in borrowing after fund raising, and correspondingly adjusting currency structure of borrowing. More utility of US Dollar borrowing leads the decrease of interest expense. Meanwhile, the exchange losses decreased over the same period of the previous year

(e) The change in net cash outflow from operating activities was mainly due to the increase in recovering client's debts, and the decrease in cash flow of operation business caused by the decline of the workload during the reporting period,

(f) The change in the net cash outflow from investing activities was mainly due to the decrease in cash paid for buying fixed assets and intangible assets during the reporting period.

(g) The change in net cash inflow from financing activities was mainly due to the non-public offering for fund raising during the reporting period.

(h) The change in research and development expenditure was mainly due to the delayed clearing of some individual R&D project and the disposal of fiber business.

B. Other

a. The specific information about the change of Company's profit structure or its profit resource

☐ applicable √ not applicable

b. The analysis and information about the implementation progress of the Company's financing and Material Assets Reorganisation activities during the earlier time.

On 3 March 2015, the Company completed the registration matters related to the complementary private placement issuing shares in CSDC-Shanghai. The complementary private placement issued 1,333,333,333 A shares by RMB 4.5/share. The total raised fund was RMB 5,999,999,998.5, by deducting the issue cost of RMB 47,483,333.0, the net raised fund was RMB 5,952,516,665.5.

Section 4 Report of the Board of Directors

(2) Statement of the operations by products, industry and regions operating

A. Statement of operation by industry and products

Industry	Operating income for the first half of 2015 RMB'000	Operating cost for the first half of 2015 RMB'000	Gross profit margin (%)	Increase/ (Decrease) in operating income as compared with last year (%)	Increase/ (Decrease) in operating cost as compared with last year (%)	Gross profit margin compared with last year
Geophysical	2,145,093	2,077,397	3.2	(21.4)	(13.1)	Decreased by 9.2 percentage points
Drilling	12,473,028	12,302,057	1.4	(30.0)	(20.5)	Decreased by 11.7 percentage points
Logging/Mud logging	769,351	723,436	6.0	(50.2)	(39.9)	Decreased by 16.2 percentage points
Downhole operation	2,122,757	1,890,695	10.9	(33.2)	(32.1)	Decreased by 1.4 percentage points
Engineering and Construction	4,987,120	4,840,338	2.9	(38.1)	(35.9)	Decreased by 3.4 percentage points
Other	387,596	326,106	15.9	(32.3)	(31.9)	Decreased by 0.5 percentage points
Total	22,884,945	22,160,029	3.2	(45.0)	(41.3)	Decreased by 6.1 percentage points

B. Statement of operation by regions

Region	Operating income for the first half of 2015	Increase/(Decrease) as compared with the corresponding period of last year
	RMB'000	(%)
Mainland China	16,634,583	(49.5)
Hong Kong, Macau, Taiwan and overseas	6,250,362	(28.0)

(3) Analysis of investments situation

A. Foreign equity investment

a. Investment in securities

During the reporting period, there was no investment in securities.

b. Interest in other listed securities held by the Company

During the reporting period, the Company did not hold equity shares of other listed companies.

c. Equities of financial institutions held by the Company

During the reporting period, the Company did not hold any shares of financial institutions such as commercial banks, securities companies, insurance companies, trust companies and future companies.

d. Shareholding interests of the Company in non-listed financial institutions

During the reporting period, the Company did not hold any shares of non-listed financial institutions.

B. Entrusted financing and derivatives investment of non-financial companies

During the reporting period, the Company had no entrusted financing, entrusted loans, other investments and financing and derivatives investment items.

Section 4 Report of the Board of Directors

C. Fund raising and the usage

a. General usage of Fund Raising

Unit: RMB'000

Year	Type of Fund Raising	Total amount of Find Raising	The amount of the used Fund Raising during the reporting period	The amount of the used Fund Raising accumulated	The total amount of unused Fund Raising	The status and usage of the unused Fund Raising
2015	Non-Public Offering	5,952,516.67	3,361,889.97	3,361,889.97	2,590,626.70	Mainly used for commitment item and temporarily supplementing liquidity
Total		5,952,516.67	3,361,889.97	3,361,889.97	2,590,626.70	
General Usage of Fund Raising	On 24 March 2015, the Company held the second meeting of the eighth session of the Board of Directors, and approved the proposal of the usage of part of the idle raising fund in complementing the liquidity temporarily. The related details was disclosed at the website of Shanghai Stock Exchange (http://www.sse.com.cn), China Securities, Shanghai Securities News, Securities Times and Hong Kong Stock Exchange.					

b. Commitment Item of Fund Raising

Unit: RMB'000

The name of the commitment item	Whether the project was changed	The planned invested amount of the raising fund	The invested amount of the raising fund during the reporting period	The accumulated actual invested amount of the raising fund	Whether meet the planned progress	The project progress	The expected income	The income situation	Whether meet the expected income	The explanation on the unachieved progress and income	The reason for change and the explanation on the changed process of raising fund
Kuwait rig project	no	1,600,000	252,806.26	252,806.26	yes	15.8%	—	Not applicable	Not applicable	no	no
Project of building 25m working platform	no	466,000	113,306.77	113,306.77	yes	24.3%	—	Not applicable	Not applicable	no	no
Project of purchasing 8000HP multipurpose working vessel	no	195,000	69,430	69,430	yes	35.6%	—	Not applicable	Not applicable	no	no
Project of purchasing LOGIQ Imaging Logging System	no	120,000	—	—	yes	—	—	Not applicable	Not applicable	no	no
Project of purchasing downhole testing equipment	no	139,000	96,294.68	96,294.68	yes	69.3%	—	Not applicable	Not applicable	no	no
Project of purchasing Top Drive equipment	no	110,000	110,000	110,000	yes	100.0%	—	4,240	Yes	no	no
Project of purchasing Coiled Tubing equipment	no	80,000	—	—	yes	—	—	Not applicable	Not applicable	no	no
Project of purchasing pipe construction equipment	no	530,000	20,052.26	20,052.26	yes	3.8%	—	Not applicable	Not applicable	no	no
Supplement the liquidity	no	2,712,516.67	2,700,000	2,700,000	yes	99.5%	—				
Total		5,952,516.67	3,361,889.97	3,361,889.97							

c. Change Item of Fund Raising

☐ Applicable √ Not Applicable

D. Information on the Company's subsidiaries and shareholding companies

Name of company	Registered capital	Shareholding percentage	Total assets	Total liabilities	Net assets	Net profit	Main Business
			RMB'000	RMB'000	RMB'000	RMB'000	
SOSC	RMB 4,000 million	100	71,984,598	53,024,494	18,960,103	-1,386,567	Petroleum engineering technical service
Sinopec Shengli Oil Engineering Company Limited	RMB 700 million	100	13,227,460	9,104,248	4,123,212	-724,885	Petroleum engineering technical service
Sinopec Zhongyuan Oil Engineering Company Limited	RMB 450 million	100	12,386,817	8,026,499	4,360,317	-109,318	Petroleum engineering technical service
Sinopec Henan Oil Engineering Company Limited	RMB 250 million	100	2,299,677	1,532,636	767,041	-66,546	Petroleum engineering technical service
Sinopec Jianghan Oil Engineering Company Limited	RMB 250 million	100	5,015,596	3,786,593	1,229,003	51,891	Petroleum engineering technical service
Sinopec Jiangsu Oil Engineering Company Limited	RMB 250 million	100	1,991,131	1,279,305	711,827	-176,536	Petroleum engineering technical service
Sinopec East China Oil Engineering Company Limited	RMB 200 million	100	1,132,480	435,756	696,724	-21,625	Petroleum engineering technical service
Sinopec North China Oil Engineering Company Limited	RMB 200 million	100	3,704,242	1,596,655	2,107,587	60,847	Petroleum engineering technical service
Sinopec Southwest Oil Engineering Company Limited	RMB 300 million	100	6,819,274	3,092,754	3,726,520	-16,881	Petroleum engineering technical service
Sinopec Oil Engineering Geophysical Company Limited	RMB 300 million	100	5,013,740	3,550,860	1,462,880	-94,238	Geophysical exploration
Sinopec Oil Engineering and Construction Corporation	RMB 500 million	100	18,709,319	19,273,637	-564,318	-442,803	Construction
Sinopec Shanghai Offshore Oil Engineering Company Limited	RMB 2,000 million	100	4,630,138	477,876	4,152,262	146,888	Offshore Oil Engineering Technology Service
Sinopec International Petroleum Service Corporation	RMB 700 million	100	2,998,822	2,040,793	958,029	19,758	Petroleum engineering technical service
SinoFTS Petroleum Services Limited	USD 55 million	55	127,695	58	127,636	-4,327	EOR technical service
Zhong Wei Energy Services Co., Limited	RMB 305 million	50	38,637	2,407	36,230	-5,372	Oilfield technical service

E. Progress of projects financed by non-public raised proceeds

Unit: RMB'000

Name of the main project	Amount of the project	Project Progress (%)	Investment amount in the reporting period	The cumulative amount of actual in vestment	Project earnings
Shengli 90m Drilling Platform	700,000	28.1	67	196,351	Under Construction
Shanghai 7000hp Multipurpose Supply Vessels	187,500	93.8	36,809	175,873	Under Construction
Updating of the aging equipment of the Offshore Drilling Platform	63,170	41.9	23,136	26,495	Under Construction
Total	950,670		60,012	398,719	

2. Profit allocation or capital accumulation fund turn add plans

(1) Implementation or adjustment of the profit distribution plan during the reporting period

Since the retained earnings of the Company at the year end of 2014 was negative, the Board proposed that no profit distribution for 2014 was approved at the 2014 AGM held on 16 June 2015. During the reporting period, no profit distribution plan was supposed to be implemented.

(2) Interim dividends for 2014 and proposal on issue of shares by capitalising the common reserves

In accordance with the Articles of Association of the Company, the Board resolved that no interim dividend was distributed for the year ending 31 December 2015, and no conversion of capital reserve to share capital.

3. Market prospects and operation arrangements in the second half of 2015

(1) Market prospects in the second half of 2015

The world's economy turns into a slow recovery in the second half of 2015. China's economy has entered new normal featuring transformation, deepened reform, innovation and slower growth. Affected by the slows down of international markets' demand, the non reduction of crude oil of global production and the achievement of Iran nuclear talks, the supply and demand situation of the global crude oil market obviously became more easing, meanwhile, the international oil prices will continue to be at lower points. At the same time, the oilfield service industry will continue to face the challenging and complicated environments. No obvious improvement will appear for workload and service prices, and the competition in markets will be much more severe. Nevertheless, China's economy does not change its stably upward development tendency. The investment on natural gas and shale gas continues to grow rapidly. Moreover, thanks to the implementation of national strategy of 'One Belt, One Road', more investment on development of national energy and resources will be made in place nearby the Belt and the Silk Road. Thus the Company will find new opportunities.

Section 4 Report of the Board of Directors

(2) Operation arrangements in the second half of 2015

The Company continues to encounter the complicated and challenging environments. But it will place focuses on improving qualities, increasing profit and vigorously enlarging markets. At the same time, it will optimise resource collaborations and adjust structures for higher levels. It will enhance management to make a better performance with more profit, and develop the Company in a sustainable as well as healthy manner.

A. Geophysical service

The Company will continue the high-quality and efficient service for Sinopec Group in the second half of 2015. Meanwhile, it will contribute new growth points by exploring new business in the domestic market, including that of pipelines and geophysical mapping, etc. In a major push to enlarge the overseas market, it will continue to improve its integrated service capabilities of acquisition, processing and interpretation. The Company will continuously carry on the offshore Geophysical service. It plans to complete 2D seismic acquisition for 21,359 kilometers, while 3D for 7,453 square kilometers in the second half of the year.

B. Drilling service

The Company will continue to consolidate and enlarge the market shares inside Sinopec Group. In traditional markets, it aims to increase market shares. It will maintain sound cooperations with Petro China, CNOOC, and Yanchang Petroleum Company, etc. At the same time, it will make new growth points will be made with more integrated oilfield service projects, larger markets in the Middle East, and smooth the way for operation in traditional overseas markets including the Americas, Central Asia and Southeast Asia. Also it will leverage its mature drilling Shale Gas development technologies acquired from establishing the state-level Fuling Pilot Project, to further develop China's unconventional shale gas, geothermal and coal-bed gas market. At the same time, progress will be made to adjust drilling structures and improve service quality as well as efficiency. In overseas markets, it aims to enlarge the market shares in the Middle East and maintain good performance in the Americas, Central Asia and Southeast Asia to contribute new growth points. It plans to complete drilling footage accumulated for 4,820,000 meters in the second half of 2015.

C. Logging/Mud Logging Services

The Company will continue the investment on technology R&D, leverage hi-tech equipments and excellent operation teams to provide customers with complete logging/mud logging service. It will promote and apply the integrated service technologies of logging/mud logging as well as directional well drilling. It also aims to enlarge the markets at home and abroad. At the same time, it will promote technologies of multi-stage perforation and develop unconventional markets in China. In overseas markets, it will leverage strengths in providing integrated oilfield services to enlarge the international markets. It plans to complete logging with accumulated for 126,900,000 standard meters and mud logging footage with 4,460,000 meters in the second half of 2015.

D. Downhole operation service

The Company has accumulated engineering experiences from the state-level Fuling Shale Gas Pilot Project. Its leading technologies include staged fracturing in ultra long horizontal wells, coiled tubing snubbing operation and acid gas fields operation, etc. In China, it aims to leverage the leading technologies above to explore conventional and unconventional oil and gas markets. In overseas markets, it aims to create new growth points through constant development in the Middle East market, headed by the workover business in Kuwait and Saudi Arabia. In second half of the year, it plans to complete downhole operation service for 2,599 wells.

E. Engineering and construction service

In China, the Company aims to raise its market shares through strengthened management of domestic operations and subcontracted projects, to catch available opportunities for developing and producing natural gas, and to secure the oil and gas production and production capabilities built for offshore oilfields. In the overseas market, it aims to adjust the market distribution, improve the marketing development quality and strengthen the risk controls. In the second half of the year, it plans to sign new contracts valued RMB 9.5 billion and complete contracts valued RMB 12 billion.

F. International business service

The Company will continue the firm implementation of internationalisation strategy in the second half of 2015. To achieve that, firstly it aims at the bidden projects and those for renewal in Saudi Arabia, Kuwait and Bolivia, etc. At the same time, it will accelerate negotiations of drilling lump sum projects in Ecuador and EBANO oilfield transformation project in Mexico. Secondly it will make vigorous efforts to bid for integrated oilfield service projects and high value-added technical services of logging, cementing, testing and drilling fluid, etc. And it will increase market shares of geophysical integrated oilfield services of date acquiring, enhancement and interpretation, as well as EPC general contractor projects of ground constructions. Thirdly, it works to deepen the cooperations with Sinopec International Exploration and Production Corporation (SIPC) and increase the market shares in Sinopec invested projects overseas. In second half of the year, it plans to sign new contracts valued USD 0.90 billion and complete contracts valued USD 1.25 billion.

G. Research & development

The Company will collect strengths for technical innovation and provide support for E&P. It also aims to upgrade and promote transformation in the second half of 2015. To achieve those targets above, it continues to further develop the integrated petroleum engineering technologies which will be promoted and applies on-site in the Fuling area to formulate capabilities of providing large scaled service. It optimised and improved the design method of low-frequency scanned signal of Vibroseis; Carried out the site test of the Strap-down Rotary Steerable System, and the system test of drill collar sonic while drilling; conducted online experimental of SINOLOG900 network imaging LWD system; programmed the software for wellbore pressure analysis of dual density drilling in deep water and the software for forecasting the gas hydrate zone and its prevention; accomplished the related simulation experiment of export pipeline of coal gas and improved the research and developing system of petroleum engineering. Also it plans to establish the key wellborn engineering labs to improve the innovative capabilities and the conversion ratio of science and technology results.

Section 4 Report of the Board of Directors

H. Capital Expenditure

The Company's capital expenditures for the second half of 2015 is added RMB 1.55 billion on the base of the original budget of RMB 2.95 billion. That will be spent on high-end business development, offshore engineering equipment manufacturing, key labs establishment, safe production governance and environmental protection projects. It plans to continue the efficiency - oriented operation for improvement of quality as well as profit. Also it will place focuses on safe production, environmental protection, and development of low-Carbon green economy. At the same time, it continues to strictly control non-productive projects and achieve the sustainable development. It will continue the investment and push forward the resource allocation, development transformation, marketing structure adjustment to increase high-end market shares and strengthen its competitiveness.

4. Other matters of disclosure

(1) Warnings on potential fluctuation from the net profit to the loss for the period from the beginning of the year to the end of next reporting period or significant changes as compared with the same period of the preceding year

□ Applicable √ Not applicable

(2) Explanations by the Board and Supervisory Committee of the Company on Non-standard Auditing Report of the accounting firm

□ Applicable √ Not applicable

(3) Financial Position Analysis (Extracted from the financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"))

The Company's primary sources of funds are coming from operating activities and short-term borrowings etc., and they are primarily used in operating activities, capital expenditures and repayment of short-term borrowings.

A. Assets, liabilities and shareholders' equity analysis

	As at 30 June 2015 RMB'000	As at 31 December 2014 RMB'000	Change RMB'000
Total assets	73,812,786	81,295,708	-7,482,922
Current assets	38,809,385	44,532,552	-5,723,167
Non-current assets	35,003,401	36,763,156	-1,759,755
Total liabilities	50,411,981	62,599,570	-12,187,589
Current liabilities	49,812,337	61,937,914	-12,125,577
Non-current liabilities	599,644	661,656	-62,012
Total equity attributable to equity shareholders of the Company	23,401,862	18,697,120	4,704,742

As at 30 June 2015, the Company's total assets were RMB 73,812,786,000 and total liabilities were RMB 50,411,981,000. The total equity attributable to equity shareholders of the Company was RMB 23,401,862,000. Compared with the assets and liabilities as at 31 December 2014 (hereinafter referred to as "compared with the end of last year"), the changes and main causes of such changes are as follows:

Total assets were RMB 73,812,786,000, representing a decrease of RMB 7,482,922,000 compared with the end of last year, of which: current assets were RMB 38,809,385,000, decreased by RMB 5,723,167,000 compared with the end of last year. The decrease was mainly due to the decrease in notes and trade receivables by RMB 12,961,995,000 owing to the decrease in revenue in the first half of 2015. Non-current assets were RMB 35,003,401,000 decreased by RMB 1,759,755,000 compared with the end of last year, which was mainly affected by the decrease of RMB1,265,087,000 in that the Company had recognised the depreciation of properties, plants and equipments.

The total liabilities were RMB 50,411,981,000, decreased by RMB 12,187,589,000 compared with the end of last year, of which: current liabilities were RMB 49,812,337,000, decreased by RMB 12,125,577,000 compared with the end of last year. The decrease was mainly due to the decrease in note and trade payables by RMB 5,610,440,000 and deposits received and other payables by RMB 3,808,001,000. Non-current liabilities were RMB 599,644,000, decreased by RMB 62,012,000 compared with the end of last year.

Total equity attributable to equity shareholders of the Company was RMB 23,401,862,000, increased by RMB 4,704,742,000 compared with the end of last year, the main reason was that the raising fund of the Company by non-public offering in the first half of 2015 was RMB 5,952,517,000, and the loss attributable to equity shareholders of the Company in the first half of 2015 was RMB 1,247,775,000.

As at 30 June 2015, the Company's total liabilities to total assets ratio was 68.3%, whereas 77.0% as at 31 December 2014.

Section 4 Report of the Board of Directors

B. Cash flow analysis

The main items of cash flow of the Company in the first half of 2015 and the first half of 2014 showed in the following table.

Main items of cash flow	For the six months ended 30 June 2015 RMB'000	2014 RMB'000
Net cash outflow from operating activities	(1,397,163)	(2,034,103)
Net cash outflow from investing activities	(430,646)	(938,042)
Net cash inflow from financing activities	3,615,689	2,698,624
Net increase/(decrease) in cash and cash equivalents	1,787,880	(273,521)
Cash and cash equivalents at the beginning of the period	1,201,754	1,694,094
Cash and cash equivalents at the end of the period	2,989,634	1,420,573

In the first half of 2015, the Company's net cash outflow from operating activities was RMB 1,397,163,000, representing a decrease of cash outflow by RMB 636,940,000 as compared with the corresponding period of last year. This was mainly due to the increase in recovering client's debts, and the decrease in cash flow of operation business caused by the decline of the completed workload during the reporting period.

In first half of 2015, the Company's net cash outflow from investing activities was RMB 430,646,000, a decrease of cash outflow by RMB 507,396,000 as compared with the corresponding period of last year. It was mainly due to the decrease in capital expenditure in the first half of 2015 as compared with the corresponding period of last year.

In the first half of 2015, the Company's net cash inflow from financing activities was RMB 3,615,689,000, an increase of cash inflow by RMB 917,065,000 compared with last year. It was mainly due to the raising fund of the Company by non-public offering in the first half of 2015 of RMB 5,952,517,000.

C. Borrowings from bank and related companies

As at 30 June 2015, the Company's bank borrowings and loans from related companies were RMB 12,105,064,000 (31 December 2014: RMB 12,498,432,000). These borrowings include the short-term borrowings in RMB 11,646,544,000 and the long-term borrowings due more than one year in RMB 458,520,000. The fixed-rate loans were RMB 3,598,520,000 and the floating rate loans were RMB 8,506,544,000. As at 30 June 2015, approximately 25.9% were denominated in Renminbi and approximately 74.1% were denominated in US Dollars.

D. Gearing ratio

As at 30 June 2015, the gearing ratio of the Company was 28.2% (31 December 2014: 37.8%). The ratio is computed as the following formula: (interest-bearing debts – cash & cash equivalents)/(interest-bearing debts – cash & cash equivalents + shareholders' equity)

E. Assets pledge

For the period ended 30 June 2015, there was no pledge on the Company's assets.

F. Foreign exchange risk management

It is set forth in note 8 of the interim financial statements prepared in accordance with the PRC ASBE.

Section 5 Significant Events

1. Material litigation, arbitration and events commonly disputable by the media

During the reporting period, there is no material litigation, arbitration and events commonly disputable by the media.

2. Insolvency and restructuring

During the reporting period, the Company was not involved in any insolvency or restructuring matters.

3. Acquisitions, disposals and mergers

During the reporting period, the Company was not involved in any acquisitions, disposals and mergers.

4. Stock option incentive plan and its effect

During the reporting period, the Company did not implement stock option incentive plan.

5. Information on connected transactions

The Company's significant connected transactions for the six months period ended 30 June 2015 are as follows:

(1) The significant connected transactions relating to daily operation during the reporting period are as follows:

The nature of the transaction classification	Related parties	Amount of Transaction RMB '000	Proportion of the same type of transaction (%)
Purchase of materials and equipments	China Petrochemical Corporation and its subsidiaries ("Sinopec Group and its subsidiaries")	2,278,104	51.3
Sales of products	Sinopec Group and its subsidiaries	18,487	100.0
Rendering engineering services	Sinopec Group and its subsidiaries	12,616,265	54.6
Receiving of community services	Sinopec Group and its subsidiaries	805,237	100.0
Receiving of integrated services	Sinopec Group and its subsidiaries	116,513	100.0
Rental expenses	Sinopec Group and its subsidiaries	45,900	13.3
Loan interest expenses	Sinopec Group and its subsidiaries	153,311	99.3
Borrowings obtained	Sinopec Group and its subsidiaries	26,332,206	99.9
Borrowings repaid	Sinopec Group and its subsidiaries	26,755,339	100.0
Safety and insurance fund expenses	Sinopec Group and its subsidiaries	30,215	100.0
Safety and insurance fund refund	Sinopec Group and its subsidiaries	22,250	100.0

The Company considers that it is important for the above connected transactions and selection of related party transactions, which would continue occur. The agreement of connected transaction is based on the need of Company's operations and actual market situation. Purchasing materials and equipment from Sinopec Group and its subsidiaries will ensure the stable and safe supply of the Company's materials. The fact of providing engineering service to Sinopec Group and its subsidiaries is decided by the history of the operating system of China's petroleum development and by the history of Sinopec Group's development, the Sinopec Group and its subsidiaries constitute the Company's main business income source, and the borrowed funds from Sinopec Group can satisfy the obtaining of financial resource under the situation of the fund shortage, so it is beneficial to the Company. The above transactions were mainly based on the market price which was decided by open bidding or negotiation, reflecting the fairness, justice and openness, beneficial to the development of Company's main business, and beneficial to ensure the maximisation of the shareholder interests. The above connected transactions have no adverse effects on the profits of the Company or the independence of the Company.

(2) During the reporting period, there were no significant connected transactions related to the transfer of assets or equity of the Company.

(3) The following is connected obligatory rights and debts during the reporting period:

Unit: RMB'000

Connected parties	Funds provided to connected party			Funds provided to the Company by connected party		
	Opening balance	Occurrence amount	Closing balance	Opening balance	Occurrence amount	Closing balance
China Petrochemical Corporation and its subsidiaries	19,712,996	-13,062,046	6,650,950	7,835,426	-692,013	7,143,413
Sinopec Finance Company Limited	—	—	—	4,530,000	-3,190,000	1,340,000
Sinopec Century Bright Capital Investment Limited	—	—	—	7,502,995	966,867	8,469,862
Total	19,712,996	-13,062,046	6,650,950	19,868,421	-2,915,146	16,953,275

During the reporting period, there were no appropriation of funds by the controlling shareholders and its subsidiaries for non-operation purpose.

The Board believed that the above transactions were entered into in the ordinary course of business and in normal commercial terms or in accordance with the terms of agreements governing these transactions. The above applicable connected transactions fully complied with the related regulations issued by HKSE and the SSE.

For details of connected transactions during the reporting period, please refer to note 10 of the interim financial report prepared in accordance with PRC ASBE.

6. Material contracts and performance

(1) Trusteeship, sub-contracting and leasing items

During the reporting period, there were no trusteeship, subcontracting and leasing of properties of other companies by the Company which would contribute profit to the Company of 10 per cent or more of its total profits for the current period.

(2) Guarantee

The Company did not make any guarantee or pledge during the reporting period.

(3) Other material contracts

Save as disclosed in this interim report, during the reporting period, the Company did not enter into any material contract which requires disclosure.

7. Performance of undertaking

The special commitments by the Company and its shareholders with holdings of more than 5 per cent and the implementation of commitments as at 30 June 2015:

Commitment background	Acceptance	Commitments	Completion date of commitment	Performance of commitments
Commitments regarding share reform	Sinopec, CITIC Limited	Within 12 months from the date their non-tradable A shares in the Company have obtained the right to be tradable on the stock market, they will propose that, subject to compliance with the relevant systems of the State-owned Assets Supervision and Administration Commission of the State Council, the Ministry of Finance and CSRC, the board of directors of the Company makes a proposal for a share option incentive scheme, with the exercise price of the first grant of share options being not less than RMB 6.64 per A share, being the closing price of the A Shares on 30 May 2013 (such minimum exercise price will be subject to adjustment due to matters for exclusion of rights and dividends prior to the announcement of the proposal for the share option incentive scheme)	19 August 2014	As at 19 August 2014, the Company does not have the conditions of the implementation of equity incentive plan due to the consecutive losses of operating results. China Petrochemical Corporation Board of Directors of the Company made the commitment to draw equity incentive plan after the completion of Material Assets Reorganisation under the related regulation.
Commitments regarding the Material Assets Reorganisation	China Petrochemical Corporation	The Non-Competition Undertaking 1. China Petrochemical Corporation issued the commitment that it will not engage with the Company's production and business activities in competition, and will ensure its subsidiaries not to engage with the Company's production and business activities in competition through its exercise of shareholder rights. 2. After the Material Assets Reorganisation, if Sinopec Star's new business opportunity has any direct or indirect competition with the Company's main business, priorities of the above-mentioned opportunity will be given to the Company. Within 5 years of the Material Assets Reorganisation, China Petrochemical Corporation will find the appropriate opportunity to sell the Petroleum Service Business belonged "Exploration IV" drilling rig of Sinopec Star to the Company, after the China Petrochemical Corporation's comprehensive consideration of the related factors of National Law, Industry Norms and International Political Economy. 3. After the Material Assets Reorganisation, if China Petrochemical Corporation and its subsidiaries' new business opportunity has any direct or indirect competition with the Company's main business, priorities of the above-mentioned opportunity will be given to the Company. If China Petrochemical Corporation intends to transfer, sell, lease, license or otherwise transfer or permit to use any of the above business which would result in the competition with the Company's main business, priorities of the above-mentioned opportunity will be given to the Company for avoiding the competition. 4. China Petrochemical Corporation consent that it will bear and pay damages to the listed companies caused by its violation of the commitment.	Long Term	During the reporting period, China Petrochemical Corporation did not act contrary to the promise.

Section 5 Significant Events

Commitment background	Acceptance	Commitments	Completion date of commitment	Performance of commitments
Commitments regarding the Material Assets Reorganisation	China Petrochemical Corporation	The Commitment of Regulating the connected transaction: China Petrochemical Corporation and its other controlling companies will regulate its/their connected transactions with the Company. For the connected transactions with reasonable grounds, China Petrochemical Corporation an its controlling Company's will sign the standard agreement of connected transactions, and will fulfill the obligations of the program approval and information disclosure, in accordance with the provisions of relevant laws and regulations, and the Company's Articles of Association. The confirmation price related to the connected transaction will follow the principle of fair, reasonable and impartial.	Long Term	During the reporting period, China Petrochemical Corporation did not act contrary to the promise.
Commitments regarding the Material Assets Reorganisation	China Petrochemical Corporation	Issued "The commitment letter regarding to the regulating of connected transaction and maintaining the independence of the Company": 1. China Petrochemical Corporation and its controlling companies guarantee the maintaining of the separation from the Company's asset, personnel, finance, organisation and business, strictly comply with the relevant provisions regarding to the listed Company's independency of CSRC. China Chemical Corporation will not utilise, control or violate the standardised operation program of the listed company, not intervene the Company's operating decisions, and not jeopardise the legitimate rights and interests of the Company and its shareholders. 2. China Petrochemical Corporation and its controlling companies guarantee not to illegally use the funds of the Company and its holding Company. 3. If China Petrochemical Corporation violate the above commitment, it would undertake the law and compensate the losses caused to the Company.	Long Term	During the reporting period, China Petrochemical Corporation did not act contrary to the promise.

8. The situation of appointment and dismissal of the accounting firm

The Company did not change its accounting firm during the reporting period.

As such, the second meeting of the eighth session of the Board of Directors of the Company has proposed to further appoint Grant Thornton (Special General Partnership) and Grant Thornton Hong Kong Limited as the Company's domestic and international auditors for 2015, and further appoint Grant Thornton (Special General Partnership) as the Company's auditor regarding internal control for 2015. Such proposal has been approved by the shareholders of the Company at the 2014 AGM.

9. Penalties on the Company and its Directors, Supervisors, senior management, shareholders who hold more than five per cent of the Company's shares, ultimate controller and remedies thereto

During the reporting period, none of the Company or its Directors, Supervisors, senior management, shareholders who hold more than five per cent of the Company's shares or ultimate controller was subject to any investigation by relevant authorities or enforcement by judicial or disciplinary departments or subject to criminal liability, or subject to investigation or administrative penalty by the CSRC, nor any denial of participation in the securities market or deemed unsuitability to act as directors thereby by other administrative authorities or any public criticisms made by a stock exchange.

10. Improvement of corporate governance

During the reporting period, the Company was able to regulate its operations in accordance with domestic and overseas regulatory requirements. The corporate governance of the Company had nothing inconsistent with the regulatory requirements on corporate governance of listed companies laid down by the CSRC. According to the actual situation after Material Assets Reorganisation, in order to operating company by law and in compliance, the Company revised and improved the governance documents of "Articles of Association", "rules of procedure of shareholder's meeting", "rules of meeting procedure of board of directors" and "rules of meeting procedure of supervisory committee", and collated the Company's related rules, the Company also revised the twelve rules documents, including "the registration and management system of insiders" and "Information disclosure system". The documents above was submitted and passed on the first Extraordinary General Meeting of 2015 and first meeting of the eighth session of Board.

During the reporting period, 1) among the relationship of General Meeting, Board of Directors and Management level, there were clear division of rights and responsibilities, good performance of their respective duties and standard norms of operation; 2) the disclosed information were real, accurate, complete and in-time; 3) the special committees of the Board carried out their work in accordance with their duties; 4) the independent directors played active roles in connected transactions, appointment of senior management and financial audit, etc.

11. Improvement of internal control system

It is responsibility of the Board and management to establish, improve and effectively implement the internal control system. In the first half of 2015, the Company constantly improved internal control and risk management, strengthened the management of and supervision over major risks, continued to rationalise and standardise the workflow and reinforce the executive forces of the workflow; well-organised internal control test so as to improve the effectiveness of the supervision over internal control. Solid progress has been made on the above works by the Company.

The revision to the Internal Control System was reviewed and approved on the second meeting of the eighth session of the Board held on 24 March 2015 and has come into effect henceforth.

12. Compliance with the Corporate Governance Code

For the six months ended 30 June 2015, the Company has complied with all the code provisions of the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, except that:

Code provision A.5.1 provides that listed issuers should establish a nomination committee. As at the end of reporting period, the Company has not set up a nomination committee. Nonetheless, the requirements for nomination of directors are set out in detail in the Articles of Association of the Company. Pursuant to the Articles of Association, the candidates for independent directors may be nominated by the Board, the Supervisory Committee, or shareholders holding individually or collectively more than one per cent of the issued shares of the Company. The candidates for the remaining directorship shall be nominated by the Board, the Supervisory Committee, or shareholders holding individually or collectively more than three per cent of the issued shares of the Company. Directors of the Company shall be elected at general meeting of the Company for a term of office of not more than three years. Upon expiration of his term, each Director shall be entitled to be re-elected.

13. Compliance with the Mode Code

The Company has adopted the Model Code as contained in Appendix 10 to the Listing Rules. After having specifically inquired from all the Directors, Supervisors and Senior Management, the Company confirms that its Directors, Supervisors and Senior Management have fully complied with the standards as set out in the Model Code.

14. Other significant events

(1) Analysis and explanation of the Board on the reasons and impact of the change in accounting policy, accounting estimation and verification method

□ Applicable √ Not Applicable

(2) Analysis and explanation of the Board on the reasons and impact of the correction to material errors for last period

□ Applicable √ Not Applicable

Section 6 Changes in Share Capital and Information on Shareholders

1. Changes in share capital

(1) Details of the changes in share capital are as follows:

Unit: Share

	Before change		Increase/(decrease) (+/-)					After change	
	Numbers of shares	Per cent (%)	New issue	Stock dividends	Conversion from reserve	Others	Sub-total	Numbers of shares	Per cent (%)
I. Shares with selling restrictions:	10,259,327,662	80.1	+1,333,333,333	—	—	—	+1,333,333,333	11,592,660,995	82.0
1. State-owned shares	—	—	—	—	—	—	—	—	—
2. Shares held by state-owned companies	10,259,327,662	80.1	—	—	—	—	—	10,259,327,662	72.6
3. Shares held by other domestic investors	—	—	+1,333,333,333	—	—	—	+1,333,333,333	1,333,333,333	9.4
4. Shares held by foreign investors	—	—	—	—	—	—	—	—	—
II. Shares without selling restrictions	2,550,000,000	19.9	—	—	—	—	—	2,550,000,000	18.0
1. RMB-denominated ordinary shares	450,000,000	3.5	—	—	—	—	—	450,000,000	3.2
2. Shares traded in non-RMB currencies and listed domestically	—	—	—	—	—	—	—	—	—
3. Shares listed overseas	2,100,000,000	16.4	—	—	—	—	—	2,100,000,000	14.8
4. Others	—	—	—	—	—	—	—	—	—
III. Total shares	12,809,327,662	100.0	+1,333,333,333	—	—	—	+1,333,333,333	14,142,660,995	100.0

Note for the changes in share capital:

During the reporting period, the Company's total equity and its share capital structure have been changed. On 3 March 2015, the Company accomplished complementary private placement and issued 1,333,333,333 A shares with selling restrictions and conditions for sale, resulting in the changes of the Company's total equity and its share capital structure.

(2) Changes in Shares with Selling Restrictions

Unit: Share

Name of shareholders	Number of shares with selling restrictions at the beginning of the year	Number of shares with selling restrictions expired in the reporting period	Increase in number of shares with selling restrictions in the reporting period	Number of shares with selling restrictions at the end of the reporting period	Reasons for selling restrictions	Date when selling restrictions expired
China Petroleum Chemical Corporation	9,224,327,662	0	0	9,224,327,662	In accordance with the Material Assets Reorganisation plan, within 36 months from 31 December 2014, the Company's non-public offering stocks to CPC cannot be transferred.	—
CITIC Limited	1,035,000,000	0	0	1,035,000,000	The original non-circulating shareholder made the commitment of limited sale in the Company's share reform program.	—
Beijing Harvest Yuanhe Investment Center (Limited Partnership)	0	0	293,333,333	293,333,333	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Nanjing Ruisen Investment Management Partnership Enterprise (Limited Partnership)	0	0	133,333,333	133,333,333	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Darry Asset Management (Hangzhou) Co., Ltd.	0	0	133,333,333	133,333,333	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Hua An Fund- Minsheng Bank-Hua An Jifeng No. 11 Asset Management Plan	0	0	111,110,800	111,110,800	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Beixin Ruifeng Fund-ICBC-Fengqing No.33 Asset Management Plan	0	0	93,333,333	93,333,333	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Donghai Fund-Xingye Bank-Xinlong No.118 Multi-client Asset Management Plan	0	0	66,666,667	66,666,667	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Donghai Fund-Xingye Bank-Huaxin Trust- Huizhi Investment No.49 Trust Plan	0	0	66,666,666	66,666,666	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Donghai Fund-Xingye Bank-Huaxin Trust- Huizhi Investment No.49 Trust Plan	0	0	66,666,666	66,666,666	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Caitong Fund-SPD Bank- Beijing Trust-Fengshou Financing No. 2015001 Trust Plan	0	0	32,311,326	32,311,326	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Beixin Ruifeng Fund-ICBC-Beixin Ruifeng Fund Fengqing No. 29 Asset Management Plan	0	0	26,666,667	26,666,667	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Caitong Fund-Minsheng Bank-Shuguang No. 18 Asset Management Plan	0	0	24,938,272	24,938,272	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Huaan Fund-Minsheng Bank-Huaan Jifeng No.7 Asset Management Plan	0	0	22,777,500	22,777,500	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Beixin Ruifeng Fund-Ningbo Bank-Beixin Ruifeng Fund Fengqing No. 18 Asset Management Plan	0	0	22,222,222	22,222,222	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Caitong Fund-Minsheng Bank-Shuguang No.15 Asset Management Plan	0	0	16,264,090	16,264,090	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Huaan Fund-Minsheng Bank-Huaan Jifeng No.6 Asset Management Plan	0	0	15,555,300	15,555,300	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Caitong Fund-Minsheng Bank-Shuguang No.20 Asset Management Plan	0	0	14,962,963	14,962,963	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Huaan Fund-Xingye Bank-China Foreign Economy and Trade Trust Co., Ltd.	0	0	13,333,300	13,333,300	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Caitong Fund-Minsheng Bank-Fuchun Private Placement No. 221 Asset Management Plan	0	0	13,011,272	13,011,272	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Caitong Fund-Minsheng Bank-Fuchun Private Placement No. 226 Asset Management Plan	0	0	12,740,204	12,740,204	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Huaan Fund-Minsheng Bank-Huaan Jifeng No.9 Asset Management Plan	0	0	11,556,000	11,556,000	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Caitong Fund-China Everbright Bank-China Galaxy Securities Co., Ltd.	0	0	10,842,727	10,842,727	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Caitong Fund-ICBC-China Foreign Economy and Trade Trust Co., Ltd.-Hengsheng Private Placement Investment Trust Plan	0	0	10,842,727	10,842,727	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Caitong Fund-ICBC-Fuchun Private Placement Asset management Plan	0	0	8,674,182	8,674,182	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Huaan Fund-Xingye Bank-Shanghai Renhe Zhiben Asset Management Co., Ltd.	0	0	8,445,080	8,445,080	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Huaan Fund-Minsheng Bank-Huaan Jifeng No.8 Asset Management plan	0	0	8,333,100	8,333,100	The Lockup Period for non-public offering was 12 months since 3 March 2015	—

Section 6 Changes in Share Capital and Information on Shareholders

Name of shareholders	Number of shares with selling restrictions at the beginning of the year	Number of shares restrictions expired in the reporting period	Increase in number of shares with selling restrictions in the reporting period	Number of shares with selling restrictions at the end of the reporting period	Reasons for selling restrictions	Date when selling restrictions expired
Donghai Fund-ICBC-Private Placement Strategy No.8 Asset Management plan	0	0	6,666,667	6,666,667	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Caitong Fund-ICBC-Fuchun Private Placement No. 160 Asset Management plan	0	0	5,963,500	5,963,500	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Caitong Fund-China Everbright Bank-Caitong Fund- Fuchun Private Placement No. 210 Asset Management plan	0	0	5,421,363	5,421,363	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Caitong Fund-Minsheng Bank-Shuguang No. 17 Asset Management plan	0	0	5,421,363	5,421,363	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Caitong Fund-Minsheng Bank-Fuchun Longcheng Yunlian No.2 Asset Management plan	0	0	5,421,363	5,421,363	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Caitong Fund-China Everbright Bank- Fuchun Private Placement No. 186 Asset Management plan	0	0	5,421,363	5,421,363	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Caitong Fund-China Everbright Bank- Fuchun Private Placement No. 200 Asset Management plan	0	0	5,421,363	5,421,363	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Caitong Fund-Xingye Bank-First Capital Securities Co., Ltd	0	0	5,421,363	5,421,363	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Caitong Fund-ICBC-Fuchun Private Placement No. 60 Asset Management plan	0	0	4,738,272	4,738,272	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Huaan Fund-XIngye Bank-Gulan	0	0	4,444,480	4,444,480	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Huana Fund-XIngye Bank-Huana Private Placement Quantization No. 1 Asset Management plan	0	0	4,444,440	4,444,440	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Caitong Fund-Minsheng Bank-Shuguang No.13 Asset Management Plan	0	0	4,228,663	4,228,663	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Caitong Fund-ICBC-Caitong Fund-Tongan Private Placement No. 1 Asset Management plan	0	0	3,252,818	3,252,818	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Caitong Fund-ICBC-Shanghai Tongan Investment Management Co., Ltd.	0	0	3,252,818	3,252,818	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Caitong Fund-China Everbright Bank-Caitong Fund-Anxin Private Placement No. 3 Asset Management plan	0	0	3,252,818	3,252,818	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Caitong Fund-ICBC-Fuchun Private Placement No. 125 Asset Management plan	0	0	3,252,818	3,252,818	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Caitong Fund-ICBC-Guangfa No.1 Asset Management plan	0	0	3,252,818	3,252,818	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Caitong Fund-ICBC-Fuchun Private Placement No. 79 Asset Management plan	0	0	3,035,964	3,035,964	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Caitong Fund-China Everbright Bank-Caitong Fund-Fuchun Private Placement No. 86 Asset Management plan	0	0	2,168,545	2,168,545	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Caitong Fund-China Everbright Bank-Anxin Private Placement No. 5 Asset Management plan	0	0	1,626,409	1,626,409	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Caitong Fund-Pingan Bnak-Zhang Yongzhen	0	0	1,409,555	1,409,555	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Caitong Fund-ICBC-Zhongxin Xincheng Asset Management Co., Ltd.	0	0	1,387,869	1,387,869	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Caitong Fund-Xingye Bank-Zhejiang Houhua Asset Management Co., Ltd.	0	0	1,084,273	1,084,273	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Caitong Fund-Xingye Bank-Fuchun Huaan No.1 Asset Management plan	0	0	1,084,273	1,084,273	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Caitong Fund-China Everbright Bank-Caitong Fund-Kaiyuan Private Placement No.1 Asset Management Plan	0	0	1,084,273	1,084,273	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Caitong Fund-ICBC-Fuchun Private Placement No.105 Asset Management Plan	0	0	1,084,273	1,084,273	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Caitong Fund-Pingan Bank-Wang Wenran	0	0	1,084,273	1,084,273	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Caitong Fund-China Everbright Bank-Fuchun Private Placement No.203 Asset Management plan	0	0	1,084,273	1,084,273	The Lockup Period for non-public offering was 12 months since 3 March 2015	—
Total	10,259,327,662	0	1,333,333,333	11,592,660,995		

Section 6 Changes in Share Capital and Information on Shareholders

2. Information of Shareholders

(1) Number of shareholders

As at 30 June 2015, the number of shareholders of the Company was 102,327, including 101,956 holders of A shares and 371 registered holders of H shares. The minimum public float of the Company satisfied the requirements of the Listing Rules on the HKSE.

(2) The shareholdings of the top ten shareholders of the Company

Shareholdings of the top ten shareholders Names of shareholders	Nature of shareholders	Number of hares held (shares)	Percentage to total share capital (%)	Number of shares with selling restrictions (shares)	Number of shares pledged or frozen
China Petroleum Chemical Corporation	State-owned legal person	9,224,327,662	65.22	9,224,327,662	0
Hong Kong Securities Clearing Company (Nominees) Limited* ("HKSCC (Nominees) Limited")	Overseas legal person	2,085,275,495	14.74	0	0
CITIC Limited	State-owned legal person	1,035,000,000	7.32	1,035,000,000	0
Beijing Harvest Yuanhe Investment Center (Limited Partnership)	Other	293,333,333	2.07	293,333,333	Unknown
Nanjing Ruisen Investment Management Partnership Enterprise (Limited Partnership)	Other	133,333,333	0.94	133,333,333	133,333,333
Darry Asset Management (Hangzhou) Co., Ltd.	Other	133,333,333	0.94	133,333,333	Unknown
Hua An Fund-Minsheng Bank-Hua An Jifeng No. 11 Asset Management Plan	Other	111,110,800	0.79	111,110,800	Unknown
Beixin Ruifeng Fund-ICBC-Fengqing No.33 Asset Management Plan	Other	93,333,333	0.66	93,333,333	Unknown
Donghai Fund-Xingye Bank-Xinlong No.118 Multi-client Asset Management Plan	Other	66,666,667	0.47	66,666,667	Unknown
Donghai Fund-Xingye Bank-Huaxin Trust- Huizhi Investment No.49 Trust Plan	Other	66,666,666	0.47	66,666,666	Unknown
Donghai Fund-Xingye Bank-Huaxin Trust- Huizhi Investment No.47 Trust Plan	Other	66,666,666	0.47	66,666,666	Unknown

Shareholdings of top ten shareholders of shares without selling restrictions Name of shareholders	Number of shares without selling restrictions held at the end of the reporting period (shares)	Types of shares
HKSCC (Nominees) Limited*	2,085,275,495	H Share
IP KOW	2,850,000	H Share
Tao Huilian	2,445,660	A Share
HKSCC limited	2,372,383	A Share
Wang Xin	2,212,915	A Share
Wang Yuying	2,126,011	A Share
Xu Xiao	2,000,000	A Share
Su Lan	1,762,100	A Share
Hua Fu Ding Xin Flexible Allocation Security Investment Fund	1,100,000	H Share
Li Yucai	1,029,200	A Share
Statement on the connected relationship or activities in concert among the above-mentioned shareholders.	1. Shares held by Hong Kong Securities Clearing Company Limited represent the aggregate shares it held as a nominee on behalf of the shareholders of the Company under Shanghai-Hong Kong Stock Connect. 2. Except that "**HKSCC (Nominees) Limited**" and "HKSCC limited" belong to subsidiary of HKSE, and "Donghai Fund-Xingye Bank-Xinlong No.118 Multi-client Asset Management Plan" and "Donghai Fund-Xingye Bank-Huaxin Trust-Huizhi Investment No.49 Trust Plan" belong to Donghai Fund Management Limited Company, there is no connected relationship or activities in concert among the above-mentioned shareholders.	

Note: * Agent for different clients

Section 6 Changes in Share Capital and Information on Shareholders

(3) Number of shares held by the top ten holders of shares with selling restrictions and conditions for sale

Unit: share

Names of shareholders with selling restrictions	Number of shares with selling restrictions	Date when the shares could be traded through listing	Number of additional shares could be traded through listing	Selling restriction
China Petroleum Chemical Corporation	9,224,327,662	31 December 2017	9,224,327,662	3 years
CITIC Limited	1,035,000,000	20 August 2014	300,000,000[1]	1 year[2]
		20 August 2015	300,000,000[1]	2 years[2]
		22 August 2016	435,000,000	3 years
Beijing Harvest Yuanhe Investment Center (Limited Partnership)	293,333,333	3 March 2016	293,333,333	1 year
Nanjing Ruisen Investment Management Partnership Enterprise (Limited Partnership)	133,333,333	3 March 2016	133,333,333	1 year
Darry Asset Management (Hangzhou) Co., Ltd.	133,333,333	3 March 2016	133,333,333	1 year
Hua An Fund-Minsheng Bank-Hua An Jifeng No. 11 Asset Management Plan	111,110,800	3 March 2016	111,110,800	1 year
Beixin Ruifeng Fund-ICBC-Fengqing No.33 Asset Management Plan	93,333,333	3 March 2016	93,333,333	1 year
Donghai Fund-Xingye Bank-Xinlong No.118 Multi-client Asset Management Plan	66,666,667	3 March 2016	66,666,667	1 year
Donghai Fund-Xingye Bank-Huaxin Trust-Huizhi Investment No.49 Trust Plan	66,666,666	3 March 2016	66,666,666	1 year
Donghai Fund-Xingye Bank-Huaxin Trust-Huizhi Investment No.47 Trust Plan	66,666,666	3 March 2016	66,666,666	1 year
Statement on the connected relationship or activities in concert among the above-mentioned shareholders.		Except that "Donghai Fund-Xingye Bank-Xinlong No.118 Multi-client Asset Management Plan", "Donghai Fund-Xingye Bank-Huaxin Trust-Huizhi Investment No.49 Trust Plan" and "Donghai Fund-Xingye Bank-Huaxin Trust-Huizhi Investment No.47 Trust Plan" belong to Donghai Fund Management Limited Company, there is no connected relationship or activities in concert among the above-mentioned shareholders.		

Note:

1. According to the requirement of the "MOU of equity division reform for listed companies, No. 14 – the related matters about listing of outstanding shares with sale restrictions under share forming", it should be accounted under the Company's total equity of 6,000,000,000 shares of pre-Material Assets Reorganisation.
2. As to 25 August 2015, CITIC Limited does not start the application procedure for SSE to circulate the lock-up shares through the Company's board.

3. The interest or short position held by the substantial shareholders and other persons in the Company's shares or underlying shares

So far as the directors be aware of, as at 30 June 2015, the persons other than a Director, Supervisor or senior management of the Company who had interests or short positions in the shares or underlying shares of the Company which are discloseable under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO") were as follows:

Name of shareholder	Number of share held	Per cent of shareholding in the Company's total issued share capital	Per cent of shareholding in the Company's total issued domestic shares	Per cent of shareholding in the Company's total issued H shares	Short position
		(%)	(%)	(%)	(shares)
China Petroleum Chemical Corporation	9,224,327,662	65.22	76.60	Not Applicable	—
CITIC Limited	1,035,000,000	7.32	8.59	Not Applicable	—

As at 30 June 2015, so far as the Directors are aware, save as disclosed above, no person (other than a Director, Supervisor or senior management of the Company) had an interest or short position in the shares of the Company according to the register of interests in shares and short positions kept by the Company pursuant to Section 336 of the SFO.

4. Information on changes of controlling shareholder and the ultimate controller

There was no change in the controlling shareholder or the ultimate controller of the Company during the reporting period.

5. Purchase, sale or redemption of the Company's listed securities

During the reporting period, the Company had not purchased, sold or redeemed any of the Company's listed securities.

Section 7 Directors, Supervisors and Senior Management

1. The Change of Shareholdings

(1) Information on interests in share and remuneration of current directors, supervisors and senior management, and former directors, supervisors and senior management during the reporting period

The actual number of shares in the issued share capital of the Company held by the Directors, Supervisors and Senior Management as at the end of the Reporting Period are as follows:

Name	Title	Number of shares held at the beginning of the reporting period	Number of shares held at the end of the reporting period	Stock Option of the Company held	Reason for change
Jiao Fangzheng	Chairman	0	0	No	No Change
Yuan Zhengwen	Vice Chairman	0	0	No	No Change
Zhu Ping	Vice Chairman, General Manager	0	0	No	No Change
Zhou Shiliang	Director, Deputy General Manager	0	0	No	No Change
Li Lianwu	Director	0	0	No	No Change
Zhang Hong	Director	0	0	No	No Change
Jiang Bo	Independent Non-Executive	0	0	No	No Change
Zhang Huaqiao	Independent Non-Executive	0	0	No	No Change
Wong, Kennedy Ying Ho	Independent Non-Executive	0	0	No	No Change
Hu Guoqiang	Chairman of Supervisory Committee	0	0	No	No Change
Zou Huiping	Supervisor	0	0	No	No Change
Wen Dongfen	Supervisor	0	0	No	No Change
Du Jiangbo	Supervisor	0	0	No	No Change
Zhang Qin	Supervisor	0	0	No	No Change
Cong Peixin	Supervisor	0	0	No	No Change
Xu Weihua	Supervisor	0	0	No	No Change
Du Guangyi	Supervisor	0	0	No	No Change
Geng Xianliang	Deputy General Manager	0	0	No	No Change
Zhang Yongjie	Deputy General Manager	0	0	No	No Change
Liu Rushan	Deputy General Manager	0	0	No	No Change
Wang Hongchen	Chief Financial Manager	0	0	No	No Change
Zhang Jinhong	Deputy General Manager	0	0	No	No Change
Huang Songwei	Deputy General Manager	0	0	No	No Change
Li Honghai	Secretary to the board	0	0	No	No Change
Wang Chunjiang	Former Chairman of Supervisory Committee	0	0	No	No Change
Zhang Jixing	Former Supervisor	0	0	No	No Change
Yong Ziqiang	Former Deputy General Manager	0	0	No	No Change
Zuo Yaojiu	Former Deputy General Manager	0	0	No	No Change
Zong Tie	Former Deputy General Manager	0	0	No	No Change
Zhao Diandong	Former Deputy General Manager	0	0	No	No Change

Section 7 Directors, Supervisors and Senior Management

Directors' and Supervisors' rights to acquire shares and debentures and short position

At 30 June 2014, none of the Directors or Supervisors of the Company had any interest and short positions in any shares, underlying shares or debentures of the Company or any associated corporations within the meaning of Part XV of the SFO required to be recorded in the register mentioned under Section 352 of the SFO or as otherwise notifiable to the Company and the Hong Kong Stock Exchange by the Directors and Supervisors pursuant to the Model Code as contained in Appendix 10 to the Listing Rules.

(2) Stock option incentive awarded for Directors, Supervisors and Senior Management

☐ Applicable √ Not Applicable

2. Changes in Directors, Supervisors and Senior Management

Name	Position held	Change	Reason for change
Wang Chunjiang	Chairman of Supervisory Committee	Resigned	Change of work
Zhang Jixing	Supervisor	Resigned	Change of work
Yong Ziqiang	Deputy General Manager	Resigned	Change of work
Zuo Yaojiu	Deputy General Manager	Resigned	Change of work
Zong Tie	Deputy General Manager	Resigned	Change of work
Zhao Diandong	Deputy General Manager	Resigned	Change of work
Hu Guoqiang	Chairman of Supervisory Committee	Elected	Elected at Supervisory Committee
Zhang Hong	Director	Elected	Elected at General Meeting
Du Jiangbo	Supervisor	Elected	Elected at General Meeting
Zhang Jinhong	Deputy General Manager	Appointed	Appointed by the Board of Directors
Hong Songwei	Deputy General Manager	Appointed	Appointed by the Board of Directors

Due to the change of work, Mr. Wang Chunjiang had applied for resigning as the Chairman of Supervisory Committee and Mr. Zhang Jixing had applied for resigning as the Supervisor. The Valid date was from 28 April 2015. The Board expresses its sincere gratitude to them for their important contributions to the Company during the term of office.

Due to the change of work, Mr. Yong Ziqiang, Mr. Zuo yaojiu, Mr. Zong Tie and Mr. Zhao Diandong had applied to the Board for resigning as Deputy General Manager, respectively. The Valid date was from 28 April 2015. The Board expresses its sincere gratitude to them for their important contributions to the Company during the term of office.

By the election of the employees, Mr. Hu Guoqiang was elected as the Employee Representative Supervisor of the eighth session of Supervisory Committee. The term was valid from 28 April 2015 until the end of the eighth session of the Supervisory Committee. Meanwhile, Mr. Huguoqiang was elected as the Chairman of Supervisory Committee of eighth session at the third meeting of the eighth session of Supervisory Committee at 28 April 2015.

In accordance with the nomination of General Manager, the Board resolved that Mr. Zhang Jinhong and Mr. Huang Songwei were appointed as the Deputy General Manager of the Company. The term was valid from 28 April 2015 until the end of the eighth session of the Board.

Mr. Zhang Hong was elected as Director of the eighth session of the Board of the company at 2014 Annual General Meeting at 16 June 2015. The term of Mr. Zhang was valid from 16 June 2015 until the end of the eighth session of the Board.

Mr. Du Jiangbo was elected as Supervisor of the eighth session of the Supervisory Committee at 2014 Annual General Meeting at 16 June 2015. The term of Mr. Du was valid from 16 June 2015 until the end of the eighth session of the Board.

Section 7 Directors, Supervisors and Senior Management

3. Independent Director and Audit Committee

As at 30 June 2015, the Company has three Independent Directors, one of whom are professionals in the accounting field and have experience in financial management.

The Audit Committee of the Board of the Company has been founded in accordance with requirements under the Listing Rules.

Due to personal reasons, Mr. Wong, Kennedy Ying Ho ("Mr. Wong") has applied to resign as an independent non-executive director, chairman of the Remuneration Committee and member of the Audit Committee on 2 August 2015 effective from 3 August 2015. Following the resignation of Mr. Wong, there would only be two independent non-executive directors in the Board, which will result in the number and percentage of independent non-executive directors to fall below the minimum number requirement of Rule 3.10(1) and as such the Company will not be able to satisfy the requirement of Rule 3.25 of the Listing Rules by having a majority of the members of the remuneration committee to be the independent non-executive directors of the Company and the number of members of the audit committee of the Company may also fall below the minimum number required under Rule 3.21 of the Listing Rules. The Board is now actively looking for suitable candidate to ensure that a sufficient number of independent non-executive directors and sufficient members of the audit committee and the remuneration committee of the Company will be appointed to meet the requirements of the Listing Rules. The Company will make a further announcement once a new independent non-executive director is appointed.

Section 8 Financial Reports

Prepared in accordance with PRC Accounting Standards for Business Enterprises (Unaudited)

CONSOLIDATED BALANCE SHEET

Expressed in RMB'000

Items	Notes	At 30 June 2015	At 31 December 2014
Current assets:			
Cash at bank and on hand	V.1	3,026,832	1,213,897
Notes receivable	V.2	85,629	219,506
Accounts receivable	V.3	15,236,817	28,064,935
Prepayments	V.4	1,071,367	660,271
Interest receivables		—	—
Dividend receivables		—	—
Other receivables	V.5	2,770,198	2,215,132
Inventories	V.6	16,159,358	11,932,142
Non-current assets due within one year	V.7	1,298,109	1,350,742
Other current assets	V.8	393,781	168,076
Total current assets		40,042,091	45,824,701
Non-current assets:			
Available-for-sale financial assets	V.9	40,494	40,494
Held-to-maturity investments		—	—
Long-term receivables		—	—
Long-term equity investments	V.10	103,267	107,999
Fixed assets	V.11	28,417,744	29,693,146
Construction in progress	V.12	1,397,599	1,387,284
Construction materials		—	—
Disposal of fixed assets		-212	3,175
Intangible assets	V.13	84,458	92,351
Research and development expenditure		—	—
Goodwill		—	—
Long-term deferred expenses	V.14	3,555,260	3,989,879
Deferred income tax assets	V.15	172,085	156,679
Other non-current assets		—	—
Total non-current assets		33,770,695	35,471,007
Total assets		73,812,786	81,295,708

CONSOLIDATED BALANCE SHEET (Continued)

Expressed in RMB'000

Items	Notes	At 30 June 2015	At 31 December 2014
Current liabilities:			
Short-term loans	V.16	11,526,544	11,889,709
Financial liabilities at fair value through profit or loss		—	—
Notes payable	V.17	1,009,446	856,442
Accounts payable	V.18	24,293,721	30,057,165
Advances from customers	V.19	6,431,820	8,417,168
Employee benefits payable	V.20	259,758	288,285
Tax payables	V.21	555,105	2,955,778
Interest payables	V.22	13,623	20,028
Dividend payables		—	—
Other payables	V.23	5,552,427	7,327,469
Non-current liabilities due within one year	V.24	89,463	125,870
Other current liabilities		—	—
Total current liabilities		49,731,907	61,937,914
Non-current liabilities:			
Long-term loans	V.25	528,520	498,723
Bonds payables		—	—
Long-term payables	V.26	60,801	69,440
Long-term employee benefits payable		—	—
Special payables	V.27	2,647	2,647
Estimated liabilities		—	—
Deferred income	V.28	50,964	43,951
Deferred income tax liabilities	V.15	37,142	46,895
Other non-current liabilities		—	—
Total non-current liabilities		680,074	661,656
Total liabilities		50,411,981	62,599,570
Share capital	V.29	14,142,661	12,809,328
Capital reserve	V.30	8,894,216	4,275,032
Less: treasury stock		—	—
Other comprehensive income		—	—
Special reserve	V.31	428,143	295,568
Surplus reserve	V.32	200,383	200,383
Retained earnings	V.33	-263,541	1,116,809
Equity attributable to the parent company		23,401,862	18,697,120
Minority interests		-1,057	-982
Total equity		23,400,805	18,696,138
Total liabilities and equity		73,812,786	81,295,708

The notes to financial information are the integral part of the financial information.

Chairman: **Jiao Fangzheng** *General Manager:* **Zhu Ping** *Chief Financial Officer:* **Wang Hongchen** *Manager of accounting department:* **Song Daoqiang**

BALANCE SHEET

Expressed in RMB'000

Items	Notes	At 30 June 2015	At 31 December 2014
Current assets:			
Cash at bank and on hand	XIV.1	1,602,484	—
Financial assets at fair value through profit or loss		—	—
Notes receivable		—	—
Accounts receivable		—	—
Prepayments		—	—
Interest receivables		—	—
Dividend receivables		—	—
Other receivables	XIV.2	3,993,051	—
Inventories		—	—
Non-current assets due within one year		—	—
Other current assets		—	—
Total current assets		5,595,535	—
Non-current assets:		—	—
Available-for-sale financial assets		—	—
Held-to-maturity investments		—	—
Long-term receivables		—	—
Long-term equity investments	XIV.3	20,215,327	20,215,327
Investment property		—	—
Fixed assets		—	—
Construction in progress		—	—
Construction materials		—	—
Disposal of fixed assets		—	—
Biological assets		—	—
Oil and gas assets		—	—
Intangible assets		—	—
Research and development expenditure		—	—
Goodwill		—	—
Long-term deferred expenses		—	—
Deferred income tax assets		—	—
Other non-current assets		—	—
Total non-current assets		20,215,327	20,215,327
Total assets		25,810,862	20,215,327

BALANCE SHEET (Continued)

Expressed in RMB'000

Items	Notes	At 30 June 2015	At 31 December 2014
Current liabilities:			
Short-term loans		—	—
Financial liabilities at fair value through profit or loss		—	—
Bills payable		—	—
Accounts payable		—	—
Advances from customers		—	—
Employee benefits payable		—	—
Tax payables	XIV.4	30	—
Interest payables		—	—
Dividend payables		—	—
Other payables	XIV.5	1,154,803	1,518,207
Non-current liabilities due within one year		—	—
Other current liabilities		—	—
Total current liabilities		1,154,833	1,518,207
Non-current liabilities:			
Long-term loans		—	—
Bonds payables		—	—
Long-term payables		—	—
Long-term employee benefits payable		—	—
Special payables		—	—
Estimated liabilities		—	—
Deferred income		—	—
Deferred income tax liabilities		—	—
Other non-current liabilities		—	—
Total non-current liabilities		—	—
Total liabilities		1,154,833	1,518,207
Share capital	XIV.6	14,142,661	12,809,328
Capital reserve	XIV.7	11,751,318	7,132,134
Less: treasury stock		—	—
Other comprehensive income		—	—
Special reserve		—	—
Surplus reserve	XIV.8	200,383	200,383
Retained earnings	XIV.9	-1,438,333	-1,444,725
Equity attributable to the parent company		24,656,029	18,697,120
Minority interests		—	—
Total equity		24,656,029	18,697,120
Total liabilities and equity		25,810,862	20,215,327

The notes to financial information are the integral part of the financial information.

Chairman: **Jiao Fangzheng** *General Manager:* **Zhu Ping** *Chief Financial Officer:* **Wang Hongchen** *Manager of accounting department:* **Song Daoqiang**

CONSOLIDATED INCOME STATEMENT

Expressed in RMB'000

Items	Notes	For the six months ended 30 June 2015	2014
1. Revenue	V.34	**23,121,285**	42,109,535
Less: Cost of sales	V.34	**22,305,940**	38,285,942
Business taxes and surcharges	V.35	**260,523**	316,421
Selling expenses	V.36	**25,343**	149,526
General and administrative expenses	V.37	**1,560,959**	2,174,491
Finance costs	V.38	**203,506**	440,674
Impairment losses on assets	V.39	**110,205**	1,103,070
Add: Gains/(losses) from changes in fair value (loss in "-")		**—**	—
Add: Investment income (loss in "-")	V.40	**-4,690**	3,410
Including: Investment income from investments in associates and joint ventures		**-4,732**	2,319
2. Operating profits (loss in "-")		**-1,349,881**	-357,179
Add: Non-operating income	V.41	**173,729**	219,672
Including: Gains from disposal of non-current assets		**18,396**	7,929
Less: Non-operating expenses	V.42	**21,158**	36,576
Including: Losses on disposal of non-current assets		**4,890**	5,960
3. Profit before income tax (loss in "-")		**-1,197,310**	-174,083
Less: Income tax expense	V.43	**183,115**	509,965
4. Profit for the year/period (loss in "-")		**-1,380,425**	-684,048
Including: Profit from combined party before business combination under common control		**—**	1,066,231
Profit for the year/period attributable to:			
– The owners' of SOSC		**-1,380,350**	-687,285
– Minority interests		**-75**	3,237
5. Other comprehensive income after tax			
Other comprehensive income after tax for the year/period attributable to:			
– The owners' of parent company		**—**	—
– Minority shareholders		**—**	—
6. Total comprehensive income		**-1,380,425**	-684,048
Total comprehensive income for the year/period attributable to:			
– The owners' of parent company		**-1,380,350**	-687,285
– Minority shareholders		**-75**	3,237
7. Earnings per share			
– Basic		**-0.10**	-0.05
– Diluted		**-0.10**	-0.05

The notes to financial information are the integral part of the financial information.

Chairman: **Jiao Fangzheng** *General Manager:* **Zhu Ping** *Chief Financial Officer:* **Wang Hongchen** *Manager of accounting department:* **Song Daoqiang**

INCOME STATEMENT

Expressed in RMB'000

Items	Notes	For the six months ended 30 June 2015	2014
1. Revenue	XIV.10	—	7,924,423
Less: Cost of sales	XIV.10	—	8,046,864
Business taxes and surcharges	XIV.11	32	2,764
Selling expenses	XIV.12	—	120,321
General and administrative expenses	XIV.13	4,410	391,805
Finance costs	XIV.14	-10,834	8,024
Impairment losses on assets	XIV.15	—	1,024,524
Add: Gains/(losses) from changes in fair value (loss in "-")		—	—
Add: Investment income (loss in "-")	XIV.16	—	2,026
Including: Investment income from investments in associates and joint ventures		—	2,026
2. Operating profits (loss in "-")		6,392	-1,667,853
Add: Non-operating income	XIV.17	—	3,063
Including: Gains from disposal of non-current assets		—	509
Less: Non-operating expenses	XIV.18	—	11,706
Including: Losses on disposal of non-current assets		—	4,940
3. Profit before income tax (loss in "-")		6,392	-1,676,496
Less: Income tax expense	XIV.19	—	73,783
4. Profit for the year/period (loss in "-")		6,392	-1,750,279
Including: Profit from combined party before business combination under common control		—	—
Profit for the year/period attributable to:			
– The owners' of SOSC		—	—
– Minority interests		—	—
5. Other comprehensive income after tax		—	—
Other comprehensive income after tax for the year/period attributable to:			
– The owners' of parent company		—	—
– Minority shareholders		—	—
6. Total comprehensive income		6,392	-1,750,279
Total comprehensive income for the year/period attributable to:			
– The owners' of parent company		—	—
– Minority shareholders		—	—
7. Earnings per share			—
– Basic		—	—
– Diluted		—	—

The notes to financial information are the integral part of the financial information.

Chairman: **Jiao Fangzheng** *General Manager:* **Zhu Ping** *Chief Financial Officer:* **Wang Hongchen** *Manager of accounting department:* **Song Daoqiang**

CONSOLIDATED CASH FLOW STATEMENT

Expressed in RMB'000

Items	Notes	For the six months ended 30 June 2015	2014
1. Cash flows from operating activities:			
Cash received from the sales of goods and provision of services		34,771,336	42,281,602
Tax refunded		50,800	35,836
Cash received from other operating activities		496,496	1,713,514
Subtotal of cash inflow from operating activities		35,318,632	44,030,952
Cash paid for the purchases of goods and receiving of services		25,004,722	32,632,543
Cash paid for employees and on behalf of employees		6,081,730	7,582,375
Tax paid		3,490,444	4,010,410
Cash paid for other operating activities		2,113,158	1,788,037
Subtotal of cash outflow from operating activities		36,690,054	46,013,365
Net cash flow from operating activities		-1,371,422	-1,982,413
2. Cash flows from investing activities:			
Cash received from the investments		—	—
Cash received from the investment income		—	2,730
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		22,780	4,430
Net cash received from disposal of subsidiaries and other business units		—	—
Cash received from other investing activities		—	22,625
Subtotal of cash inflow from investing activities		22,780	29,785
Cash paid for purchases of fixed assets, intangible assets and other long-term assets		469,299	951,096
Cash paid for the investments		—	1,584
Net cash paid for acquisition of subsidiaries and other business units		—	—
Cash paid for other investing activities		—	—
Subtotal of cash outflow from investing activities		469,299	952,680
Net cash flow from investing activities		-446,519	-922,895
3. Cash flows from financing activities:			
Cash received from the acquisition of investments		5,954,000	—
Including: Cash received from the acquisition of minority interests of subsidiaries		—	—
Cash received from borrowings		26,172,969	35,485,344
Cash received from issuance of bonds		—	—
Cash received for other financing activities		—	—
Subtotal of cash inflow from financing activities		32,126,969	35,485,344
Cash paid for repayments of borrowings		26,586,161	32,492,473
Cash paid for distribution of dividend, profit or payments of interests		156,752	359,122
Including: Cash paid for the dividend to minority shareholders of subsidiaries		—	3,533
Cash paid for other financing activities		1,769,994	—
Including: Cash paid to minority shareholders by capital reduction of subsidiaries			
Subtotal of cash outflow from financing activities		28,512,907	32,851,595
Net cash flow from financing activities		3,614,062	2,633,749
4. Effect of exchange rate changes on cash and cash equivalents		-8,241	-1,962
5. Net changes in cash and cash equivalents		1,787,880	-273,521
Add: Cash and cash equivalents at beginning of year/period		1,201,754	1,694,094
6. Cash and cash equivalents at end of year/period		2,989,634	1,420,573

The notes to financial information are the integral part of the financial information.

Chairman: **Jiao Fangzheng** *General Manager:* **Zhu Ping** *Chief Financial Officer:* **Wang Hongchen** *Manager of accounting department:* **Song Daoqiang**

CASH FLOW STATEMENT

Expressed in RMB'000

Items	Notes	For the six months ended 30 June 2015	2014
1. Cash flows from operating activities:			
Cash received from the sales of goods and provision of services		—	8,296,580
Tax refunded		—	3,011
Cash received from other operating activities		10,854	—
Subtotal of cash inflow from operating activities		10,854	8,299,591
Cash paid for the purchases of goods and receiving of services			7,853,590
Cash paid for employees and on behalf of employees			475,103
Tax paid		3,009	20,935
Cash paid for other operating activities		3,999,056	206,977
Subtotal of cash outflow from operating activities		4,002,065	8,556,605
Net cash flow from operating activities		-3,991,211	-257,014
2. Cash flows from investing activities:			
Cash received from the investments		—	—
Cash received from the investment income		—	—
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		—	1,202
Net cash received from disposal of subsidiaries and other business units		—	—
Cash received from other investing activities		—	22,625
Subtotal of cash inflow from investing activities		—	23,827
Cash paid for purchases of fixed assets, intangible assets and other long-term assets		—	11,530
Cash paid for the investments		—	—
Net cash paid for acquisition of subsidiaries and other business units		—	—
Cash paid for other investing activities		—	—
Subtotal of cash outflow from investing activities		—	11,530
Net cash flow from investing activities		—	12,297
3. Cash flows from financing activities:			
Cash received from the acquisition of investments		5,954,000	—
Including: Cash received from the acquisition of minority interests of subsidiaries		—	—
Cash received from borrowings		—	3,295,411
Cash received from issuance of bonds		—	—
Cash received for other financing activities		—	—
Subtotal of cash inflow from financing activities		5,954,000	3,295,411
Cash paid for repayments of borrowings		—	3,035,088
Cash paid for distribution of dividend, profit or payments of interests		—	37,068
Including: Cash paid for the dividend to minority shareholders of subsidiaries		—	—
Cash paid for other financing activities		360,305	—
Including: Cash paid to minority shareholders by capital reduction of subsidiaries		—	—
Subtotal of cash outflow from financing activities		360,305	3,072,156
Net cash flow from financing activities		5,593,695	223,255
4. Effect of exchange rate changes on cash and cash equivalents		—	-1,340
5. Net changes in cash and cash equivalents		1,602,484	-22,802
Add: Cash and cash equivalents at beginning of year/period		—	85,797
6. Cash and cash equivalents at end of year/period		1,602,484	62,995

The notes to financial information are the integral part of the financial information.

Chairman: **Jiao Fangzheng** *General Manager:* **Zhu Ping** *Chief Financial Officer:* **Wang Hongchen** *Manager of accounting department:* **Song Daoqiang**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Expressed in RMB'000

Items	Amount of this period									
	Equity attributable to the parent company									
	Share capital	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained earnings	Minority interests	Total equity
Balance at 31 December 2014	12,809,328	4,275,032	—	—	295,568	200,383	—	1,116,809	-982	18,696,138
Add: Changes in accounting policies	—	—	—	—	—	—	—	—	—	—
Correction of errors	—	—	—	—	—	—	—	—	—	—
Business combination under common control	—	—	—	—	—	—	—	—	—	—
Balance at 1 January 2015	12,809,328	4,275,032	—	—	295,568	200,383	—	1,116,809	-982	18,696,138
Changes during the period (decrease in "-")	1,333,333	4,619,184	—	—	132,575	—	—	-1,380,350	-75	4,704,667
I. Total comprehensive income	—	—	—	—				-1,380,350	-75	-1,380,425
II Increase or decrease of capital	1,333,333	4,619,184	—	—	—	—	—	—	—	5,952,517
1. Contribution of capital	1,333,333	4,619,184	—	—	—	—	—	—	—	5,952,517
2. Share payments recognised in equity	—	—	—	—	—	—	—	—	—	—
3. Others	—	—	—	—	—	—	—	—	—	—
III. Distribution of profits	—	—	—	—	—	—	—	—	—	—
1. Provision of surplus reserve	—	—	—	—	—	—	—	—	—	—
2. Distribution to (from) shareholders	—	—	—	—	—	—	—	—	—	—
3. Others	—	—	—	—	—	—	—	—	—	—
IV. Transfer of equity	—	—	—	—	—	—	—	—	—	—
1. Transfer of capital reserve to paid up capital	—	—	—	—		—	—	—	—	—
2. Transfer of surplus reserve to paid up capital	—	—	—	—		—	—	—	—	—
3. Offset of surplus reserve with losses	—	—	—	—		—	—	—	—	—
4. Others	—	—	—	—		—	—	—	—	—
V. Special reserve	—	—	—	—	132,575	—	—	—	—	132,575
1. Provided during the period	—	—	—	—	336,223	—	—	—	—	336,223
2. Used during the period (expressed in "-")	—	—	—	—	-203,648	—	—	—	—	-203,648
VI. Others	—	—	—	—	—	—	—	—	—	—
Balance at 30 June 2015	14,142,661	8,894,216	—	—	428,143	200,383	—	-263,541	-1,057	23,400,805

The notes to financial information are the integral part of the financial information.

Chairman: **Jiao Fangzheng** *General Manager:* **Zhu Ping** *Chief Financial Officer:* **Wang Hongchen** *Manager of accounting department:* **Song Daoqiang**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

Expressed in RMB'000

Items	Amount of previous period									
	Equity attributable to the parent company									
	Share capital	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained earnings	Minority interests	Total equity
Balance at 31 December 2013	6,000,000	1,146,794	—	—	1,447	200,383	—	-252,136	—	7,096,488
Add: Changes in accounting policies	—	—	—	—	—	—	—	—	—	—
Correction of errors	—	—	—	—	—	—	—	—	—	—
Business combination under common control	—	22,171,408	—	—	300,982	—	—	1,112,416	84,938	23,669,744
Balance at 1 January 2014	6,000,000	23,318,202	—	—	302,429	200,383	—	860,280	84,938	30,766,232
Changes during the period (decrease in "-")	—	-6,003,110	—	—	230,094	—	—	-465,570	-16,763	-6,255,349
I. Total comprehensive income	—	—	—	—	—	—	—	-687,285	3,237	-684,048
II Increase or decrease of capital	—	-5,764,315	—	—	—	—	—	—	-16,645	-5,780,960
1. Contribution of capital	—	-5,910,582		—	—	—	—	—	559	-5,910,023
2. Share payments recognised in equity	—	—	—	—	—	—	—	—	—	—
3. Others	—	146,267	—	—	—	—	—	—	-17,204	129,063
III. Distribution of profits	—	—	—	—	—	—	—	-17,080	-3,533	-20,613
1. Provision of surplus reserve	—	—	—	—	—	—	—	—	—	—
2. Distribution to (from) shareholders	—	—	—	—	—	—	—	-17,080	-3,533	-20,613
3. Others	—	—	—	—	—	—	—	—	—	—
IV. Transfer of equity	—	-238,795	—	—	—	—	—	238,795	—	—
1. Transfer of capital reserve to paid up capital	—	—	—	—	—	—	—	—	—	—
2. Transfer of surplus reserve to paid up capital	—	—	—	—	—	—	—	—	—	—
3. Offset of surplus reserve with losses	—	—	—	—	—	—	—	—	—	—
4. Others	—	-238,795	—	—	—	—	—	238,795	—	—
V. Special reserve	—	—	—	—	230,094	—	—	—	178	230,272
1. Provided during the period	—	—	—	—	521,710	—	—	—	178	521,888
2. Used during the period (expressed in "-")	—	—	—	—	-291,616	—	—	—	—	-291,616
VI. Others	—	—	—	—	—	—	—	—	—	—
Balance at 30 June 2014	6,000,000	17,315,092	—	—	532,523	200,383	—	394,710	68,175	24,510,883

The notes to financial information are the integral part of the financial information.

Chairman: **Jiao Fangzheng** *General Manager:* **Zhu Ping** *Chief Financial Officer:* **Wang Hongchen** *Manager of accounting department:* **Song Daoqiang**

STATEMENT OF CHANGES IN EQUITY

Expressed in RMB'000

Items	Amount of this period							
	Share capital	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total equity
Balance at 31 December 2014	12,809,328	7,132,134	—	—	—	200,383	-1,444,725	18,697,120
Add: Changes in accounting policies	—	—	—	—	—	—	—	—
Correction of errors	—	—	—	—	—	—	—	—
Business combination under common control	—	—	—	—	—	—	—	—
Balance at 1 January 2015	12,809,328	7,132,134	—	—	—	200,383	-1,444,725	18,697,120
Changes during the period (decrease in "-")	1,333,333	4,619,184	—	—	—	—	6,392	5,958,909
I. Total comprehensive income	—	—	—	—	—	—	6,392	6,392
II Increase or decrease of capital	1,333,333	4,619,184	—	—	—	—	—	5,952,517
1.Contribution of capital	1,333,333	4,619,184	—	—	—	—	—	5,952,517
2.Share payments recognised in equity	—	—	—	—	—	—	—	—
3.Others	—	—	—	—	—	—	—	—
III. Distribution of profits	—	—	—	—	—	—	—	—
1. Provision of surplus reserve	—	—	—	—	—	—	—	—
2. Distribution to (from) shareholders	—	—	—	—	—	—	—	—
3. Others	—	—	—	—	—	—	—	—
IV. Transfer of equity	—	—	—	—	—	—	—	—
1. Transfer of capital reserve to paid up capital	—	—	—	—	—	—	—	—
2. Transfer of surplus reserve to paid up capital	—	—	—	—	—	—	—	—
3. Offset of surplus reserve with losses	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—
V. Special reserve	—	—	—	—	—	—	—	—
1. Provided during the period	—	—	—	—	—	—	—	—
2. Used during the period (expressed in "-")	—	—	—	—	—	—	—	—
VI. Others	—	—	—	—	—	—	—	
Balance at 30 June 2015	14,142,661	11,751,318	—	—	—	200,383	-1,438,333	24,656,029

The notes to financial information are the integral part of the financial information.

Chairman: **Jiao Fangzheng** *General Manager:* **Zhu Ping** *Chief Financial Officer:* **Wang Hongchen** *Manager of accounting department:* **Song Daoqiang**

STATEMENT OF CHANGES IN EQUITY (Continued)

Expressed in RMB'000

Items	Amount of previous period							
	Share capital	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total equity
Balance at 31 December 2013	6,000,000	1,146,794	—	—	1,447	200,383	-252,136	7,096,488
Add: Changes in accounting policies	—	—	—	—	—	—	—	—
Correction of errors	—	—	—	—	—	—	—	—
Business combination under common control	—	—	—	—	—	—	—	—
Balance at 1 January 2014	6,000,000	1,146,794	—	—	1,447	200,383	-252,136	7,096,488
Changes during the period (decrease in "-")	—	—	—	—	77	—	-1,750,279	-1,750,202
I. Total comprehensive income	—	—	—	—	—	—	-1,750,279	-1,750,279
II Increase or decrease of capital	—	—	—	—	—	—	—	—
1. Contribution of capital	—	—	—	—	—	—	—	—
2. Share payments recognised in equity	—	—	—	—	—	—	—	—
3. Others	—	—	—	—	—	—	—	—
III. Distribution of profits	—	—	—	—	—	—	—	—
1. Provision of surplus reserve	—	—	—	—	—	—	—	—
2. Distribution to (from) shareholders	—	—	—	—	—	—	—	—
3. Others	—	—	—	—	—	—	—	—
IV. Transfer of equity	—	—	—	—	—	—	—	—
1. Transfer of capital reserve to paid up capital	—	—	—	—	—	—	—	—
2. Transfer of surplus reserve to paid up capital	—	—	—	—	—	—	—	—
3. Offset of surplus reserve with losses	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—
V. Special reserve	—	—	—	—	77	—	—	77
1. Provided during the period	—	—	—	—	432	—	—	432
2. Used during the period (expressed in "-")	—	—	—	—	-355	—	—	-355
VI. Others	—	—	—	—	—	—	—	—
Balance at 30 June 2014	6,000,000	1,146,794	—	—	1,524	200,383	-2,002,415	5,346,286

The notes to financial information are the integral part of the financial information.

Chairman: **Jiao Fangzheng** *General Manager:* **Zhu Ping** *Chief Financial Officer:* **Wang Hongchen** *Manager of accounting department:* **Song Daoqiang**

NOTES TO THE FINANCIAL INFORMATION

For the six months period ended 30 June 2015 (Unless otherwise stated, amount expressed in RMB'000)

I. Company general information

1. Company Profile

Sinopec Oilfield Service Corporation (hereinafter referred to as the Company, including its subsidiaries referred to as the Group), formerly known as Sinopec Yizheng Chemical Fibre Company Limited, which was registered in the People's Republic of China ("PRC") and exclusively established by Yihua Group Corporation (hereinafter referred to as "Yihua") on 31 December 1993. The Company's headquarter is located in the 9th Jishi Kou Street, Chaoyang District, Beijing.

The Company issued 1 billion H shares in March 1994, 200 million A shares in January 1995 and a further 400 million new H shares in April 1995. The Company's H shares and new H shares were listed and commenced trading on the HKSE on 29 March 1994 and 26 April 1995 respectively. The Company's A shares were listed and commenced trading on the SSE on 11 April 1995.

Pursuant to the directives on the reorganisation of certain companies involving the Company and Yihua as issued by the State Council and other government authorities of the PRC, China Eastern United Petrochemical (Group) Company Limited ("CEUPEC") became the largest shareholder of the Company on 19 November 1997, holding the 1,680,000,000 A shares (representing 42% of the Company's issued share capital) previously held by Yihua. CITIC Group Corporation ("CITIC", formerly "CITIC Group") continues to hold 720,000,000 A shares (representing 18% of the Company's issued share capital) that it held prior to the reorganisation, and the balance of 40% remains in public hands in the form of A shares and H shares, in total 1,600,000,000 shares.

Following the State Council's approval of the reorganisation of China Petrochemical Corporation (hereinafter referred to as "Sinopec Group") on 21 July 1998, CEUPEC joined Sinopec Group. As a result of the reorganisation, Yihua replaced CEUPEC as the holder of the 42% of the Company's issued share capital.

The reorganisation of Sinopec Group was completed on 25 February 2000 and Sinopec Group set up a joint stock limited company, China Petroleum & Chemical Corporation (hereinafter referred to as "Sinopec Corp."), in the PRC. From that date, the 1,680,000,000 A shares (representing 42% of the issued share capital of the Company), which were previously held by Yihua, were transferred to Sinopec Corp. and Sinopec Corp. became the largest shareholder of the Company.

On 27 December 2011, CITIC established CITIC Limited in PRC and a restructuring agreement was signed. Whereby 720,000,000 of the Company's non-public shares held by CITIC have been transferred to CITIC Limited as part of its capital contributions on 25 February 2013 and CITIC Limited thus holds 18% of the Company's share capital.

Pursuant to "the Approval for A Share Reform Scheme of Sinopec Yizheng Chemical Fibre Company Limited" (SASAC Property Right [2013] No.442) issued by the State-owned Assets Supervision and Administration Commission and "the Approval for A Share Reform Scheme of Sinopec Yizheng Chemical Fibre Company Limited" (Cai Jin Han [2013] No.61) issued by Ministry of Finance of the PRC, the Company implemented the A Share Reform in 2013 under which the non-circulating shareholders of the Company paid 5 shares for each 10 circulating A shares that were registered on 16 August 2013 (the date of registration as agreed in the reform plan). As a result, 100,000,000 shares were paid in total. After the payment, the shares held by Sinopec Corp. And CITIC Limited in the Company decreased from 42% and 18% to 40.25% and 17.25%, respectively. From 22 August 2013, all non-circulating shares obtained circulating rights in the Shanghai Stock Exchange. However, in accordance with the agreed terms of restriction on tradability, as at 30 June 2014, all shares held by Sinopec Corp. And CITIC Limited has not been available for trading. Pursuant to the resolutions of general meeting of shareholders of the Company, the Company converted 5 shares for each 10 H shares and A shares that were registered on 13 November 2013 and 20 November 2013, respectively from share premium into share capital. Additional 700,000,000 H shares and additional 1,300,000,000 A shares were thus issued and the transaction was completed on 22 November 2013.

Pursuant to "the Approval to matters in relation to the Material Asset Reorganisation of Sinopec Yizheng Chemical Fibre Company Limited and Subsequent A Share Placement" (SASAC Property Right [2014] No.1015) issued by the State-owned Assets Supervision and Administration Commission and "the Approval to the Material Asset Reorganisation of Sinopec Yizheng Chemical Fibre Company Limited and Issuance of Shares to China Petrochemical Corporation for Asset Acquisition and Subsequent A Share Placement"(CSRC Permit [2014] No.1370) issued by China Securities Regulatory Committee, the Company implemented the material asset reorganisation in 2014. The Company sold all of its assets and liabilities(hereinafter referred to as the ''Outgoing Business'')to Sinopec Corp., in exchange, would repurchase A shares of the Company held by Sinopec Corp. for cancellation, and issue shares to Sinopec Group in order to acquire 100% equity interest of Sinopec Oilfield Service Co., Ltd. (hereinafter referred to as "SOSC") held by Sinopec Group (hereinafter referred to as the ''Incoming Equities'' or "SOSC", hereinafter collectively referred to as the "Reorganisation''). The Company executed the Confirmation on Completion of Outgoing Business with Sinopec Corp., executed the Confirmation on Completion of Incoming Equities with Sinopec Group on 22 December 2014.According to the Confirmations, the Company transferred Outgoing Business to Sinopec Corp., Sinopec Group transferred Incoming Equities to the Company. On 30 December 2014, the Company repurchased the Repurchased Shares (a total of 2,415,000,000 A Shares) from Sinopec Corp. for cancellation. On the even date, the Company issued the Consideration Shares (a total of 9,224,327,662 A Shares) to Sinopec Group. On 13 February 2015, the Company issued 1,333,333,333 A Shares to Darry Asset Management (Hangzhou) Co., Ltd. and other six specific investors.

The business scope of the Group was changed from:

"Production of chemical fibre, chemical products and its raw materials, ancillary raw materials and textile machinery, research and development in textile technology and technological services, instalment and maintenance of equipment and facilities, power generation, computer and software service; and services of accommodation, catering, culture and entertainment (limited to branches)".

I. Company general information (Continued)

1. Company Profile (Continued)

To:

“General construction contractor, specialist contractor, labour subcontracting; construction project management; provision of service for production of onshore and offshore oil and natural gas; research and experimental development of engineering and technology; preparation of construction project; sales of mechanical equipment, hardware and electrical equipment, computer, software and auxiliary equipment; leasing of mechanical equipment; energy and mineral geological prospecting, geogical exploration of solid minerals; geological exploration and technical services; investment in oil, natural gas and other mineral resources; organising enterprises with manufacturing business project in producing metal structure, metal tools, metal pressure vessel, all-purpose instruments, special instruments, chemical reagents, chemical accessories, special chemical products (including oilfield chemicals) and special equipment for mine, metallurgy and construction; organising enterprises with license for contracting foreign projects in contracting overseas petroleum, natural gas, chemical, bridge, road, housing construction, water resources and hydropower, municipal utility, steel structure, electricity, fire-fighting equipment industrial plant projects and in implementing international tender projects at home; labour dispatching, import and export of goods, import and export agent, and import and export of technologies”.

These financial statements and financial information notes have been approved for issue by the Fourth meeting of the eighth term Board of Directors of the Company on 25 August 2015.

2. The Scope of Consolidated Financial Statements

The scope of the Group’s consolidated financial statements includes the Company and all its subsidiaries, the details refer to note VII.Interests in other entities.

II. Basis of preparation

The financial statements are prepared in accordance with the latest “China Accounting Standards for Business Enterprises” and their application guidelines, interpretations and other relevant requirements (collectively, CASBE) issued by the Ministry of Finance of the PRC (“MOF”).In addition, the Group discloses relevant financial information in accordance with requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15—General Rules on Financial Reporting (2014 revised) issued by the China Securities Regulatory Commission.

The financial statements are prepared on a going concern basis. The Group’s current liabilities exceed current assets of approximately RMB9,689,816,000 as at 30 June 2015 (Current liabilities exceed current assets of RMB16,113,213,000 in 2014), committed capital expenditures are approximately RMB2.223 billion. The directors of the Company has assessed that the Group has generated sufficient cash flow for many years and is expected to be continue during the next twelve months. As the Group’s borrowings are mainly from Sinopec Group and its subsidiaries which have maintained its long-term good relations with the Group, the Group can obtain adequate financial supports from those institutions. After the reorganisation, the Company will further broaden the financing channel, develop good relations with the public and state-owned financial institutions in order to obtain a more adequate line of credit. The directors of the Company consider the measures sufficient to meet the Group’s debt repayment and capital commitment required. Consequently, the Company prepared the financial statements on a going concern basis.

The Group follows the accrual basis of accounting. The financial statements are prepared under the historical cost convention except for certain financial instruments and otherwise described below. If assets are impaired, provision for impairment shall be made in accordance with the relevant policies.

III. Summary of significant accounting policies and accounting estimates

The Group’s accounting recognition policies for depreciation of fixed assets amortisation of intangible assets and long-term deferred expense and revenue are determined on the basis of its production and management characteristics, specific accounting policies are set out in Note III, 16, Note III, 19, Note III, 22 and Note III, 26.

1. Declaration of compliance with the CASBE

The financial statements are in compliance with the requirement of CASBE, which gives a true view of the entire Company’s and consolidated financial position at 30 June 2015 and the Company’s and the consolidated operating results and cash flows and other relevant information for the six months ended 30 June 2015.

2. Accounting period

The accounting period of the Group is from 1 January to 31 December.

3. Operating cycle

The operating cycle of the Group is 12 months.

III. Summary of significant accounting policies and accounting estimates (Continued)

4. Functional currency

The Group uses RMB as its functional currency. All amounts in this report are expressed in RMB unless otherwise stated.

The Group's subsidiaries, joint ventures and associates' recording currency is determined on the basis of the currencies in which major income and costs are denominated and settled and translated into RMB for the preparation of the financial statements.

5. Business combinations

(1) Business combination involving entities under common control

For the business combination involving entities under common control, the assets and liabilities that are obtained in the business combination shall be measured at their original carrying amounts at the combination date as recorded by the party being combined, except for the adjustments of different accounting policies. The difference between the carrying amount of the net assets obtained and the carrying amount of assets paid shall be adjusted to capital reserve, if the capital reserve is not sufficient to absorb the difference, any excess difference shall be adjusted to the retained earnings.

Business combinations involving enterprises under common control and achieved in stages

In the separate financial statements, the initial investment cost is calculated based on the shareholding portion of the assets and liabilities obtained and are measured at the carrying amounts as recorded by the enterprise being combined at the combination date. The difference between the initial investment cost and the sum of the carrying amount of the original investment cost and the carrying amount of consideration paid for the combination is adjusted to the capital reserve, if the capital reserve is not sufficient to absorb the difference, the excess difference shall be adjusted to retained earnings.

In the consolidated financial statements, the assets and liabilities obtained at the combination shall be measured at the carrying value as recorded by the enterprise at combination date, except for adjustments of different accounting policies. The difference between the sum of the carrying value from original shareholding portion and the new investment cost incurred at combination date and the carrying value of net assets obtained at combination date shall be adjusted to capital reserve, if the balance of capital reserve is not sufficient to absorb the difference, any excess is adjusted to retained earnings. The long-term investment held by the combination party, the recognised profit or lose, comprehensive income and other change of shareholding's equity at the closer date of the acquisition date and combination date under common control shall separately offset the opening balance of retained earnings and profit or loss during comparative statements.

(2) Business combination involving entities not under common control

For business combinations involving entities not under common control, the consideration for each combination is measured at the aggregate fair value at acquisition date, of assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree. At acquisition date, the acquired assets, liabilities or contingent liabilities of acquiree are measured at their fair value.

Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill, and measured on the basis of its cost minus accumulative impairment provision; Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current period after reassessment.

Business combinations involving enterprises not under common control and achieved in stages

In the separate financial statements, the initial investment cost of the investment is the sum of the carrying amount of the equity investment held by the entity prior to the acquisition date and the additional investment cost at the acquisition date. The disposal accounting policy of other comprehensive income related with equity investment prior to the purchase date recognised under equity method shall be compliance with the method when the acquiree disposes the related assets or liabilities. Shareholder's equity due to the changes of other shareholder's equity other than the changes of net profit, other comprehensive income and profit distribution shall be transferred to profit or lose for current period when disposed. The accounting policy of the equity investment prior to purchase date shall be compliance with "CASBE 22- Recognition and Measurement of financial instruments", which states that the cumulative changes in fair value recognised in other comprehensive income shall be transferred to profit or loss for current period when accounted for using cost method.

In the consolidation financial statements, the combination cost is the sum of consideration paid at acquisition date and fair value of the acquiree's equity investment held prior to acquisition date; the cost of equity of the acquiree held prior to acquisition date shall be re-measured at the fair value at acquisition date, the difference between the fair value and the carrying amount shall be recognised as investment income or loss for the current period. Other comprehensive income and changes of investment equity related with acquiree's equity held prior to acquisition date shall be transferred to investment profit or loss for current period at acquisition date, besides there is other comprehensive income incurred by the changes of net assets or net liabilities due to the re-measurement of defined benefit plan.

(3) Transaction fees attribution during the combination

The intermediary and other relevant administrative expenses such as audit, legal and valuation advisory for business combinations are recognised in profit or loss when incurred. Transaction costs of equity or debt securities issued as the considerations of business combination are included in the initial recognition amounts.

III. Summary of significant accounting policies and accounting estimates (Continued)

6. Method of preparing consolidated financial statements

(1) Scope of consolidation

The scope of consolidation financial statements is on the basis of control. Control refers to the power over investee of the Group, exposure or rights to variable returns in participating in the investee's related activities and the ability to use the power to affect those variable returns. A subsidiary is the entity controlled by the Group (including severable part of the investee and the enterprise, structured body controlled by the enterprise, etc).

(2) Method of preparation of consolidated financial statements

The consolidated financial statements are based on the financial statements of the Company and its subsidiaries, and are prepared by the Company in accordance with other relevant information. In preparing the consolidation financial statements, the Company and its subsidiaries are required to apply consistent accounting policy and accounting period, intra-group transactions and balances shall be offset.

A subsidiary acquired through a business combination involving entities under common control in the reporting period shall be included in the scope of the consolidation from the beginning of the combination date, the subsidiary's income, expenses and profits are included in the consolidated results of operations, and cash flows are included in the consolidated cash flow statement from the acquisition date.

Where a subsidiary has been acquired through a business combination involving entities not under common control, the subsidiary's income, expenses and profits are included in the consolidated results of operations, and cash flows are included in the consolidated cash flow statement from the acquisition date to the end of the reporting date.

The portion of a subsidiary's equity that is not attributable to the parent is treated as minority interests and presented in the consolidated balance sheet within shareholders' equity. The portion of a subsidiary's profit or loss that is attributable to the minority interests presented in the consolidated statement of comprehensive income as "minority interests". The portion of a subsidiary's losses that exceeds to the beginning minority interests in the shareholders' equity, the remaining balance still reduces the minority interests.

Transactions that acquire the minority interests of subsidiaries or dispose part of equity investment but not lose control of this subsidiary are accounted for equity transactions that adjust shareholders' equity attributable to the parent and minority interests to reflect the changes of equity in subsidiaries. The difference between the adjustment of minority interests and the fair value of consideration paid/received shall be adjusted to capital reserve, if the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

(3) Treatment of loss of control of subsidiaries

When an enterprise loses control over investee because of disposing part of equity investment or other reasons, the remaining part of the equity investment should be re-measured at fair value at the date when losing control over the investee; the cash received in disposal of the equity investment and the fair value of remaining part of the equity investment, deducting net assets proportion calculated by original share percentage since the acquisition date should be recorded in profit or loss for current period of disposal.

Other comprehensive income and changes of investment equity related with acquiree's equity held prior to acquisition date shall be transferred to investment income or loss for current period at acquisition date, besides there is other comprehensive income incurred by the changes of net assets or net liabilities due to the re-measurement of defined benefit plan.

(4) Special treatment of step disposal until the loss of control of subsidiaries

The clauses, conditions and economic impact of step disposal until the loss of control of subsidiaries satisfies one or more criteria, the Group will consider these transactions as package transactions for the accounting treatment:

1) These transactions are entered simultaneously or in consideration of the mutual influence;

2) These transactions can only achieve one complete business results;

3) The occurrence of a transaction is depending at least one of other transactions;

4) A transaction alone is not the economical; however, it becomes economical to consider together with other transactions.

In the separate financial statements, the difference between the related long term equity investment for each disposal of equity interest and received consideration are recognised in the profit or loss in the current period.

In the consolidated financial statements, the measurement of the remaining equity interest and treatment of the loss of disposal is in accordance to "Treatment of loss of control of subsidiaries as described above". The difference between the disposal consideration and the related share of net assets of the subsidiaries for each step disposal:

1) Related to a package transaction: Recognised as other comprehensive income in capital reserve (other capital reserve). It is recognised in the profit or loss in the current period when the entity loses the control.

2) Not related to a package transaction: Recognised in capital reserve (other capital reserve) as equity transaction. It cannot be recognised in the profit or loss in the current period when the entity loses the control.

III. Summary of significant accounting policies and accounting estimates (Continued)

7. Classification of joint arrangement and accounting treatment for joint operation

A joint arrangement is an arrangement of which two or more parties have joint control. The group's joint arrangement is divided into joint operation and joint venture.

(1) Joint operation

A joint operation is a joint arrangement whereby the group that has joint control of the arrangement has rights to the assets, and obligations for the liabilities.

A joint operator shall recognise in relation to its interest in a joint operation:

a) its assets, including its share of any assets held jointly;

b) its liabilities, including its share of any liabilities incurred jointly;

c) its revenue from the sale of its share of the output arising from the joint operation;

d) its share of the revenue from the sale of the output by the joint operation;

e) its expenses, including its share of any expenses incurred jointly.

(2) Joint ventures

A joint venture is a joint arrangement whereby the group that has joint control of the arrangement has rights to the net assets of the arrangement.

The accounting treatment is in accordance with the provisions of long-term investment under equity method.

8. Cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily drawn on demand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

9. Foreign currency transactions and translation of foreign currency statement

(1) Foreign currency transactions

If foreign currency transactions occur, they are translated into the amount of functional currency by applying the spot exchange rate at the dates of the transactions.

At the end of the period, foreign currency monetary items are translated using the spot exchange rate at the balance sheet date. Exchange differences arising from the differences between the spot exchange rate prevailing at the balance sheet date and those spot rates used on initial recognition or at the previous balance sheet date are recognised in profit or loss for the current period; foreign currency non-monetary items carried at historical cost continue to be measured at the amounts in functional currency translated using the spot exchange rates at the dates of the transactions; foreign currency non-monetary items carried at fair value are translated using the spot exchange rates at the date when the fair value was determined. Differences between the translated amount and the original amount of functional currency are included in profit or loss for the current period.

(2) Translation of foreign currency information

At the balance sheet date, when translating the foreign currency financial statements of overseas subsidiaries, the assets and liabilities of the balance sheet are translated using the spot exchange rate at the balance sheet date; all items except for "undistributed profits" of the shareholders' equity are translated at the spot exchange rate.

The revenue and expenses in profit or loss are translated using at rates with reasonable approximation of the rates prevailing on the transaction dates.

All items of the statement of cash flows are translated using at rates with reasonable approximation of the rates prevailing on the transaction dates. As an adjustment item, the impact of exchange rate changes on cash amount is reflected separately in the cash flow as "Effect of exchange rate changes on cash and cash equivalents".

Differences arising from the translation of financial statements are separately presented as the "other comprehensive income" in the shareholders' equity of the balance sheet.

When disposing overseas operations and losing control, the "Translation reserve" related to the overseas operation presented in the shareholders' equity in the balance sheet shall be transferred together or as the percentage of disposing the overseas operation to profit or loss for the current period of disposal.

III. Summary of significant accounting policies and accounting estimates (Continued)

10. Financial instruments

Financial instruments refer to the contracts of forming enterprise financial assets and other entities' financial liabilities or equity instruments.

(1) Recognition and Derecognition of financial instruments

A financial asset or financial liability is recognised when the Group becomes one party of financial instrument contracts.

If one of the following conditions is met, the financial assets are terminated:

1) The right of the contract to receive the cash flows of financial assets terminates

2) The financial asset has been transferred, and is in accordance with the following conditions for derecognition.

If the obligations of financial liability have been discharged in total or in part, derecognise all or part of it. If the Group (debtor) makes an agreement with the creditor to replace the current financial liability of assuming new financial liability which contract provisions are different in substance, derecognise the current financial liability and meanwhile recognise as the new financial liability.

If the financial assets are traded routinely, they are recognised and derecognised at the transaction date.

(2) Classification and measurement of financial assets

Financial assets are, upon initial recognition, classified into the following four categories: financial assets at fair value through profit or loss ("FVTPL" financial assets), held-to-maturity investments, loans and receivables, available-for-sale financial assets ("AFS" financial assets). Financial assets are initially recognised at fair value. In the case of FVTPL" financial assets, the related transaction costs are recognised in profit or loss for the current period. For other financial assets, transaction costs that are attributable to the acquisition of the financial assets are included in the initial recognition amounts.

Financial assets at fair value through profit or loss

Financial assets at FVTPL include held for trading and those designated upon initial recognition as at fair value through profit or loss. This kind of financial assets are subsequently measured at fair value, all gains and losses, arising from changes in fair value and dividend and interest relevant with the financial assets are recognised in profit or loss for the current period.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method; gains and losses arising from derecognition, impairment or amortisation is recognised in profit or loss for the current period.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market including account receivables and other receivables (Note III.12). Receivables are subsequently measured at amortised cost using the effective interest method; gains and losses arising from derecognition, impairment or amortisation is recognised in profit or loss for the current period.

Available-for-sale financial assets

AFS financial assets are those non-derivative financial assets that are designated as available for sale and those financial assets not classified as above mentioned. AFS financial assets are subsequently measured at fair value, the discount or premium are amortised using the effective interest method and recognised as interest income. The gains and losses arising from changes in fair value of AFS financial assets (other than impairment losses and foreign exchange gains and losses resulted from foreign currency monetary assets which are recognised in profit or loss for the current period) are recognised as other comprehensive income and capital reserve, until the financial assets are derecognised, are transferred to profit or loss for the current period. Interest income and dividends related to the AFS financial assets are recognised as profit or loss for the current period.

The equity investment that is not quoted in an active market and the fair value cannot be measured reliably and the derivative financial instruments that are linked with and settled by such equity instruments shall be measured at cost.

(3) Classification and Measurement of financial liabilities

On initial recognition, financial liabilities are classified as: financial liabilities at fair value through profit or loss (FVTPL) or other financial liabilities. For financial liabilities not classified as at fair value through profit or loss, the transaction costs are recognised in the initially recognised amount.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include transaction financial liabilities and financial liabilities designated as at fair value through profit or loss in the initial recognition. Such financial liabilities are subsequently measured at fair value, all gains and losses arising from changes in fair value and dividend and interest expense relative to the financial liabilities are recognised in profit or loss for the current period.

Other financial liabilities

Derivative financial liabilities which are linked to equity instrument that is not quoted in an active market and its fair value cannot be reliably measured and settled by delivering the equity instrument are subsequently measured at cost. Other financial liabilities are subsequently measured at amortised cost using the effective interest method; gains and losses arising from derecognition or amortisation is recognised in profit or loss for the current period.

III. Summary of significant accounting policies and accounting estimates (Continued)

10. Financial instruments (Continued)

(3) Classification and Measurement of financial liabilities (Continued)

Distinction between financial liabilities and equity instruments

The financial liability is the liability that meets one of following criteria:

1) Contractual obligation to deliver cash or other financial instruments to another entity;

2) Under potential adverse condition, contractual obligation to exchange financial assets or financial liabilities with other parties;

3) A contract that will or may be settled in the entity's own equity instruments and is a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments;

4) A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

If the group cannot unconditionally avoid fulfilling a contractual obligation by delivering cash or other financial assets, the contractual obligation meets the definition of financial liability.

If a financial instrument must or are able to be settled by the group's own equity instrument, the group should consider whether the group's equity instrument as the settlement instrument is a substitute of cash or other financial assets or the residual interest in the assets of an entity after deducting all of its liabilities. If the former, the tool is the group's financial liability; if the latter, the tool is the equity instrument of the group.

(4) Derivative financial instruments and embedded derivatives

The Group's derivative financial instruments are initially measured at fair value on the date of the derivative contract signed and are subsequently measured at fair value. A derivative with positive fair value shall be recognised as an asset, otherwise that with negative fair value shall be recognised as a liability.

Any profit or loss arising from changes of fair value and not compliance with the accounting provision of hedge shall be recognised as profit or loss for current period.

The hybrid instrument contains an embedded derivative, if financial assets or financial liabilities are not accounted for fair value through profit and loss, the economic characteristics and risks of the embedded derivative and the main contract are not closely related, and under the same conditions with embedded derivative, the individual instrument as defined in line with derivatives, embedded derivatives are separated from the hybrid instrument as a separate derivative instrument. If the embedded derivative cannot be separately measured at the date of acquisition or the date subsequent to the financial reporting date, then the hybrid instrument accounted for financial assets or financial liabilities at fair value through profit and loss.

(5) Fair value of financial instruments

The recognition of fair value of financial assets and financial liability is stated as note III, 11.

(6) Impairment of financial assets

The Group assesses the carrying amount of financial assets other than those at fair value through profit or loss at each balance sheet date, if there is objective evidence that financial assets are impaired, the Group determines the amount of impairment loss. Objective evidence of impairment of financial assets are the matters that occurred after the initial recognition of financial assets which has impact on the expected future cash flows of financial assets, and can be reliably measured by the Group.

The objective evidence proving that the financial asset has been impaired refers to the actually incurred events which, after the financial asset is initially recognised, have an impact on the predicted future cash flow of the said financial asset that can be reliably measured by the enterprise, including but not limited to:

1) significant financial difficulty of the debtor or obligor;

2) a breach of contract by the borrower, such as a default or delinquency in interest or principal payments;

3) the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower;

4) it becoming probable that the debtor will enter bankruptcy or other financial Reorganisation;

5) the disappearance of an active market for that financial asset because of financial difficulties faced by the issuer;

6) upon an overall assessment of a group of financial assets, observable data indicates that there is a measurable decrease in the estimated future cash flows from the group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group. Such observable data includes:

Adverse changes in the payment status of borrower in the group of assets;

Economic conditions in the country or region of the borrower which may lead to a failure to pay the group of assets;

III. Summary of significant accounting policies and accounting estimates (Continued)

10. Financial instruments (Continued)

(6) Impairment of financial assets (Continued)

7) significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of an investment in an equity instrument may not be recovered by the investor;

8) a significant decline in the fair value of an investment in an equity instrument below its cost (i.e. fair value decline over 50%) or a prolonged decline (i.e., fair value decline lasting 12 months) etc..

Prolonged decline represented the monthly average of fair value of the equity instruments is lower than the initial investment cost in continuously 12 months.

9) other objective evidence indication there is an impairment of a financial asset.

Financial asset measured at amortised cost

If there's objective evidence that the financial assets are impaired, then the carrying amount of financial assets shall be reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred), with the reduced amount recognised to profit or loss for the current period. The present value of estimated future cash flows is carried according to the financial asset's original effective interest rate, and considers the value of collateral.

For a financial asset that is individually significant, the Group assesses the asset individually for impairment, if there is objective evidence that it has been impaired, the impairment loss is recognised in profit or loss for the current period. For a financial asset that is not individually significant, the Group assesses the asset by including the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. For an individually assessed financial asset (whether the financial asset is individually significant or not individually significant), the Group includes the asset in a group of financial assets with similar credit risk characteristics and collectively assessment for impairment. Asset for which an impairment loss is individually recognised is not included in a collective assessment of impairment.

If, after an impairment loss has been recognised on financial assets measured at amortised cost, there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss. A reversal of an impairment loss will not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Available-for-sale financial assets

If there's objective evidence that AFS financial assets are impaired, accumulated losses due to decreases in fair value previously recognised directly in capital reserve are reversed and charged to profit or loss for the current period. The reversed accumulated losses are the asset's initial acquisition costs after deducting amounts recovered and amortised, current fair value and impairment losses previously recognised in profit or loss.

If, in a subsequent period, the fair value of financial assets increases and the increase can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment losses are reversed and charged to profit or loss for the current period. The impairment losses of AFS equity instruments shall not be reversed through profit or loss.

Financial assets measured at cost

If there's objective evidence that the financial assets are impaired, the difference between the carrying amount and the present value discounted at the market rate of return on future cash flows of the similar financial assets shall be recognised as impairment loss in profit or loss. The impairment loss recognised shall no longer be reversed.

(7) Transfer of financial assets

Transfer of financial assets refers to the transference or deliverance of financial assets to the other party (the transferee) other than the issuer of financial assets.

The Group derecognises a financial asset only if it transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; the Group should not derecognise a financial asset if it retains substantially all the risks and rewards of ownership of the financial asset.

The Group neither transfers nor retains substantially all the risks and rewards of ownership, shows as the following circumstances: if the Group has forgone control over the financial assets, derecognise the financial assets and verify the assets and liabilities; if the Group retains its control of the financial asset, the financial asset is recognised to the extent of its continuing involvement in the transferred financial asset and recognise an associated liability is recognised.

(8) Offsetting financial assets and financial liabilities

When the Group has the legal rights to offset the recognised financial assets and financial liabilities and is capable to carry it out, the Group plans to net settlement or realise the financial assets and pay off the financial liabilities, the financial assets and financial liabilities shall be listed separately with the neutralised amount in balance sheet and are not allowed to be offset.

III. Summary of significant accounting policies and accounting estimates (Continued)

11. Fair value measurement

The fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The group measures the relevant assets or liability at fair value supposing the orderly transaction of asset selling or liability transferring incurring in a principal market of relevant assets or liabilities. In the absence of a principal market for the asset or liability, the group assumes that the transaction take place at the most advantageous market of relevant asset or liability. A principal market (or the most advantageous market) is the transaction market that the group can enter into at measurement date. The Group implements the hypothesis used by the market participants to realise the maximum economic benefit in assets or liabilities pricing.

If there exists an active market for the financial assets or financial liabilities, the Group uses the quotation on the active market as its fair value. For those in the absence of active market, the Group uses valuation technique to recognise its fair value.

For non-financial assets measured at fair value, the Group should consider the capacity of the market participants to put the assets into optimal use thus generating the economic benefit, or the capacity to sell assets to other market participants who can put the assets into optimal use and generate economic benefit.

The Group implements the valuation technique suitable for the current condition and supported by enough available data and other information, gives priority in use of relevant observable inputs, only the observable inputs cannot be obtained or impracticable before using unobservable inputs.

For the assets and liabilities measured at fair value or disclosure at financial statements, Fair value hierarchies are categorised into three levels as the lowest level input that is significant to the entire fair value measurement: Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities. Level 2: inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3: inputs are unobservable inputs for the asset or liability.

At each balance sheet date, the group reviews the assets and liabilities recognised to be measured at fair value on the financial statements to make sure whether conversion occurs between fair value hierarchy.

12. Receivables

Receivables include accounts receivables and other receivables

(1) Individually significant receivable but individual provision for bad debts

Individually significant accounts receivable should be taken impairment test separately. Provision for bad debts shall be made when there is an indication that the accounts receivable cannot be received under original terms.

Criteria of individually significant receivables: the carrying amount of the individual account exceeds 5% of the total sum of accounts receivable.

Measurement of individually recognised bad debts provision of individually significant receivables: the provision for bad debts is recognised according to the difference between the present value of future cash flows, which is lower, and the carrying amount.

(2) Individually insignificant receivable but individual provision for bad debts

The reason of provision for bad debts individually is: objective evidence (such as aging over one year and uncollectable after endeavor, special characteristics, etc) indicates that the company is not able to recover the accounts receivable under the original items.

Measurement of individually recognised bad debts provision: the provision for bad debts is recognised as the difference between the present values of predicted future cash flow of accounts receivables under its carrying amounts.

(3) Receivables with provision for bad debts collectively

For individually insignificant receivables, and individually significant receivables which are not impaired in individual test, the provision for bad debts is recognised according to the following credit risk combination, the provision for bad debts is recognised on the basis of the effective loss rate of accounts receivables combination with the similar credit risk in the previous year.

The classification of credit risk combination is as follows:

Type of group	Basis of group	Method of provision for bad debts collectively
Group of ageing	Ageing state	Ageing analysis method
Related party grouping	Type of assets	Estimated future cash flows based on historical loss rate

III. Summary of significant accounting policies and accounting estimates (Continued)

12. Receivables (Continued)

(3) Receivables with provision for bad debts collectively (Continued)

A、 For group of ageing, the rate of provision for bad debts in ageing analysis method is as follows:

Ageing	Percentage of provision %
Within 1 year (including 1 year)	0
1-2 years	30
2-3 years	60
Over 3 years	100

13. Inventories

(1) Category of inventory

Inventories include raw materials, work in progress, spare parts, turnover materials, finished goods, issuing goods and construction contracts, etc.

(2) Determination of cost

Inventories are determined at the actual cost when acquired. Costs of raw materials, work in progress, finished goods, issuing goods are calculated in weighted average method when issued.

Construction contract costs are measured at actual cost comprising the direct and indirect cost incurred from the date of contract signing to the date of contract fulfilling and relative to the contract. The balances construction contracts represent the net amount of construction costs incurred to date and recognised gross profit, less progress billings and provision for foreseeable contract losses. For an individual contract whose costs incurred to date plus recognised profits (less recognised losses) exceeds progress billings, the gross amount due from customers for contract work in inventory is presented as a current asset. For an individual contract whose progress billings exceeds costs incurred to date plus recognised profits (less recognised losses), the gross amount due to customers for contract work in advance from customers is presented as a current liability.

The travel and biding cost incurred for the contract, which can be identified separately and measured reliably and is likely to sign the contract, shall be recognised as the contract cost; if the above conditions are not met, the cost above shall be recognised as the profit or loss.

(3) Recognition of the net realisable value and provision for decline in value of inventories

Net realisable value is based on the estimated selling price deducting the estimated costs to be incurred when completed, the estimated selling expenses and related taxes amount. Recognition of the net realisable value is based on the verified evidences and considers the purpose of holding inventories and the effect of post balance sheet events.

At the balance sheet date, if the cost of closing inventory of the Group exceeds its net realisable value, provision for impairment of inventories is recognised. The Group usually recognises provision for impairment of inventories on individual inventory basis, if the factors caused the inventory previously written-down have disappeared, provision for impairment of inventories in the amount originally made is reversed.

(4) Inventory system

The Group adopts perpetual inventory system.

(5) Amortisation methods of turnover materials

Turnover materials, including low-value consumables, packaging and other materials, etc spare parts and turnover material are amortised in full when received for use.

14. Assets Held for sale and discontinued operations

Non-current assets (exclude financial assets and deferred tax assets) or the disposal group shall be recognised as assets held for sale when the conditions below are satisfied simultaneously: the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable; the decision of the disposal of the assets or the disposal group made by the group should have be committed by the shareholders' meeting or the appropriate authority if the commitment by the shareholders is necessary. The group has signed an irrevocable transfer agreement with the transferee. the transfer will be completed within one year.

Assets held for sale include individual asset and disposal group. In certain circumstance, disposal group includes the goodwill obtained through business combination.

The non-current assets classified as held for sale and the part of disposal group classified as held for sale shall not be depreciated (or amortised) and are measured by the lower amount of the carrying amount and the fair value less disposal expense, and listed as “classified as held for sale assets”. Liabilities in disposal group classified as held for sale shall be presented as “classified as held for sale liabilities”.

III. Summary of significant accounting policies and accounting estimates (Continued)

14. Assets Held for sale and discontinued operations (Continued)

If an entity has classified an asset (or disposal group) as held for sale, but the criteria of non-current assets held for sale no longer met, the entity shall cease to classify the asset (or disposal group) as held for sale and measure at the lower of:

1) its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset (or disposal group) not been classified as held for sale, and

2) its recoverable amount at the date of the subsequent decision not to sell.

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale and can be separately distinguished in operation and preparation of financial statements, and

1) Represents a separate major line of business or geographical area of operations,

2) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or

3) is a subsidiary acquired exclusively with a view to resale.

15. Long-term equity investment

The group's long-term equity investments include those that the group is able to exercise controls and significant influence over the investees and also the investments to joint ventures. Joint ventures are the investees over which the Company is able to exercise joint control together with other ventures.

(1) Recognition of investment cost

For the long-term investment acquired from the business combination: the cost of the long-term investment acquired from the business combination under common control is recognised as the carrying amount of combined party's equity recorded in the ultimate controlling party's consolidated financial statements at the combination date. For the long-term investment acquired from business combination not under common control, the cost of investment is equal to the combination cost.

For the long-term equity investment acquired in a manner other than business combination: the initial investment cost of the long-term equity investment acquired by payment in cash is recognised as the actual payment of the purchase price; the initial investment cost of the long-term equity investment acquired by issuing equity securities is recognised as the fair value of the equity securities issued.

(2) Subsequent measurement and recognition of related profit and loss

Where the Group is able to exercise control over the investee, the long-term equity investment is accounted for using the cost method; where the Group has joint control or significant influence over the investee, the long-term equity investment is accounted for using the equity method.

For long-term equity investment which is accounted for using the cost method, investment income is recognised in profit or loss for the current period as the cash dividend or profit announced and distributed, except for those cash dividend or profit which have already included in the actual payment or consideration of offer when the investment was made.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's interest in the fair values of the investee's identifiable net assets, no adjustment is made to the initial investment cost; where the initial investment cost is less than the Group's interest in the fair values of the investee's identifiable net assets, the difference is charged to profit or loss for the current period, and the carrying amount of the long-term equity investment is adjusted accordingly.

For long-term equity investments accounted for using the equity method, the Company recognises the investment income according to its share of net profit or loss of the investee, and the carrying amount of the long-term equity investments shall be adjusted accordingly; The carrying amount of the investment is reduced by the Company's share of the profit distribution or cash dividends declared by an investee; for changes in owners' equity of the investee other than those arising from its net profit or loss, other comprehensive income and profit distribution, the carrying amount of the long-term equity investment shall be adjusted and recognised to shareholder's equity.

If an entity has significant influences or can implement joint control over investees due to additional investment, the initial investment cost is recognised as the sum of the fair value of the original portion of equity investment and the additional investment cost under equity method. For the original portion of equity investment classified as available for sale, the difference between the fair value and carrying amount and cumulative changes in fair value recognised as other comprehensive income shall be recognised as current profit of loss under equity method.

If an entity loses joint control or has no significant influence over investees due to the elimination of parts of the equity investment, the surplus equity after disposal shall be recognised in accordance with "CASBE 22-Recognition and Measurement of Financial Instruments", and the difference between fair value and carrying amount at the date of loss of joint control or significant influence. Other comprehensive income of original equity investment recognised under equity method shall be recognised in accordance with the same foundation used by the investees when dispose the relevant assets or liabilities directly in the termination of equity method. Other changes of owners' equity related to the original equity investment shall be transferred into profit or loss for current period.

If an entity loses control over investees due to the elimination of parts of the equity investment, the surplus owners' equity that are able to implement joint control or have significant influence over investees shall be measured at equity method and are deemed to be recognised under equity method since the acquisition date. The surplus owners' equity that are unable to implement joint control or have no significant influence over investees shall be processed in accordance with "CASBE 22-Recognition and Measurement of financial instruments", and the difference between fair value and carrying amount at the day of loss of control shall be recognised as profit or loss for current period.

III. Summary of significant accounting policies and accounting estimates (Continued)

15. Long-term equity investment (Continued)

(2) Subsequent measurement and recognition of related profit and loss (Continued)

The Group recognises the unrealised profit or loss of intra-transaction between the joint ventures or associates that belongs to itself according to the proportion of the shares and recognises the investment income or loss after offset. But the loss arising from the unrealised intra-transaction between the group and investees, which belongs to the impairment loss of assets transferred, cannot be offset.

For the long-term investments to joint ventures and associates held before 1 January 2007, If there is any equity investment debit balance associated with the investment, the investment income or loss shall be recognised after deducting the equity investment debit balance amortised under straight-line method at the remaining term.

(3) Basis for recognition of joint control or significant influence over an investee

Joint control refers to any joint venture party alone cannot control the production and operation activities of the joint venture, decisions related to the basic operating activities of joint venture should require the unanimous consent of the parties sharing control. In determining whether there is a joint control, the first judge is to determine whether the relevant arrangement is controlled collectively by all the parties involved or the group of the parties involved, if the parties involved or the group of the parties involved must act consistently to determine the relevant arrangement, it is considered that the parties involved or the group of the parties involved control the arrangement. Secondly, and then determine whether the decisions related to the basic operating activities should require the unanimous consent of the parties involved. If two or more parties involve in the collectively control of certain arrangement, it shall not be considered as joint control. Protection of rights shall not be considered in determining whether there is joint control.

Control refers to the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its operating activities. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

Significant influence refers to the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When the Group, directly or indirectly through subsidiaries, owns 20% of the investee (including 20%) or more but less than 50% of the voting shares, it has significant impact on the investee unless there is clear evidence to show that in this case the Group cannot participate in the production and business decisions of the investee, and cannot form a significant influence; when the Group owns 20% (excluding) or less of the voting shares, generally it is not considered to have a significant impact on the investee, unless there is clear evidence to show that in this case the Group can participate in the production and business decisions of the investee so as to form a significant influence.

(4) Held-for-sale equity investment

Refer to note III, 14 for the relevant accounting treatment of the equity investment to joint ventures or associates all or partially classified as assets held for sale.

The surplus equity investments that are not classified as assets held for sale shall be accounted for using equity method.

The equity investment to joint ventures or associates already classified as held for sale no longer meets the conditions of assets held for sale shall be adjusted retroactively using equity method from the date of being classified as assets held for sale.

(5) Impairment test and Impairment provision

Refer to note III.21 for investment and the impairment provision of assets.

16. Fixed assets

(1) Recognition and initial measurement of fixed asset

Fixed assets comprise buildings, machinery and equipment, motor vehicles, and other fixed assets.

Fixed assets are recognised when it is probable that the related economic benefits will flow to the Company and the costs can be reliably measured. Fixed assets purchased or constructed by the Company are initially measured at cost at the acquisition date. The fixed assets contributed by the State shareholders at the reorganisation of the Company into a corporation entity are recognised based on the revaluated amounts approved by the state-owned assets administration department.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Company and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

III. Summary of significant accounting policies and accounting estimates (Continued)

16. Fixed assets (Continued)

(2) Depreciation methods of fixed assets

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. Fixed assets start to be depreciated from the day the assets to the expected conditions for use and stop to be depreciated when the assets are derecognised and are divided into hold-for-sale as non-current assets. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates of fixed assets are as follows:

Category	Useful years (year)	Residual rate %	Annual depreciation rate %
Buildings	12-50	3	2.43-4.9
Oil engineering equipment and others	4-30	3	3.2-24.3

The depreciation period, differently from the buildings' originally owned by the Company, of simply structured building purchased in the current year and classified as buildings, is 12 years.

The estimated useful lives, estimated residual values and depreciation method should be assessed and adjusted if appropriate at year ended.

(3) Refer to note III,21 for the impairment testing and the impairment provision of fixed assets.

(4) Recognition and measurement of fixed assets financed by leasing

The leased fixed assets are recognised as fixed assets financed by leasing if they meet the following one or more criteria:

1) The ownership of leased assets can be transferred to the Group at the end of the lease period.

2) The Group has the option of buying leased assets and the purchase price is estimated to be far less than the fair value of leased assets when exercising the option. So at the beginning date of lease period it is reasonably determined that the Group will exercise the option.

3) Even if the ownership of assets is not transferred, lease period accounts for most of leased assets' useful life.

4) The present value of minimum lease payment almost equals to the fair value of leased asset of the beginning date of lease period.

Leased assets have special characteristics and they are used for the Group only if not reconstructed largely.

At the beginning date of lease period, the Group will recognise the lower of the fair value of leased asset of the beginning date of lease period and the present value of minimum lease payment as the recorded value of the leased asset, their difference is recorded as unrecognised financing charges. Initial direct costs such as charges, legal fee, travelling expenses and stamp taxes of the lease incurred during leasing negotiation and signing leasing contracts are recognised in leased assets' value. Unrecognised financing charges are measured at amortised cost using the effective interest method in the periods of leasing.

Fixed assets financed by leasing are depreciated according to the policy of owned assets. If it can be reasonably determined that the ownership of the leased assets can be obtained at the end of the lease period, the leased assets are depreciated over their useful lives; otherwise, the leased assets are depreciated over the shorter of the lease terms and the useful lives of the leased assets.

17. Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing cost that are eligible for capitalisation and other necessary cost incurred to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month.

For provision for impairment of construction in progress, refer to note III, 21.

18. Borrowing costs

(1) Recognition principle of capitalisation of borrowing costs

For borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, they shall be capitalised and included in the cost of related assets; other borrowing costs are recognised as expenses and included in profit or loss when incurred. Capitalisation of such borrowing costs can commence only when all of the following conditions are satisfied:

1) Expenditures for the asset are being incurred, capital expenditure includes the expenditure in the form of cash payment, transfer of non-cash assets or the interest bearing liabilities for the purpose of acquiring or constructing assets eligible for capitalisation;

2) Borrowing costs are being incurred; and

3) Activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced.

III. Summary of significant accounting policies and accounting estimates (Continued)

18. Borrowing costs (Continued)

(2) Capitalisation period of borrowing costs

Capitalisation of such borrowing costs ceases when the qualifying assets being acquired, constructed or produced become ready for their intended use or sale. The borrowing cost incurred after that is recognised as an expense in the period in which they are incurred and included in profit or loss for the current period.

Capitalisation of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally and when the interruption is for a continuous period of more than 3 months; the borrowing costs in the normally interrupted period continue to capitalise.

(3) Calculation of the capitalisation rate and amount of borrowing costs

The interest expense of the specific borrowings incurred at the current period, deducting any interest income earned from depositing the unused specific borrowings in bank or the investment income arising from temporary investment, shall be capitalised. The capitalisation rate of the general borrowing is determined by applying the weighted average effective interest rate of general borrowings, to the weighted average of the excess amount of cumulative expenditures on the asset over the amount of specific borrowings on the asset over the amount of specific borrowings.

During the capitalisation period, exchange differences on foreign currency special borrowings shall be capitalised; exchange differences on foreign currency special borrowings shall be recognised as current profits or losses.

19. Intangible assets

Intangible assets include land use rights, patent rights and technology rights, and are measured at cost. The intangible assets contributed by the State shareholders at the reorganisation of the Company into a corporation are recognised based on the revaluated amounts as approved by the state-owned assets administration department.

The Group analyses and judges the service life of intangible assets when obtained. An intangible asset with finite useful life shall be amortised over the expected useful life using method which can reflect the expected realisation of the economic benefits related to the assets from when the intangible asset is available for use. An intangible asset whose expected realisation can't be reliably determined is amortised using straight-line amortisation; An intangible asset with indefinite useful life shall not be amortised.

Amortisation of an intangible asset with finite useful life is as follows:

Category	Useful life	Amortisation
Land use rights	50 years	straight-line basis
Software	5 years	straight-line basis
Patent rights	10 years	straight-line basis
Technology rights	10 years	straight-line basis

For an intangible asset with a finite useful life, the Group reviews the useful life and amortisation method at the end of each financial year, if it is different from the previous estimates, adjust the previous estimates and deal with it according to changes in accounting estimates.

The Group estimates an intangible asset can no longer bring future economic benefits to the Group at the end of a period, the carrying amount of which should be reversed to profit or loss for the current period.

For the impairment method of intangible assets, refer to Note III.21.

20. Research and development expenditure

Expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase.

Expenditure on the research phase is recognised in profit or loss when incurred.

Expenditure on the development phase is capitalised only when the Group can satisfy all of the following conditions: the technical feasibility of completing the intangible asset so that it will be available for use or sale; its intention to complete the intangible asset is to use or sell it; how the intangible asset will generate economic benefits. Among other things, the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset; the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; its ability to measure reliably the expenditure attributable to the intangible asset during its development phase. Otherwise, it is charged to profit or loss.

The research and development projects of the Group will enter into the development stage after meeting the above conditions and passing through the technical feasibility and economic feasibility studies and the formation of the project.

Capitalised expenditure on the development phase is presented as "development costs" in the balance sheet and shall be transferred to intangible assets when the project is completed to its intended use state.

III. Summary of significant accounting policies and accounting estimates (Continued)

21. Impairment of assets

The impairment of subsidiaries, associates and joint ventures in the long-term equity investments, fixed assets, construction in progress, intangible assets, etc. (Excluding inventories, deferred income tax assets and financial assets) are determined as follows:

At the balance sheet date, the Group determines whether there may be evidence of impairment, if there is any, the Group will estimate the recoverable amount for impairment, and then test for impairment. For goodwill arising from a business combination, intangible assets with indefinite useful life and the intangible assets that have not yet ready for use are tested for impairment annually regardless of whether such evidence exists.

The recoverable amount of an asset is determined by the higher amount of fair value deducting disposal costs and net present value of future cash flows expected from the assets. The Group estimates the recoverable amount based on individual asset; for individual asset which is difficult to estimate the recoverable amount, the recoverable amount of the asset group is determined based on the asset group involving the asset. The identification of the asset group is based on whether the cash flow generated from the asset group is independent of the major cash inflows from other assets or asset groups.

When the asset or asset group's recoverable amount is lower than its carrying amount, the Group reduces its carrying amount to its recoverable amount, the reduced amount is included in profit or loss, while the provision for impairment of assets is recognised.

In terms of impairment test of the goodwill, the carrying amount of the goodwill, arising from business combination, shall be allocated to the related asset group in accordance with a reasonable basis at acquisition date. Those that are difficult to be allocated to related assets shall be allocated to related asset group. Related assets or assets group refer to those that can benefit from the synergies of business combination and are not larger than the group's recognised reporting segment.

When there is an indication that the asset and asset group are prone to impair, the group should test for impairment for asset and asset group excluding goodwill and calculate the recoverable amount and recognise the impairment loss accordingly. The group should test for impairment for asset or the asset group including goodwill and compare the asset or asset group's recoverable amount with its carrying amount, provision for impairment of assets shall be recognised when the recoverable amount of assets is lower than its carrying amount.

Once impairment loss is recognised, it cannot be reversed in subsequent accounting periods.

22. Long-term deferred expenses

The Group's long-term deferred expenses mainly include oil construction specific drilling equipment, logging equipment, cables and catalyst and evenly amortised on straight-line basis over the expected beneficial period or over operation capacity. For the long-term deferred expense items that cannot benefit in the accounting period, their amortised value is recognised through profit or loss.

23. Employee benefits

(1) The scope of employee benefits

Employee benefits are all forms of consideration and compensation given by the Group in exchange for service rendered by employees or the termination of employment. Employee benefits include short term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. Employee benefits include benefits provided to employees' spouses, children, other dependants, survivors of the deceased employees or to other beneficiaries.

According to liquidity, employment benefits are presented separately as "accrued payroll" and "long-term employment benefits payable" in the balance sheet.

(2) Short-term employee benefits

During the accounting period in which the employee render the related services, wages, bonuses, social security contributions (including medical insurance, injury insurance, maternity insurance, etc.) and house funding are recognised as liability and recognised as current profit of loss or assets related costs. If the short-term employee benefits are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service and have significant financial impact, the liability shall be measured as the discounted amounts.

(3) Post-employment benefits

Post-employment benefit plans are classified as either defined contribution plans or defined benefit plans. Under defined contribution plans, an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Post-employment benefit of outgoing business includes the basic pension insurance, unemployment insurance and annuity, which belongs to the defined contribution plans.

The basic pension insurance

The employees of the Group participate in the social basic pension insurance operated by the local labor and social security department. The group provides a monthly payment of pension insurance to the local community in basic pension insurance agency according to the local basic pension insurance base and rate. The local labor and social department are responsible for the payment of social pension to the retired employees after the employees retire. During the accounting period in which the employees render services, the group should recognise the amount of pension insurance calculated as the basic pension insurance base and rate above as a liability, and profit or loss or assets associated costs.

III. Summary of significant accounting policies and accounting estimates (Continued)

23. Employee benefits (Continued)

(3) Post-employment benefits (Continued)

Pension plan

In addition to the basic social pension insurance, the Group sets up annuity scheme according to the relevant policies of annuity system, employees may voluntarily participate in the annuity scheme. The Group accrues annuity at a certain percentage of the total wages, and the corresponding expense is recognised in profit or loss. In addition to this, the Group has no other significant commitments of social security of employees.

(4) Termination benefits

The Group recognises termination benefits liabilities and profit or loss in the period in the earlier date of the followings: (i) The outgoing business cannot unilaterally withdraws the termination plan or reduce the termination benefits under the proposal, or encourage the employees to accept voluntary redundancy compensation when the outgoing business cannot withdraw from the termination of employment or the layoff proposal; or (ii) The Group recognises the payment of the termination benefits costs and expenses.

(5) Other long-term employee benefits

Other long-term employee benefits provided by employees of the Group to meet the conditions of a defined contribution plan, shall be treated in accordance with the relevant provisions of the above defined contribution plans. The employee benefits compliance with the refined benefit plan are processed in accordance with the relevant provisions of these refined benefit plan.

24. Provisions

An obligation for additional losses of investees related to a contingency is recognised as a provision when all of the following conditions are satisfied:

1) The obligation is a present obligation of the Group;

2) It is probable that an outflow of economic benefits will be required to settle the obligation;

3) The amount of the obligation can be measured reliably.

Provisions are initially measured at the best estimate of the payment to settle the associated obligations and consider the relevant risk, uncertainty and time value of money. If the impact of time value of money is significant, the best estimate is determined as its present value of future cash outflow. The Group reviews the carrying amount of provisions at the balance sheet date and adjusts the carrying amount to reflect the best estimate.

If the expenses for clearing of predictive liability is fully or partially compensated by a third party, and the compensated amount can be definitely received, it is recognised separated as asset. The compensated amount shall not be greater than the carrying amount of the predictive liability.

25. Share-based payment and equity instruments

(1) Category of share-based payment

The group’s share-based payment is classified into cash-settled share-based payment and equity-based share-based payment.

(2) Fair value of equity instrument

For the existence of an active market for options and other equity instruments granted by the group, the fair value is determined at the active market quotations. For options and other equity instruments with no active market, option pricing model shall be used to estimate the fair value of the equity instruments. Factors as follows shall be taken into account using option pricing models: A、the exercise price of the option B、the validity of the option C、the current market price of the share D、the expected volatility of the share price E、predicted dividend of the share F、risk-free rate of the option within the validity period.

(3) Recognition of vesting of equity instrument based on the best estimate

During the waiting period at each balance sheet date, the Group shall make the best available estimate of the number of equity instruments expected to vest and shall revise that estimate, if necessary, if subsequent information indicates that the number of equity instruments expected to vest differs from previous estimates. On vesting date, the entity shall revise the estimate to equal the number of equity instruments that ultimately vested.

III. Summary of significant accounting policies and accounting estimates (Continued)

25. Share-based payment and equity instruments (Continued)

(4) Accounting treatment of implementation, modification and termination of share-based payment

Equity-settled share-based payment is measured at the fair value of the equity instruments granted to employees. For the shares exercise immediately after the grant, the fair value of equity instrument at the grant date included in the relevant costs or expenses and increase in capital reserve accordingly. Within the vesting period, it will recognise the received service-related costs or expense and capital reserves for each reporting date based on the best estimate of the number of vested equity instruments on the grant date of the equity instruments value. After the vesting period, relevant costs or expenses and total shareholders' equity has been confirmed and will not be adjusted.

Cash-settled share-based payment calculates the fair value of liabilities assumed in accordance with the Group's shares or other equity instruments. For those exercised immediately after the grant, the fair value of the liability included in the relevant costs or expenses cause a corresponding increase in liabilities. For each reporting date in the vesting period, the best estimate of the vesting conditions in accordance with the Group is committed to the fair value of the amount of debt service will recognise the received costs or expenses and the corresponding liabilities. At each reporting date and the settlement date prior to the settlement of liabilities, the fair value of the liability is re-measured through profit or loss.

When there is changes in Group's share-based payment plans, if the modification increases the fair value of the equity instruments granted, corresponding recognition of service increase in accordance with the increase in the fair value of the equity instruments; if the modification increases the number of equity instruments granted, the increase in fair value of the equity instruments is recognised as a corresponding increase in service achieved. Increase in the fair value of equity instruments refer to the difference between the fair values of the modified date. If the modification reduces the total fair value of shares paid or not conductive to the use of other employees share-based payment plans to modify the terms and conditions of service, it will continue to be accounted for in the accounting treatment, as if the change had not occurred, unless the Group cancelled some or all of the equity instruments granted.

During the vesting period, if the cancelled equity instruments (except for failure to meet the conditions of the non-market vesting conditions, such as length of service performance conditions or market conditions are cancelled) granted by the Group to cancel the equity instruments granted amount treated as accelerated vesting of the remaining period should be recognised immediately in profit or loss, while recognising the capital reserve. Employees or other parties can choose to meet non-vesting conditions but are not met in the vesting period, the Group will treat it as canceled equity instruments granted.

26. Revenue

Revenue is determined in accordance with the fair value of the consideration received or receivables for the sale of goods and services in the operating activities. the income of sales of goods is the net amount calculated as sales of products less sales allowance and sales return.

Revenue can be recognised when the economic benefit relevant with the transaction can flow to the company and the relevant revenue can be reliably measured and satisfies the recognition criteria of special revenue arising from various operating activities below.

(1) Sale of goods

Revenue from the sale of goods is recognised only when all of the following conditions are satisfied: the Group has transferred to the buyer the significant risks and rewards of ownership of the goods, the Group retains neither continuing managerial involvement nor effective control over the goods sold, and related income has been achieved or evidences of receivable have been obtained, and the associated costs can be measured reliably.

(2) Providing of services

Where the outcome of a transaction involving the providing of services can be estimated reliably, at the end of the period, revenue associated with the transaction is using the percentage of completion method.

Revenue associated with daily rate contract is recognised when the services are provided, other service income is recognised when the services are provided and consideration received or receivable is probable.

The stage of completion of a transaction involving the providing of services is determined according to the services performed to the total services to be performed.

The outcome of a transaction involving the providing of services can be estimated reliably only when all of the following conditions can be satisfied at the same time: 1. The amount of revenue can be measured reliably; 2. The associated economic benefits are likely to flow into the enterprise; 3. The stage of completion of the transaction can be measured reliably; 4. The costs incurred and to be incurred in the transaction can be measured reliably.

If the outcome of a transaction involving the providing of services cannot be estimated reliably, the revenue of providing of services is recognised at the service cost that incurred and is estimated to obtain compensation and the service cost incurred is recognised in profit or loss for the current period. If the service cost incurred is estimated to obtain compensation, revenue is not recognised.

(3) Transfer of the right to use assets

The Group will recognise revenue when the economic benefits related to transfer of the right to use assets can flow in and the amount of revenue can be measured reliably.

III. Summary of significant accounting policies and accounting estimates (Continued)

26. Revenue (Continued)

(4) Construction contracts

Where the outcome of a construction contract can be estimated reliably at the balance sheet date, revenues and expenses associated are recognised using the percentage of completion method. Where the outcome of a construction contract cannot be estimated reliably, it should be treated distinctively: if contract costs can be recovered, then the contract revenues is recognised according to the actual contract costs that can be recovered, the contract costs are identified as expenses in the current period; otherwise, contract costs are identified as expenses and revenues shall not be recognised.

If the estimated total costs exceed contract revenue, the Group recognises estimated loss in profit or loss for the current period.

The stage of completion of an engineering construction contract is determined according to the proportion of accumulated actual contract costs to the estimated total costs and the stage of completion of geophysics or drilling engineering contract is determined according to surveys of the work performed.

The outcome of a construction contract can be estimated reliably only when all of the following conditions can be satisfied at the same time: 1. The amount of contract revenue can be measured reliably; 2. The associated economic benefits are likely to flow to the enterprise; 3. The actual contract costs incurred can be distinguished clearly and measured reliably; 4. The stage of completion of the contract and the costs need to be incurred to complete the contract can be measured reliably.

27. Government grants

A government grant shall be recognised only when the enterprise can comply with the conditions attaching to the grant and the enterprise can receive the grant.

If a government grant is in the form of a transfer of a monetary asset, the item is measured at the amount received or receivable. Where there is undoubted evidence that the grants can meet the relevant conditions of financial support policy and is expected that the financial support fund is receivable, they can be measured in accordance with the receivable amount, otherwise, they shall be measured according to the amount actually received. If a government grant is in the form of a transfer of a non-monetary asset, the item is measured at fair value, when fair value is not reliably determinable, the item is measured at RMB 1 of nominal amount.

Government grant related to assets represents the government grant received for acquisition, construction and other ways of form of long term assets. Except for these, all are government grant related to income.

Regarding to the government grant not clearly defined in the official documents and can form long term assets, the part of government grant which can be referred to the value of the assets is classified as government grant related to assets and the remaining part is government grant related to income. For the government grant that is difficult to distinguish, the entire government grant is classified as government grant related to income.

Regarding to the government grant not clearly defined in the official documents and can form long term assets, the part of government grant which can be referred to the value of the assets is classified as government grant related to assets and the remaining part is government grant related to income. For the government grant that is difficult to distinguish, the entire government grant is classified as government grant related to income.

When recognised government grants need to be returned, the balance of deferred income is offset against book balance of deferred income and the excess is recognised in profit or loss for the current period; if there is no related deferred income, it is directly recognised in profit or loss for the current period.

28. Deferred tax assets and deferred tax liabilities

Tax expense comprises current tax expense and deferred tax expense. Current tax and deferred tax are included in profit or loss for the current period as tax expense, except for deferred tax related to transactions or events that are directly recognised in shareholders' equity which are recognised directly in shareholders' equity, and deferred tax arising from a business combination, which is adjusted against the carrying amount of goodwill.

Temporary differences arising from the difference between the carrying amount of an asset or liability and its tax base are recognised as deferred tax using the balance sheet liability method.

All the taxable temporary differences are recognised as deferred tax liabilities except for those incurred in the following transactions:

(1) The initial recognition of goodwill, and the initial recognition of an asset or liability in a transaction which is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) when the transaction occurs;

(2) The taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, and the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The Group recognises a deferred tax asset for the carry forward of deductible temporary differences, deductible losses and tax credits to subsequent periods, to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, deductible losses and tax credits can be utilised, except for those incurred in the following transactions:

(1) The transaction is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) when the transaction occurs;

(2) The deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, the corresponding deferred tax asset is recognised when both of the following conditions are satisfied: it is probable that the temporary difference will reverse in the foreseeable future, it is probable that taxable profits will be available in the future, against which the temporary difference can be utilised.

III. Summary of significant accounting policies and accounting estimates (Continued)

28. Deferred tax assets and deferred tax liabilities (Continued)

At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their tax effect is reflected.

At the balance sheet date, the Group reviews the carrying amount of a deferred tax asset. If it is probable that sufficient taxable profits will not be available in future periods to allow the benefit of the deferred tax asset to be utilised, the carrying amount of the deferred tax asset is reduced. Any such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

29. Operating leases and finance leases

A finance lease is a lease that transfers in substance all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

(1) As lessor

In finance leases, at the beginning date of lease period, the Group will recognise the sum of minimum lease collection and initial direct costs as the recorded value of finance leases receivable and meanwhile is recorded as unguaranteed residual value; the difference between the sum of minimum lease collection, initial direct costs and unguaranteed residual value and their present value is recorded as unrecognised financing income. Unrecognised financing income are measured at amortised cost using the effective interest method in the periods of leasing and recognised in financing income for the current period.

Lease from operating leases is recognised in profit or loss on a straight-line basis over the lease term. The initial direct costs incurred are recognised in profit or loss for the current period.

(2) As lessee

In finance leases, at the beginning date of lease period, the Group will recognise the lower of the fair value of leased asset of the beginning date of lease period and the present value of minimum lease payment as the recorded value of the leased asset, their difference is recorded as unrecognised financing charges. Initial direct costs are recognised in leased assets' value. Unrecognised financing charges are measured at amortised cost using the effective interest method in the periods of leasing and recognised in financing charges for the current period. The Group depreciates the leased assets by adopting the depreciation policy consistent with self-owned fixed assets.

Lease from operating leases is recognised in the cost of relevant assets or profit or loss on a straight-line basis over the lease term. The initial direct costs incurred are recognised in profit or loss for the current period.

30. Safety costs

The Company accrued production safety fund according to the national regulations for high-risk industry. The production safety fund accrued is charged to the cost of related products, and recorded in the specific reserve. As production safety fund is utilised, if it is of expenditure nature, the cost is directly charged against the specific reserves. If it is used for construction, the cost being used is recorded in construction in progress, and transferred to fixed assets when it is ready for its intended use. Meanwhile, the cost of fixed asset is offset against the specific reserves and accumulated depreciation of the same amount is recognised, then the fixed asset is no longer.

31. Repurchase of shares

The repurchased shares prior to cancellation or transfer of shares are managed as treasury stocks, all costs incurred from repurchase of shares are recognised as the costs of treasury stocks. Considerations and transaction fee incurred from the repurchase of shares shall lead to the elimination of shareholders' equity and does not recognise profit or loss when shares of the company are repurchased, transferred or cancelled.

The difference between the actual amount received and the carrying amount of the treasury stock are recognised as capital reserve when the treasury stocks are transferred, if the capital reserve is not sufficient to be offset, the excess amount shall be recognised to offset surplus reserve and redistributed profit. When the treasury stocks are cancelled, the capital shall be eliminated according to the number of shares and par value of cancellation shares, the difference between the actual amount received and the carrying amount of the treasury stock are recognised as capital reserve, if the capital reserve is not sufficient to be offset, the excess amount shall be recognised to offset surplus reserve and redistributed profit.

III. Summary of significant accounting policies and accounting estimates (Continued)

32. Critical accounting judgments and estimates

The Group gives continuous assessment of the reasonable expectations of future events and the critical accounting estimates and key assumptions based on its historical experience and other factors.

The critical accounting estimates and key assumptions that are likely to lead to significant adjusted risks of the carrying amount of assets and liabilities for the next financial year are listed as follows:

(1) impairment of receivables

As described in Note III (12), receivables that are measured at amortisation cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is provided. Objective evidence of impairment includes observable data that comes to the attention of the Company about loss events such as a significant decline in the estimated future cash flow of an individual debtor or the portfolio of debtors, and significant changes in the financial condition that have an adverse effect on the debtor. If there is objective evidence of a recovery in value of receivables which can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed.

(2) Provision for diminution in value of inventories

As described in Note III (13), the net realisable value of inventories is under management's regular review, and as a result, provision for diminution in value of inventories is recognised for the excess of inventories' carrying amounts over their net realisable value. When making estimates of net realisable value, the Company takes into consideration the use of inventories held on hand and other information available to form the underlying assumptions, including the inventories' market prices and the Company's historical operating costs. The actual selling price, the costs of completion and the costs necessary to make the sale and relevant taxes may vary based on the changes in market conditions and product sale ability, manufacturing technology and the actual use of the inventories, resulting in the changes in provision for diminution in value of inventories. The net profit or loss may then be affected in the period when the provision for diminution in value of inventories is adjusted.

(3) impairment of long-term assets

As described in Note III (21), long-term assets are reviewed at each balance sheet date to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is recognised.

The recoverable amount of an asset (or an asset group) is the greater of its fair value less costs to sell and its present value of expected future cash flows. Since a market price of the asset (or the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing value in use, significant judgements are exercised over the asset's production, selling price, related operating expenses and discount rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the production, selling price and related operating expenses based on reasonable and supportable assumptions. If significant changes with an adverse effect that have taken place in relevant assumptions, the Company would need to recognise further impairment against long-term assets.

(4) Depreciation and amortisation of assets such as fixed assets, intangible assets and long-term prepaid expenses

As described in Note III (16), (9) and (22), fixed assets, intangible assets and long-term prepaid expenses are depreciated and amortised over their useful lives after taking into account residual value. The estimated useful lives of the assets are regularly reviewed to determine the depreciation and amortisation costs charged in each reporting period. The useful lives of the assets are determined based on historical experiences of similar assets and the estimated technical changes, the amortisation periods for the long-term prepaid expenses are determined by the Company in accordance with the expected benefit period of each expense. If there have been significant changes in the factors used to determine the depreciation or amortisation, the rate of depreciation or amortisation is revised.

(5) Construction contracts

Contract revenue and costs from individual contracts is recognised under the percentage of completion method. The estimated total contract costs for the calculation of the percentage of completion is according to the management's expectation on the actual situation and past experience of the oil engineering projects. The reviews and revises the estimated total contract costs during the execution of construction contracts and such revisions may result in increase or decrease in revenues or costs and are reflected in different accounting periods.

(6) Pending claims

For the legal proceedings and claims, the Group derive the best estimate of committed losses to the related current obligations based on legal advices consulted and according to the process and solutions of the legal proceedings and claims. The estimated losses will change during the development of the legal proceedings and claims.

(7) 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. The management needs significant judgement to estimate the time and extent of the future taxable profits and tax planning strategy to recognise the appropriate amount of deferred income tax assets. Where the expectation is different from the original estimate of the future taxable profits, such differences will impact the recognition of deferred tax assets and taxation in the years when the estimates are changed.

III. Summary of significant accounting policies and accounting estimates (Continued)

32. Critical accounting judgments and estimates (Continued)

(8) Taxation

There are various uncertainties on interpretation of the complicated tax jurisdictions (including related tax incentive regulations) and time and extent of the future taxable revenue. Regarding to various international business relationship and current contract complication, there may be adjustment to the recognised taxable income and expenses in the future due to the differences arising from actual operating results and its assumptions or estimated changes in the future. The Group has reasonably estimated the provision of taxation from the possible results of the tax authorities where the Group operates. Such provision of taxation is based on different factors, such as previous tax audit experience and the tax jurisdiction interpretation from taxable entity and related tax authorities. Since the Group operates in different tax regions, different interpretation may be resulted from various events.

33. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

The group has no significant changes in accounting policies this year.

(2) Changes in significant accounting estimate

The group has no significant changes in accounting estimates this year.

IV. Taxation

(1) Types of taxes and tax rates

Type of taxes	Tax base	Tax rate %
Value added tax	Taxable value added(for the calculation of the output VAT and deducted by the input VAT)	3、4、6、11、13 or 17
Business tax	Taxable income	3 or 5
Urban maintenance and construction tax	Turnover tax payable	1、5、7
Educational surtax	Turnover tax payable	5
Corporate income tax	Tax payable	25

Corporate income tax:

Taxpayer	Tax rate %
Sinopec Southwest Oil Engineering Company Limited	15
Sinopec Oil Engineering Design Company Limited	15
Sinopec Zhongyuan Oil Engineering Design Company Limited	15
Sinopec Henan Oil Engineering Design Company Limited	15

IV. Taxation (Continued)

(2) Tax incentives and approval documents

(1) Consumption tax refund of self-used refined oil

In accordance to "Notification of refund of consumption tax for own use refined oil during oil (gas) field production" (Cai Shui [2011] No.7)) issued by MOF and State Taxation Administration, from 1 January 2009, the oil (gas) field enterprises will be refunded the consumption tax after the actual payment of temporary consumption tax paid for the purchases of refined oil used in the exploitation of crude oil.

(2) Corporate income tax

In accordance to "Notification of tax policy issues on thorough implementation of western development strategy issued by MOF and State Taxation Administration" (Cai Shui[2011]No.58) and "Proclamation of corporate income tax issues on thorough implementation of western development strategy issued by State Taxation Administration"([2012]No.12), a subsidiary of the Group, Sinopec Southwest Oil Engineering Company Limited has enjoyed a preferential western development corporate income tax rate at 15% confirmed by "Permission of agreement that Sinopec Southwest Oil Engineering Company Limited enjoys preferential western development corporate income tax rate"(Cuan Guo Shui Zhi Fa[2014]No.8) issued by SiChuan province state taxation bureau directly-managed branch bureau.

In accordance to "Notification of publicity of proposed list of Shandong Province High-tech enterprises subject to review in 2012" (Lu Ke Gao Zi [2012] No.184) issued by Science and Technology Department of Shangdong Province, Department of Finance of Shandong Province, The State Tax Administration of Shangdong Province, The Local Tax Administration of Shangdong Province, Sinopec Oil Engineering Design Company Limited has obtained High-tech enterprise accreditation and enjoy a preferential income tax rate at 15%.

In accordance to "Notification of second batch of Henan Province High-tech enterprise accreditation in 2012" (Yu Ke[2012]No.173) issued by Science and Technology Department of Henan Province, Henan Provincial Department of Finance, The State Tax Administration of Henan Province, The Local Tax Administration of Henan Province, Sinopec Zhongyuan Oil Engineering Design Company Limited has obtained High-tech enterprise accreditation and enjoy a preferential income tax rate at 15%.

In accordance to "Notification of second batch of Henan Province High-tech enterprise accreditation in 2011" (Yu Ke[2012]No.39) issued by Science and Technology Department of Henan Province, Henan Provincial Department of Finance, The State Tax Administration of Henan Province, The Local Tax Administration of Henan Province, Sinopec Henan Oil Engineering Design Company Limited has obtained High-tech enterprise accreditation and enjoy a preferential income tax rate at 15%.

V. Notes to the consolidated financial statements

1. Cash at bank and on hand

Items	At 30 June 2015			At 31 December 2014		
	Original currency	Exchange rate	Amount (RMB)	Original currency	Exchange rate	Amount (RMB)
Cash on hand:	—	—	12,755	—	—	15,635
RMB	—	—	2,851	—	—	4,070
USD	567	6.1136	3,465	586	6.1190	3,585
EUR	46	6.8699	318	45	7.4556	338
BRL	212	1.9478	418	287	2.3039	661
DZD	7,151	0.0615	440	4,259	0.0696	296
AED	154	1.6641	256	73	1.6644	122
KWD	18	20.8694	368	27	20.8866	573
KZT	7,843	0.0328	258	11,130	0.0336	373
SAR	741	1.6299	1,207	874	1.631	1,420
Others			3,174			4,197
Cash at banks:	—	—	2,984,607	—	—	1,154,823
RMB	—	—	1,816,859	—	—	243,857
USD	124,643	6.1136	762,020	97,685	6.1190	597,735
EUR	86	6.8699	591	154	7.4556	1,145
BRL	1,363	1.9478	2,671	3,826	2.3039	8,815
DZD	483,181	0.0615	29,734	446,564	0.0696	32,466
AED	9,673	1.6641	16,096	2,323	1.6644	3,866
KWD	2,368	20.8694	49,419	1,741	20.8866	36,362
KZT	1,132,963	0.0328	37,202	352,830	0.0336	11,840
SAR	56,147	1.6299	91,392	83,479	1.631	136,151
Others			178,623			82,586
Among cash at bank: Related parties	—	—	614,978	—	—	530,069
Including: RMB	—	—	85,678	—	—	87,867
USD	76,275	6.1136	466,317	55,987	6.119	342,585
SAR	30,237	1.6299	49,283	60,237	1.631	98,230
Others	8,039		13,700			1,387
Other monetary funds:	—	—	29,470	—	—	43,439
RMB	—	—	1,820	—	—	19,976
USD	2,000	6.1136	12,227	2,511	6.119	15,365
AED	131	1.6641	219	131	1.6644	219
DZD	11,058	0.0615	681	11,058	0.0696	769
SAR	1,062	1.6299	1,732	1,062	1.631	1,733
KZT	1,964	0.0328	64	1,252	0.0336	42
Others	—	—	12,727	—	—	5,335
Total:	—	—	3,026,832	—	—	1,213,897

At 30 June 2015, the Group's margin deposits were RMB32,713,000 (At 31 December 2014: RMB12,143,000) and deposits pledged to banks for issuing bankers' acceptances were RMB4,485,000.

V. Notes to the consolidated financial statements (Continued)

2. Notes receivable

Category	At 30 June 2015	At 31 December 2014
Bank acceptance bills	81,949	207,691
Trade acceptance bills	3,680	11,815
Total	85,629	219,506

(1) There were no pledged or overdue notes receivable at 30 June 2015 and 31 December 2014.

(2) At 30 June 2015, the endorsed undue notes receivable are as follows:

Type	Derecognition amount	Un derecogniton amount
Bank acceptance bills	345,136	—
Trade acceptance bills	100,139	—
Total	445,275	—

(3) As at 30 June 2015, the five largest notes receivable that are not mature but have been endorsed to other parties are as follows:

	Issuance date	Maturity date	Amount
Issuer 1	9 February 2015	9 August 2015	15,000
Issuer 2	20 April 2015	20 July 2015	7,506
Issuer 3	20 January 2015	19 July 2015	6,560
Issuer 4	18 June 2015	18 December 2015	5,612
Issuer 5	9 April 2015	9 October 2015	5,000
Total			39,678

3. Accounts receivable

	At 30 June 2015	At 31 December 2014
Accounts receivable	15,735,561	28,494,350
Less: provision for bad debts	498,744	429,415
Net	15,236,817	28,064,935

V. Notes to the consolidated financial statements (Continued)

3. Accounts receivable (Continued)

(1) Accounts receivable disclosed by categories:

Type	At 30 June 2015				
	Amount	Proportion %	Bad debt provision	Proportion %	Net carrying amount
Individually significant and provision for bad debts individually	—	—	—	—	—
Provision for bad debts collectively					
Including: Ageing groups	9,541,900	60.64	497,715	5.22	9,044,185
Related party grouping	6,192,632	39.35	—	—	6,192,632
Subtotal	15,734,532	99.99	497,715	3.16	15,236,817
Individually insignificant but provision for bad debts individually	1,029	0.01	1,029	100.00	—
Total	15,735,561	100.00	498,744	3.17	15,236,817

Type	At 31 December 2014				
	Amount	Proportion %	Bad debt provision	Proportion %	Net carrying amount
Individually significant and provision for bad debts individually	—	—	—	—	—
Provision for bad debts collectively					
Including: Ageing groups	8,962,576	31.46	417,087	4.65	8,545,489
Related party grouping	19,519,440	68.50	—	—	19,519,440
Subtotal	28,482,016	99.96	417,087	1.46	28,064,929
Individually insignificant but provision for bad debts individually	12,334	0.04	12,328	99.95	6
Total	28,494,350	100.00	429,415	1.51	28,064,935

① At 30 June 2015 and 31 December 2014, there is no accounts receivable that individually significant and assessed for provision for bad debts individually.

② Group of ageing accounts receivable made provision for bad debts by ageing analysis is as follows:

	At 30 June 2015					At 31 December 2014				
Ageing	Amount	Proportion %	Bad debt provision	Provision proportion	Net	Amount	Proportion %	Bad debt provision	Provision proportion	Net
Within 1 year	8,618,721	90.33	—	—	8,618,721	8,206,262	91.56	—	—	8,206,262
1 – 2 years	509,138	5.33	152,741	30.00	356,397	380,448	4.25	114,134	30.00	266,314
2 – 3 years	172,667	1.81	103,600	60.00	69,067	182,284	2.03	109,371	60.00	72,913
Over 3 years	241,374	2.53	241,374	100.00	—	193,582	2.16	193,582	100.00	—
Total	9,541,900	100.00	497,715		9,044,185	8,962,576	100.00	417,087		8,545,489

(2) Provision, recovery or reversal of bad debt

During the reporting period, the Group did not have accounts receivable for which a full provision or a significant provision was made in the previous years that were recovered or reversed partly or in full amount.

(3) During the reporting period, the Group had written-off of accounts receivable of RMB 2,387,000 (2014: RMB495,000), there is no written-off of accounts receivable due to related party transactions.

V. Notes to the consolidated financial statements (Continued)

3. Accounts receivable (Continued)

(4) As at 30 June 2015, the five largest accounts receivable are analysed as follows:

Company Name	Relationship with the company	Amount	Percentage of total accounts receivable	Ending balance of bad debt provision
Entity A	Common controlled by Sinopec Group	5,124,113	32.56	—
Entity B	Third party	1,451,266	9.22	35,406
Entity C	Third party	689,830	4.39	—
Entity D	Third party	513,074	3.26	—
Entity E	Third party	470,760	2.99	—
Total	—	8,249,043	52.42	35,406

4. Prepayments

	At 30 June 2015	At 31 December 2014
Prepayments	1,101,956	675,042
Less: provision for bad debts	30,589	14,771
Net	1,071,367	660,271

(1) The ageing analysis of prepayments is as follows:

Ageing	At 30 June 2015		At 31 December 2014	
	Amount	Proportion %	Amount	Proportion %
Within 1 year	1,013,955	92.01	641,955	95.09
1 – 2 years	78,057	7.09	25,423	3.77
2 – 3 years	2,985	0.27	656	0.10
Over 3 years	6,959	0.63	7,008	1.04
Total	1,101,956	100.00	675,042	100.00

(2) As at 30 June 2015, the five largest prepayments are analysed as follows:

Company Name	Relationship with the company	Amount	Percentage of total prepayments
Entity A	Common controlled by Sinopec Group	169,301	15.36
Entity B	Third party	106,052	9.62
Entity C	Third party	56,309	5.11
Entity D	Third party	35,287	3.20
Entity E	Third party	29,075	2.64
Total		396,024	35.93

V. Notes to the consolidated financial statements (Continued)

5. Other receivables

	At 30 June 2015	At 31 December 2014
Other receivables	3,154,873	2,576,835
Less: provision for bad debts	384,675	361,703
Net	2,770,198	2,215,132

(1) Other receivables disclosed by categories:

Type	At 30 June 2015				
	Amount	Proportion %	Bad debt provision	Proportion %	Net carrying amount
Individually significant and provision for bad debts individually	—	—	—	—	—
Provision for bad debts collectively					
Including: Ageing groups	2,865,856	90.84	384,675	13.42	2,481,181
Related party grouping	289,017	9.16			289,017
Subtotal	3,154,873	100.00	384,675	12.19	2,770,198
Individually insignificant but provision for bad debts individually	—	—	—	—	—
Total	3,154,873	100.00	384,675	12.19	2,770,198

Type	At 31 December 2014				
	Amount	Proportion %	Bad debt provision	Proportion %	Net carrying amount
Individually significant and provision for bad debts individually	—	—	—	—	—
Provision for bad debts collectively					
Including: Ageing groups	2,443,121	94.81	361,703	14.80	2,081,418
Related party grouping	133,714	5.19	—	—	133,714
Subtotal	2,576,835	100.00	361,703	14.04	2,215,132
Individually insignificant but provision for bad debts individually	—	—	—	—	—
Total	2,576,835	100.00	361,703	14.04	2,215,132

① At 30 June 2015 and 31 December 2014, there is no other receivables that is individually significant and provision for bad debts individually.

② Group of ageing other receivables made provision for bad debts by ageing analysis is as follows:

	At 30 June 2015					At 31 December 2014				
	Amount	Proportion %	Bad debt provision	Provision proportion	Net	Amount	Proportion %	Bad debt provision	Provision proportion	Net
Within 1 year	2,399,145	83.71	—	—	2,399,145	2,028,636	83.03	—	—	2,028,636
1 – 2 years	99,683	3.48	29,905	30.00	69,778	49,897	2.04	14,969	30.00	34,928
2 – 3 years	30,646	1.07	18,388	60.00	12,258	44,635	1.83	26,781	60.00	17,854
Over 3 years	336,382	11.74	336,382	100.00	—	319,953	13.10	319,953	100.00	—
Total	2,865,856	100.00	384,675		2,481,181	2,443,121	100.00	361,703		2,081,418

(2) During the reporting period, the Group did not have other receivables for which a full provision or a significant provision was made in the previous years that were recovered or reversed partly or in full amount.

V. Notes to the consolidated financial statements (Continued)

5. Other receivables (Continued)

(3) Other receivables disclosed by nature:

Items	At 30 June 2015	At 31 December 2014
Pretty cash funds	211,320	125,405
Guarantee	771,709	718,477
Disbursement of funds	978,032	755,768
Temporary payment	608,797	358,245
Escrow funds	9,678	16,559
Loan	10,000	10,000
Deposits	56,056	64,015
Export tax refund receivable	13,945	2,839
Others	495,336	525,527
Total	3,154,873	2,576,835

(4) As at 30 June 2015, the five largest other receivables are analysed as follows:

Company Name	Relationship with the company	Amount	Percentage of total accounts receivable	Ending balance of bad debt provision	Company Name
Entity A	Third party	Project payment	166,339	5.27	166,339
Entity B	Third party	Project margin	142,731	4.52	—
Entity C	Controlling shareholder	Collecting financial allocations	109,972	3.49	—
Entity D	Common controlled by Sinopec Group	Accounts	55,490	1.76	—
Entity E	Third party	Accounts	50,868	1.61	
Total	—		525,400	16.65	166,339

6. Inventories

(1) Inventories by categories

Category	At 30 June 2015			At 31 December 2014		
	Cost	Provision for diminution in value	Carrying amount	Cost	Provision for diminution in value	Carrying amount
Raw materials	1,779,844	7,724	1,772,120	1,743,628	7,724	1,735,904
Work in progress	134,611	—	134,611	89,322	—	89,322
Finished goods	124,770	—	124,770	99,015	—	99,015
Turnover materials	19,759	—	19,759	24,917	—	24,917
Amounts due from customers for contract work	14,135,532	28,159	14,107,373	10,009,710	28,159	9,981,551
Others	725	—	725	1,433	—	1,433
Total	16,195,241	35,883	16,159,358	11,968,025	35,883	11,932,142

As at 30 June 2015 and 31 December 2014, no capitalised borrowing costs were included in the balance of inventories, and the above inventories were not pledged.

6. Inventories (Continued)

(2) Provision for decline in the value of inventories is analysed as follows:

Category	At 1 January 2015	Increase during the period		Written back during the period		At 30 June 2015
		Provision	Others	Reversal or Write-off	Others	
Raw materials	7,724	—	—	—	—	7,724
Amounts due from customers for contract work	28,159	—	—	—	—	28,159
Total	35,883	—	—	—	—	35,883

Provision for decline in the value of inventories is determined at the excess amount of the carrying amounts of the inventories over their net realisable value. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes.

Provision for decline in the value of Amounts due from customers for contract work is determined at the excess amount of the total estimated contract costs exceed the total estimated contract revenue.

(3) Completed yet settled assets formed by construction contracts

Items	At 30 June 2015
Contract cost incurred	55,557,576
plus recognised profit	3,417,554
Less: Loss on contracts	28,159
Less: Progress billings	44,839,598
Book value of Amounts due from customers for contract work	14,107,373

7. Non-current assets due within one year

Items	At 30 June 2015	At 31 December 2014
Long-term deferred expenses due within one year	1,298,109	1,350,742
Total	1,298,109	1,350,742

8. Other current assets

Items	At 30 June 2015	At 31 December 2014
Value Added Tax to be offset	393,781	168,076
Total	393,781	168,076

9. Available-for-sale financial assets

(1) The situation of Available –for-sale financial assets

Items	At 30 June 2015			At 31 December 2014		
	Ending balance	Provision for diminution in value	Carrying amount	Ending balance	Provision for diminution in value	Carrying amount
Available-for-sale financial assets	40,494	—	40,494	41,494	—	41,494
Including: based on cost	40,494	—	40,494	41,494	—	41,494
Total	40,494	—	40,494	41,494	—	41,494

(2) The analysis of Available-for-sale financial assets

Items	At 30 June 2015	At 31 December 2014
Listed	—	—
Unlisted	40,494	40,494
Total	40,494	40,494

Unlisted investments represent the Group's equity interests of the unlisted entities in the PRC. They are mainly engaged in oil drilling and technical services.

V. Notes to the consolidated financial statements (Continued)

10. Long-term equity investments

Name of company		The fluctuation of this period									
	At 1 January 2015	Additional investment	Reduce investment	Investment gains and losses confirmed by the equity method	Adjustment of other comprehensive income	Changes in other equity	The issuance of profit	Impairment	Others	At 30 June 2015	The ending balance of impairment
① Joint venture											
SinoFTS Petroleum Services Ltd. (SinoFTS)	72,580	–	–	-2,379	–	–	–	–	–	70,201	–
Zhong Wei Energy Service Co. Ltd. (A Sinopec – Weatherford Joint Venture)	20,802	–	–	-2,686	–	–	–	–	–	18,116	–
Sinopec Gulf Petroleum Engineering Services, LLC	13,382	–	–	–	–	–	–	–	–	13,382	–
Qianjiang HengYun Comprehensive Vehicle Performance Inspecting Company Limited	1,107	–	–	333	–	–	–	–	–	1,440	–
Subtotal	107,871	–	–	-4,732	–	–	–	–	–	103,139	–
② Associates											
Sinopec International Trading (Nigeria) Company Limited	128	–	–	–	–	–	–	–	–	128	–
Subtotal	128	–	–	–	–	–	–	–	–	128	–
Total	107,999	–	–	-4,732	–	–	–	–	–	103,267	–

There is no restriction on sale of the long-term equity investments held by the Group.

The information of the Group's joint venture and associates refer to note VII.2.

V. Notes to the consolidated financial statements (Continued)

11. Fixed assets

(1) Fixed assets by categories

Items	Buildings	Equipment and others	Total
Cost:			
1. At 1 January 2015	1,121,780	55,274,703	56,396,483
2. Increase during the period	19,870	643,257	663,127
(1) Addition	—	323,604	323,604
(2) Transferred from construction in progress	19,870	319,653	339,523
3. Written back during the period	—	139,342	139,342
(1) Disposal/Write-off	—	139,342	139,342
4. At 30 June 2015	1,141,650	55,778,618	56,920,268
Accumulated depreciation:			
1. At 1 January 2015	338,887	26,075,169	26,414,056
2. Increase during the period	20,088	1,904,339	1,924,427
(1) Depreciation	20,088	1,904,339	1,924,427
3. Written back during the period	—	125,240	125,240
(1) Disposal/Reversal of write-off	—	125,240	125,240
4. At 30 June 2015	358,975	27,854,268	28,213,243
Provision for impairment			
1. At 1 January 2015	8,623	280,658	289,281
2. Increase during the period	—	—	—
3. Written back during the period	—	—	—
4. At 30 June 2015	8,623	280,658	289,281
Net carrying amount			
1. At 30 June 2015	774,052	27,643,692	28,417,744
2. At 1 January 2015	774,270	28,918,876	29,693,146

As at 30 June 2015 and 31 December 2014, no fixed assets of the Group were pledged.

For the six months period ended 30 June 2015, the depreciation charges of fixed assets amounted to RMB1,924,427,000 (2014: RMB2,200,816,000), of which RMB1,908,369,000, 346,000 and 15,712,000 was charged in costs of goods sold, selling expenses and general and administrative expenses, respectively (2014: RMB2,167,396,000, 372,000 and 33,048,000).

For the six months ended 30 June 2015, the costs of fixed assets transferred from construction in progress amounted to RMB339,523,000 (2014: RMB1,480,324,000).

V. Notes to the consolidated financial statements (Continued)

11. Fixed assets (Continued)

(2) Fixed assets rented under finance leases

Items	Cost	Accumulated depreciation	Provision for impairment	Net carrying amount
Equipment	77,897	6,694	—	71,203
Total	77,897	6,694	—	71,203

12. Construction in progress

(1) Details of construction in progress

	At 30 June 2015			At 31 December 2014		
Items	Cost	Impairment	Net carrying amount	Cost	Impairment	Net carrying amount
Infrastructure improvement expenditure	122,892	3,502	119,390	128,663	3,502	125,161
Major Materials and equipment procurement projects	1,353,350	91,762	1,261,588	1,343,219	91,762	1,251,457
Other construction projects	16,621	—	16,621	10,666	—	10,666
Total	1,492,863	95,264	1,397,599	1,482,548	95,264	1,387,284

(2) The major construction projects in progress are set out as follows:

Project name	At 1 January 2015	Additions	Transfer to fixed assets	Other deduction	Accumulated capitalised interest	Including current capitalised interest	Capitalised rate %	At 30 June 2015
	A	B	C	D				E=A+B-C-D
Shenli operating No. 6 platform	314,906	—	314,906	—	4,276	—	4.30	—
Shenli operating 90 meters	196,285	66	—	—	—	—	—	196,351
25 m working platform project	171,387	57,763	—	—	559	—	4.30	229,150
Saudi drilling acquisition or construction project	55,415	—	—	—	—	—	—	55,415
Kuwait rig acquisition projects	62,134	65,079	36,128	—	—	—	—	91,085
7000HP Multipurpose Supply Vessel	139,064	36,809	—	—	10,586	3,886	5.75	175,873
8000HP Multipurpose Supply Vessel	35,617	34,781	—	—	996	558	4.37	70,398
Unconventional oil and gas exploration equipment acquisition	4,741	—	—	—	—	—	—	4,741
Jianghan underground test equipment purchase	—	100,301	100,301	—	—	—	—	—
Offshore drilling platform aging equipment update	3,359	23,136	—	—	—	—	—	26,495
Total	982,908	317,935	451,335	—	16,417	4,444	—	849,508

V. Notes to the consolidated financial statements (Continued)

12. Construction in progress

(2) The major construction projects in progress are set out as follows: (Continued)

Project name	Budget	Percentage of current input over budget (%)	Progress (%)	Sources of funds
Shenli operating No. 6 platform	312,370	100.00	100.00	loans、Self raised
Shenli operating 90 meters	700,000	28.00	28.00	Self raised
25 m working platform project	466,030	49.17	49.17	loans、issue of ordinary shares
Saudi drilling acquisition or construction project	126,001	44.00	44.00	Self raised
Kuwait rig acquisition projects	381,574	33.00	33.00	Self raised、issue of ordinary shares
7000HP Multipurpose Supply Vessel	187,500	94.00	94.00	loans、Self raised
8000HP Multipurpose Supply Vessel	195,000	36.00	36.00	loans、issue of ordinary shares
Unconventional oil and gas exploration equipment acquisition	196,940	2.00	2.00	Self raised
Jianghan underground test equipment purchase	147,880	100.00	100.00	issue of ordinary shares
Offshore drilling platform aging equipment update	63,170	41.94	41.94	Self raised
Total	2,776,465	—	—	—

13. Intangible assets

(1) Classification of intangible assets

Items	Land use rights	Patent rights	Computer software	Others	Total
Cost:					
1. At 1 January 2015	61,774	186	111,471	15,338	188,769
2. Increase during the period	—	—	—	—	—
3. Written back during the period	—	—	427	—	427
(1) Disposal/Write-off	—	—	427	—	427
4. At 30 June 2015	61,774	186	111,044	15,338	188,342
Accumulated amortisation:					
1. At 1 January 2015	10,666	19	72,291	13,442	96,418
2. Increase during the period	633	9	7,243	8	7,893
(1) Amorisation	633	9	7,243	8	7,893
3. Written back during the period	—	—	427	—	427
(1) Disposal/Write-off	—	—	427	—	427
4. At 30 June 2015	11,299	28	79,107	13,450	103,884
Provision for impairment					
1. At 1 January 2015	—	—	—	—	—
2. Increase during the period	—	—	—	—	—
3. Written back during the period	—	—	—	—	—
4. At 30 June 2015	—	—	—	—	—
Carrying amount					
1. At 30 June 2015	50,475	158	31,937	1,888	84,458
2. At 1 January 2015	51,108	167	39,180	1,896	92,351

As at 30 June 2015 and 31 December 2014, the above intangible assets were not pledged.

For the six months period ended 30 June 2015, amortisation of intangible assets amounted to RMB7,893,000 (2014: 11,239,000), were included in profit and loss.

V. Notes to the consolidated financial statements (Continued)

14. Long-term deferred expenses

Items	At 1 January 2015	Increase during the period	Decrease during the period		At 30 June 2015
			Amortisation during the period	Other decreases	
Special tools of petroleum engineering	4,029,362	381,566	722,390	—	3,688,538
Other tools of Petroleum engineering	618,055	154,022	206,116	—	565,961
Camping house	636,675	52,839	156,704	—	532,810
Other long-term deferred expenses	56,529	26,878	17,347	—	66,060
Total	5,340,621	615,305	1,102,557	—	4,853,369
Including: Amount due within one year	1,350,742	—	—	—	1,298,109
Due over one year	3,989,879	—	—	—	3,555,260

Long-term deferred expenses mainly represent the long-acting catalysts for production equipment, special drilling and logging tools of petroleum engineering, geophysical special tools, camping house etc.

15. Deferred income tax assets and deferred income tax liabilities

(1) Deferred income tax assets and deferred income tax liabilities without offsetting

Items	At 30 June 2015		At 31 December 2014	
	Deductible/taxable temporary differences	Deferred income tax assets/liabilities	Deductible/taxable temporary differences	Deferred income tax assets/liabilities
Deferred income tax assets				
Provision for impairment on assets and influence on depreciation	214,024	53,506	214,636	53,659
Provision for bad debts	447,804	108,260	392,648	95,030
Deferred income	41,276	10,319	31,961	7,990
Subtotal	703,104	172,085	639,245	156,679
Deferred income tax liabilities				
Revaluation of assets	146,851	35,949	185,953	45,702
Depreciation of fixed assets	7,459	1,193	7,459	1,193
Subtotal	154,310	37,142	193,412	46,895

15. Deferred income tax assets and deferred income tax liabilities (Continued)

(2) Details of unrecognised deferred income tax assets of deductible temporary differences and tax losses:

The tax losses of the Group can be carried forward to subsequent 5 years for deduction of the taxable profit in accordance with the PRC tax laws. According to the accounting policy of the Group, deferred tax assets are only recognised to the extent that it is probable that taxable profit will be available in the future.

Tax losses that are not recognised as deferred tax assets are analysed as follows:

Items	At 30 June 2015	At 31 December 2014
Deductible temporary differences	646,413	1,686,714
Tax losses	5,666,889	4,015,385
Total	6,313,302	5,702,099

Tax losses that are not recognised as deferred tax assets will be expired as follows:

Years	At 30 June 2015	At 31 December 2014
2015	21,658	21,658
2016	33,472	33,472
2017	969,323	975,715
2018	1,428,491	1,428,491
2019	1,556,049	1,556,049
2020	1,657,896	—
Total	5,666,889	4,015,385

16. Short-term loans

Items	Currency	At 30 June 2015	At 31 December 2014
Unsecured borrowings from related parties	RMB	3,020,000	4,350,000
Unsecured borrowings from related parties	USD	8,469,862	7,502,995
Unsecured borrowings from third parties	USD	36,682	36,714
Total		11,526,544	11,889,709

As at 30 June 2015, the interest rate range of short-term borrowings is 1.55%-6% (31 December 2014: 1.55%-6%).

As at 30 June 2015, the Group had no overdue short-term borrowings.

17. Notes payable

Category	At 30 June 2015	At 31 December 2014
Bank acceptance bills	1,009,446	856,442
Total	1,009,446	856,442

V. Notes to the consolidated financial statements (Continued)

18. Accounts payable

Items	At 30 June 2015	At 31 December 2014
Payables for materials	7,595,023	9,713,409
Payables for construction	6,065,858	8,634,143
Payable for labour cost	6,490,571	9,190,948
Payables for equipment	2,147,057	2,276,547
Others	1,995,212	242,118
Total	24,293,721	30,057,165

Important accounts payable aged over one year:

Items	At 30 June 2015	Overdue reasons
Entity A	117,563	Retention money、Unsettled
Entity B	111,289	Retention money、Unsettled
Entity C	109,507	Retention money、Unsettled
Entity D	100,398	Retention money、Unsettled
Entity E	87,429	Retention money、Unsettled
Total	526,186	

19. Advances from customers

Items	At 30 June 2015	At 31 December 2014
Advances for construction labor and service	1,875,910	1,853,049
Amounts due to customers for contract work	4,555,910	6,564,119
Total	6,431,820	8,417,168

(1) Important advance from customers aged over one year:

Items	At 30 June 2015	Overdue reasons
Entity A	221,661	Not yet finalised
Entity B	94,224	Not yet finalised
Total	315,885	

(2) Completed yet settled assets formed by construction contracts

Items	At 30 June 2015
Contract cost incurred	14,272,725
plus recognised profit	1,192,453
Less: Progress billings	20,021,088
Less: Loss on contracts	—
Amounts due to settled yet completed contract work	-4,555,910

V. Notes to the consolidated financial statements (Continued)

20. Employee benefits payable

Items	At 1 January 2015	Increase during the period	Decrease during the period	At 30 June 2015
Short term employee benefits	201,274	5,728,930	5,706,167	224,037
Post-employment benefits	87,011	848,100	899,390	35,721
Termination benefits	—	448	448	—
Total	288,285	6,577,478	6,606,005	259,758

(1) Short-term employee benefits

Items	At 1 January 2015	Increase during the period	Decrease during the period	At 30 June 2015
Wages or salaries, bonuses, allowances and subsidies	27,149	2,865,557	2,867,039	25,667
Staff welfare	—	387,700	387,626	74
Social security contributions	3,955	401,372	382,974	22,353
Including: 1. Basic medical insurance	—	286,758	269,368	17,390
2. Supplementary medical insurance	13	41,718	41,718	13
3. Work-related injury insurance	—	33,034	31,062	1,972
4. Birth insurance	3,919	24,461	26,447	1,933
5. Other insurance	23	15,401	14,379	1,045
Housing funds	1,395	394,847	394,770	1,472
Labor union and employee education funds	100,894	77,668	77,681	100,881
Non-monetary benefits	—	—	—	—
Others	67,881	1,601,786	1,596,077	73,590
Total	201,274	5,728,930	5,706,167	224,037

(2) Post-employment benefits

Items	At 1 January 2015	Increase during the period	Decrease during the period	At 30 June 2015
Basic pension insurance	—	630,832	597,073	33,759
Unemployment insurance	—	45,325	43,365	1,960
Annuity	87,011	171,943	258,952	2
Total	87,011	848,100	899,390	35,721

The in-service employees of the Group are subject to basic pension and medical insurance, which are extracted and paid according to regulated rates and set up and governed by local government. In addition, the Group provides a supplementary defined contribution retirement plan for its employees at rates not exceeding 5% of their salaries. Employees who have served the Group for more than one year may participate in this plan. The assets of this plan are held separately from those of the Group in an independent fund administered by a committee consisting of representatives from the employees and the Group. A member of the above plans is entitled to a pension amount equal to a fixed proportion of the salary prevailing at his or her retirement date. The Group has no other material obligation for the payment of pension benefits associated with the basic and supplementary pension plans beyond the annual contributions described above.

(3) Termination benefits

During this reporting period, the Group paid RMB448,000 compensation to the resigning employee for terminating labor relation.

V. Notes to the consolidated financial statements (Continued)

21. Tax payables

Items	At 30 June 2015	At 31 December 2014
Value Added Tax	171,411	1,905,588
Business tax	66,326	83,680
Urban maintenance and construction tax	51,286	135,540
Education surtax	25,270	92,125
Corporate income tax	74,174	432,426
Individual income tax	51,697	150,421
Withholding tax	54,230	66,205
Others	60,711	89,793
Total	555,105	2,955,778

22. Interest payable

Items	At 30 June 2015	At 31 December 2014
Interest payables of long term loan which interest paid by installment and principal paid at maturity date	232	331
Interest payable of short term loan	13,391	19,697
Total	13,623	20,028

23. Other payables

Items	At 30 June 2015	At 31 December 2014
Guarantee deposits	395,863	409,207
Deposits	134,179	161,140
Disbursement of funds	319,071	339,054
Temporary receipts	227,840	369,576
Escrow payments	30,503	28,437
Withheld payments	63,622	169,590
Sinopec Group capital restructuring funds	2,600,000	4,000,000
Net profit of major assets restructuring	1,118,903	1,479,207
Others	662,446	371,258
Total	5,552,427	7,327,469

As at 30 June 2015, other payables with aging over 1 year of RMB331,655,000 (31 December 2014: RMB598,252,000) are mainly construction projects retention money, deposits, guarantee and so on. Those payables are unsettled since the guarantee period has not yet ended or not yet reached the settlement period.

V. Notes to the consolidated financial statements (Continued)

24. Non-current liabilities due within one year

Items	At 30 June 2015	At 31 December 2014
Long-term loans within one year	50,000	110,000
Long-term payables within one year	39,463	15,870
Total	89,463	125,870

(1) Long-term loans within one year

Items	At 30 June 2015	At 31 December 2014
Loans on credit	50,000	110,000
Total	50,000	110,000

(2) Long-term payables within one year

Items	At 30 June 2015	At 31 December 2014
Finance leases liabilities	28,360	15,870
Others	11,103	15,870
Total	39,463	15,870

25. Long-term loans

Items	At 30 June 2015	Range of interest rate	At 31 December 2014	Range of interest rate
Mortgage loan	458,520	5.60%	428,723	5.60%
Loans on credit	120,000	5.60-6.15%	180,000	5.56-6.15%
Subtotal	578,520	—	608,723	—
Less: Long-term loans within one year	50,000	5.60-6.15%	110,000	5.56-6.15%
Total	528,520	—	498,723	—

As at 30 June 2015, the Group had no overdue long-term borrowings.

26. Long-term payables

Items	At 30 June 2015	At 31 December 2014
Finance leases liabilities	78,731	85,310
Others	21,533	—
Subtotal	100,264	85,310
Less: Long-term payables within one year	39,463	15,870
Total	60,801	69,440

V. Notes to the consolidated financial statements (Continued)

27. Special payables

Items	At 1 January 2015	Increase for the period	Decrease for the period	At 30 June 2015	Reasons
Compensation of relocation	2,647	2,000	2,000	2,647	Relocation of public interests
Total	2,647	2,000	2,000	2,647	

28. Deferred income

Items	At 1 January 2015	Increase for the period	Decrease for the period	At 30 June 2015
Government grants related to assets	8,287	170	1,559	6,898
Government grants related to income	35,664	149,181	140,779	44,066
Total	43,951	149,351	142,338	50,964

Including: Details of deferred income – Government grants

Government grants projects	At 1 January 2015	Increase in current year	Recognised in non-operating income in current year	At 30 June 2015	Related to assets/ income
The 863 plan	1,200	3,034	4,234	—	Related to assets
Major national special funds of cementing technology for ultra deep horizontal wells	189	—	189	—	Related to assets
National 863 project	1,274	—	—	1,274	Related to income
National special research	34,195	10,670	5,570	39,295	Related to income
Car trade-in allowance	—	265	265	—	Related to income
Consumption tax refund	—	123,251	123,251	—	Related to income
Reemployment subsidies	—	173	173	—	Related to income
Other government grants	7,093	11,958	8,656	10,395	Related to income
Total	43,951	149,351	142,338	50,964	

29. Share capital (Unit: thousand shares)

At 30 June 2015:

Items	At 1 January 2015	Changes in current (+、-)			At 30 June 2015
		Issued shares	Write off Repurchase of shares	Subtotal	
Domestic non-public legal person shares (A share)	10,259,328	—	—	—	10,259,328
Social public A shares	450,000	1,333,333	—	1,333,333	1,783,333
H share	2,100,000	—	—	—	2,100,000
Total	12,809,328	1,333,333	—	1,333,333	14,142,661

V. Notes to the consolidated financial statements (Continued)

29. Share capital (Unit: thousand shares) (Continued)

At 31 December 2014:

Items	At 1 January 2014	Changes in current (+、-)		Subtotal	At 31 December 2014
		Issued shares	Write off Repurchase of shares		
Domestic non-public legal person shares	3,450,000	9,224,328	-2,415,000	6,809,328	10,259,328
Social public A shares	450,000	—	—	—	450,000
H share	2,100,000	—	—	—	2,100,000
Total	6,000,000	9,224,328	-2,415,000	6,809,328	12,809,328

As mentioned in Note I, pursuant to the A Share Reform Scheme, Sinopec Corp. and CITIC Limited commits to hold those no circulating shares without trading and transferring within 12 months since they obtains the circulating right. After the maturity of the restriction period, Sinopec Corp. and CITIC Limited can trade those non-circulating shares up to 5% of the Company's total shares within 12 months and 10% within 24 months. As at 30 June 2015, all shares held by original non-circulating shareholders have not been available for trading.

Pursuant to the resolution of the Company's First Extraordinary General Meeting and approved by "Approval to the Material Asset Reorganisation of Sinopec Yizheng Chemical Fibre Company Limited and Issuance of Shares to China Petrochemical Corporation for Asset Acquisition and Subsequent A Share Placement'' (CSRC Permit [2014] No. 1370) issued by China Securities Regulatory Committee, the Company would sell all of the assets and liabilities to Sinopec Corp. and repurchase the Repurchased Shares (a total of 2,415,000,000 A Shares) form Sinopec Corp. for cancellation. On the even date, the Company would issue the Consideration Shares (a total of 9,224,327,662 A Shares) to Sinopec Group in order to acquire 100% equity interest of held by Sinopec Group. The registration of shares change was completed on 31 December 2014 and has been verified by Grant Thornton China pursuant to the capital verification report (GT Yan Zi (2014) No.110ZC0383).

Approved by "Approval to the Material Asset Reorganisation of Sinopec Yizheng Chemical Fibre Company Limited and Issuance of Shares to China Petrochemical Corporation for Asset Acquisition and Subsequent A Share Placement'' (CSRC Permit [2014] No. 1370) issued by China Securities Regulatory Committee, the Company issued 1,333,333,333 A Shares to Darry Asset Management (Hangzhou) Co., Ltd. and other six specific investors on 13 February 2015. The net proceeds of the issuing is 5,952,517,000. The new shares are limited tradable shares which lock-up period is 12 months and expected to trade on 3 March 2016.

30. Capital reserve

At 30 June 2015:

Items	**At 1 January 2015**	**Increase for the period**	**Decrease for the period**	**At 30 June 2015**
Share premium	**4,207,063**	**4,619,184**	**—**	**8,826,247**
Other capital reserve	**67,969**	**—**	**—**	**67,969**
Total	**4,275,032**	**4,619,184**	**—**	**8,894,216**

At 31 December 2014:

Items	At 1 January 2014	Increase for the period	Decrease for the period	At 31 December 2014
Share premium	23,250,233	7,105,040	26,148,210	4,207,063
Other capital reserve	67,969	—	—	67,969
Total	23,318,202	7,105,040	26,148,210	4,275,032

V. Notes to the consolidated financial statements (Continued)

30. Capital reserve (Continued)

Reasons for the change are as follows:

Items	For the six months ended 30 June 2015	For the year end 31 December 2014
Capital reserve before adjustment at the end of last year	—	1,146,794
Adjustment of business combination under common control (a)	—	22,171,408
Capital reserve after adjustment at the beginning of the year	4,275,032	23,318,202
Increase for the period:	4,619,184	7,105,040
Including: Investment increased by Sinopec Group invest Incoming Equities (b)	—	5,689
Issue shares (f)	4,619,184	—
Acquisition of subsidiaries' minority interest (c)	—	11,600
Major reorganisation (a)	—	5,985,340
Revaluation of assets (d)	—	146,267
Adjustment of interests reclassification (d)	—	956,144
Decrease for the period:	—	26,148,210
Including: Convert capital reserve into share capital (Note V.29)	—	—
Investment funds recovered by Sinopec Corp. (e)	—	5,932,883
Adjustment of business combination under common control (a)	—	20,215,327
Capital reserve at the end of the period	8,894,216	4,275,032

(a) The company sold all of the assets and liabilities to Sinopec Corp., repurchased the Repurchased Shares (a total of 2,415,000,000 A Shares) form Sinopec Corp. for cancellation and issued the Consideration Shares to Sinopec Group in order to acquire 100% equity interest of (details of the acquisition refer to Note VI.1). As described in Note VI.1, according to the change of consolidation scope caused by business combination under common control, opening balance of capital reserve in 2013 increased RMB21,060,692,000, capital reserve decreased RMB20,215,327,000 in 2014 in accordance with the net assets of the merging parties enjoyed in merger date.

According to the business combination under common control acquired 100% share of, the initial investment cost is recognised as the carrying amount of acquiree's net assets at acquisition date. The share premium increased RMB9,872,096,000 due to the difference between the payment of shares and initial investment cost, decreased RMB3,886,756,000 due to the difference between repurchase of shares and payment of the price. The net increase in share premium is RMB5,985,340,000.

(b) The subsidiary acquired in the business combination under common control obtained additional investment of Sinopec Group before acquisition date. The investment amount was RMB5,689,000 in 2014.

(c) purchased minority interest of its subsidiaries, the difference of acquisition cost and the share of the subsidiaries' net assets carrying amount calculated during investment date after the completion of the acquisition were recognised as capital reserve. The amount was RMB11,600,000 in 2014.

(d) Some subsidiaries of reformed state-owned enterprises into Limited Liability Company, pursuant to the relevant provisions of "Interpretation No.1 of the Enterprise Accounting Standards" and "Interpretation No.2 of the Enterprise Accounting Standards" issued by the Ministry of Finance of the PRC ("MOF"), capital reserve increased RMB146,267,000 and retained earnings reclassified into capital reserve RMB956,144,000.

(e) Capital reserve decreased RMB5,932,883,000 due to Sinopec Group recovered investment funds before acquisition date in 2014.

(f) Refer to Note V.29, capital reserve increased RMB4,619,184,000 as the company issued A shares to raise funds RMB5,952,517,000 on February 2015.

31. Special reserve

Items	At 1 January 2015	Increase for the period	Decrease for the period	At 30 June 2015
Special reserve	295,568	336,223	203,648	428,143
Total	295,568	336,223	203,648	428,143

In accordance with PRC regulations, the Group appropriated production safety fund of RMB 336,223,000 to specific reserve for the six months ended 30 June 2015 (2014: RMB 521,710,000), which was recognised in the cost of related products and the Specific reserve. For the six months ended 30 June 2015, the Group utilised production safety fund amounting to RMB 203,648,000 (2014: RMB 291,616,000) which was of expenditure nature.

V. Notes to the consolidated financial statements (Continued)

32. Surplus reserve

Items	At 1 January 2015	Increase for the period	Decrease for the period	At 30 June 2015
Statutory surplus reserve	200,383	—	—	200,383
Total	200,383	—	—	200,383

In accordance with the Company Law and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the paid in capital after approval from the appropriate authorities.

33. Retained earnings

Items	At 30 June 2015	At 31 December 2014	Appropriation/ distribution ratio
Retained earnings before adjustment at the end of last year	—	-252,136	—
Adjustment of business combination under common control (Add+, Less-)	—	1,112,416	—
Retained earnings after adjustment at the beginning of the year	1,116,809	860,280	
Add: Net profit attributable to parent company	-1,380,350	1,229,753	—
Less: Withdrawal of statutory surplus reserves	—	—	10%
Incoming Equities assigned to Sinopec Group before acquisition date	—	17,080	
Adjustment of interests reclassification	—	956,144	
Retained earnings at the end of the year	-263,541	1,116,809	
Including: Surplus reserve attributable to parent company extracted by subsidiaries	—	273,531	

As described in Note VI.1, according to the change of consolidation scope caused by business combination under common control, opening balance of retained earnings in 2014 increased RMB1,112,416,000.

Retained earnings reclassified into capital reserve according to the corporate system reform of the company's subsidiaries in 2014.

34. Revenue and cost of sales

	For the six months ended 30 June 2015		For the six months ended 30 June 2014	
Items	Revenue	Cost	Revenue	Cost
Major business	22,884,945	22,160,029	41,616,737	37,762,367
Other business	236,340	145,911	492,798	523,575
Total	23,121,285	22,305,940	42,109,535	38,285,942
Including: Continuing operations	23,121,285	22,305,940	34,185,112	30,239,078
Discontinued operations	—	—	7,924,423	8,046,864

Notes: The analysis information of the Group's revenue and cost by industry and region refers to Note XIII No.4

V. Notes to the consolidated financial statements (Continued)

34. Revenue and cost of sales (Continued)

(1) Major business

Industry	For the six months ended 30 June 2015		For the six months ended 30 June 2014	
	Revenue	Cost	Revenue	Cost
Geophysics	2,145,093	2,077,397	2,728,483	2,390,289
Drilling Engineering	12,473,028	12,302,057	17,814,014	15,476,709
Logging and Mud Logging	769,351	723,436	1,545,591	1,203,500
Special Downhole Operations	2,122,757	1,890,695	3,175,439	2,783,879
Engineering Construction	4,987,120	4,840,338	8,054,139	7,549,749
Fiber	—	—	7,726,773	7,879,566
Others	387,596	326,106	572,298	478,675
Total	22,884,945	22,160,029	41,616,737	37,762,367

(2) Business revenue (Classified by regions)

Regions	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Mainland of China	16,634,583	32,934,143
Hong Kong, Macao, Taiwan and other countries	6,250,362	8,682,594
Total	22,884,945	41,616,737

35. Business tax and surcharges

Items	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Business tax	76,548	76,667
Urban maintenance and construction tax	82,240	80,177
Education surtax	59,450	59,279
Overseas tax	36,478	92,904
Others	5,807	7,394
Total	260,523	316,421

Notes: The provision and payment standards of business tax and surcharges refer to Note IV. Taxation

36. Selling expense

Items	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Transportation	1,043	89,714
Staff costs	16,579	16,741
Depreciation	346	372
Traveling expense	1,562	2,890
Storage fees	565	1,353
Sales service fees	1,380	23,644
Others	3,868	14,812
Total	25,343	149,526

V. Notes to the consolidated financial statements (Continued)

37. General and administrative expenses

Items	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Repair and maintenance	112,204	418,686
Staff costs	362,405	518,798
Comprehensive service expenses	805,237	793,404
Research and development expenses	54,808	90,158
Taxes	75,456	85,831
Traveling expenses	30,736	32,295
Rental expenses	20,443	14,828
Depreciation and amortisation	20,289	35,604
Others	79,381	184,887
Total	1,560,959	2,174,491

38. Finance costs

Items	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Interest expenses	154,423	346,376
Less: Capitalisation of interest expenses for qualifying assets	4,444	4,421
Less: Interest income	15,873	38,456
Exchange gains or losses	37,831	104,606
Bank and other charges	31,569	32,569
Total	203,506	440,674

Notes:
The Group's interest expense are bank loan interest repayable within five years.
The capitalised interest is reckoned in construction in progress. The capitalised rate used to calculate capitalised borrowing cost is 2.89%-6.0% in 2015(2014: 2.89%-6.15%)

39. Impairment losses on assets

Items	For the six months ended 30 June 2015	For the six months ended 30 June 2014
(1) Provision for bad debts	110,205	41,512
(2) Provision for decline in the value of inventories	—	37,034
(3) Impairment losses on fixed assets	—	845,949
(4) Impairment losses on intangible assets	—	178,575
Total	110,205	1,103,070

40. Investment income

Items	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Investment income from long-term equity investment under equity method	-4,732	2,319
Gain on disposal of available-for-sale financial assets	42	1,091
Total	-4,690	3,410

V. Notes to the consolidated financial statements (Continued)

41. Non-operating income

(1) Breakdown of non-operating income

Items	For the six months ended 30 June 2015	For the six months ended 30 June 2014	Recognised as non-recurring income
Total gains from disposal of non-current assets	18,396	7,929	18,396
Including: Gains from disposal of fixed assets	3,396	4,784	3,396
Others	15,000	3,145	15,000
Government grants	142,338	179,628	19,087
Penalty income	1,270	846	1,270
Waived payables	830	24,376	830
Assets inventory surplus	1,167	1	1,167
Compensation received	3,098	83	3,098
Others	6,630	6,809	6,630
Total	173,729	219,672	50,478

(2) Breakdown of government grants

Items	For the six months ended 30 June 2015	For the six months ended 30 June 2014	Related to assets/Income
Consumption tax refund	123,251	143,074	Related to income
Other government grants	19,087	36,554	Related to income
Total	142,338	179,628	

42. Non-operating expenses

Items	For the six months ended 30 June 2015	For the six months ended 30 June 2014	Recognised as non-recurring expenses
Total loss on disposal of non-current assets	4,890	5,960	4,890
Including: Loss on disposal of fixed assets	4,881	5,960	4,881
Donation	—	—	—
Loss of fixed assets written off	12	—	12
Penalty	3,582	6,006	3,582
Compensation	4,138	3,699	4,138
Others	8,536	20,911	8,536
Total	21,158	36,576	21,158

43. Income tax expense

(1) breakdown of income tax expense

Items	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Income tax in accordance with tax law and regulation	208,274	432,599
Deferred income tax	-25,159	77,366
Total	183,115	509,965

V. Notes to the consolidated financial statements (Continued)

43. Income tax expense (Continued)

(2) Reconciliation between income tax expenses and accounting profits is as follows:

Items	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Profit before interest and tax	-1,197,310	-174,083
Taxation calculated at the statutory tax rate (total profit *25%)	-299,328	-43,521
Effect of other tax rates used by certain subsidiaries	12,572	-48,962
Adjustment of current tax in previous years	85,025	47,615
Profit or loss of joint ventures and associates under equity method	1,183	-581
Non-taxable income (expressed in "-")	—	—
Non-deductible costs expenses and loss	1,427	30,882
Effect on the change in statutory tax rate on opening balance of deferred tax	—	—
Reversal of recognised deferred tax assets in previous years	—	73,783
Effect of utiliasation of unrecognised tax lossed and deductible temporary differences (expressed in "-")	-1,598	—
Effect of unrecognised losses and deductible temporary differences	389,315	463,830
Tax effect on research and development expenses (expressed in "-")	-5,481	-13,081
Others	—	—
Income tax expense	183,115	509,965

44. Notes to Cash Flow Statement

(1) Cash received from other operating activities

Items	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Disbursement of funds	15,508	1,070,457
Government grants	39,379	36,534
Temporary receipt and payment	266,556	47,021
Guarantee	154,491	455,753
Compensation	3,098	35,878
Others	17,464	67,871
Total	496,496	1,713,514

(2) Cashed paid for other operating activities

Items	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Temporary receipt and payment	882,474	139,631
Office allowance、travelling expenses、entertainment expenses and other expenses	89,314	43,866
Guarantee	275,105	553,571
Handling charges	31,565	23,166
Comprehensive service	805,237	793,404
Others	29,463	234,399
Total	2,113,158	1,788,037

V. Notes to the consolidated financial statements (Continued)

44. Notes to Cash Flow Statement (Continued)

(3) Cash received from other investing activities

Items	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Interest of bank deposits	—	1,573
Collection of time deposit	—	20,000
Others	—	1,052
Total	—	22,625

(4) Cash paid for other financing activities

Items	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Finance lease expenses	9,590	—
Notes acceptance fees	99	—
Internal deposit payment of the company which is not included in the scope of consolidation due to transfer	1,400,000	—
Difference between payment for assets and price of share repurchase	360,305	—
Total	1,769,994	—

45. Supplement information to Cash Flow Statement

(1) Supplement information to Cash Flow Statement

Supplement information	For the six months ended 30 June 2015	For the six months ended 30 June 2014
1、Reconciliation of net profit to cash flows from operating activities:		
Net profit	-1,380,425	-684,048
Add: Provision for impairment loss on assets	110,204	1,103,069
Depreciation of fixed assets	1,924,427	2,200,816
Amortisation of intangible assets	7,893	11,239
Amortisation of long-term deferred expenses	1,102,558	1,285,251
Losses on disposal of fixed assets、intangible assets and other long-term assets (Gain as in “-”)	-13,506	-1,969
Losses on discarding of fixed assets (Gain as in “-”)	12	—
Fair value losses (Gain as in “-”)	—	—
Finance costs (Gain as in “-”)	199,114	435,230
Investment losses (Gain as in “-”)	4,691	-3,410
Decrease in deferred tax income assets (Increase as in”-“)	-15,407	78,482
Increase in deferred tax liabilities (Decrease as in”-“)	-9,753	—
Decrease in inventories (Increase as in”-“)	-4,227,216	-5,861,492
Decrease in operating receivables (Increase as in”-“)	11,885,627	6,340,159
Increase in operating payables (Decrease as in”-“)	-11,092,202	-7,114,874
Others	132,561	229,134
Net cash flows from operating activities	-1,371,422	-1,982,413
2、Significant investment or finance activities not involving cash:		
3、Net changes in cash and cash equivalents:		
Closing balance of cash	2,989,634	1,420,573
Less: Opening balance of cash	1,201,754	1,694,094
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents	1,201,754	1,694,094
Net increase/(decrease) in cash and cash equivalents	1,787,880	-273,521

V. Notes to the consolidated financial statements (Continued)

45. Supplement information to Cash Flow Statement (Continued)

(2) Composition of cash and cash equivalents

Items	Closing balance	Opening balance
1. Cash	2,989,634	1,201,754
Including: Cash on hand	12,755	15,636
Cash at banks	2,947,409	1,154,823
Other monetary funds	29,470	31,295
2. cash and cash equivalents	—	—
3. closing balance of cash and cash equivalents	2,989,634	1,201,754
4. Restricted cash	37,198	12,143
5. Balance of cash on hand and at banks	3,026,832	1,213,897

46. Notes of Statements of changes in Equity

The Company issued Consideration Shares to Sinopec Group in order to acquire its 100% equity interest (details of the acquisition refer to Note VI.1). As described in Note VI.1, the scope of consolidation changed due to business combination under common control. The opening balance of capital reserve, special reserve, retained earnings and minority interest increased by 22,171,408,000, 300,982,000, 1,112,416,000 and 84,938,000 separately in 2014.

47. Restricted assets

Items	Closing balance	Restricted reasons
Cash on hand and at banks	37,198	Guarantee and blocked deposit
Total	37,198	

V. Notes to the consolidated financial statements (Continued)

48. Foreign currency items

Items	Original	Exchange rate	Amount (RMB)
Cash at bank and on hand			1,205,302
Including: USD	127,210	6.1136	777,712
EUR	132	6.8699	909
BRL	1,575	1.9478	3,089
DZD	501,390	0.0615	30,855
AED	9,958	1.6641	16,571
KWD	2,386	20.8694	49,787
KZT	1,142,770	0.0328	37,524
SAR	57,950	1.6299	94,331
Others			194,524
Accounts receivables			4,304,307
Including: USD	434,624	6.1136	2,657,100
EUR	5,692	6.8699	39,103
BRL	44,558	1.9478	86,792
DZD	499,522	0.0615	30,740
KWD	20,918	20.8694	436,622
KZT	3,540,574	0.0328	116,263
SAR	528,445	1.6299	861,305
Others	1,422,856	0.0537	76,382
Other receivables			1,258,673
Including: USD	157,827	6.1136	964,925
EUR	406	6.8699	2,788
BRL	39,438	1.9478	76,819
DZD	104,021	0.0615	6,401
AED	3,481	1.6641	5,792
KWD	3,967	20.8694	82,789
SAR	51,854	1.6299	84,516
Others	20,820,359	0.0168	34,643

V. Notes to the consolidated financial statements (Continued)

48. Foreign currency items (Continued)

Items	Original	Exchange rate	Amount (RMB)
Prepayments			695,872
Including: USD	47,801	6.1136	292,221
EUR	386	6.8699	2,650
BRL	943	1.9478	3,188
DZD	190,845	0.0615	11,710
AED	2,332	1.6641	3,881
KWD	2,295	20.8694	47,901
KZT	1,086,690	0.0328	35,683
SAR	173,328	1.6299	282,505
Others	3,353,333	0.006	16,133
Accounts payable			1,074,135
Including: USD	122,378	6.1136	748,174
EUR	—	6.8699	—
BRL	44,890	1.9478	87,438
DZD	118,963	0.0615	7,321
AED	6,050	1.6641	10,068
KWD	1,579	20.8694	32,961
KZT	166,825	0.0328	5,478
SAR	100,725	1.6299	164,171
Others	3,079,520	0.0093	18,524
Advances from customers			959,021
Including: USD	9,164	6.1136	56,025
KWD	15,629	20.8694	326,160
KZT	44,549	0.0328	1,463
SAR	339,857	1.6299	553,929
Others	179,358	0.1196	21,444
Other payables			280,548
Including: USD	13,816	6.1136	84,469
EUR	258	6.8699	1,773
BRL	26	1.9478	51
DZD	252,224	0.0615	15,519
AED	3,284	1.6641	5,464.00
KWD	2,115	20.8694	44,147
KZT	505,163	0.0328	16,588
SAR	57,862	1.6299	94,308
Others	400,786	0.067	18,229
Short-term loans			8,506,544
Including: USD	1,391,400	6.1136	8,506,544
Long-term loan			458,520
Including: USD	75,000	6.1136	458,520

VI. Changes in the scope of consolidated financial statements

There are no changes in the scope of consolidated financial statements in the reporting period.

VII. Equities in other entities

1. Equities in principal subsidiaries

Name	Place of Major operation activities	Place of registration	Nature of business	% of shareholding held directly	% of shareholding held indirectly	Acquisition method
Sinopec Oilfield Service Co., Ltd.	China	Beijing	Petroleum Engineering and technical services	100.00	—	Business combination under common control
Sinopec Shengli Oil Engineering Company Limited	China	Dongying,Shandong	Petroleum Engineering and technical services	—	100.00	Business combination under common control
Sinopec Zhongyuan Oil Engineering Company Limited	China	Puyagn,Henan	Petroleum Engineering and technical services	—	100.00	Business combination under common control
Sinopec Henan Oil Engineering Company Limited	China	Zhengzhou,Henan	Petroleum Engineering and technical services	—	100.00	Business combination under common control
Sinopec Jianghan Oil Engineering Company Limited	China	Qianjiang,Hubei	Petroleum Engineering and technical services	—	100.00	Business combination under common control
Sinopec Jiangsu Oil Engineering Company Limited	China	Yangzhou,Jiangsu	Petroleum Engineering and technical services	—	100.00	Business combination under common control
Sinopec EastChina Oil Engineering Company Limited	China	Nanjing,Jiangsu	Petroleum Engineering and technical services	—	100.00	Business combination under common control
Sinopec NorthChina Oil Engineering Company Limited	China	Zhengzhou,Henan	Petroleum Engineering and technical services	—	100.00	Business combination under common control
Sinopec Southwest Oil Engineering Company Limited	China	Chengdu,Sichuan	Petroleum Engineering and technical services	—	100.00	Business combination under common control
Sinopec Oil Engineering Geophysical Company Limited	China	Beijing	Petroleum Engineering and technical services	—	100.00	Business combination under common control
Sinopec Oil Engineering and Construction Corporation	China	Beijing	Construction	—	100.00	Business combination under common control
Sinopec Offshore Oil Engineering Company Limited	China	Shanghai	Petroleum Engineering and technical services	—	100.00	Business combination under common control
Sinopec International Oil Engineering Company Limited	China	Beijing	Petroleum Engineering and technical services	—	100.00	Business combination under common control

2. Equities in joint ventures and associates

(1) Principle joint ventures and associates

Name	Place of major operational activities	Place of registration	Nature of business	% of shareholding held Directly	% of shareholding held Indirectly	Method of accounting
① Joint ventures						
SinoFTS Petroleum Services Ltd. (SinoFTS)	Beijing	Beijing	Petroleum technical service	55.00		Equity method
Zhong Wei Energy Service Co. Ltd. (A Sinopec – Weatherford Joint Venture)	Beijing	Beijing	Oilfield technical service	50.00		Equity method

The Group holds 55% shareholding and 50% voting rights of SinoFTS. Both parties to the joint venture must reach an agreement when an essential financial and operating decision is supposed to be made.

VII. Equities in other entities (Continued)

2. Equities in joint ventures and associates (Continued)

(2) Financial information of principle joint ventures

	Zhong Wei Energy Service Co. Ltd.		SinoFTS	
Items	**At 30 June 2015**	At 31 December 2014	**At 30 June 2015**	At 31 December 2014
Current assets:	37,153	41,072	127,456	131,990
Including: Cash and cash equivalents	32,429	39,838	90,577	95,106
Non-current assets	1,484	1,823	238	136
Total assets	38,637	42,895	127,694	132,126
Current liabilities	2,407	1,293	58	163
Non-current liabilities	—	—	—	—
Total liabilities	2,407	1,293	58	163
Net assets	36,230	41,602	127,636	131,963
Shareholder's equity	18,116	20,801	70,200	72,580
Carrying amount of equity investment in joint ventures	18,116	20,801	70,200	72,580

Continued:

	Zhong Wei Energy Service Co. Ltd.		SinoFTS	
Items	**For the six months ended 30 June 2015**	For the six months ended 30 June 2014	**For the six months ended 30 June 2015**	For the six months ended 30 June 2014
Revenue	3,254	—	—	—
Finance costs	-293	—	-68	—
Income tax expense	—	—	—	—
Net profit	-5,372	—	-4,327	—
Other comprehensive income	—	—	—	—
Total comprehensive income	-5,372	—	-4,327	—
Dividend received from joint ventures	—	—	—	—

(3) Financial information of other joint ventures and associates

Items	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Joint ventures:		
Total investment from the Group	14,824	601,656
Equity contributed to the Group		
Net profit	333	2,319
Other comprehensive income	—	—
Total comprehensive income	333	2,319
Associates:		
Total investment from the Group	128	128
Equity contributed to the Group		
Net profit	—	—
Other comprehensive income	—	—
Total comprehensive income	—	—

(4) The Group has signed the investment contract and remains RMB 240,587,000 to be paid as at the reporting date of 30 June 2015.

VIII. Financial instruments and risk management

The major financial instruments of the Group include cash at bank and on hand, accounts receivables, notes receivable, other receivables, other current assets, available-for-sale financial assets, accounts payable, interest payables, notes payable, employee benefits payable, dividend payables, other payables, short-term borrowings, non-current liabilities within one year, long-term borrowings, long-term payables. The details of these financial instruments are disclosed in the respective notes. The financial risk of these financial instruments and financial management policies used by the Group to minimise the risk are disclosed as below. The management manages and monitors the exposure of these risks to ensure the above risks are controlled in the limited range.

1. Objectives and policies of financial risk management

The objective of the engagement of financial risk management is to reduce potential adverse effect on the Group's financial achievements, keep balance between risk and profit against the unpredictable financial market. Based on the objectives of financial risk management, certain policies are made to recognise and analyse risk and internal control is designed according to proper acceptable in order to monitor the risk position of the Group. Both the policies and internal control will be reviewed and revised regularly to adapt the changes of the market and business activities of the Group. The performance of internal control will be reviewed regularly or randomly in accordance with the financial management policies.

The major risks arise from the financial instruments of the Group are interest rate risk, foreign currency risk, credit risk and liquidity risk.

(1) Market risk

Market risk, includes interest rate risk, foreign currency risk and other price risks, refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate because of the changes in market price.

Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate because of the floating rate. Interest rate risk arises from recognised interest-bearing financial instrument and unrecognised financial instrument (e.g. loan commitments).

The Group's interest rate risk arises from short-term borrowings, long-term bank loans and interest-bearing liabilities. Financial liabilities issued at floating rate expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rate expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions and monitors and maintains the combined financial instruments of fixed rate and floating rate.

The Group's finance department continuously monitors the interest rate position of the Group. Increase in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial position. The Group's management will make decisions with reference to the latest market conditions. The Group may enter into interest swap agreement to mitigate its exposure to the interest rate risk. For the six months ended 30 June 2015 and the year ended 31 December 2014, the Company did not enter into any interest rate swap arrangements. The fair value interest rate risk of the deposit with bank was not principal because the fixed term deposits are short-term deposits etc.

Interest-bearing financial instruments held by the Group:

Items	At 30 June 2015	At 31 December 2014
Fixed interest rate financial instruments		
Financial instruments		
Cash and cash equivalents	**1,592,252**	1,612
Financial liabilities		
Short-term borrowings	**3,020,000**	4,350,000
Long-term borrowings	**50,000**	50,000
Long-term payables	**100,264**	85,310
Floating interest rate financial instruments		
Financial assets		
Cash and cash equivalents	**1,434,580**	1,196,649
Financial liabilities		
Short-term borrowings	**8,506,544**	7,539,709
Long-term borrowings	**528,520**	558,723

For the six months ended 30 June 2015, the Group's net profit and shareholder's equity would have increased/decreased by approximately RMB 33,881,000 (31 December 2014: RMB 30,369,000), if the interest rate on the floating rate borrowings had risen/fallen 50 basis points while all the other variables had been held constant.

The financial instruments held by the Group at the date of balance sheet expose the Group to fair value interest rate risk. Under the hypothesis of a floating interest rate at the date of balance sheet, the effect to the net profit and shareholder's equity illustrated in the sensitivity analysis as above is arised from the recalculation of these financial instrument issued at new interest rates. The non-derivative tools issued at floating interest rate held by the Group at the date of balance sheet expose the Group to cash flow interest rate risk. The effect to the net profit and shareholder's equity illustrated in the sensitivity analysis as above is arised from the effect to the annual estimate amount of interest expenses or revenues at the floating interest rate. The analysis of the previous period is based on the same hypothesis and method.

VIII. Financial instruments and risk management (Continued)

1. Objectives and policies of financial risk management (Continued)

(1) Market risk (Continued)

Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. Foreign currency risk arises from the functional currency denominated financial instrument measured at individual entity.

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. The Group is exposed to foreign currency risk arising from the recognised assets and liabilities, and future transactions denominated in foreign currencies, primarily with respect to US dollars, Saudi riyals, Kuwait dinars and Brazil reals.

The foreign currency assets and foreign currency liabilities include the following assets and liabilities denominated in foreign currencies such as cash and cash equivalents, accounts receivable, prepayments, other receivables, account payables, other payables, advances from customers, short-term borrowings and long-term borrowings.

The following table details the recognised assets or liabilities denominated in currencies other than RMB as at 30 June 2015.

	Liabilities denominated in currencies other than RMB		**Assets denominated in currencies other than RMB**	
Items	**At 30 June 2015**	At 31 December 2014	**At 30 June 2015**	At 31 December 2014
USD	**9,853,732**	8,774,380	**4,691,958**	4,085,862
SAR	**812,408**	820,080	**1,322,657**	1,148,857
KWD	**403,268**	334,830	**617,099**	320,063
BRL	**87,489**	151,082	**169,888**	259,693
Others	**121,871**	185,797	**662,551**	759,752
Total	**11,278,768**	10,266,169	**7,464,153**	6,574,227

The Group's finance department monitors the amount of assets, liabilities and transactions denominated in foreign currencies in order to minimise the foreign currency risk. The Group may consider entering into forward exchange contracts or currency swap contracts to mitigate the foreign currency risk.

The following table illustrates the Group's net profit to a possible change in RMB exchange rate against foreign currencies:

Increase/decrease in net profit	**At 30 June 2015**		At 31 December 2014	
Appreciation in RMB exchange rate against USD	**5%**	**193,567**	5%	175,819
Depreciation in RMB exchange rate against USD	**-5%**	**-193,567**	-5%	-175,819
Appreciation in RMB exchange rate against SAR	**5%**	**-19,134**	5%	-12,329
Depreciation in RMB exchange rate against SAR	**-5%**	**19,134**	-5%	12,329
Appreciation in RMB exchange rate against KWD	**5%**	**-8,019**	5%	554
Depreciation in RMB exchange rate against KWD	**-5%**	**8,019**	-5%	-554
Appreciation in RMB exchange rate against BRL	**5%**	**-3,090**	5%	-4,073
Depreciation in RMB exchange rate against BRL	**-5%**	**3,090**	-5%	4,073

(2) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group.

Credit is managed on the grouping basis. Credit risk is mainly arises from cash at bank and accounts receivable etc.

The Group expects that there is no significant credit risk associated with cash at bank and notes receivables since they are either deposited or will be accepted by the state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

In addition, the Group has policies to limit the credit risk exposure on accounts receivable and other receivables. The Group assesses the credit quality of and sets credit limits on it customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

The highest credit risk exposed to the Group is limited to the carrying amount of each financial instrument illustrated in the balance sheet. The Group would not provide any guarantee that might cause credit risk to the Group.

VIII. Financial instruments and risk management (Continued)

1. Objectives and policies of financial risk management (Continued)

(3) Liquidity risk

Liquidity risk refers to the risks that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or other financial assets.

The Group's finance management monitors cash and cash equivalents to meet operational needs and reduce the effect of floating cash flow. The department monitors the usage of bank loan so that the Group does not breach borrowing limits or covenants while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institute to meet the short-term and long-term liquidity requirements.

The financial assets and liabilities of the Group at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows:

	At 30 June 2015				
Items	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Financial assets:					
Cash and cash equivalents	3,026,832	—	—	—	3,026,832
Notes receivable	85,629	—	—	—	85,629
Accounts receivable	15,236,817	—	—	—	15,236,817
Other receivables	2,770,198	—	—	—	2,770,198
Total assets	21,119,476	—	—	—	21,119,476
Financial liabilities:					
Short-term borrowings	11,526,544	—	—	—	11,526,544
Notes payable	1,009,446	—	—	—	1,009,446
Accounts payable	24,293,721	—	—	—	24,293,721
Employee benefits payable	259,758	—	—	—	259,758
Interest payables	13,623	—	—	—	13,623
Other payables	5,552,427	—	—	—	5,552,427
Non-current liabilities due within 1 year	89,463	—	—	—	89,463
Long-term borrowings	—	70,000	—	458,520	528,520
Long-term payables	—	8,721	52,080	—	60,801
Total liabilities	42,744,982	78,721	52,080	458,520	43,334,303

VIII. Financial instruments and risk management (Continued)

1. Objectives and policies of financial risk management (Continued)

(3) Liquidity risk (Continued)

The financial assets and liabilities of the Group at 31 December 2014 are analysed by their maturity date below at their undiscounted contractual cash flows:

Items	At 31 December 2014				
	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Financial assets:					
Cash at bank and on hand	1,213,897	—	—	—	1,213,897
Notes receivable	219,506	—	—	—	219,506
Accounts receivable	28,064,935	—	—	—	28,064,935
Other receivables	2,215,132	—	—	—	2,215,132
Total assets	31,713,470	—	—	—	31,713,470
Financial liabilities:					
Short-term borrowings	11,889,709	—	—	—	11,889,709
Notes payable	856,442	—	—	—	856,442
Accounts payable	30,057,165	—	—	—	30,057,165
Employee benefits payable	288,285	—	—	—	288,285
Interest payable	20,028	—	—	—	20,028
Other payables	7,327,469	—	—	—	7,327,469
Non-current liabilities due within 1year	125,870	—	—	—	125,870
Long-term borrowings	—	70,000	—	428,723	498,723
Long-term payable		17,360	52,080	—	69,440
Total liabilities	50,564,968	87,360	52,080	428,723	51,133,131

VIII. Financial instruments and risk management (Continued)

2. Capital management

The capital management policies are made to keep the continuous operation of the Group, to enhance the return to shareholders, to benefit other related parties and to maintain the best capital structure to minimise the cost of capital.

For the maintenance or adjustment of the capital structure, the Group might adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or make an asset disposal to reduce the liabilities.

The Group monitors the performance of capital management with capital-to-debt ratio. The ratio is calculated as Net liabilities/Total capital. The Net liabilities are calculated as total borrowings – cash in Cash flow statement. Total borrowing includes short-term borrowings, long-term borrowings due within 1 year, bonds payables and long-term borrowings. Total assets equals to the sum of the shareholders' equity and net liabilities. The shareholders' equity includes minority interest and equity attributed to the parent company.

As at the balance sheet date, the debt to equity ratio is as below.

Items	At 30 June 2015	At 31 December 2014
Short-term borrowings	11,526,544	11,889,709
Long-term borrowings due within 1 year	50,000	110,000
Long-term payables due within 1 year	39,463	15,870
Long-term borrowings	528,520	498,723
Long-term payables	60,801	69,440
Less: Cash and cash equivalents	2,989,634	1,201,754
Net debt	9,215,694	11,381,988
Shareholder's equity	23,400,805	18,696,138
Total equity	32,616,499	30,078,126
Debt to equity ratio	28.25	37.84

IX. Fair value

Fair value hierarchies are categorised into three levels as the lowest level input that is significant to the entire fair value measurement.

Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: inputs are unobservable inputs for the asset or liability.

As at 30 June 2015, financial assets and liabilities of the Group measured at amortised cost mainly represent: cash and cash equivalents, accounts receivable, short-term borrowings, long-term borrowings and accounts payable. The carrying amounts of these financial assets and liabilities are not materially different from those measured at fair value.

X. Related parties and transaction

1. Particulars of parent company

Name Of parent company	Place of registration	Nature of business	Registered capital	Percentage of the Company shareholding held by parent company %	Percentage of the Company voting power held by parent company %
China Petrochemical Corporation	22 Chaoyangmen North Street, Chaoyang District Beijing	Exploring for, extracting and selling crude oil and natural gas; production, sale and transport of petro-chemical, chemical fibres and other chemical products; pipe transport of crude oil and natural gas; research, development and application of new technologies and information.	274.866 billion	65.22	65.22

The Company's ultimate controlling party is Sinopec Group.

Changes of registered capital of parent company during the reporting period:

At 1 January 2015	Increase during the period	Decrease during the period	At 30 June 2015
274.866 billion	—	—	274.866 billion

2. Subsidiaries

Details of principal subsidiaries refer to Note VII.1.

3. Joint ventures and associates

Details of principal joint ventures and associates refer to Note VII.2.

Details of other joint ventures and associates which involve in related party transactions in the previous and current period and have closing balances are as below:

Names of joint ventures or associates	Relationship with the Group
Sinopec Bayshore Petroleum Service Co., LTD	Joint venture
Qianjiang HengYun Comprehensive Vehicle Performance Inspecting Company Limited	Joint venture

4. Other related parties

Names of other related parties	Relationships with the Group
China Petroleum & Chemical Corporation	Former controlling shareholder, controlled by Sinopec Group
Sinopec Shengli Petroleum Administrative Bureau	Controlled by Sinopec Group
Sinopec Zhongyuan Petroleum Explorative Bureau	Controlled by Sinopec Group
Sinopec Jianghan Petroleum Administrative Bureau	Controlled by Sinopec Group
Sinopec Henan Petroleum Explorative Bureau	Controlled by Sinopec Group
Sinopec Jiangsu Petroleum Explorative Bureau	Controlled by Sinopec Group
Sinopec Star Petroleum Company Limited	Controlled by Sinopec Group
Sinopec East China Petroleum Bureau	Controlled by Sinopec Group
Sinopec North China Petroleum Bureau	Controlled by Sinopec Group
Sinopec Southwest Petroleum Bureau	Controlled by Sinopec Group
Sinopec Northeast Petroleum Bureau	Controlled by Sinopec Group
Sinopec Pipeline Storage And Transportation Corporation	Controlled by Sinopec Group
Sinopec Shanghai Offshore Petroleum Bureau	Controlled by Sinopec Group
Sinopec International Petroleum Exploration And Production Company Limited	Controlled by Sinopec Group
Sinopec Finance Company Limited	Controlled by Sinopec Group
Sinopec Century Bright Capital Investment Company Limited	Controlled by Sinopec Group
Sinopec Assets Operating And Management Company Limited	Controlled by Sinopec Group
CITIC Group Corporation	Shareholder with 5% of voting rights
China CITIC Bank	Subsidiary of CITIC Group Corporation
Director, General Manager, Chief Financial Officer and the Secretary of the Board of Directors	Key Managers

X. Related parties and transaction (Continued)

5. Transactions with related parties

(1) Details of related purchase and sales

Purchase of goods

Related party	Types of the transaction	Pricing policy and procedure for decision-making	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Sinopec Group and its subsidiaries	Purchase of material and equipment	Based on normal commercial terms or relevant agreements	2,278,104	12,265,864

Sales of goods

Related party	Type of the transaction	Pricing policy and procedure for decision-making	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Sinopec Group and its subsidiaries	Sales of goods	Based on normal commercial terms or relevant agreements	18,487	45,797

(2) Details of related rendering services

Rendering of engineer services

Related party	Type of the transaction	Pricing policy and procedure for decision-making	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Sinopec Group and its subsidiaries	Total		12,616,265	20,059,270
	Geophysics	Based on normal commercial terms or relevant agreements	1,536,014	1,981,138
	Drilling engineering	Based on normal commercial terms or relevant agreements	6,730,051	12,073,383
	Logging and mud-logging	Based on normal commercial terms or relevant agreements	574,596	1,270,036
	Special downhole operations	Based on normal commercial terms or relevant agreements	1,147,551	1,895,434
	Engineering construction	Based on normal commercial terms or relevant agreements	2,512,604	2,818,070
	Other services	Based on normal commercial terms or relevant agreements	115,449	21,209

Purchase of services

Related party	Type of the transaction	Pricing policy and procedure for decision-making	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Sinopec Group and its subsidiaries	Commission fees	Based on normal commercial terms or relevant agreements	—	1,119
Sinopec Corp. and its subsidiaries	Construction fees	Based on normal commercial terms or relevant agreements	—	10,263

(3) Details of related comprehensive services

Related party	Type of the transaction	Pricing policy and procedure for decision-making	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Sinopec Group and its subsidiaries	Receiving community comprehensive services	Based on commercial terms or relevant agreements	805,237	819,647
	Receiving other comprehensive services	Based on commercial terms or relevant agreements	116,513	127,901
	Miscellaneous service expenses	Based on commercial terms or relevant agreements	—	5,577

X. Related parties and transaction (Continued)

5. Transactions with related parties (Continued)

(4) Research and development services

Providing research and development service:

Related party	Content of related party transaction	Pricing policy and procedure for decision-making	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Sinopec Group and its subsidiaries		Based on normal commercial terms and relevant agreements	—	49,850

(5) Details of related party leases

The Group as a lessee

Name of lessor	Type of leasing assets	Pricing policy and procedure for decision-making	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Sinopec Group and its subsidiaries	Land and buildings	Based on normal commercial terms and relevant agreements	45,900	21,105

(6) Related party guarantee

The Group as guarantee

Guarantor	Type of guarantee	Amount of guarantee	Beginning date	Maturity date	Status of guarantee
Sinopec Group	Performance guarantee	USD 210,000,000	June 2013	November 2015	Incomplete

(7) Related financial services

Related party	Content of related transaction	Pricing policy and procedure for decision-making	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Subsidiaries of Sinopec Group	Deposit interest income	Based on normal commercial terms and relevant agreements	600	1,004
	Loan interest expense	Based on normal commercial terms and relevant agreements	153,311	320,666
	Borrowings obtained	Based on normal commercial terms and relevant agreements	26,332,206	34,190,850
	Borrowings repaid	Based on normal commercial terms and relevant agreements	26,755,339	31,357,385
CITIC Bank	Deposit interest income	Based on normal commercial terms and relevant agreements	—	327

(8) Safety and insurance fund expenses

Related party	Content of related transaction	Pricing policy and procedure for decision-making	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Sinopec Group	Safety and insurance fund expense	Based on normal commercial terms or relevant agreements	30,215	42,002
	Safety and insurance fund refund	Based on normal commercial terms or relevant agreements	22,250	48,295

(9) Others

Related party	Content of related transaction	Pricing policy and procedure for decision-making	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Sinopec Group and its subsidiaries	Compensation received	Based on normal commercial terms or relevant agreements	—	7,400

X. Related parties and transaction (Continued)

5. Transactions with related parties (Continued)

(10) Remuneration of key management personnel

Items	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Remuneration	5,111	1,203
Contributions to pension plans	315	129
Total	5,426	1,332

6. Related party transaction of parent company

(1) Details of related sale and purchase of goods

Purchase of goods

Related party	Content of related party transaction	Pricing policy and procedure for decision-making	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Sinopec Corp. and its subsidiaries	Purchase of goods	Based on normal commercial terms or relevant agreements	—	6,557,316
Sinopec Group and its subsidiaries	Purchase of goods	Based on normal commercial terms or relevant agreements	—	77,229

Sales of goods

Related party	Content of related party transaction	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Sinopec Group and its subsidiaries	Sales of goods	—	28,295

(2) Details of receiving and rendering related services

Related party	Content of related transaction	Pricing policy and procedure for decision-making	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Sinopec Corp. and its subsidiaries	Commission fees	Based on normal commercial terms or relevant agreements	—	1,119
Sinopec Group and its subsidiaries	Construction fees	Based on normal commercial terms or relevant agreements	—	10,263

(3) Related comprehensive service

Related party	Content of related transaction	Pricing policy and procedure for decision-making	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Sinopec Group and its subsidiaries	Miscellaneous expenses	Based on normal commercial terms or relevant agreements	—	5,577

(4) Related financial service

Related party	Content of related party transaction	Pricing policy and procedure for decision-making	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Sinopec Group and its subsidiaries	Deposit interest income	Based on normal commercial terms or relevant agreements	—	429
	Loan interest expenses	Based on normal commercial terms or relevant agreements	—	17,593
	Borrowings obtained	Based on normal commercial terms or relevant agreements	—	2,000,000
	Borrowings repaid	Based on normal commercial terms or relevant agreements	—	1,900,000
CITIC Bank	Deposit interest income	Based on normal commercial terms or relevant agreements	—	327

X. Related parties and transaction (Continued)

6. Related party transaction of parent company (Continued)

(5) Safety and insurance funds

Related party	Content of related party transaction	Pricing policy and procedure for decision-making	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Sinopec Group	Safety and insurance fund expenses	Based on normal commercial terms or relevant agreements	—	341

(6) Others

Related party	Content of related party transaction	Pricing policy and procedure for decision-making	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Sinopec Group and its subsidiaries	Compensation received	Based on normal commercial terms or relevant agreements	—	7,400

7. Amounts due from and to related parties

(1) Accounts receivables from related parties

Items	Related party	As at 30 June 2015		As at 31 December 2014	
		Closing balance	Provision for bad debts	Closing balance	Provision for bad debts
Bank deposit	Sinopec Finance Company Limited	84,641	—	88,538	—
	Sinopec Shengjun International Company Limited	530,337	—	441,467	—
	CITIC Bank	—	—	65	—
Accounts receivable	Sinopec Group and its subsidiaries	6,192,632	—	19,519,440	—
	Joint ventures of the Group	37	—	31	—
	Joint ventures and associates of SINOPEC GROUP	81,796	—	110,437	—
Prepayments	Sinopec Group and its subsidiaries	169,301	—	59,842	—
Other receivables	Sinopec Group and its subsidiaries	289,017	—	133,714	—
	Joint ventures of the Group	408	—	396	—
	Joint ventures and associates of Sinopec Group	31,280	—	50,000	—

(2) Accounts payable to related parties

Items	Related parties	As at 30 June 2015	As at 31 December 2014
Accounts payable	Sinopec Group and its subsidiaries	1,432,433	2,096,826
	Joint ventures of the Group	505	505
	Joint ventures and associates of Sinopec Group	27,273	17,876
Advances from customers	Sinopec Group. and its subsidiaries	136,053	191,719
	Joint ventures and associates of Sinopec Group	43,540	143,462
Other payables	Sinopec Group and its subsidiaries	3,774,927	5,546,881
Short-term borrowings	Sinopec Finance Co., LTD	1,220,000	4,350,000
	Sinopec Century Bright Capital Investment Company Limited	8,469,862	7,502,995
	Sinopec Group	1,800,000	—
Interest payable	Sinopec Group and its subsidiaries	13,475	19,880
Long-term loan	Sinopec Group	—	—
	Sinopec Finance Co., LTD	120,000	180,000

XI. Commitments or contingencies

1. Principal commitments

(1) Capital commitments

Capital commitments contracted for but not yet necessary to be recognised on the balance sheet	As at 30 June 2015	As at 31 December 2014
Land and buildings, plant & machineries	2,222,830	1,658,430

(2) Operating lease commitments

As at the date of balance sheet, the future minimum lease payment due under the signed irrevocable operating leases contracts are summarised as follows:

	As at 30 June 2015	As at 31 December 2014
Within 1 year	69,082	66,864
1 and 2 yeas	8,458	19,315
2 to 3 years	7,212	18,299
Over 3 years	10,302	6,046
Total amount	95,054	110,524

(3) Investment commitments

The Group had outstanding commitments of RMB240,587,000 in respect of its investment in SinoFTS Petroleum Services Ltd. and Zhong Wei Energy Co. Ltd as at 30 June 2015 not provided for in the financial statements (31 December 2014: RMB240,685,000).

(4) Fulfillment of commitments for the previous period

The Group has fulfilled the capital and operating lease commitments as at 30 June 2015.

2. Contingency

(1) Contingent liabilities due to pending actions

The Group is the defendant of certain lawsuits and also the third party or the designated party of other proceedings arising in the ordinary course of business. Management has assessed the possibility of adverse results of these contingencies, lawsuits or other proceedings and believes that any resulting liabilities will not have significant negative impact on the financial position, operating results or cash flow of the Group.

(2) Contingent liabilities guarantee provided for other entities and its financial effects

As at 30 June 2015, there is no contingent liability from guarantee provided for other entities.

(3) Tax penalties

On 7 February 2014, Federal Tax Administration of Rio de Janeiro conducted a tax audit on the Brazilian subsidiary of International Engineering. On 11 February 2014, the Brazilian subsidiary of International Engineering received a notice of the tax payments and penalties from Federal Tax Administration of Rio de Janeiro with total amount of BRL 80,459,100 (equivalent to USD 33,524,600, including tax of BRL 36,467,100, interest of BRL 13,929,800 and tax penalties of BRL 30,062,200. According to the legal opinion of the Brazilian subsidiary of International Engineering, the Brazilian subsidiary of International Engineering has administratively replied to such tax penalties and no final results can be predicted up to the report date. Even if Federal Tax Administration of Rio de Janeiro has made unfavorable decision against the Brazilian subsidiary of International Engineering, the Brazilian subsidiary of International Engineering still has the right for the administrative legal proceedings to the local court. Since the tax penalties are not predictable, SOSC Group did not provide the provision of such incident.

(4) Other contingent liabilities

With respect to uncertainties about enterprise income tax differences arising from 2006 and before as originated from a tax circular (Circular No. 644) issued by the State Administrative of Taxation in June 2007, the Company has been informed the relevant tax authority to settle the corporation income tax (“CIT”) for 2007 at a rate of 33 percent. To date, the Company has not been requested to pay additional CIT in respect of any years prior to 2007. There is no further development of this matter during the six months ended 30 June 2015. No provision has been made in the financial statements for this uncertainty for tax year prior to 2007 for the reason that management believes it cannot reliably estimate the amount of the obligation, if any, that might exist.

XII. Post balance sheet events

As at 25 August 2015, there are no other events after balance sheet date to be disclosed in the Group.

XIII. Other significant events

1. Correction of errors

There is no correction of errors during the reporting period.

2. Significant debt restructuring

There is no significant debt restructuring during the reporting period.

3. The main contents and major changes of pension plan

The main contents of pension plan refer to Note.III. 23(3).

4. Segment information

The Group has identified six reportable segments based on the internal structure, management requirements and internal reporting policy. The six reportable segments are: geophysics, drilling engineering, logging and mud logging, special down-hole operations, engineering construction, chemical fiber and chemical fiber raw materials. The segment information is prepared based on the financial information of the Company's daily management requirements. The Company's executive management reviews reportable segments' financial information periodically for the purposes of allocating resources and assessing the performance.

Inter-segment transfers are measured by reference to market price. The assets are allocated based on the operations of the segment and the physical location of the asset.

The resources related to long-term equity investment and investment (loss)/income on joint venture, income tax expenses as well as shared assets of all segments are centrally managed and accounted for by the Company, and thus are not allocated among segments.

The segment information is disclosed in accordance with the accounting policies and measurement standards reported to management by each segment. These accounting policies and measurement standards are consistent with the accounting policies and measurement standards of preparation of the financial statements.

XIII. Other significant events (Continued)

4. Segment information (Continued)

(1) Segment profit or loss, assets and liabilities

For the six months ended 30 June 2015 or at 30 June 2015	Geophysics	Drilling engineering	Logging and mud logging	Special downhole operations	Engineering construction	Fiber products and raw materials	Unallocated	Elimination	Total
Revenue	2,146,869	12,481,952	782,269	2,167,653	5,151,595	—	645,682	-254,735	23,121,285
Including: External customers	2,145,529	12,481,546	769,696	2,124,143	5,016,330	—	584,041	—	23,121,285
Including: Inter-segment income	1,340	406	12,573	43,510	135,265	—	61,641	-254,735	—
Including: Major business revenue	2,146,433	12,473,434	781,924	2,166,267	5,122,385	—	449,237	-254,735	22,884,945
Cost of sales	2,078,737	12,311,611	736,368	1,934,304	4,996,642	—	503,013	-254,735	22,305,940
Including: Major business cost	2,078,737	12,302,463	736,009	1,934,205	4,975,603	—	387,747	-254,735	22,160,029
Operating expenses	2,272,028	13,229,619	900,308	2,137,161	5,573,974	—	608,121	-254,735	24,466,476
Operating profit/(loss)	-125,159	-747,667	-118,039	30,492	-422,336	—	32,828	—	-1,349,881
Segment assets	6,281,366	41,919,701	3,198,675	7,649,590	18,923,963	—	23,992,194	-28,152,703	73,812,786
Segment liabilities	3,570,581	24,363,307	1,237,460	3,784,822	19,419,455	—	26,189,059	-28,152,703	50,411,981
Supplementary information:									
Capital expenditure	72,360	251,165	34,746	302,023	75	—	13,074	—	673,443
Depreciation and amortisation	300,727	2,077,017	232,408	224,390	127,893	—	72,443	—	3,034,878
Impairment loss/(reversals) on assets	16,733	3,087	664	3,680	88,119	—	-2,078	—	110,205

For the six months ended 30 June 2014 or at 30 June 2014	Geophysics	Drilling engineering	Logging and mud logging	Special downhole operations	Engineering construction	Fiber products and raw materials	Unallocated	Elimination	Total
Revenue	2,763,188	18,603,612	1,569,225	3,220,665	8,226,155	7,924,423	1,032,152	-1,229,885	42,109,535
Including: External customers	2,749,600	17,866,296	1,548,021	3,207,591	8,097,573	7,924,423	716,031		42,109,535
Including: Inter-segment income	13,588	737,316	21,204	13,074	128,582		316,121	-1,229,885	—
Including: Major business revenue	2,728,483	18,526,665	1,566,766	3,188,513	8,182,037	7,726,773	823,687	-1,126,186	41,616,738
Cost of sales	2,425,828	16,408,253	1,218,223	2,865,651	7,766,187	8,046,864	784,821	-1,229,885	38,285,942
Including: Major business cost	2,390,289	16,234,141	1,217,769	2,837,651	7,677,647	7,879,566	651,490	-1,126,186	37,762,367
Operating expenses	2,589,185	17,601,702	1,376,987	3,043,459	8,421,275	9,594,302	1,073,099	-1,229,885	42,470,124
Operating profit/(loss)	174,003	1,002,228	192,238	177,207	-194,520	-1,667,853	-40,482		-357,179
Segment assets	7,165,838	41,413,620	3,972,809	8,063,355	19,698,214	8,839,788	12,734,586	-16,375,438	85,512,772
Segment liabilities	4,390,236	16,047,485	1,151,009	2,073,411	20,287,707	3,493,502	29,933,974	-16,375,438	61,001,886
Supplementary information:									
Capital expenditure	20,281	353,138	86,610	77,727	44,943	170,985	1,509	—	755,193
Depreciation and amortisation	397,165	1,963,275	194,889	231,583	197,254	380,797	132,342	—	3,497,305
Impairment loss on assets	—	16,936	—	—	61,610	1,024,524	—	—	1,103,070

XIII. Other significant events (Continued)

4. Segment information (Continued)

(2) Other Segment Information

① **External revenue of goods and services**

Items	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Geophysics	2,145,529	2,749,600
Drilling engineering	12,481,546	17,866,296
Logging and mud logging	769,696	1,548,021
Special downhole operations	2,124,143	3,207,591
Engineering construction	5,016,330	8,097,573
Chemical fiber and chemical fiber raw materials	—	7,924,423
Others	584,041	716,031
Total	23,121,285	42,109,535

② **Geographical information**

For the six months ended 30 June 2015 or at 30 June 2015	The PRC	Other countries	Total
External revenue	16,870,923	6,250,362	23,121,285
Non-current assets	29,544,756	4,225,939	33,770,695

For the six months ended 30 June 2014 or at 30 June 2014	The PRC	Other countries	Total
External revenue	33,426,941	8,682,594	42,109,535
Non-current assets	30,239,883	5,231,124	35,471,007

③ **The dependence of principal customers**

A single customer contributed over 50% of the total revenue of the Group.

XIV. Notes to parent company's financial statements

1. Cash at bank and on hand

Items	At 30 June 2015			At 31 December 2014		
	Original currency	Exchange rate	Amount (RMB)	Original currency	Exchange rate	Amount (RMB)
Cash on hand:	—	—	—	—	—	—
RMB	—	—	—	—	—	—
Cash at banks:	—	—	—	—	—	—
RMB	1,602,484	1.00	1,602,484	—	—	—
USD	—	—	—	—	—	—
Total	1,602,484	1.00	1,602,484	—	—	—

2. Other receivables

	At 30 June 2015	At 31 December 2014
Other receivables	3,993,051	—
Less: provision for bad debts	—	—
Net amount	3,993,051	—

(1) Other receivables disclosed by categories:

Type	At 30 June 2015				
	Amount	Proportion %	Bad debt provision	Proportion %	Net carrying
Individually significant and provision for bad debts individually	—	—	—	—	—
Provision for bad debts collectively	—	—	—	—	—
Including: Ageing groups	—	—	—	—	—
Related party grouping	3,993,051	100.00	—	—	3,993,051
Subtotal	3,993,051	100.00	—	—	3,993,051
Individually insignificant but provision for bad debts individually	—	—	—	—	—
Total	3,993,051	100.00	—	—	3,993,051

Type	At 31 December 2014				
	Amount	Proportion %	Bad debt provision	Proportion %	Net carrying
Individually significant and provision for bad debts individually	—	—	—	—	—
Provision for bad debts collectively	—	—	—	—	—
Including: Ageing groups	—	—	—	—	—
Related party grouping	—	—	—	—	—
Subtotal	—	—	—	—	—
Individually insignificant but provision for bad debts individually	—	—	—	—	—
Total	—	—	—	—	—

① At 30 June 2015 and 31 December 2014, there is no other receivables that individually significant and provision for bad debts individually.

② At 30 June 2015 and 31 December 2014, there is no group of ageing other receivables made provision for bad debts by ageing analysis.

(2) During the reporting period, the Company did not have other receivables for which a full provision or a significant provision was made in the previous years that were recovered or reversed partly or in full amount.

XIV. Notes to parent company's financial statements (Continued)

3. Long-term equity investments

Items	At 30 June 2015	At 31 December 2014
Investment of subsidiaries	20,215,327	20,215,327
Joint ventures	—	—
Less: provision for impairment of long-term equity investment	—	—
Total	20,215,327	20,215,327

There is no restriction on sale of the long-term equity investments held by the Group.

(1) Investment to subsidiary

Investee	Opening balance	Increase during the period	Decrease during the period	Ending balance	Provision for impairment during the period	Ending balance of provision for impairment
Sinopec Oilfield Service Co., Ltd.	20,215,327	—	—	20,215,327	—	—

4. Tax payables

Items	At 30 June 2015	At 31 December 2014
Individual income tax	30	—
Business tax	—	—
Total	30	—

5. Other payables

Items	At 30 June 2015	At 31 December 2014
Payables for construction and equipment	—	—
The net profit or loss during the reorganisation	1,118,903	1,479,207
Others	35,900	39,000
Total	1,154,803	1,518,207

As at 30 June 2015, there is no other payables with aging over 1 year.

XIV. Notes to parent company's financial statements (Continued)

6. Share capital (Unit: thousand shares)

At 30 June 2015:

Items	Changes in current (+、-)				
	At 1 January 2015	Issued shares	Write off Repurchase of shares	Subtotal	At 30 June 2015
Domestic non-public legal person shares	**10,259,328**	**—**	**—**	**—**	**10,259,328**
Social public A shares	**450,000**	**1,333,333**	**—**	**1,333,333**	**1,783,333**
H share	**2,100,000**	**—**	**—**	**—**	**2,100,000**
Total	**12,809,328**	**1,333,333**	**—**	**1,333,333**	**14,142,661**

At 31 December 2014:

Items	Changes in current (+、-)				
	At 1 January 2014	Convert capital reserve into share capital	Others	Subtotal	At 31 December 2014
Domestic non-public legal person shares	3,450,000	9,224,328	-2,415,000	6,809,328	10,259,328
Social public A shares	450,000	—	—	—	450,000
H share	2,100,000	—	—	—	2,100,000
Total	6,000,000	9,224,328	-2,415,000	6,809,328	12,809,328

As mentioned in Note I, pursuant to the A Share Reform Scheme, Sinopec Corp. and CITIC Limited commits to hold those no circulating shares without trading and transferring within 12 months since they obtains the circulating right. After the maturity of the restriction period, Sinopec Corp. and CITIC Limited can trade those non-circulating shares up to 5% of the Company's total shares within 12 months and 10% within 24 months. As at 30 June 2015, all shares held by original non-circulating shareholders have not been available for trading.

Pursuant to the resolution of the Company's First Extraordinary General Meeting and approved by "Approval to the Material Asset Reorganisation of Sinopec Yizheng Chemical Fibre Company Limited and Issuance of Shares to China Petrochemical Corporation for Asset Acquisition and Subsequent A Share Placement'' (CSRC Permit [2014] No. 1370) issued by China Securities Regulatory Committee, the company would sell all of the assets and liabilities to Sinopec Corp. and repurchase the Repurchased Shares(a total of 2,415,000,000 A Shares)form Sinopec Corp. for cancellation. On the even date, the Company would issue the Consideration Shares (a total of 9,224,327,662 A Shares) to Sinopec Group in order to acquire 100% equity interest of held by Sinopec Group. The registration of shares change was completed on 31 December 2014 and has been verified by Grant Thornton China pursuant to the capital verification report (GT Yan Zi (2014) No.110ZC0383).

Approved by "Approval to the Material Asset Reorganisation of Sinopec Yizheng Chemical Fibre Company Limited and Issuance of Shares to China Petrochemical Corporation for Asset Acquisition and Subsequent A Share Placement'' (CSRC Permit [2014] No. 1370) issued by China Securities Regulatory Committee, the Company issued 1,333,333,333 A Shares to Darry Asset Management (Hangzhou) Co., Ltd.and other six specific investors on 13 February 2015.The net proceeds of the issuing is 5,952,517,000. The new shares are limited tradable shares which lock-up period is 12 months and expected to trade on 3 March 2016.

XIV. Notes to parent company's financial statements (Continued)

7. Capital reserve

At 30 June 2015:

Items	At 1 January 2015	Increase for the period	Decrease for the period	At 30 June 2015
Share premium	7,064,165	4,619,184	—	11,683,349
Other capital reserve	67,969	—	—	67,969
Total	7,132,134	4,619,184	—	11,751,318

Refer to Note V.29, capital reserve increased 4,619,184,000 as the Company issued A shares to raise funds 5,952,517,000 on February 2015.

At 31 December 2014:

Items	At 1 January 2014	Increase for the period	Decrease for the period	At 31 December 2014
Share premium	1,078,825	5,985,340	—	7,064,165
Other capital reserve	67,969	—	—	67,969
Total	1,146,794	5,985,340	—	7,132,134

The company sold all of the assets and liabilities to Sinopec Corp., repurchased the Repurchased Shares(a total of 2,415,000,000 A Shares)form Sinopec Corp. for cancellation and issued the Consideration Shares to Sinopec Group in order to acquire 100% equity interest.

According to the business combination under common control acquired 100% share of, the initial investment cost is recognised as the carrying amount of acquiree's net assets at acquisition date. The share premium increased 9,872,096,000 due to the difference between the payment of shares and initial investment cost, decreased 3,886,756,000 due to the difference between repurchase of shares and payment of the price. The net increase in share premium is 5,985,340,000.

8. Surplus reserve

Items	At 1 January 2015	Increase for the period	Decrease for the period	At 30 June 2015
Statutory surplus reserve	200,383	—	—	200,383
Total	200,383	—	—	200,383

In accordance with the Company Law and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the paid in capital after approval from the appropriate authorities.

9. Retained earnings

Items	At 30 June 2015	At 31 December 2014	Appropriation/ distribution ratio
Undistributed profits at the beginning of the year	-1,444,725	-252,136	94,481,041
Add: Net profit attributable to parent company	6,392	-1,192,589	—
Less: Withdrawal of statutory surplus reserves	—	—	10%
Retained earnings at the end of the year	-1,438,333	-1,444,725	

XIV. Notes to parent company's financial statements (Continued)

10. Revenue and cost of sales

Items	For the six months ended 30 June 2015		For the six months ended 30 June 2014	
	Revenue	Cost	Revenue	Cost
Major business	—	—	7,726,773	7,879,566
Other business	—	—	197,650	167,298
Total	—	—	7,924,423	8,046,864

The Company is engaged in chemical fibre. Analysis by products is as follows:

(1) Major business

Industry	For the six months ended 30 June 2015		For the six months ended 30 June 2014	
	Revenue	Cost	Revenue	Cost
PET chip	—	—	2,792,869	2,830,689
Bottle-grade polyester chips	—	—	1,620,962	1,600,938
Staple fibre and hollow fibre	—	—	3,072,230	3,001,772
Filament	—	—	157,873	213,962
Others	—	—	82,839	232,205
Total	—	—	7,726,773	7,879,566

(2) Business revenue (Classified by area)

Area	For the six months ended 30 June 2015	For the six months ended 30 June 2014
China mainland	—	7,493,751
Hong Kong, Macau, Taiwan and overseas	—	233,022
Total	—	7,726,773

11. Business tax and surcharges

Items	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Business tax	29	1,368
Urban maintenance and construction tax	2	976
Education surtax	1	420
Total	32	2,764

Notes: The provision and payment standards of business tax and surcharges refer to Note IV. Taxation.

12. Selling expenses

Items	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Freight	—	87,649
Commission fee	—	21,119
Others	—	11,553
Total	—	120,321

XIV. Notes to parent company's financial statements (Continued)

13. General and administrative expenses

Items	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Repair and maintenance	—	126,504
Staff costs	—	169,834
Community service fee	—	20,508
Taxes	2,976	18,555
Research and development expenses	—	13,870
Depreciation and amortisation	—	12,836
Others	1,434	29,698
Total	4,410	391,805

14. Finance costs

Items	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Interest expenses	—	38,882
Less: Interest income	-10,854	-31,881
Exchange losses/(gains) - net	17	527
Bank and other charges	3	496
Total	-10,834	8,024

The Company's interest expenses are bank loan interest repayable within five years.

15. Impairment losses on assets

Items	For the six months ended 30 June 2015	For the six months ended 30 June 2014
(1) Provision for bad debts	—	—
(2) Provision for decline in the value of inventories	—	—
(3) Impairment losses on fixed assets	—	845,949
(4) Impairment losses on intangible assets	—	178,575
Total	—	1,024,524

16. Investment income

Items	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Investment income from long-term equity investments under equity method	—	2,026

XIV. Notes to parent company's financial statements (Continued)

17. Non-operating income

(1) Breakdown of non-operating income

Items	For the six months ended 30 June 2015	For the six months ended 30 June 2014	Recognised as non-recurring income
Gains from disposal of fixed assets	—	509	509
Government grants	—	897	897
Others	—	1,657	1,657
Total	—	3,063	3,063

(2) Breakdown of government grants

Items	For the six months ended 30 June 2015	For the six months ended 30 June 2014	Related to assets/income
Environmental protection projects funding	—	306	Related to assets
Special equipment asset allocation	—	591	Related to assets
Total	—	897	

18. Non-operating expenses

Items	For the six months ended 30 June 2015	For the six months ended 30 June 2014	Recognised as non-recurring income
Loss on disposal of fixed assets	—	4,940	4,940
Others	—	6,766	6,766
Total	—	11,706	11,706

19. Income tax expense

(1) Details of income taxes expenses

Items	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Current tax in accordance with tax laws and related regulations	—	—
Deferred income tax	—	73,783
Total	—	73,783

(2) Reconciliation between income tax expenses and accounting profits is as follows:

Items	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Profit before income tax	6,393	-1,676,496
Taxation calculated at the statutory tax rate	1,598	-419,124
Revenue of previously recognised deferred tax assets	—	73,783
Non-deductible expenses	—	632
Payment of income tax expenses related to previous periods	—	—
Non-taxable income	—	-507
Effect of utilisation of unrecognised tax losses and deductible temporary differences	-1,598	—
Effect of unrecognised tax losses and deductible temporary differences	—	418,999
Others	—	—
Income tax expense	—	73,783

XIV. Notes to parent company's financial statements (Continued)

20. Notes to Cash Flow Statement

(1) Cash received from other operating activities

Items	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Disbursement of funds		—
Others	10,854	—
Total	10,854	—

(2) Cash paid for other operating activities

Items	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Freight	—	87,731
Commission fee	—	21,119
Community service fee	—	20,508
Technology development fee	—	13,870
Disbursement of funds	3,993,050	—
Others	6,006	63,749
Total	3,999,056	206,977

(3) Cash received from other investing activities

Items	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Interest of bank deposits	—	1,573
Collection of time deposits	—	20,000
Others	—	1,052
Total	—	22,625

(4) Cash received from other financing activities

Items	For the six months ended 30 June 2015	For the six months ended 30 June 2014
The delivery price difference between the assets and repurchase of shares	360,305	—
Total	360,305	—

XIV. Notes to parent company's financial statements (Continued)

21. Supplement information to Cash Flow Statement

(1) Supplement information to Cash Flow Statement:

Supplement information		For the six months ended 30 June 2015	For the six months ended 30 June 2014
1.	Reconciliation of net profits to cash flows from operating activities:		
	Net profit	6,393	-1,750,279
	Add: Provision for impairment losses on assets	—	1,024,524
	Depreciation of fixed assets	—	240,757
	Amortisation of intangible assets	—	4,537
	Amortisation of long-term deferred expenses	—	135,503
	Losses on disposal of fixed assets, intangible assets and other long-term assets (Gain as in "-")	—	4,431
	Amortisation of deferred income	—	-897
	Finance costs (Income as in "-")	—	28,078
	Investment losses(Income as in "-")	—	-2,026
	Decrease in deferred tax income assets (Increase as in "-")	—	73,783
	Increase in deferred income tax liabilities (Decrease as in "-")	—	—
	Decrease in inventories (Increase as in "-")	—	-11,473
	Decrease in operating receivables (Increase as in "-")	-3,993,051	264,196
	Increase in operating payables (Decrease as in "-")	-4,553	-268,225
	Others	—	77
	Net cash flows from operating activities	-3,991,211	-257,014
2.	Significant investment or finance activities not involving cash:		
	Transfer of assets to Sinopec Group	—	—
	Revaluation gains	—	—
	Fixed assets acquired under finance leases	—	—
3.	Net changes in cash and cash equivalents:		
	Closing balance of cash	1,602,484	62,995
	Less: Opening balance of cash	—	85,797
	Add: Closing balance of cash equivalents	—	—
	Less: Opening balance of cash equivalents	—	—
	Net decrease/(increase) in cash and cash equivalents	1,602,484	-22,802

(2) Composition of cash and cash equivalents

Items		For the six months ended 30 June 2015	For the six months ended 30 June 2014
1.	Cash	1,602,484	—
	Including: Cash in hand	—	—
	Cash at bank	1,602,484	—
2.	Closing balance of cash and cash equivalents	1,602,484	—
3.	Restricted cash	—	—
4.	Balance of cash on hand and at bank	1,602,484	—

XV. Supplementary information

1. Details of non-recurring gains or losses

Items	For the six months ended 30 June 2015
Gain or loss on disposal of non-current assets	13,507
Government grants recognised in profit or loss for the year/period	19,087
The net profit or loss of subsidiaries formed by business combination under common control from the beginning of the year to the acquisition date	—
Non-operating income/(expenses) except the above	-3,274
Total non-recurring gains or losses	29,320
Less: Effects of income tax on non-recurring gains or losses	8,225
Net non-recurring gains or losses	21,095
Less: Effects of non-recurring gains or losses attributable to the minority shareholders of the Company (after tax)	—
Non-recurring gains or losses attributable to the shareholders of the Company	21,095

2. Return on net assets and earnings/(loss) per share

Profit of reporting period	Weighted average return on net assets%	Earnings/(loss) per share	
		Basic earnings/(loss)	Diluted earnings/(loss)
		(Yuan/share)	(Yuan/share)
Net loss attributable to the Company's ordinary equity shareholders	-6.56	-0.10	-0.10
Net loss attributable to the Company's ordinary equity shareholders after deduction of non-recurring profit or loss	-6.66	-0.10	-0.10

	For the six months ended 30 June	
Earnings per share	**2015**	2014
Net loss attributable to the Company's ordinary equity shareholders	**-1,380,350**	-687,285
Including: Net profit of continuing operations	**-1,380,350**	1,062,994
Net profit of discontinued operations	**—**	-1,750,279
Basic earnings per share	**-0.10**	-0.05
Including: Basic earnings per share of continuing operations	**-0.10**	0.07
Basic earnings per share of discontinued operations	**—**	-0.11
Diluted earnings per share	**-0.10**	-0.05
Including: Diluted earnings per share of continuing operations	**-0.10**	0.07
Diluted earnings per share of discontinued operations	**—**	-0.11

The situation of discontinued operations refer to Note XIII.4

XV. Supplementary information (Continued)

3. Differences between local and overseas accounting standards

(1) Reconciliation of differences between CASBE and IFRS financial statements

	Net profit For the six months ended 30 June		Net assets	
	2015	2014	**At 30 June 2015**	At 31 December 2014
Based on CASBE	**-1,380,350**	-687,285	**23,401,862**	18,697,120
Adjusted items and amounts in accordance with IFRS:				
Government grants	**—**	1,416	**—**	—
Specific reserve	**132,575**	230,094	**—**	—
Based on IFRS	**-1,247,775**	-455,775	**23,401,862**	18,697,120

(2) Note:

(a) Government grants

Under PRC GAAP, grants from government that are credited to capital reserve according to relevant regulation cannot be included in deferred income. Under IFRS, the government grants related to assets are recognised initially as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the assets.

(b) Specific reserve

In accordance to CASBE, provision of safety fund according to the PRC regulation is recognised to the profit or loss in the current period and at the same time included in the "special reserve" account. When safety costs and maintenance funds provided are used according to the specified scope, payment of expenses is directly offset against the special reserve; payment in formation of fixed assets is first imputed through "construction in progress" account, then recognised as fixed assets when the project is completed to its intended use state; meanwhile, offset the special reserve according to the cost in formation of the fixed assets and recognise the same amount of accumulated depreciation. The fixed assets will no longer depreciate in the subsequent accounting periods. According to IFRS, expenditure in cost nature is recognised in the profit or loss and expenditure in capital nature is recognised as fixed assets when incurred and depreciate in the corresponding depreciation method.

Sinopec Oilfield Service Corporation

25 August 2015

Grant Thornton
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Independent Review Report

To the Board of Directors of Sinopec Oilfield Service Corporation

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

INTRODUCTION

We have reviewed the interim financial information of Sinopec Oilfield Service Corporation (the "Company") and its subsidiaries (together the "Group") set out on pages 122 to 149, which comprises the interim condensed consolidated statement of financial position as at 30 June 2015, and the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six months period then ended, and a summary of significant accounting policies and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board ("IASB"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34.

Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the IASB. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

25 August 2015

Shaw Chi Kit
Practising Certificate No.: P04834

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	For the six months period ended 30 June 2015 RMB'000 (Unaudited)	2014 RMB'000 Restated (Unaudited)
Continuing operations:			
Revenue	4	23,121,285	34,185,112
Cost of sales and business taxes		(22,433,888)	(30,322,718)
Gross profit		687,397	3,862,394
Selling expenses		(25,343)	(29,206)
General and administrative expenses		(1,560,959)	(1,782,684)
Finance income/(expenses) - net	6	(203,506)	(432,650)
Impairment losses on assets	7	(110,205)	(78,546)
Investment income		42	1,091
Share of (loss)/profit from joint ventures		(4,732)	293
Operating (loss)/profit		(1,217,306)	1,540,692
Other income	8	173,729	216,609
Other expenses	9	(21,158)	(24,870)
(Loss)/Profit before income tax	10	(1,064,735)	1,732,431
Income tax expense	11	(183,115)	(436,183)
(Loss)/Profit for the period from continuing operations		(1,247,850)	1,296,248
Discontinued operations:			
Loss for the period from discontinued operations	12	—	(1,748,786)
Loss for the period		(1,247,850)	(452,538)
Other comprehensive income for the period, net of tax		—	—
Total comprehensive expense for the period		(1,247,850)	(452,538)
Total comprehensive expense for the period attributable to:			
Owners of the Company			
– Continuing operations		(1,247,775)	1,293,011
– Discontinued operations		—	(1,748,786)
		(1,247,775)	(455,775)
Non-controlling interests			
– Continuing operations		(75)	3,237
– Discontinued operations		—	—
		(75)	3,237
Total comprehensive expense for the period		(1,247,850)	(452,538)
(Loss)/Earnings per share for (loss)/profit attributable to owners of the Company (presented in RMB per share)	13		
Basic and diluted			
– Continuing operations		(0.090)	0.085
– Discontinued operations		—	(0.115)
		(0.090)	(0.030)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2015	As at 31 December 2014
		RMB'000 (Unaudited)	RMB'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	16	29,815,343	31,080,430
Other non-current assets		4,787,754	5,285,204
Prepaid land leases	17	50,475	51,107
Intangible assets		33,983	41,243
Interests in joint ventures		103,139	107,871
Interests in associates		128	128
Available-for-sale financial assets		40,494	40,494
Deferred income tax assets		172,085	156,679
Total non-current assets		35,003,401	36,763,156
Current assets			
Inventories	21	2,051,985	1,950,590
Notes and trade receivables	18	15,322,446	28,284,441
Prepayment and other receivables	19	4,300,749	3,102,072
Amounts due from customers for contract works	20	14,107,373	9,981,552
Restricted cash		37,198	12,143
Cash and cash equivalents		2,989,634	1,201,754
Total current assets		38,809,385	44,532,552
Total assets		73,812,786	81,295,708

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Notes	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
Equity			
Share capital	22	14,142,661	12,809,328
Reserves		9,259,201	5,887,792
Equity attributable to owners of the Company		23,401,862	18,697,120
Non-controlling interests		(1,057)	(982)
Total equity		23,400,805	18,696,138
Non-current liabilities			
Long term borrowings	25	508,891	568,163
Deferred income		50,964	43,951
Special payables		2,647	2,647
Deferred income tax liabilities		37,142	46,895
Total non-current liabilities		599,644	661,656
Current liabilities			
Notes and trade payables	23	25,303,167	30,913,607
Deposits received and other payables	24	8,204,182	12,012,183
Amounts due to customers for contract works	20	4,555,910	6,564,119
Short term borrowings	25	11,674,904	12,015,579
Current income tax payable		74,174	432,426
Total current liabilities		49,812,337	61,937,914
Total liabilities		50,411,981	62,599,570
Total equity and liabilities		73,812,786	81,295,708
Net current liabilities		(11,002,952)	(17,405,362)
Total assets less current liabilities		24,000,449	19,357,794

The accompanying interim financial information was approved and authorised for issue by the Board of Directors on 25 August 2015.

Chairman:
Jiao Fangzheng

Vice Chairman and General Manager:
Zhu Ping

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company								
	Share capital	Share premium	Other capital reserve	Surplus reserve	Specific reserve	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000 (Note 22)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2015	12,809,328	4,207,063	67,969	200,383	295,568	1,116,809	18,697,120	(982)	18,696,138
Total comprehensive expense for the period	—	—	—	—	—	(1,247,775)	(1,247,775)	(75)	(1,247,850)
Transactions with owners:									
Issue of shares	1,333,333	4,619,184	—	—	—	—	5,952,517	—	5,952,517
Appropriation of specific reserve	—	—	—	—	336,223	(336,223)	—	—	—
Utilisation of specific reserve	—	—	—	—	(203,648)	203,648	—	—	—
Total transactions with owners	1,333,333	4,619,184	—	—	132,575	(132,575)	5,952,517	—	5,952,517
Balance as at 30 June 2015 (Unaudited)	14,142,661	8,826,247	67,969	200,383	428,143	(263,541)	23,401,862	(1,057)	23,400,805
Balance at 1 January 2014, as previously reported	6,000,000	518,833	28,339	200,383	1,447	314,462	7,063,464	—	7,063,464
Business combinations under common control (Note 1.2)	—	22,731,400	39,630	—	300,982	512,795	23,584,807	84,938	23,669,745
Balance at 1 January 2014, restated	6,000,000	23,250,233	67,969	200,383	302,429	827,257	30,648,271	84,938	30,733,209
Total comprehensive expense for the period	—	—	—	—	—	(455,775)	(455,775)	3,237	(452,538)
Transactions with owners:									
Assets injection from Sinopec Group	—	146,267	—	—	—	—	146,267	—	146,267
Distributions to Sinopec Group and non-controlling interests	—	—	—	—	—	(17,080)	(17,080)	(20,000)	(37,080)
Equity adjustment of subsidiaries upon transformation	—	(238,795)	—	—	—	238,795	—	—	—
Return of capital to Sinopec Group	—	(5,910,582)	—	—	—	—	(5,910,582)	—	(5,910,582)
Appropriation of specific reserve	—	—	—	—	521,710	(521,710)	—	—	—
Utilisation of specific reserve	—	—	—	—	(291,616)	291,616	—	—	—
Total transactions with owners	—	(6,003,110)	—	—	230,094	(8,379)	(5,781,395)	(20,000)	(5,801,395)
Balance at 30 June 2014 (Unaudited)	6,000,000	17,247,123	67,969	200,383	532,523	363,103	24,411,101	68,175	24,479,276

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months period ended 30 June	
	2015	2014
	RMB'000 (Unaudited)	RMB'000 Restated (Unaudited)
Cash flows from operating activities		
Cash flows used in operations	(830,637)	(1,596,167)
Income tax paid	(566,526)	(437,936)
Net cash used in operating activities	(1,397,163)	(2,034,103)
Cash flows from investing activities		
Purchases of property, plant and equipment	(469,299)	(951,096)
Proceeds from disposal of property, plant and equipment, intangible assets and other non-current assets	22,780	4,430
Interests received	15,873	6,574
Investments income received from available-for-sale financial assets	—	2,050
Net cash used in investing activities	(430,646)	(938,042)
Cash flows from financing activities		
Proceeds from borrowings	26,172,969	35,572,144
Repayments of borrowings	(26,592,740)	(32,493,963)
Interests paid	(156,752)	(359,122)
Issue of shares	5,952,517	—
Payment of funds from restructuring and business combinations	(360,305)	—
Payment to Sinopec Group for capital contribution	(1,400,000)	—
Distributions to Sinopec Group and non-controlling interests	—	(20,435)
Net cash generated from financing activities	3,635,513	2,687,658
Net increase/(decrease) in cash and cash equivalents	1,787,880	(273,521)
Cash and cash equivalents at the beginning of the period	1,201,754	1,694,094
Cash and cash equivalents at the end of the period	2,989,634	1,420,573

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months period ended 30 June 2015

1 General Information, the Reorganisation and Basis of Presentation

1.1 General information and the Reorganisation

Sinopec Oilfield Service Corporation (the "Company") is a joint stock company with limited liability established in the People's Republic of China (the ''PRC''). The headquarter registered address is No. 9, Jishikou Road, Chaoyang District, Beijing, the PRC. The name of the Company was changed from Sinopec Yizheng Chemical Fibre Company Limited to Sinopec Oilfield Service Corporation ("SSC") with effect from 20 March 2015.

The immediate and ultimate holding company of the Company is China Petrochemical Corporation (hereinafter referred to as the 'Sinopec Group'').

Originally, the Company and its subsidiaries (hereinafter referred to as the "Group'') are principally engaged in the production and sale of chemical fiber and chemical fiber raw materials in the PRC (the "Fibre Business").

At the end of December 2014, the Company completed the material assets reorganisation by using of all its assets and liabilities at that time (hereinafter referred to as the "Outgoing Business") as consideration, to repurchase and then cancel the shares held by China Petroleum & Chemical Corporation. At the same time, the Company acquired 100% equity interest of Sinopec Oilfield Service Co., Ltd. (中石化石油工程技術服務有限公司) ("SOSC") from Sinopec Group, which was satisfied by the issuance of shares to Sinopec Group (hereinafter collectively referred to as the "Reorganisation").

Upon completion of the Reorganisation, the principal activities of the Group changed to the provision of onshore and offshore oil, natural gas and other mineral prospecting, exploration, drilling and exploitation and provision of general contracting, design and construction services for the oil and gas and other types of construction projects (the "Oilfield Business").

1.2 Basis of presentation

Immediate before the Reorganisation and SOSC Specialisation Restructuring (Please refer to 2014 annual report for details), SOSC is a wholly-owned subsidiary of Sinopec Group. Immediate before and after the Reorganisation, the ultimate holding company of the Company is Sinopec Group. Since immediate before and after the Reorganisation, both of the Company and SOSC are under common control of Sinopec Group and the control is not transitory, the Reorganisation is accounted for as a business combination under common control.

The operating results of SOSC have been included in the comparative condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period ended 30 June 2014, as if SOSC existed in the Group since 1 January 2014 and remains unchanged throughout the period.

As the Reorganisation has been completed on 30 December 2014, the condensed consolidated statement of financial position as at 31 December 2014 as set out in the interim financial information has included the financial position of SOSC and excluded the Outgoing Business.

In the condensed consolidated statement of comprehensive income, the Oilfield Business was classified as "continuing operations" and the Fibre Business was classified as "discontinued operations".

As at 30 June 2015, the Group's has net current liabilities of approximately RMB 11,002,952,000 (31 December 2014: RMB 17,405,362,000). Having taken into account of historical operating cash inflows over the past years, expected operating cash inflows in the next twelve months, and most of the Group's borrowings were sourced from the Sinopec Group and its subsidiaries, where the Group ongoing maintained good relationship with these companies, which enable the Group to secure sufficient financial support from these companies. After the Reorganisation, in order to obtain sufficient credits facilities, the Company will diversify its source of finance by exploring and developing good relationship with listed and state-owned financial institutions. The directors of the Company are in the opinion that the above measures are sufficient to meet with the expected liquidity and capital requirements and considered that going concern basis is appropriate for the preparation of this interim financial information.

1.3 Financial information

This interim financial information is presented in RMB, unless otherwise stated. This interim financial information has been approved for issue by the Board of Directors on 25 August 2015.

This interim financial information for the six months period ended 30 June 2015 has been prepared in accordance with IAS 34 "Interim Financial Reporting" and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with the International Financial Reporting Standards ("IFRS").

This interim financial information had been reviewed, but not audited.

2 Summary of Significant Accounting Policies

Except as described below, the accounting policies applied are consistent with those applied in the annual financial statements for the year ended 31 December 2014.

(a) The relevant new and revised IFRS and interpretation ("New Standards") effective on 1 January 2015 and has been adopted by the Group

The Group has been adopted all these New Standards, which are first effective for the accounting periods beginning on or after 1 January 2015:

Annual Improvements Project	Annual Improvements 2010-2012 Cycle
Annual Improvements Project	Annual Improvements 2011-2013 Cycle

The applications of above New Standards have no material impact on the amounts recognised in the Group's condensed consolidated financial statements.

(b) The relevant standards, amendments and interpretations to existing standards that are not yet effective for the financial year beginning 1 January 2015 and have not been early adopted

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

1 Effective for accounting periods beginning on or after 1 January 2016
2 Effective for accounting periods beginning on or after 1 January 2018

There are no other IFRS and IFRIC-Interpretation which are not yet effective expected to have significant impact to the Group.

3 Critical Accounting Judgements and Estimates

The Group continually evaluates the critical accounting estimates and key assumptions based on its historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

In preparing this interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2014.

4 Revenue

The Group's revenue is as follows:

	For the six months period ended 30 June	
	2015	2014
	RMB'000	RMB'000
Geophysics	**2,145,529**	2,749,600
Drilling engineering	**12,481,546**	17,866,296
Logging and mud logging	**769,696**	1,548,021
Special downhole operations	**2,124,143**	3,207,591
Engineering construction	**5,016,330**	8,097,573
Others	**584,041**	716,031
	23,121,285	34,185,112

5 Segment Information

The Group identifies operating segments based on the internal organisation structure, senior executive management requirements and internal reporting system. The Group has identified six operating segments including geophysics, drilling engineering, logging and mud logging, special downhole operations, engineering construction and fibre products and raw materials. These operating segments are identified based on the regular internal financial information reported to the senior executive management. Senior executive management of the Company regularly reviews the segment information for their decision about the resources allocation and performance assessment.

Six reportable operating segments are as follows:

Continuing operations:

– Geophysics, which provides terrestrial and marine geophysical exploration, development and technical services;

– Drilling engineering, which provides customers with land and ocean drilling design, construction, technical services and drilling instrumentation;

– Logging and mud logging, which provides land and ocean project contracting and technical services for collection, monitoring, transmission, processing and interpretation and evaluation of wellbore oil and gas, geology and engineering information;

– Special downhole operations, which provides oil engineering technical and construction, including oil (gas) testing, well repair, lateral drilling, fracturing, acidising and oil assignments; and

– Engineering construction, which provides a package of services, including feasibility studies, design, procurement, construction for projects of onshore and offshore oil and gas fields, long-distance pipeline projects, oil and gas transporting process projects, storage and transportation projects, petrochemical supporting projects, building construction, water resources and hydropower, ports and waterways, electricity transmission and distribution projects, manufacturing of pressure vessels, LNG projects, coal chemical engineering, geothermal utilisation, energy saving and municipal roads and bridges.

Discontinued operations:

– Fibre products and raw materials, with production and sales of polyester chips and polyester fibre, and production of its raw material purified terephthalic acid (Note 12).

Inter-segment transfers are measured by reference to market price. The assets are allocated based on the operations of the segment and the physical location of the asset.

The resources related to interest income, interest expenses, interests in joint venture, (loss)/gain on investment, income tax expense as well as shared assets of all segments are centrally managed and accounted for by the Company, and thus are not allocated among segments.

Segment information of each reportable segment were reported and disclosed to the senior executive management in accordance with the accounting policies and the respective measurement bases. These accounting policies and measurement bases were the same as those used in for the preparation of the financial statements.

5 Segment Information (Continued)

Information regarding reportable segments provided to the senior executive management was as follows:

(a) Segment results, assets and liabilities

For the six months period ended 30 June 2015 and as at that date, the segment results, assets and liabilities were as follows:

	Continuing operations					Discontinued operations			
	Geophysics	Drilling engineering	Logging and mud logging	Special downhole operations	Engineering construction	Fibre products and raw materials	Unallocated	Eliminated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the six months period ended 30 June 2015									
Segment revenue and results									
Revenue from external customers	2,145,529	12,481,546	769,696	2,124,143	5,016,330	—	584,041	—	23,121,285
Inter-segment revenue	1,340	406	12,573	43,510	135,265	—	61,641	(254,735)	—
Segment revenue	2,146,869	12,481,952	782,269	2,167,653	5,151,595	—	645,682	(254,735)	23,121,285
Segment profit/(loss)	(111,123)	(679,149)	(113,784)	64,168	(411,529)	—	34,111	—	(1,217,306)
Other income	7,604	74,980	1,526	8,112	23,238	—	58,269	—	173,729
Other expenses	(1,184)	(9,889)	(1,289)	(1,957)	(6,005)	—	(834)	—	(21,158)
Profit/(Loss) before income tax	(104,703)	(614,058)	(113,547)	70,323	(394,296)	—	91,546	—	(1,064,735)
Discontinued operations									—
Loss before income tax and discontinued operations									(1,064,735)
Income tax expense									(183,115)
Loss for the period from continuing operations									(1,247,850)
Loss for the period from discontinued operations									—
Loss for the period									(1,247,850)

	Continuing operations					Discontinued operations			
	Geophysics	Drilling engineering	Logging and mud logging	Special downhole operations	Engineering construction	Fibre products and raw materials	Unallocated	Eliminated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the six months period ended 30 June 2015									
Other segment items									
Depreciation and amortisation									
– Property, plant and equipment	259,529	1,143,786	169,290	180,915	109,014	—	61,893	—	1,924,427
– Prepaid land leases	—	196	208	5	223	—	—	—	632
– Intangible assets	400	480	1,204	537	2,399	—	2,240	—	7,260
Capital expenditure									
– Property, plant and equipment	72,360	251,164	34,746	302,023	75	—	13,074	—	673,442
Impairment loss/(reversals) on assets	16,733	3,087	664	3,680	88,119	—	(2,078)	—	110,205
As at 30 June 2015									
Assets									
Segment assets	6,281,366	41,919,701	3,198,675	7,649,590	18,923,963	—	23,992,194	(28,152,703)	73,812,786
Liabilities									
Segment liabilities	3,570,581	24,363,307	1,237,460	3,784,822	19,419,455	—	26,189,059	(28,152,703)	50,411,981

5 Segment Information (Continued)

(a) Segment results, assets and liabilities (Continued)

As at 31 December 2014 and for the six months period ended 30 June 2014, the segment results, assets and liabilities were as follows:

	Continuing operations					Discontinued operations			
	Geophysics	Drilling engineering	Logging and mud logging	Special downhole operations	Engineering construction	Fibre products and raw materials	Unallocated	Eliminated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the six months period ended 30 June 2014									
Segment revenue and results									
Revenue from external customers	2,749,600	17,866,296	1,548,021	3,207,591	8,097,573	7,924,423	716,031	—	42,109,535
Inter-segment revenue	13,588	737,316	21,204	13,074	128,582	—	316,121	(1,229,885)	—
Segment revenue	2,763,188	18,603,612	1,569,225	3,220,665	8,226,155	7,924,423	1,032,152	(1,229,885)	42,109,535
Segment profit/(loss)	189,703	1,148,821	206,649	218,979	(183,989)	(1,667,777)	(39,471)	—	(127,085)
Other income	8,203	152,429	611	27,560	25,024	4,479	2,782	—	221,088
Other expenses	(4,289)	(5,293)	(1,854)	(3,502)	(9,652)	(11,705)	(280)	—	(36,575)
Profit/(Loss) before income tax	193,617	1,295,957	205,406	243,037	(168,617)	(1,675,003)	(36,969)	—	57,428
Discontinued operations									1,675,003
Profit before income tax and discontinued operations									1,732,431
Income tax expense									(436,183)
Profit for the period from continuing operations									1,296,248
Loss for the period from discontinued operations									(1,748,786)
Loss for the period									(452,538)

	Continuing operations					Discontinued operations			
	Geophysics	Drilling engineering	Logging and mud logging	Special downhole operations	Engineering construction	Fibre products and raw materials	Unallocated	Eliminated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the six months period ended 30 June 2014									
Other segment items									
Depreciation and amortisation									
– Property, plant and equipment	283,346	1,109,770	129,485	188,672	125,682	241,324	123,104	—	2,201,383
– Prepaid land leases	—	296	208	5	442	3,970	—	—	4,921
– Intangible assets	54	2,116	1,005	707	1,647	—	222	—	5,751
Capital expenditure									
– Property, plant and equipment	20,104	352,992	86,610	77,428	1,817	170,985	1,509	—	711,445
– Intangible assets	177	146	—	299	26	—	—	—	648
– Long-term investment	—	—	—	—	43,100	—	—	—	43,100
Impairment loss on assets	—	16,936	—	—	61,610	1,024,524	—	—	1,103,070
As at 31 December 2014									
Assets									
Segment assets	6,801,486	47,609,063	4,021,903	8,740,517	21,924,709	—	2,835,912	(10,637,882)	81,295,708
Liabilities									
Segment liabilities	3,959,861	25,167,042	1,374,073	3,627,904	21,932,334	—	17,176,238	(10,637,882)	62,599,570

5 Segment Information (Continued)

(b) Geographical information

The following table presents the geographical information. Revenue is based on the location at which revenue were derived. Specified non-current assets include property, plant and equipment, other non-current assets, prepaid land leases, intangible assets, interests in joint ventures and interests in associates, which are based on the physical location of the assets.

	Revenue from external customers		Specified non-current assets	
	For the six months period ended 30 June 2015	For the six months period ended 30 June 2014	**As at 30 June 2015**	As at 31 December 2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
The PRC	**16,870,923**	25,735,541	**30,010,370**	31,339,091
Other countries	**6,250,362**	8,449,571	**4,780,452**	5,226,892
	23,121,285	34,185,112	**34,790,822**	36,565,983

6 Finance Income/(Expenses) - Net

	For the six months period ended 30 June	
	2015	2014
	RMB'000	RMB'000
Finance income		
Interest income		
– Sinopec Group and its subsidiaries	**600**	575
– Third-party banks and other financial institutions	**15,273**	5,999
	15,873	6,574
Finance expenses		
Interest expenses on bank loans wholly repayable within 5 years		
– Sinopec Group and its subsidiaries	**(153,311)**	(303,073)
– Third-party banks and other financial institutions	**(1,112)**	(4,421)
Capitalisation of interest expenses for qualifying assets (i)	**4,444**	4,421
Exchange losses, net	**(37,831)**	(104,079)
Bank and other charges	**(31,569)**	(32,072)
	(219,379)	(439,224)
	(203,506)	(432,650)

Note:

(i) Qualifying assets represent property, plant and equipment that the related interests have been capitalised at a rate of 2.89% to 6.00% (2014: 2.89% to 6.15%) per annum.

7 Impairment Losses on Assets

	For the six months period ended 30 June	
	2015	2014
	RMB'000	RMB'000
Expected losses on contracts work-in-progress	—	37,034
Provision for bad debts for trade and other receivables	110,205	41,512
	110,205	78,546

8 Other Income

	For the six months period ended 30 June	
	2015	2014
	RMB'000	RMB'000
Gain on disposal of property, plant and equipment	18,396	7,420
Government grants	142,338	178,731
Waived payables	830	24,376
Penalty income	1,270	846
Compensation received	3,098	83
Asset inventory surplus	1,167	1
Others	6,630	5,152
	173,729	216,609

9 Other Expenses

	For the six months period ended 30 June	
	2015	2014
	RMB'000	RMB'000
Loss on disposal of property, plant and equipment	4,890	1,020
Loss on scraps of assets	12	—
Penalty	3,582	6,006
Compensation	4,138	3,699
Others	8,536	14,145
	21,158	24,870

10 (Loss)/Profit Before Income Tax

(Loss)/Profit before income tax from continuing operations is stated after charging/(crediting) the followings:

	For the six months period ended 30 June	
	2015	2014
	RMB'000	RMB'000
Staff costs, including directors and supervisors emoluments	6,568,184	7,047,336
Retirement benefit plan contribution (including the above mentioned staff costs)		
– Municipal retirement scheme costs	630,569	630,507
– Supplementary retirement scheme costs	171,830	167,604
Cost of goods sold	5,376,581	8,322,236
Depreciation and amortisation		
– Property, plant and equipment	1,924,427	1,960,059
– Prepaid land leases	632	951
– Intangible assets	7,260	5,751
Operating lease expenses		
– Property, plant and equipment	520,738	596,366
Impairment losses		
– Trade and other receivables	110,205	41,512
– Expected loss on contracts work-in-progress	—	37,034
Rental income from property, plant and equipment after relevant expenses	604	6,723
Gain on disposal of property, plant and equipment, net	(13,506)	(6,400)
Research and development expenses	55,158	76,288
Exchange losses, net	37,831	104,079

11 Income tax expense

	For the six months period ended 30 June	
	2015	2014
	RMB'000	RMB'000
Current tax		
PRC enterprise income tax	96,512	305,307
Overseas income tax	111,762	127,293
	208,274	432,600
Deferred income tax		
Temporary timing difference	(25,159)	3,583
Income tax expense	183,115	436,183

12 Discontinued operations

As set out the Reorganisation in Note 1.1 and the basis of presentation in Note 1.2, for the purposes of the condensed consolidated statement of comprehensive income, the Fibre Business were classified as “discontinued operations”.

(a) Result of the discontinued operations is as follows:

	For the six months period ended 30 June	
	2015	2014
	RMB'000	RMB'000
Revenue	—	7,924,423
Cost of sales and business taxes	—	(8,176,055)
Gross loss	—	(251,632)
Selling expenses	—	(120,321)
General and administrative expenses	—	(265,302)
Finance income/(expenses) - net	—	(8,024)
Impairment losses on assets	—	(1,024,524)
Share of profit from joint ventures	—	2,026
Operating loss	—	(1,667,777)
Other income	—	4,479
Other expenses	—	(11,705)
Loss before income tax	—	(1,675,003)
Income tax expense	—	(73,783)
Loss for the period from discontinued operations	—	(1,748,786)

13 (Loss)/Earnings per share

(a) Basic

For each of the six months periods ended 30 June 2015 and 2014, the basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company, and as if the 9,224,327,662 shares issued under the Reorganisation for acquisition of SOSC and the 2,000,000,000 new shares converted from capital reserve under the 5 shares for each 10 shares were in issue since 1 January 2014.

	For the six months period ended 30 June	
	2015	2014
(Loss)/Profit for the period attributable to owners of the Company (RMB'000)		
– Continuing operations	**(1,247,775)**	1,293,011
– Discontinued operations	—	(1,748,786)
	(1,247,775)	(455,775)
Weighted average number of ordinary shares in issue	**13,824,142,477**	15,224,327,662
Basic (loss)/earnings per share (RMB)		
– Continuing operations	**(0.090)**	0.085
– Discontinued operations	—	(0.115)
	(0.090)	(0.030)

(b) Diluted

There were no dilutive potential ordinary shares in existence during the six months periods ended 30 June 2015 and 2014, and therefore the diluted (loss)/earnings per share for the six months periods ended 30 June 2015 and 2014 were the same as the basic (loss)/earnings per share.

14 Dividends

The Board of Directors of the Company did not recommend the payment of any dividends for the six months period ended 30 June 2015 (2014: Nil).

15 Employment benefits

	For the six months period ended 30 June	
	2015	2014
	RMB'000	RMB'000
Salaries, wages and other benefits	**5,765,785**	6,249,225
Retirement benefit plan contribution (a)		
– Municipal retirement scheme costs	**630,569**	630,507
– Supplementary retirement scheme costs	**171,830**	167,604
	6,568,184	7,047,336

Note:

(a) Retirement benefits

As stipulated by the regulations of the PRC, the Group participates in basic defined contribution retirement schemes organised by respective municipal government under which it is governed. As at 30 June 2015, the Group and the employees pay 20% and 8% (31 December 2014: 20% and 8%) of salary respectively to basic defined contribution plan.

In addition, the Group provides a supplementary defined contribution retirement plan for its staff at rates not exceeding 5% of the salaries. Employees who have served the Group for one year or more are entitled to participating in this plan. The funds of this plan are held separately from the Group in an independent fund administered by a committee consisting of representatives from the employees and the Group.

Those employees who involved supplementary retirement scheme are entitled to receive the pension in accordance with a certain percentage of the pre-retirement salary after retirement. The Group has no other material obligation for the payment of retirement benefits associated with these plans beyond Municipal retirement scheme and Supplementary retirement scheme.

16 Property, plant and equipment

For the six months period ended 30 June 2014

	Buildings	Oil engineering equipment and others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cost				
Balance at 1 January 2014, as previously reported	1,985,483	12,572,789	1,279,939	15,838,211
Business combinations under common control (Note 1.2)	2,785,958	53,248,043	2,498,392	58,532,393
Balance at 1 January 2014, restated	4,771,441	65,820,832	3,778,331	74,370,604
Additions	57,771	483,960	283,321	825,052
Disposals/Write-off	(505,047)	(555,724)	—	(1,060,771)
Transferred from construction in progress	29,239	1,629,660	(1,658,899)	—
Transfer	(1,745,085)	(1,566,257)	—	(3,311,342)
At 30 June 2014	2,608,319	65,812,471	2,402,753	70,823,543
Accumulated depreciation				
Balance at 1 January 2014, as previously reported	983,889	8,822,869	—	9,806,758
Business combinations under common control (Note 1.2)	880,501	23,825,208	—	24,705,709
Balance at 1 January 2014, restated	1,864,390	32,648,077	—	34,512,467
Depreciation	68,594	2,132,789	—	2,201,383
Disposals/Write-off	(231,354)	(408,008)	—	(639,362)
Transfer	(604,391)	(769,050)	—	(1,373,441)
At 30 June 2014	1,097,239	33,603,808	—	34,701,047
Accumulated impairment loss				
Balance at 1 January 2014, as previously reported	8,253	636,006	—	644,259
Business combinations under common control (Note 1.2)	68,206	320,139	95,264	483,609
Balance at 1 January 2014, restated	76,459	956,145	95,264	1,127,868
Impairment losses	—	845,949	—	845,949
Disposals/Write-off	(13,366)	(26,965)	—	(40,331)
Transfer	(48,256)	(5,731)	—	(53,987)
At 30 June 2014	14,837	1,769,398	95,264	1,879,499
Carrying amounts				
At 30 June 2014	1,496,243	30,439,265	2,307,489	34,242,997

16 Property, plant and equipment (Continued)

For the six months period ended 30 June 2015

	Buildings	Oil engineering equipment and others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cost				
Balance at 1 January 2015	1,121,780	55,274,704	1,482,548	57,879,032
Additions	—	323,604	349,838	673,442
Disposals/Write-off	—	(139,342)	—	(139,342)
Transferred from construction in progress	19,870	319,653	(339,523)	—
At 30 June 2015	1,141,650	55,778,619	1,492,863	58,413,132
Accumulated depreciation				
Balance at 1 January 2015	338,888	26,075,169	—	26,414,057
Depreciation	20,086	1,904,341	—	1,924,427
Disposals/Write-off	—	(125,240)	—	(125,240)
At 30 June 2015	358,974	27,854,270	—	28,213,244
Accumulated impairment loss				
Balance at 1 January 2015 and 30 June 2015	8,624	280,657	95,264	384,545
Carrying amounts				
At 30 June 2015	774,052	27,643,692	1,397,599	29,815,343

As at 30 June 2015, the property, plant and equipment under finance leases are "Oil engineering equipment and others" and its carrying amounts are RMB71,203,000 (31 December 2014: RMB 74,550,000).

17 Prepaid land leases

	2014
	RMB'000
Balance at 1 January, as previously reported	263,262
Business combinations under common control (Note 1.2)	75,976
Balance at 1 January, restated	339,238
Amortisation	(4,921)
Write-off	(105,627)
Transfer to Sinopec Group and its subsidiaries	(23,280)
Balance at 30 June	205,410

	2015
	RMB'000
Balance at 1 January	51,107
Amortisation	(632)
Balance at 30 June	50,475

Prepaid land leases represent prepayments made by the Group for the prepaid land leases located in the PRC which are held on leases term between 20 years to 50 years.

18 Notes and trade receivables

	As at 30 June 2015	As at 31 December 2014
	RMB'000	RMB'000
Trade receivables		
– Sinopec Group and its subsidiaries	6,192,632	19,519,440
– Joint ventures	37	31
– Sinopec Group and its joint ventures and associates	81,796	110,437
– Third parties	9,461,096	8,864,442
	15,735,561	28,494,350
Less: Provision for impairment	(498,744)	(429,415)
Trade receivables - net	15,236,817	28,064,935
Notes receivables	85,629	219,506
Notes and trade receivables - net	15,322,446	28,284,441

As at 30 June 2015 and 31 December 2014, the Group's notes and trade receivables approximate their fair values.

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

As at 30 June 2015 and 31 December 2014, none of the Group's notes receivables were pledged as collateral or overdue.

The Group usually provides customers with a credit term between 90 to 180 days. For the settlement of trade receivables from provision of services, the Group usually reaches an agreement on the term of each payment with the customer by taking into account factors such as, among other things, the credit history of the customer, its liquidity position and the Group's working capital needs, which varies on a case-by-case basis that requires the judgment and experience of the management. The Group and the Company do not hold any collateral as security.

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

	As at 30 June 2015	As at 31 December 2014
	RMB'000	RMB'000
Within 1 year	13,738,313	26,429,277
1 to 2 years	1,081,088	1,459,465
2 to 3 years	263,218	159,149
Over 3 years	239,827	236,550
	15,322,446	28,284,441

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

	2014
	RMB'000
Balance at 1 January, as previously reported	—
Business combinations under common control (Note 1.2)	385,093
Balance at 1 January, restated	385,093
Provisions	168,697
Reversal	(143,511)
Receivables write-off as uncollectible	(495)
Transfer	(2,787)
Balance at 30 June	406,997

	2015
	RMB'000
Balance at 1 January	429,415
Provisions	158,916
Reversal	(87,501)
Receivables write-off as uncollectible	(2,086)
Balance at 30 June	498,744

19 Prepayment and other receivables

	As at 30 June 2015	As at 31 December 2014
	RMB'000	RMB'000
Prepayments (i)	1,101,956	675,042
Other receivables (ii)		
Petty cash funds	211,320	125,405
Guarantee deposits	771,709	718,477
Disbursement of funds	978,032	755,768
Temporary payment	608,797	358,245
Escrow payments	9,678	16,559
Loans	10,000	10,000
Deposits	56,056	64,015
Export tax refund receivables	13,945	2,839
Value-added tax to be offset	393,781	168,076
Others	560,739	584,120
	4,716,013	3,478,546
Less: Provision for impairment	(415,264)	(376,474)
Prepayments and other receivables - net	4,300,749	3,102,072

Notes:

(i) As at 30 June 2015, the prepayments include related party balances: Sinopec Group and its subsidiaries amounting at RMB 169,301,000 (31 December 2014: RMB 59,842,000).

(ii) As at 30 June 2015, the other receivables include related party balances: Sinopec Group and its subsidiaries amounting at RMB 289,017,000 (31 December 2014: RMB 133,714,000), the joint ventures of the Group amounting at RMB 408,000 (31 December 2014: RMB 396,000) and the associates and joint ventures of Sinopec Group amounting at RMB 31,280,000 (31 December 2014: RMB 50,000,000).

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

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

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

	2014
	RMB'000
Balance at 1 January, as previously reported	1,294
Business combinations under common control (Note 1.2)	357,854
Balance at 1 January, restated	359,148
Provisions	51,954
Reversal	(31,910)
Transfer	(1,333)
Balance at 30 June	377,859

	2015
	RMB'000
Balance at 1 January	376,474
Provisions	67,454
Reversal	(28,664)
Balance at 30 June	415,264

20 Contract work-in-progress

	As at 30 June 2015	As at 31 December 2014
	RMB'000	RMB'000
Contract cost incurred plus recognised profit less recognised losses	74,440,307	51,989,462
Less: Expected loss on contracts	(28,158)	(28,158)
Less: Progress billings	(64,860,686)	(48,543,871)
Contract work-in-progress	9,551,463	3,417,433
Representing:		
Amounts due from customers for contract works	14,135,531	10,009,710
Less: Expected loss on contracts	(28,158)	(28,158)
Net amounts due from customers for contract works	14,107,373	9,981,552
Amounts due to customers for contract works	(4,555,910)	(6,564,119)
	9,551,463	3,417,433

	For the six months period ended 30 June	
	2015	2014
	RMB'000	RMB'000
Contract revenue recognised as revenue during the period	15,872,626	26,884,596

21 Inventories

	As at 30 June 2015	As at 31 December 2014
	RMB'000	RMB'000
Raw materials	1,779,844	1,743,628
Finished goods	124,770	99,015
Work-in-progress	134,611	89,322
Turnover materials	19,759	24,917
Others	725	1,432
	2,059,709	1,958,314
Less: Provision for impairment	(7,724)	(7,724)
	2,051,985	1,950,590

22 Share capital

	As at 30 June 2015		As at 31 December 2014	
	Number of shares	Share capital	Number of shares	Share capital
	Share	RMB'000	Share	RMB'000
Registered, issued and paid:				
– Domestic non-public legal person shares of RMB1.00 each	10,259,327,662	10,259,328	10,259,327,662	10,259,328
– Social public A shares of RMB1.00 each	1,783,333,333	1,783,333	450,000,000	450,000
– H shares of RMB1.00 each	2,100,000,000	2,100,000	2,100,000,000	2,100,000
	14,142,660,995	14,142,661	12,809,327,662	12,809,328

	Number of shares	Share capital
	Share	RMB'000
At 1 January 2015	12,809,327,662	12,809,328
Issue of share capital (i)	1,333,333,333	1,333,333
At 30 June 2015	14,142,660,995	14,142,661

Note:

(i) Approved by "Approval to the Material Asset Reorganisation of Sinopec Yizheng Chemical Fibre Company Limited and Issuance of Shares to China Petrochemical Corporation for Asset Acquisition and Subsequent A Share Placement" (CSRC Permit [2014] No. 1370) issued by China Securities Regulatory Committee, the Company issued 1,333,333,333 A Shares to seven specific investors such as Darry Asset Management (Hangzhou) Co., Ltd at RMB4.50 per share on 13 February 2015. The net proceeds from the issuing were approximately RMB5,962,516,700. The shares registration and relevant procedures of the issuance had been completed at Shanghai Branch of China Security Depository and Clearing Corporation Limited ("CSDC") on 3 March 2015. The new shares are limited tradable shares with lock-up period of 12 months.

23 Notes and trade payables

	As at 30 June 2015	As at 31 December 2014
	RMB'000	RMB'000
Trade payables		
– Sinopec Group and its subsidiaries	1,432,433	2,096,826
– Joint ventures	505	505
– Sinopec Group and its joint ventures and associates	27,273	17,876
– Third parties	22,833,510	27,941,958
	24,293,721	30,057,165
Notes payables	1,009,446	856,442
	25,303,167	30,913,607

As at 30 June 2015 and 31 December 2014, the carrying amount of Group's notes and trade payables approximate their fair values.

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

	As at 30 June 2015	As at 31 December 2014
	RMB'000	RMB'000
Within 1 year	19,175,114	23,843,263
1 to 2 years	3,880,898	5,054,013
2 to 3 years	1,907,225	1,141,614
Over 3 years	339,930	874,717
	25,303,167	30,913,607

24 Deposits received and other payables

	As at 30 June 2015	As at 31 December 2014
	RMB'000	RMB'000
Deposits received (i)		
Advances for construction and service	1,875,910	1,853,049
Salaries payables	259,758	288,285
Other tax payables	480,931	2,523,352
Interest payables (ii)	13,623	20,028
Other payables (iii)		
Guarantee deposits	395,863	409,207
Deposits	134,179	161,140
Disbursement of funds	319,071	339,054
Temporary receipts	227,840	369,576
Escrow payments	30,503	28,437
Withheld payments	63,622	169,590
Sinopec Group capital restructuring funds	2,600,000	4,000,000
Payable of profit arising during major assets restructuring	1,118,903	1,479,207
Others	683,979	371,258
	8,204,182	12,012,183

Notes:

(i) As at 30 June 2015, the deposits received include related party balances: Sinopec Group and its subsidiaries amounting at RMB 136,053,000 (31 December 2014: RMB 191,719,000) and the joint ventures and associates of Sinopec Group amounting at RMB 43,540,000 (31 December 2014: RMB 143,462,000).

(ii) As at 30 June 2015, the interest payables include related party balances: Sinopec Group and its subsidiaries amounting at RMB 13,475,000 (31 December 2014: RMB 19,880,000).

(iii) As at 30 June 2015, the other payables include related party balances: Sinopec Group and its subsidiaries amounting at RMB 3,774,927,000 (31 December 2014: RMB 5,546,881,000).

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

25 Interest bearing borrowings

	As at 30 June 2015 RMB'000	As at 31 December 2014 RMB'000
Current liabilities		
Bank loans (i)	**36,682**	36,714
Loans from Sinopec Group (ii)	**1,800,000**	—
Loans from Sinopec Finance Company Limited (iii)	**1,340,000**	4,460,000
Loans from Sinopec Century Bright Capital Investment Company Limited (iii)	**8,469,862**	7,502,995
Finance lease liabilities (iv)	**28,360**	15,870
	11,674,904	12,015,579
Non-current liabilities		
Bank loans (i)	**458,520**	428,723
Loans from Sinopec Finance Company Limited (iii)	**—**	70,000
Finance lease liabilities (iv)	**50,371**	69,440
	508,891	568,163
	12,183,795	12,583,742

(i) Bank loans

The bank loans of the Group are repayable as follows:

	As at 30 June 2015 RMB'000	As at 31 December 2014 RMB'000
Within 1 year	**36,682**	36,714
Over 5 years	**458,520**	428,723
	495,202	465,437

As at 30 June 2015, the annual interest rates for the above bank loans were ranged from 1.93% to 2.42% (31 December 2014: 2.42% to 5.60%).

(ii) Loans from the immediate and ultimate holding company

The loans from immediate and ultimate holding company of the Group are repayable as follows:

	As at 30 June 2015 RMB'000	As at 31 December 2014 RMB'000
Within 1 year	**1,800,000**	—

Loans from the immediate and ultimate holding company are unsecured and repayable on or before 20 August 2015. As at 30 June 2015, the annual interest rate is 3.25% (31 December 2014: Nil).

25 Interest bearing borrowings (Continued)

(iii) Loans from related parties

The loans from related parties of the Group are repayable as follows:

	As at 30 June 2015 RMB'000	As at 31 December 2014 RMB'000
Within 1 year	9,809,862	11,962,995
1 to 2 years	—	70,000
	9,809,862	12,032,995

Loans from related parties are unsecured and repayable on or before 30 June 2016. As at 30 June 2015, the annual interest rates were ranged from 1.55% to 6.15% (31 December 2014: 1.55% to 6.15%).

(iv) Finance lease liabilities

The analysis of the Group's obligations under finance leases is as follows:

	As at 30 June 2015 RMB'000	As at 31 December 2014 RMB'000
Total minimum lease payments		
– Within 1 year	32,754	20,264
– 1 to 2 years	21,429	22,080
– 2 to 5 years	36,999	58,427
	91,182	100,771
Future finance charges on finance leases	(12,451)	(15,461)
Present value of finance lease liabilities	78,731	85,310

	As at 30 June 2015 RMB'000	As at 31 December 2014 RMB'000
Present value of minimum lease payments:		
– Within 1 year	28,360	15,870
– 1 to 2 years	17,360	17,360
– 2 to 5 years	33,011	52,080
	78,731	85,310
Less: Portion due within one year included under current liabilities	(28,360)	(15,870)
Portion due after one year included under non-current liabilities	50,371	69,440

26 Commitments

(a) Capital commitments

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

	As at 30 June 2015	As at 31 December 2014
	RMB'000	RMB'000
Contracted but not provided for	2,222,830	1,658,430

(b) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases at 30 June 2015 and 31 December 2014 are as follows:

	As at 30 June 2015	As at 31 December 2014
	RMB'000	RMB'000
Within 1 year	69,082	66,864
1 to 2 years	8,458	19,315
2 to 3 years	7,212	18,299
Over 3 years	10,302	6,046
	95,054	110,524

(c) Investment commitments

As at 30 June 2015, the Group has outstanding commitments of RMB 240,587,000 in respect of its investment in SinoFTS Petroleum Services Limited and Zhong Wai Energy Service Co. Limited. (31 December 2014: SinoFTS Petroleum Services Limited and Zhong Wai Energy Service Co. Limited of RMB 240,685,000).

(d) Fulfillment of commitments for the previous period

The Group has fulfilled the capital and operating lease commitments as at 30 June 2015.

27 Contingencies

In preparing this interim financial information, there were no further developments of those contingencies as at 30 June 2015, which were disclosed in the 2014 annual report.

28 Significant related party transactions

Sinopec Group and CITIC Group Corporation (formerly known as "China International Trust and Investment Corporation") are considered to be related parties as they have the ability to control and exercise their significant influence over the Group's financial and operating decisions.

Sinopec Finance Company Limited, China CITIC Bank, other subsidiaries of Sinopec Group and other subsidiaries and joint ventures of CITIC Group Corporation are considered to be related parties as they are subject to the common control or significant influences by Sinopec Group or CITIC Group Corporation.

The transactions with related parties are carried out on normal commercial terms or relevant agreements with counter parties in the ordinary course of business.

(a) Significant related party transactions arising with Sinopec Group and its subsidiaries and fellow subsidiaries:

	For the six months period ended 30 June	
	2015	2014
	RMB'000	RMB'000
Continuing operations		
Purchases of materials		
– Sinopec Group and its subsidiaries	2,278,104	5,631,319
Sales of products		
– Sinopec Group and its subsidiaries	18,487	17,502
Rendering of engineering services		
– Sinopec Group and its subsidiaries	12,616,265	20,059,270
Receiving of community services		
– Sinopec Group and its subsidiaries	805,237	819,647
Receiving of integrated services		
– Sinopec Group and its subsidiaries	116,513	127,901
Rendering of technology development services		
– Sinopec Group and its subsidiaries	—	49,850
Rental expenses		
– Sinopec Group and its subsidiaries	45,900	21,105
Deposits interest income		
– Sinopec Group and its subsidiaries	600	575
Loans interest expenses		
– Sinopec Group and its subsidiaries	153,311	303,073
Borrowings obtained		
– Sinopec Group and its subsidiaries	26,332,206	32,190,850
Safety and insurance fund expenses		
– Sinopec Group	30,215	41,661

28 Significant related party transactions (Continued)

(a) Significant related party transactions arising with Sinopec Group and its subsidiaries and fellow subsidiaries: (Continued)

	For the six months period ended 30 June	
	2015	2014
	RMB'000	RMB'000
Discontinued operations		
Purchases of materials		
– Sinopec Group and its subsidiaries	—	6,634,545
Sales of products		
– Sinopec Group and its subsidiaries	—	28,295
Commission fees		
– Sinopec Group and its subsidiaries	—	1,119
Construction fees		
– Sinopec Group and its subsidiaries	—	10,263
Miscellaneous expenses		
– Sinopec Group and its subsidiaries	—	5,577
Deposits interest income		
– Sinopec Group and its subsidiaries	—	429
– China CITIC Bank	—	327
	—	756
Loans interest expenses		
– Sinopec Group and its subsidiaries	—	17,593
Safety and insurance fund expenses		
– Sinopec Group	—	341
Borrowings obtained		
– Sinopec Group and its subsidiaries	—	2,000,000
Compensation received		
– Sinopec Group and its subsidiaries	—	7,400

28 Significant related party transactions (Continued)

(b) Remuneration of key management personnel

Key management includes directors (executive and non-executive), supervisors, president, vice presidents, chief financial officer and secretary to the Board of Directors. The compensation paid or payable to key management form employee services is shown below:

	For the six months period ended 30 June	
	2015	2014
	RMB'000	RMB'000
Fee	**250**	140
Salaries, allowances and bonus	**4,861**	1,063
Contributions to pension plans	**315**	129
	5,426	1,332

(c) Guarantee received

As at 30 June 2015 and 31 December 2014, Sinopec Group provides performance guarantee to the Group amounting to USD 0.21 billion. The guarantee period is from June 2013 to November 2015.

29 Business combination under common control

The effects of the Group's (loss)/earnings per share for the business combination under common control for the six months period ended 30 June 2014 are as follows:

	For the six months period ended 30 June 2014		
	As previously reported	SOSC	Restated
	RMB	RMB	RMB
(Loss)/Earnings per share for (loss)/profit attributable to owners of the Company (in RMB)			
– Basic and diluted	(0.291)	0.261	(0.030)

Section 9 Documents Available for Inspection

The following documents will be available for inspection during normal office hours at the office address of the Company from 26 August 2015 (Wednesday) upon requests from related supervisory institutes and shareholders in accordance with the Articles of Association of the Company and the relevant regulations:

1. The original copy of the interim report for the six months ended 30 June 2015 signed by the Chairman and General Manager of the Company;
2. The financial report of the Company for the six months ended 30 June 2015 signed by the Legal Representative, General Manager, Chief Financial Officer and the person in charge of the accounts;
3. The Articles of Association of the Company;
4. The original manuscripts of all the documents and announcements disclosed by the Company in the newspapers designated by the CSRC during the report period.

* This interim report has been drafted in both English and Chinese. In the event that different interpretation occurs, the Chinese version will prevail.