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

Stock Code: 2386

BUILDING ON OUR CORE STRENGTHS TO ENSURE SUSTAINABLE BUSINESS EXCELLENCE

2015 ANNUAL REPORT

IMPORTANT NOTICE

The board of directors (the "Board") and the directors (the "Directors") of SINOPEC ENGINEERING (GROUP) CO., LTD. ("SINOPEC SEG" or the "Company") warrant that there are no false representations, misleading statements or material omissions contained in this annual report and hereby are jointly and severally liable for the authenticity, accuracy and completeness of the content hereof. Director, Mr. JIN Yong could not attend the third meeting of the Second Session of the Board (the "Meeting") due to official duties. Mr. JIN Yong authorised Mr. HUI Chiu Chung, Stephen to attend the Meeting, and to vote on his behalf. Mr. ZHANG Jianhua, Chairman of the Board, Mr. YAN Shaochun, Director and President, Mr. JIA Yiqun, Chief Financial Officer, and Mr. WANG Yi, head of the finance department, warrant the authenticity and completeness of the financial statements contained in this annual report.

The financial statements for the year ended 31 December 2015 (the "Reporting Period") of SINOPEC SEG and its subsidiaries (the "Group"), prepared in accordance with the International Financial Reporting Standards, were audited by Grant Thornton Hong Kong Limited, which has issued a standard unqualified audit report.

This annual report contains forward-looking statements. All statements (other than statements of historical facts) that address business activities, events or developments that the Company expects or anticipates will or may occur in the future (including but not limited to projections, targets, estimates and business plans) are forward-looking statements. The future actual results or development trends may differ materially from those indicated by these forward-looking statements as a result of various factors and uncertainties. The forward-looking statements referred to herein as at 18 March 2016 are made by the Company and, unless otherwise required by the relevant regulatory authorities, the Company undertakes no obligation or responsibility to update these statements.


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COMPANY PROFILE

The Group is an international engineering corporation, with the leading edge in the PRC. The Group provides engineering services for a broad range of industries including oil refining, petrochemicals, new coal chemicals, inorganic chemicals, pharmaceutical chemicals, clean energy, storage and transportation engineering, environmental protection and energy saving, with a complete service chain involving research, development and licensing, preliminary consultation, financing assistance, design, procurement, construction and pre-commissioning/start-up services. With its industry experience of more than 60 years and continual innovation in technical expertise, the Group has achieved great success in the implementation of large-scale and complex oil refining, petrochemical, new coal chemical, natural gas processing as well as storage and transportation project, and possesses strong competitiveness.

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

Basic Information of the Company

LEGAL NAME

中石化煉化工程(集團)股份有限公司

CHINESE ABBREVIATION

中石化煉化工程

ENGLISH NAME

SINOPEC ENGINEERING (GROUP) CO., LTD.

ENGLISH ABBREVIATION

SINOPEC SEG

LEGAL REPRESENTATIVE

Mr. ZHANG Jianhua

AUTHORISED REPRESENTATIVES

Mr. YAN Shaochun

Mr. SANG Jinghua

SECRETARY TO THE BOARD

Mr. SANG Jinghua

REGISTERED ADDRESS

A6 Huixindong Street, Chaoyang District, Beijing, the PRC

PLACE OF BUSINESS AND CORRESPONDENCE ADDRESS

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

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WEBSITES PUBLISHING THIS ANNUAL REPORT

Website designated by The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”):

http://www.hkex.com.hk

The Company’s website:

http://www.segroup.cn

PLACE WHERE THIS ANNUAL REPORT IS AVAILABLE FOR INSPECTION

Office of the Board

SINOPEC ENGINEERING (GROUP) CO., LTD.

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

Chaoyang District, Beijing, the PRC

PLACE OF LISTING OF SHARES, STOCK NAME AND STOCK CODE

H Shares: the Hong Kong Stock Exchange

Stock name: SINOPEC SEG

Stock code: 2386

ENTERPRISE LEGAL BUSINESS LICENSE REGISTRATION NO.

100000000041054

TAXATION REGISTRATION NO.

110105710934908

ORGANISATION CODE

71093490-8

NAMES AND ADDRESSES OF AUDITORS

Domestic:

Grant Thornton China (Special General Partnership)

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

22 Jianguomen Wai Avenue, Chaoyang District,

Beijing, the PRC

Overseas:

Grant Thornton Hong Kong Limited

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

NAME AND ADDRESS OF HONG KONG LEGAL ADVISER

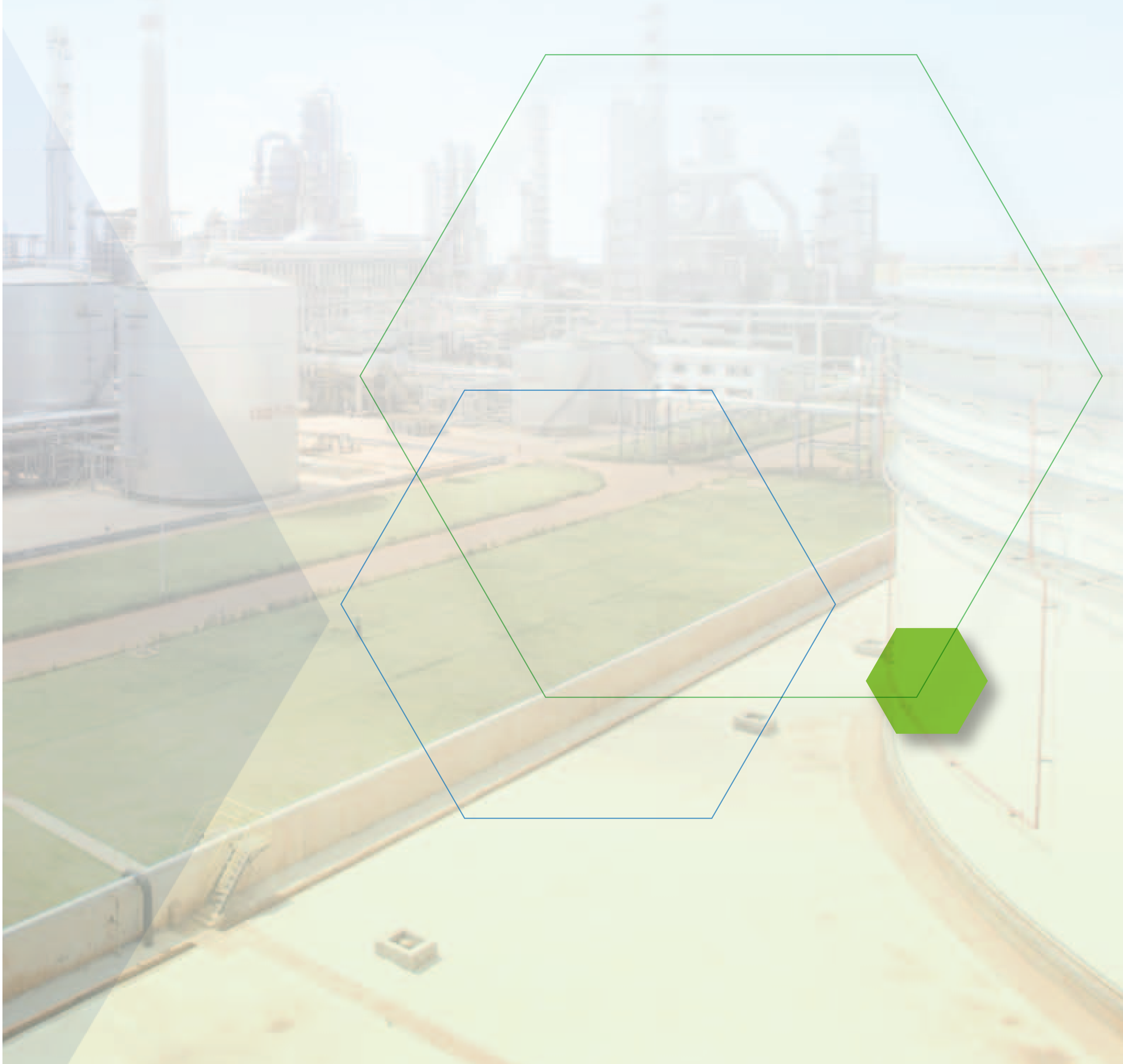
Kirkland & Ellis

26th Floor, Gloucester Tower, The Landmark,

15 Queen’s Road Central,

Hong Kong

PRINCIPAL FINANCIAL DATA AND INDICATORS



Principal Financial Data and Indicators

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

Unit: RMB ’000

Items	**As at 31 December 2015**	As at 31 December 2014	As at 31 December 2013	As at 31 December 2012	As at 31 December 2011	Changes from the end of 2014 (%)
Non-current assets	**7,939,453**	8,052,331	8,166,479	8,078,778	6,992,691	(1.40)
Current assets	**50,464,917**	44,032,264	39,198,790	29,051,247	37,411,516	14.61
Current liabilities	**30,798,517**	26,347,950	23,620,920	26,762,416	37,890,135	16.89
Non-current liabilities	**2,967,341**	2,864,071	2,764,008	3,286,359	3,780,664	3.61
Consolidated equity attributable to equity holders of the Company	**24,634,775**	22,869,116	20,976,714	7,077,985	2,730,107	7.72
Net asset per share of equity holders of the Company (RMB)	**5.56**	5.16	4.74	2.28	0.88	7.72

Unit: RMB ’000

Items	Year ended 31 December					
	2015	2014	2013	2012	2011	Changes over the same period of 2014 (%)
Revenue	**45,498,354**	49,345,959	43,571,851	38,526,489	30,600,677	(7.80)
Gross profit	**6,157,034**	6,290,612	6,406,191	5,528,106	5,074,336	(2.12)
Operating profit	**3,845,193**	4,039,003	4,413,485	3,832,023	3,724,592	(4.80)
Profit before taxation	**4,240,047**	4,550,695	4,751,041	4,252,067	4,243,958	(6.83)
Profit attributable to equity holders of the Company	**3,317,704**	3,489,799	3,656,802	3,316,970	3,375,039	(4.93)
Basic earnings per share (RMB)	**0.75**	0.79	0.93	1.07	1.09	(4.93)
Net cash flow generated from/(used in) operating activities	**5,793,143**	333,312	(85,995)	1,556,489	1,688,845	1,638.05
Net cash flow generated from/(used in) operating activities per share (RMB)	**1.31**	0.08	(0.02)	0.50	0.54	1,638.05

Items	Year ended 31 December				
	2015	2014	2013	2012	2011
Gross profit margin (%)	**13.5**	12.7	14.7	14.3	16.6
Net profit margin (%)	**7.3**	7.1	8.4	8.6	11.0
Return on assets (%)	**6.0**	7.0	8.7	8.1	8.4

Items	**As at 31 December 2015**	As at 31 December 2014	As at 31 December 2013	As at 31 December 2012	As at 31 December 2011
Asset-liability ratio (%)	**57.8**	56.1	55.7	80.9	93.8

CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

Changes in Share Capital and Shareholdings of Substantial Shareholders

1 Changes in the Share Capital of the Company

Unit: Share

	As at 31 December 2014		Increase/Decrease during the Reporting Period (+, -)			As at 31 December 2015	
	Number	Percentage (%)	New shares issued	Others	Subtotal	Number	Percentage (%)
Promoter shares (Domestic Shares)	2,967,200,000	67.01	—	—	—	2,967,200,000	67.01
Foreign shares listed overseas (H Shares)	1,460,800,000	32.99	—	—	—	1,460,800,000	32.99
Total number of shares	4,428,000,000	100.00	—	—	—	4,428,000,000	100.00

2 Shareholdings of Substantial Shareholders

As at the end of the Reporting Period, there were a total of 1,190 shareholders of the Company. As at 18 March 2016, the public float of the Company satisfied the minimum requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules").

(1) Shareholdings of the top ten shareholders

Unit: Share

Name of Shareholders	Increase/Decrease during the Reporting Period (+,-)	Number of Domestic Shares held at the end of the Reporting Period	Number of H Shares held at the end of the Reporting Period	Percentage at the end of the Reporting Period	
				In total share capital (%)	In relevant class of shares (%)
China Petrochemical Corporation [(1)]	0	2,967,200,000	—	67.01	100.00
HKSCC NOMINEES LIMITED	-12,420,600	0	1,439,924,400	32.52	98.57
HIGH SUMMIT GROUP LIMITED	+2,000,000	0	5,000,000	0.11	0.34
TANG KEUNG LAM	+2,000,000	0	4,000,000	0.09	0.27
TANG'S INVESTMENTS LIMITED	+2,000,000	0	3,000,000	0.07	0.21
HUNG LAI SHUEN	+2,000,000	0	2,000,000	0.05	0.14
ZHANG SAIYU	+1,200,000	0	1,200,000	0.03	0.08
TANG CHEUK LOI	+1,000,000	0	1,000,000	0.02	0.07
TANG HIU TUNG	+1,000,000	0	1,000,000	0.02	0.07
TANG YAT FEI	+1,000,000	0	1,000,000	0.02	0.07
Statement on the connected relationship or action in concert among or between the aforementioned shareholders	The Company is not aware of any connection or action in concert among or between the aforementioned top ten shareholders.				

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

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

Name of Shareholders	Class of shares	Capacity	Number of Shares with interests held or regarded as being held (Share)	Percentage in shares of the Company of the same class (%) [9]	Percentage in the total share capital of the Company (%) [10]
China Petrochemical Corporation [1]	Domestic Share	Beneficial owner/Interests of controlled corporation	2,967,200,000(L)	100(L)	67.01(L)
National Council for Social Security Fund of the PRC [2]	H Share	Beneficial owner	131,468,000(L)	9.00(L)	2.97(L)
State Administration of Foreign Exchange of the PRC [3]	H Share	Interests of controlled corporation	131,756,000(L)	9.02(L)	2.98(L)
JPMorgan Chase & Co. [4]	H Share	Trustee/Interests of controlled corporation	116,799,759 (L) 464,500 (S) 112,248,759 (P)	8.00(L) 0.03(S) 7.68(P)	2.64(L) 0.01(S) 2.53(P)
Value Partners Group Limited [5]	H Share	Interests of controlled corporation	99,250,000(L)	6.79(L)	2.24(L)
Templeton Global Advisors Limited [6]	H Share	Investment manager	78,865,000(L)	5.40(L)	1.78(L)
Value Partners High-Dividend Stocks Fund [7]	H Share	Interests of controlled corporation	73,980,500(L)	5.06(L)	1.67(L)
The Bank of New York Mellon Corporation [8]	H Share	Interests of controlled corporation	73,633,003(L) 71,730,503(P)	5.04(L) 4.91(P)	1.66(L) 1.62(P)

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

Notes:

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

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

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

(4) The information is based on the Corporate Substantial Shareholders Notice dated 27 November 2015 and filed by JPMorgan Chase & Co. with the Hong Kong Stock Exchange.

(5) The information is based on the Corporate Substantial Shareholders Notice dated 28 August 2015 and filed by Value Partners Group Limited with the Hong Kong Stock Exchange.

(6) The information is based on the Corporate Substantial Shareholders Notice dated 1 April 2015 and filed by Templeton Global Advisors Limited with the Hong Kong Stock Exchange.

(7) The information is based on the Corporate Substantial Shareholders Notices dated 11 September 2015 and filed by Value Partners High-Dividend Stocks Fund with the Hong Kong Stock Exchange.

(8) The information is based on the Corporate Substantial Shareholders Notices dated 24 November 2015 and filed by The Bank of New York Mellon Corporation with the Hong Kong Stock Exchange.

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

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

CHAIRMAN'S STATEMENT

Chairman's Statement

Mr. Zhang Jianhua

Chairman of the Board

Dear Shareholders,

First of all, on behalf of the Board of Directors of SINOPEC SEG, I express my heartfelt gratitude to you and all sectors in the society for your trust and care.

In 2015, despite the difficulties and challenges, the Board and the management carefully assessed the situations, adapted to the "new normal" and made new achievements. Facing the complicated and ever changing domestic and foreign macro economies and the extremely challenging market environment of oil refining and petrochemical engineering, the Company planned ahead, proactively responded to the market, enhanced corporate governance, strengthened internal reform, focused on management refinement, and achieved satisfactory operating results. For the year 2015, the Company's revenue was RMB45.498 billion, its net profit was RMB3.318 billion and the total value of its new contracts was RMB52.676 billion. As at the end of 2015, the Group's backlog was RMB111.100 billion. After due consideration of the earnings, the return to Shareholders and the needs for future sustainable development of the Company as a whole, the Board recommended a final dividend of RMB0.183 per Share for the year 2015. After taking into account the interim dividend of RMB0.114 per Share, the total dividend for the year will be RMB0.297 per Share.

In 2015, the Company made steady progress with its reform, development, production and operations. In terms of corporate reform, the Company made substantial progress in resources integration and internal restructuring, finalised the internal restructuring of the lifting and transportation company, the research and development center and the business in Saudi Arabia, and focused more on the coordinated development of and the synergy among research and development, consulting, design, procurement, construction, manufacturing, commissioning and operation maintenance. In terms of project implementation, the Company strictly controlled and managed engineering projects, and increased its gross profit margins. In terms of market development, the Company catered for clients with different needs, focused more on market-oriented and customer-centered market development philosophy, intensified the comprehensive advantages of its brand, results, technology and management, explored innovative business models, and expanded its business fields. In terms of international businesses, the Company captured every opportunities brought by the "Belt and Road" strategic initiative, enhanced its international standards, accelerated its overseas expansion plan, strived to create a new business image of SINOPEC SEG, and achieved a breakthrough in energy engineering overseas, such as Kuwait and Thailand.

In 2015, the Board diligently performed its responsibilities prescribed by relevant national laws and regulations and the articles of association of the Company and entrusted by the shareholders, and ensured the implementation of each resolution passed at the shareholders meetings. Meanwhile, the Company continuously improved its system and policy to enhance its corporate governance level. In October, the Company satisfactorily completed the renewal of the terms of office of the Board and the Supervisory Committee, and recruited members of the Senior Management. In terms of compliant operation of connected transactions, with the tremendous support of the independent Directors and Shareholders, the Company successfully obtained its independent Shareholders' approval for the continuing connected transactions with the controlling shareholder for the years 2016 to 2018. Both parties entered into supplemental agreements in relation to the relevant continuing connected transactions. The Company also improved its internal control system, which further reinforced its internal control implementation and comprehensive risk management.

In 2015, the Company proactively performed its social responsibilities. The Company developed, promoted and applied refined oil products with higher quality and new environmental protection and energy saving technologies. The Company fully implemented QHSE (quality, health, safety and environment) management, adhered to the people-oriented principle, cared for employees and promoted sustainable corporate development. The Company also paid much attention to the protection of legitimate interests of stakeholders, such as customers and suppliers, in the places where the projects are operated, and promoted the harmonious and stable development of the society.

The achievements as mentioned above are benefited from the continuous rapid development of the Chinese economy, the care and tremendous support of the Shareholders and all sectors of the society, and the hard work and pioneering efforts for advancement of the Board, the Supervisory Committee, the management and all the employees of the Company. The achievements have also further strengthened the Company's faith in "building a world-class engineering company".

In these three years, since the reorganisation and listing of the Company, the Board members have adhered to their trustworthy, diligent and dutiful principle at work. They carefully assessed the situations, made decisions scientifically, focused on proper reform, development and stability, and promoted compliant, stable and healthy development of the Company. SINOPEC SEG has made considerable progress in various areas, such as corporate governance, business scale, competitive strengths and group management, and initially formed a modern corporate governance structure that comprise integration of power and responsibility, coordination of operations and effective system of checks and balances. The Company has formulated four strategies, which are "energy and petrochemical-oriented, innovation-driven, globalisation-targeted and value-focused", continuously exploited the advantages of integration, focused on deepening reform, transformed the development mode, and strengthened technology innovation. These have laid a solid foundation for the Company's long-term development and have created favourable conditions for the Company's advancements to a higher level.

Looking ahead, the synchronous development of China's industrialisation, urbanisation, informatisation and agricultural modernisation will maintain the increasing market demands for energy and chemical products, and will provide room for the sustainable development of the Company in the market. Nonetheless, we are acutely aware that the world economy is facing slowdown and challenges in growth, the imbalance between global oil supply and demand may remain in the near future, the reform of energy production and consumption has been accelerated, and the investments in oil refining and petrochemical industry are weak and have become more competitive, all of which have brought great challenges to and imposed higher standards on the Company. The new Session of the Board will continue to strive to improve our development quality and efficiency, promote and implement our development strategies, accelerate change in our way of development, and maximise our value.

2016 is the initial year of the 13^{th} Five-Year Plan. We will embrace the challenges in full confidence. Facing the extremely challenging market conditions, the Company remains confident in deepening reform and scientific development and will adhere to its development idea of getting stronger and better and its faith in "building a world-class engineering company". The Company will accelerate its restructuring, enhance the quality and effectiveness of its businesses, and foster and develop new businesses; deepen reform in a comprehensive manner, further improve its system and policy, optimise resources and increase operation efficiency; put more focuses on strategic planning and management, as well as value-based management; develop energy-saving and eco-friendly business and contribute to the sustainable development of the industry; continue to highlight return to Shareholders, actively fulfill its corporate social responsibility, and boost the sustainable development of both the enterprise and the social economy.

With the support of the Shareholders, under the leadership of the management and with the efforts of our staff, the Board members and I have faith that SINOPEC SEG will make great progress in achieving excellent corporate results and maintaining a healthy development to repay its Shareholders, to serve the society and to benefit its employees.

The strong pass of the enemy is like a wall of iron, yet with firm strides, we are conquering its summit. Dear friends, we hope that you will go on this journey with us, and together, hand in hand, we will jointly create a better future for SINOPEC SEG!

ZHANG Jianhua

Chairman of the Board

Beijing, the PRC

18 March 2016

BUSINESS REVIEW AND PROSPECTS

Business Review and Prospects

1 Business Review

Mr. YAN Shaochun

Executive Director and President

(1) Market Environment

In 2015, the world economy grew slowly on the whole, reflecting the rugged and hard road toward global recovery. The differences between the economies remained obvious. While the US economy was stumbling along under the shadow of interest rate hike, the European economy failed to take a turn for the better under the stimulation policy; the growth of the emerging economies slowed down noticeably and some economies were under the heavy pressure of deficits. The overall situation of the world economy is not optimistic and the domestic economy is under increasing downward pressure. Facing such a difficult situation, the Chinese government conducted scientific coordination to stabilise growth, promote reform, adjust structure, improve people's livelihood, prevent risks, implement effective control, further deepen reform and opening, strongly expedite mass entrepreneurship and innovation, and actively increase the supply of public products and services. Domestic economy was stable on the whole and showed a good trend of development. In 2015, the growth rate of GDP reached 6.9% and the national economy had maintained a steady and rapid development.

In 2015, the global oversupply of crude oil was unprecedented and the international crude oil price dropped repeatedly to chalk up an annual fall of 35%, causing significant impact on the oil and related industries of the world. The petroleum companies around the world generally took measures to lower cost and increase benefits, such as asset restructuring, cut back of investment and large-scale downsizing. Although the results of downstream oil refining and petrochemical industries had improved, the grave situation still forced integrated large petroleum companies to continuously cut the capital expenditure on oil refining and petrochemical segments, which led to market shrink in oil refining and petrochemical engineering segments in a short term. Besides, the current excessive low crude oil price has seriously eroded the profitability of new coal chemical projects in China. The slowdown of new projects and the schedule slippage of some on-going projects have also caused serious impact on the development of the domestic new coal chemical industry.

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

- In 2015, the apparent consumption of refined oil products increased by 1.2% in China compared with that of the previous year, and the apparent consumption of ethylene grew by 1.9% compared with that of the previous year. With the economic growth, especially under the promotion of urbanisation and industrialisation, there is still much room for China's oil refining and chemical engineering industries to further develop;
- The nosedive of oil price can further stimulate the consumption demand for refined oil products. For example, in 2015, domestic apparent consumption of gasoline registered a year-on-year increase of 7.0%. Additionally, the implementation of reform measures by the domestic oil and gas industry and the acceleration of the plan for the quality upgrading of refined oil products will also stimulate the elimination of obsolete oil refining capacity and the launch of large green-field oil refining projects.
- The low oil price has improved the market competitiveness of naphtha-based chemicals and the profitability of the petrochemical industry. In 2015, domestic basic chemical industry experienced a rapid increase of profits. Meanwhile, domestic chemical industry will also aim at the direction of high-end and differentiated development, meaning that the petrochemical industry will embrace a new opportunity of development;
- The new coal chemical industry will host a horde of demonstrated projects employing process and engineering upgrade, with a focus on the betterment of gasification techniques, expansion of the industry chain, efficient and integrated utilisation of bituminous coal, treatment of three types of "wastes" and improvement of significant equipment. It is estimated that the new coal chemical industry which is presented by the coal grading utilisation, Synthetic Natural Gas (the "SNG") and Coal to Aromatics (the "CTX) is going to embrace further growth during the implementation of the 13th Five-Year National Development Plan;
- With the promulgation and implementation of related laws and regulations, including the Environmental Protection Law, and the increasing requirements for environmental protection and energy saving, the oil refining and petrochemical industry will accelerate its upgrading for environmental protection, energy saving and emission reduction to provide broad market prospect and bring new business opportunities to the Company.

(2) Operation Overview

During the Reporting Period, the Group's total revenue and net profits attributable to the Company's shareholders were RMB45.498 billion and RMB3.318 billion, respectively. As at the end of the Reporting Period, the Group's backlog was RMB111.100 billion. The value of new contracts entered into by the Group during the Reporting Period was RMB52.676 billion.

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

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

	Year ended 31 December				
	2015		2014		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB '000)	(%)	(RMB '000)	(%)	(%)
Engineering, consulting and licensing	**2,625,673**	**5.3**	3,645,174	6.8	(28.0)
EPC Contracting	**27,838,722**	**56.5**	30,132,251	56.2	(7.6)
Construction	**18,123,282**	**36.8**	19,159,750	35.7	(5.4)
Equipment manufacturing	**679,517**	**1.4**	704,107	1.3	(3.5)
Subtotal	**49,267,194**	**100.0**	53,641,282	100.0	(8.2)
Total after inter-segment elimination (1)	**45,498,354**	**N/A**	49,345,959	N/A	(7.8)

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

During the Reporting Period, the total revenue of the Group was RMB45.498 billion, a decrease of 7.8% from the same period of the previous year. The main reasons of such decrease include: 1) a decrease in the business volume of Engineering, Procurement and Construction Contracting ("EPC Contracting"), design and construction as compared with that in the previous year, and several large EPC projects were at the finishing stage, including Sinochem Quanzhou 12 million tons per annum ("Mtpa") Oil Refining Complex ("Sinochem Quanzhou Project"), Yuanba Gas Field Natural Gas Purification Complex of Sinopec ("Yuanba Natural Gas Purification Project"), and Aromatics Project of Kazakhstan Atyrau Refinery. As a result, there was less income recognised on a year-on-year basis; 2) both Zhong'An Lianhe Coal Chemical Project and the Qinghai DaMei Coal Chemicals Project ("Postponed Projects") have been postponed per the request of project owners within the Reporting Period, whilst the Group has stopped to recognise the income and cost from the Postponed Projects. The project owners of the Postponed Projects said that they would resume the Postponed Projects once the market sentiments are rallied in the future. Therefore, the Postponed Projects are considered the Group's contracts on hand and recorded as its backlog. The Group will disclose further development of the Postponed Projects in a timely manner where appropriate. As at the end of the Reporting Period, the backlog value of the Postponed Projects amounted to approximately RMB12.100 billion. Other than the Postponed Projects, other projects on hand have been operating normally. For the details of the backlog of the Group during the Reporting Period, please refer to the section headed "Management's Discussion and Analysis – 4. Discussion on Backlog and New Contracts" in this annual report.

During the Reporting Period, the Group derived its revenue mainly from the projects such as Coal Chemical Complex of Zhongtian Hechuang Energy Co., Ltd. ("Zhongtian Hechuang Coal Chemical Project"), the EPC Contracting project of receiving terminal stations of Guangxi LNG Project of Beihai Liquefied Natural Gas Co., Ltd. of Sinopec ("Guangxi LNG Project"), FCC Project of Kazakhstan Atyrau Refinery, U.S. JUMBO PTA and PET Project.

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

	Year ended 31 December				
	2015		2014		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB '000)	(%)	(RMB '000)	(%)	(%)
Oil refining	**7,683,275**	**16.9**	10,006,661	20.3	(23.2)
Petrochemicals	**11,982,650**	**26.3**	16,010,839	32.4	(25.2)
New coal chemicals	**17,431,865**	**38.3**	14,938,090	30.3	16.7
Other industries	**8,400,564**	**18.5**	8,390,369	17.0	0.1
Total	**45,498,354**	**100.0**	49,345,959	100.0	(7.8)

The Group derived its revenue mainly from services provided to clients in the oil refining, petrochemical and new coal chemical and other industries. During the Reporting Period, since the large EPC of oil refining and petrochemical industries are mainly at the starting stage or at the finishing stage, the Company's revenue from the oil refining industry was RMB7.683 billion, representing a decrease of 23.2% on a year-on-year basis. The revenue derived from the petrochemical industry was RMB11.983 billion, representing a decrease of 25.2% on a year-on-year basis. The revenue derived from the new coal chemical industry was RMB17.432 billion, representing an increase of 16.7% on a year-on-year basis. This was mainly due to the revenue growth of projects such as Zhongtian Hechuang Coal Chemical Project. The revenue derived from other industries was RMB8.401 billion, which was basically equivalent on a year-on-year basis, and mainly derived from the projects such as the clean energy LNG receiving station.

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

	Year ended 31 December				
	2015		2014		
	Revenue	**Percentage of total revenue**	Revenue	Percentage of total revenue	Change
	(RMB '000)	**(%)**	(RMB '000)	(%)	(%)
PRC	**36,407,242**	**80.0**	42,507,010	86.1	(14.4)
Overseas	**9,091,112**	**20.0**	6,838,949	13.9	32.9
Total	**45,498,354**	**100.0**	49,345,959	100.0	(7.8)

The Group continues to expand its overseas business steadily. During the Reporting Period, the overseas revenue of the Group was RMB9.091 billion, representing an increase of 32.9% on a year-on-year basis. This was mainly attributable to the revenue increase from the large overseas EPC projects, such as U.S. JUMBO PTA and PET Project, Petronas RAPID project of Malaysia's Petroliam Nasional Berhad ("Malaysia Oil Refining Project") and FCC Project of Kazakhstan Atyrau Refinery.

As at the end of the Reporting Period, the backlog of the Group amounted to RMB111.100 billion, representing an increase of 6.9% as compared with that as at 31 December 2014, and 2.44 times of the total revenue of RMB45.498 billion in 2015. During the Reporting Period, the value of new contracts amounted to RMB52.676 billion, representing a decrease of 13.2% on a year-on-year basis.

During the Reporting Period, the Group entered into the following representative domestic projects: the EPC Contracting project for the engineering of receiving terminal stations of Tianjin LNG Project of Tianjin Liquefied Natural Gas Co., Ltd. of Sinopec ("Tianjin LNG Project"), Guangxi LNG Project, engineering and procurement (EP) project for polyethylene plant in relation to the deep processing and comprehensive utilisation of the coal chemicals by-products of Shenhua Ningxia Coal Industry Group Co., Ltd. ("Shenhua Ningxia Coal Chemical Project"), EPC Contracting project for ethylene oxide plant with a capacity of 200 kilo tons per annum ("Ktpa") of Maoming Petrochemical Nanhai Fine Chemical Co., Ltd. ("Maoming Ethylene Oxide Project"), the EPC Contracting project of Anqing 250 Ktpa Butanol and Octanol Project for Sinopec Anqing Branch ("Anqing Butanol and Octanol Project"), EPC Contracting project for Chongqing Fuling LNG plant of Chongqing Sinopec Tonghui Energy Co., Ltd. ("Chongqing LNG Project"), the second and third production line design contract of Phase I of Shenhua direct coal liquefaction project for Ordos branch of China Shenhua Coal To Liquid and Chemical Co., Ltd. ("Shenhua Direct Coal to Liquid Design Project"), EPC Contracting project for the sewage treatment facilities for the Yan'an refinery gas resources comprehensive utilisation of Yanchang Petroleum Beijing Petrochemical Engineering Co., Ltd. ("Yan'an Refinery Gas Resource Comprehensive Utilisation Project"), and etc.

Representative overseas projects included AL-Zour refinery project of Kuwait National Petroleum Company in Kuwait ("Kuwait Oil Refining Project"), the polypropylene EPCC project of Thailand IRPC Public Company Limited ("Thailand PP Project"), the utilities and infrastructure of the Saudi phosphate fertiliser project of Saudi Arabian Mining Co. ("Saudi Phosphate Fertiliser Project"), and etc.

During the Reporting Period, the Group's capital expenditure was approximately RMB443 million, which was mainly used to improve the operational or non-operational facilities, update construction equipment, set up information technology systems, procure scientific research equipment, prevent potential hazards, and etc.

The discussions on the Group's environmental policies, relationships with its major stakeholders and compliance with applicable laws and regulations which have a significant influence on the Group are set out in the "Corporate Social Responsibility Report" from Page 91 of this annual report.

(3) Business Highlights

Successful Implementation of Major Projects

Zhongtian Hechuang Coal Chemical Project: Please refer to the announcement dated 26 December 2013 published by the Company for further details. As at the end of the Reporting Period, approximately eight tenths of the overall progress of the project had been completed. All 110kv substations have started to accept power supply, plus full handover of air separation units and generation of steam by boilers.

The 500 Ktpa plastics engineering project of Inner Mongolia China Coal Mengda New Energy Chemical Industry Co., Ltd.: The scope of work under the contract for this project mainly includes the EPC Contracting for a 1.8 Mtpa methanol-to-olefin (DMTO) unit, a 300 Ktpa polyolefin unit, a 600 Ktpa olefin separation unit, etc. The handover of the project was successfully completed as at the end of the Reporting Period.

Guangxi LNG Project: Please refer to the announcement dated 1 July 2015 published by the Company for further details. As at the end of the Reporting Period, approximately eight tenths of the overall progress of the project has been completed.

Tianjin LNG Project: Please refer to the announcement dated 1 July 2015 published by the Company for further details. As at the end of the Reporting Period, approximately six tenths of the overall progress of the project has been completed.

Kuwait Oil Refining Project: Please refer to the announcement dated 14 October 2015 published by the Company for further details. As at the end of the Reporting Period, the detailed design of the projects started, requisition of critical equipments commenced.

Malaysia Oil Refining Project: Please refer to the announcement dated 29 August 2014 published by the Company for further details. As at the end of the Reporting Period, over two tenths of the overall progress has been completed, among which over six tenths of design of the project has been completed. The requisition of equipment is in full swing and onsite piling has been generally completed. The progress, cost, quality and safety of this project were under control.

Aromatics Project of Kazakhstan Atyrau Refinery: The scope of work under the contract for this project mainly includes EPCC of a 1 Mtpa continuous catalytic reforming unit, a 500 Ktpa aromatics extraction, a 500 Ktpa PX unit and utilities, etc. As at the end of the Reporting Period, the handover for the project has been fulfilled and all units have been put into operation.

FCC Project of Kazakhstan Atyrau Refinery: The scope of work under the contract for this project mainly includes EPCC of 13 process units including 2.43 Mtpa FCC units, and 47 utilities units. As at the end of the Reporting Period, approximately seven tenths of the overall progress of the project has been completed.

U.S. JUMBO PTA and PET Project: The scope of work under the contract for this project includes EPC Contracting for 1.2 Mtpa PTA units, a 1 Mtpa PET unit, utilities and facilities. As at the end of the Reporting Period, on-site work went well and the progress, cost, quality and safety of this project were under control.

Fruitful Market Development

In 2015, under the impact of factors such as sluggish macro economic situation, plummeting oil price and over-capacity of some oil refining products, large Chinese petroleum companies further cut their capital expenditure on projects of oil refining and petrochemical engineering, which led to the number of new development projects (most of which were reconstruction projects) decreased markedly except the projects of quality upgrading of refined oil products and LNG receiving terminals. The new coal chemical market of China also met extreme challenges and part of the investment plans for tracking projects were delayed. In the Middle East and Southeast Asia, the invitation for bidding for some large projects still took place pursuant to the plan considered for years.

Facing relatively difficult market condition, the Group exploited its overall advantage of its industry, business and technical chains, transformed challenges into power; sought opportunity in difficulty; proactively explored domestic and foreign markets with full efforts. During the Reporting Period, the value of new contracts signed by the Group was RMB52.676 billion. Newly signed domestic contracts amounted to RMB33.537 billion and overseas contracts amounted to approximately USD2.944 billion.

Domestically, during the Reporting Period, the Group signed new contracts for a number of large projects, such as Tianjin LNG Project with a contract value of RMB5.600 billion; Guangxi LNG Project with a contract value of RMB4.705 billion; Shenhua Ningxia Coal Chemical Project with a contract value of RMB1.019 billion; Maoming Ethylene Oxide Project with a contract value of RMB928 million; Anqing Butanol and Octanol Project with a contract value of RMB471 million; Chongqing LNG Liquefaction Project with a contract value of RMB448 million; Shenhua Direct Coal to Liquid Design Project with a contract value of RMB370 million; Yan'an Refinery Gas Resource Comprehensive Utilisation Project with a contract value of RMB350 million.

During the Reporting Period, the Group signed new contracts for a number of large overseas projects, such as Kuwait Oil Refining Project with a contract value of USD1.696 billion; Saudi Phosphate Fertiliser Project with a contract value of USD448 million; Thailand PP Project with a contract value of USD220 million.

In addition to above projects, the Group has also tracked some oil refining, petrochemical engineering, new coal chemical, environmental protection and energy saving projects, which are expected to be signed in the future.

Significant Technology Progress

Steady Progression of the R&D of Major Technologies developed along with the Key Projects.

Projects under the national "863 Program" and the technological sector of the 12th Five-Year Plan:

- Development of the new technology for extraction of phenol from medium-low-temperature coal tar and hydrogenation for making clean fuels: Detailed design is underway for the slurry bed coal tar hydrocracking of Inner Mongolian Qinghua Group with a capacity of 500 Ktpa.
- Development of the technology for packaged process for synthetic natural gas (SNG): The design of process package has been completed for 4 million Nm^3/d SNG.

The packaged technological development of the two projects of packaged process for fluidised bed polyethylene in gas-liquid state and the industrial application of IHCC technology for prolific light oil has been completed, with the packaged technologies having been in the stage of promotion. As for the development of packaged technology for fluid bed residual hydrogenation and for high-quality needle-like cokes and industrial testing for hydrogenated production of China V RS-2200 low-cost diesel fuel, their technical stability has been verified and conditions are available for promotion thereof.

As packaged technologies for the pure epoxy ethane, the SE coal slurry gasification, the large LNG receiving terminals, the premium hydroisomerisation dewax base oil, their principal parts were completed, which have entered the construction stage. R&D is proceeding as planned for the technologies used by refineries to improve energy efficiency and ensure low carbon and used by petrochemical plants to treat the discharge of sewage according to higher standard.

Innovative Results in Application of Environmental Protection and Energy Saving Technology

The above picture shows S Zorb Unit Located In Sinopec Yanshan Branch

The above picture shows Circulated Gaseous State Diesel Hydrogenation Unit Located In Sinopec Shijiazhuang Branch

The need for energy saving and emission reduction has promoted the application of the series of technologies for the quality upgrading of oil products: The Group has undertaken 13 projects for upgrading the quality of gasoline and diesel fuel of Sinopec Group, including 6 quality upgrading projects for gasoline and 7 quality upgrading projects for diesel fuel. During the Reporting Period, all the projects are in smooth progress. The technical measures improvement, technology transformation and optimised energy conservation can significantly improve the quality of the oil products of the existing manufacturing enterprises, lower the energy consumption of per unit products and speed up the process of environmental protection.

Pilot project of contract-based management of sludge drying of Sinopec Jiujiang Company: During the Reporting Period, detailed design of the project has been completed and the construction is at the finishing stage.

Successful Technological Innovation of SINOPEC Engineering Group Luoyang Technology Research and Development Center (R&D Center).

Key R&D projects are in good progress:

The above picture shows 200 Ktpa Syngas to Ethylene Glycol Demonstration Unit Located In Sinopec Hubei Fertiliser Branch

i. All the tests have been completed for the Fluidised-bed Methanol to Gasoline (FMTG) pilot device; design of the project has been generally completed for the R&D project of using biological fluidised bed to treat PTA sewage; the pilot project of moving bed is in full-scale installation and construction.

ii. The technical plan of development and industrial test project of the advanced delayed coking process (ADCP) with higher liquid yield has passed review and the experimental base has been ascertained for the project. The other projects are in orderly progress including the development of the second-generation technology for the refinery corrosion protection, the researches on the anti-corrosion technology for the use of syngas to ethylene glycol unit, the anti-corrosion plan and materials selection studies for the pulverised coal gasification unit and pipeline. As for the development of the in-depth energy saving technology for the refining heating furnace, the industrial application of the industrial unit has been fully completed, leading to obviously higher heat efficiency of the heating furnace.

Steady progress of the collaborative R&D projects: During the Reporting Period, the R&D center carried out different forms of R&D activities with the subsidiaries to support the enhancement of their engineering technology in the aspects of the R&D on packaged technology, engineering and technical services. All of the 29 projects are operating well, showing the initial synergistic effect.

Steady Growth in Technology Licensing

During the Reporting Period, newly signed technology licensing contracts amounted to RMB148.8 million.

Good Momentum in Patent Applications

During the Reporting Period, 460 pieces of new patent applications were completed (including 189 invention patents), and 416 pieces were authorised. As at the end of the Reporting Period, the Company owned 1,779 patents in China (including 715 invention patents, accounting for 40.2%), which cover the major business fields of the Company, including oil refining, petrochemical engineering, new coal chemical engineering, medical chemical engineering, clean energy and environmental engineering.

Fruitful Results in Technology Innovation

The above pictures show National Special Award for Scientific and Technological Progress for “Development and Application of Packaged Technology for Efficient and Environmental-Friendly Aromatics” which is used in Aromatics Unit located in Sinopec Hainan Branch

At the National Science and Technology Awards Conference held on 8 January 2016, the “Development and Application of Packaged Technology for Efficient and Environmental-Friendly Aromatics” project engaged by the Group won the 2015 National Special Award for Scientific and Technological Progress, which was the second time for the Group to be awarded the highest honour of Scientific and Technology Progress Awards after the “Industrialised Application of the Technology for the Safe and Efficient Development of Extra Large Gas Field of Exceptional Depth and High Content of Sulfur” project. In the project, the Group made outstanding contributions in aspects such as innovations in process and engineering technology, energy utilisation, smart control, safety and environmental protection and work implementation through the pioneering work it did in green new technology for refinement of raw materials, new molecular sieve materials of efficient transformation and separation, and the new technology for in-depth integration of aromatics complex that can substantially lower energy consumption, innovative integrated control methods, design methods and manufacturing processes, which achieved smart control, the long-cycle essential safety of the process unit, localisation of key equipment and other targets. The technological achievement has markedly improved China’s technology for the production of aromatics and its international competitiveness.

During the Reporting Period, the Group won 87 awards (times) for scientific and technological achievements from the State and Sinopec Group.

Four achievements won the 2014 national awards for scientific and technological progress, including two first prizes of National Technological Invention Award and National Scientific and Technological Progress Award won with respect to the DMTO technology and the design, manufacture and maintenance of important pressure vessels under extreme conditions, respectively. In addition, two technology achievements won National Technological Invention Award and second prize of National Scientific and Technological Progress Award, respectively.

21 scientific and technological achievements engaged by the Company won the 2014 Sinopec Group award for scientific and technological progress. Of which, one special award, four first prizes, eight second prizes and eight third prizes.The scientific and technological progress of the development and application of the key technology for aromatics won the special award for scientific and technological progress.

16 projects won the high-quality project awards of Sinopec Group, including Wuhan ethylene project and the project in Anqing for the adaptive modification of sulfur-containing oil and quality upgrading of oil products.

Steady Advancement of Environmental Protection and Energy Saving Business

The Group actively followed the national development direction of energy saving and environmental protection industries, and vigorously pushed energy saving and environmental protection business. It actively promoted its own technologies, and carried out strategic cooperation with well-known domestic and foreign technology licensors, and provided customers with an integrated solution, which covered flue gas desulfurisation and denitrification, sewage treatment, sludge reduction and drying, soil cleaning-up, CO_2 recycling, low temperature residual heat power generation and other fields. The Group was actively involved in Sinopec's "Clear Water & Blue Sky Plan" and "Energy Efficiency Doubling Plan", and explored and implemented new business models regarding contract energy management and contract environmental protection management, and provided energy saving diagnosis and optimisation services for enterprises, and further developed environmental protection and energy saving business. During the Reporting Period, the Group signed new environmental protection business contracts of approximately RMB1.124 billion, which were mainly from flue gas desulfurisation/denitrification and water treatment projects, and new energy saving business contracts of approximately RMB213 million, which were mainly from energy saving reform projects.

During the Reporting Period, the Group initiated multi-level exchanges and cooperation with many domestic and foreign environmental protection and energy saving technology licensors to build and improve its technology chain and service chain in the field of environmental protection and energy saving. The Group created a new cooperation mode by signing strategic cooperation agreements with partners to jointly promote pilot projects. For example, the Group signed the "Energy Saving Service Cooperation Agreement" with Zhejiang Kaishan Compressor Co., Ltd. ("Kaishan Compressor") to jointly promote the application of "low-energy-level energy recycling technology" refinery chemical industry; subsequent to the application of the low-temperature thermal-energy power generation by hot water at Sinopec Hainan Refinery branch, the Company promoted the application of the low-temperature thermal-energy power generation by hot oil at Sinopec Beijing Yanshan Company. The project has been commissioned successfully and is in smooth operation. Currently, the Group is working on the plan and feasibility study for the optimisation of the energy saving of a number of similar units and aromatics complexes. The Group has signed a strategic cooperation framework agreement with British Dunton in soil clean-up. The Group has also promoted initial cooperation in a number of domestic soil clean-up projects; the Group initiated exchanges with well-known foreign CO_2 conversion technology companies, studied the state policy for carbon emission trading to foster the related market as early as possible.The Group also actively promoted the exchange and cooperation with China University of Petroleum on biomass fermentation technology.

Intensified Enterprise Reform

We have extensively promoted resource optimisation, reform and restructuring according to the vision of "building a world-class engineering company" and the developmental mode of "integrated operation and group-oriented management and control". The Group, with its professional restructuring served as an impetus, has commenced deepening reform and optimising resources and accelerated the restructuring reform of Sinopec Heavy Lift Transportation Engineering Co., Ltd. (the "Lift and Transportation Company"), R&D Center, Sinopec Engineering Group Saudi Arabia Co., Ltd., (the "Saudi Company"), made great progress during the Reporting Period, which effectively stimulated the optimisation of resource allocation and improved comprehensive competitiveness of the Group.

During the Reporting Period, the Group achieved initial results in the restructuring and reform of its lift and transportation business and completed the transfer of assets where the transfer of personnel are underway. In terms of business operations, the Lift and Transportation Company is in full-fledged expansion of domestic and foreign markets and has successfully engaged in the Daxie Project of CNOOC.

During the Reporting Period, the tasks for the reform of the R&D Center have been completed, showing the initial benefits of the reform and reflecting the good start in collaborative R&D and sharing of resources. The Company has initiated cooperation of distinctive features with the subsidiaries.

During the Reporting Period, the Group further clarified the orientation and main responsibilities of the Saudi Company and optimised the reform plan.

Safe Operation

During the Reporting Period, in terms of the QHSE management, the Group carried out comprehensive and strict management of activities, paid close attention to the implementation of policies and assignment of responsibilities, and, based on the principle of strengthening management and implementation of responsibilities, implemented the requirements for full participation, assignment of responsibilities, perfection of systems, continual improvement, process control and clients services. Through activities such as signing QHSE liability statements, conducting training, supervision, inspections and advancing site HSE standardisation, the Group carefully looked for weak links and managed the QHSE supervision and management of direct operation segments properly. As a result, the basic management work was further enhanced, and the quality, safety and overseas public security of the projects under construction were under full control.

As at the end of the Reporting Period, no safety, quality and overseas public security accident had happened in the project under execution owing to conscientiousness and strict management of all employees of the Group, and 254 million safe man hours in accumulation were realised by the Group, of which 47 million safe man hours were realised overseas.

2 Business Prospects

In 2016, the global economy will continue facing a variety of challenges, while regional and global economic growth will be under extreme pressure. Owing to the effects caused by the oversupply of crude oil, weak demand and the interest rate hike by the Federal Reserve System, the trend of international oil price is still not optimistic, and the oil price may stay low in the near future. The domestic market of new coal chemical engineering still finds itself under the pressure for environmental protection and the challenge against profitability, without much likelihood for quick recovery in the short term. Under such extreme situation, capital expenditure of large domestic and foreign petroleum companies are very likely to continue to pull back on spending and will cause considerable adverse impact on the market development and performance of the Group.

In 2016, the Group will positively face the situation, bravely take on challenges, with an aim to deepen reform, drive innovation and tighten management, and use its best efforts to enhance projects effectiveness and push on technological progress. It will leverage its advantages in market competition to coordinate market development resources and expand its market shares. In 2016, the target domestic new contract amount of the Group is RMB27.0 billion, and the target overseas new contract amount is USD3.0 billion.

(1) Continuously Promote In-depth Reform and Accelerate the Optimisation of Internal Resources

In 2016, the Group will make full use of the policy environment for reform, carry out thorough investigation, make systematic thinking, improve internal management system, keep to the reform direction toward professionalism and differentiation, accelerate the transformation of internal systems and mechanisms, continuously improve the modern corporate system; effectively boost the transformational development of construction enterprises and the upgrading of construction business, and constantly increase the ratio of high-end business and enhance profitability.

(2) Explore Transformational Development to Expand New Business Scope and Modes

In 2016, based on the strategic philosophy of technology-led market, the Group will actively promote its own technologies and will, at the same time, enter into strategic cooperation with world famous technology patent licensors to explore transformational development, open up new business fields and modes and enhance its overall competitiveness. The Group will continue to study new business modes, e.g. the management of energy and environment through contract, assistance in financing, summarise and promote the experience of Jiujiang Petrochemical in contract-based environmental management, launch new pilot projects under the precondition of keeping risks under control; make attempt at the mode of contract-based energy management in the energy saving and transformation project of the refinery within Sinopec Group. Several such projects and the projects for utilisation of low-temperature heat are in steady progress.

(3) Strengthen Process Management and Project Control, Take Multiple Measures Simultaneously, and Increase Cost Efficiency

In 2016, the Group will intensify the overall coordination and horizontal communications of projects, give full play to its overall strength, tighten the control over the implementation process of projects, enhance project implementation efficiency, strengthen project implementation capability by improving work processes of projects, including planning, execution, examination and conclusion; intensify the compilation of cost budget of projects and the cost analysis of completed EPC projects, assign the responsibility for cost management and continuously deepen the management of project cost; further advance project settlement, strengthen the process control, progress confirmation and contract change management of project implementation, impel the timely settlement of the projects; further standardise subcontracting management, build a uniform subcontracting management system by focusing on the safety, quality control and enhancement of economic benefits in the implementation process of projects, strengthen the management of subcontractors; establish an integrated management mechanism for overseas projects, intensify the allocation of resources and control of risks, enhance the profitability of overseas projects.

(4) Capture the Strategic Opportunity of the "Belt and Road" Initiative for Global Development Advancement

In 2016, the Group will leverage on the national "Belt and Road" strategy, strengthen the cooperation with financial institutions and work hard to explore overseas markets; actively take part in and organise the EPC driven by the "project investment" function and demand; track and serve well the overseas investment cooperation projects advocated by Sinopec Group, exploit its own advantages and seize hold of the opportunity; track the investment needs and intention of domestic capital for overseas refining chemical projects, obtain the opportunity to contract for projects by bridging and linking project investment. The Group will give play to its advantages in business chain and industrial chain, strengthen the front-end fostering of customer business, provide “one-stop” technical and financial solutions as well as integrated services that cover project consultation, integrated planning, financing strategy and support, FEED, EPC and PMC; continuously enhance the competitiveness of overseas business and attain its value goals on the basis of its own traditional advantages and the business mode of differentiated operations.

(5) Focus on Technology Progression to Maintain and Enhance Technology Leading Advantages

In 2016, the Group will enhance its technology innovation ability and implement the “innovation-driven” strategy to ensure its long-term development. By improving the ability of technology control to provide technical support for production and operations and improve the quality, efficiency and benefits of project design and construction. The measures to be taken will include: (i) to organise major technology cooperation and implementation of technology innovation projects by keeping being market-oriented; (ii) to pay attention to and strengthen the technology management, control and support during the implementation of projects; (iii) to accelerate the integration of technical standards, continuously promote the sharing of technical resources and realise synergic development; (iv) to successfully operate technology R&D center to make adequate use of the resources, fully leverage on its cutting-edged advantages in the development of engineering technology, cement the cooperation with world famous patent licensors, and facilitate and stimulate market demand through its own technology.

(6) Vigorously Exploit Environmental Protection and Energy Saving Sectors to Create New Business Growth

In 2016, the Group will continue to energetically push forward the business of energy saving and environmental protection in keeping with the development direction of the national industry and energy saving and environmental protection, promote its own technologies in the market and open up the energy saving and environmental protection market by all means. In terms of environmental protection, the subsidiary engineering companies of the Group will expand the market for the quality upgrading of oil products and seize hold the opportunity to provide services like design consultation for the projects of Sinopec Group, while the subsidiary construction enterprises of the Group will actively communicate with project owners and designers in a bid to obtain larger shares of construction. The Group will strengthen the expansion of the market for treatment of coal-to-chemical sewage, organise the investigation of and cooperation with sewage treatment technology providers, form its own integrated solutions, offer to provide environmental protection consulting services for coal-to-chemical customers, pay close attention to and track the progress of sewage treatment projects. In terms of energy saving, the Group will increase the promotion and application of the technology for low-temperature residual heat; provide energy saving diagnosis for the petrochemical enterprises of Sinopec Group and facilitate the implementation of projects for integrated utilisation of low-temperature residual heat.

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

In 2016, the Group will continuously optimise the employment management mechanism to meet the needs for human resources in the construction of its projects; speed up the building of the staff career system and scientifically design a longitudinal position system based on posts by relying on the existing post management system to create a system that contributes to success in career and on-post development; further the salary system by devising methods of controlling manpower cost through dynamic adjustment; improve and optimise the KPI system and the setting of indicators to create the work atmosphere that facilitates the mobilisation of the enthusiasm, originality and cooperativeness of employees through effective performance evaluation to boost its own sustainable development.

(8) Set up an Integrated Management Information System

In 2016, the Group will revolve around the strategy for development of engineering segment business to deploy an integrated ERP management system of engineering enterprises that covers design, procurement and construction, and fully enhance the business management level and project management capability of the enterprise; focus on the ERP management system to gradually set up and improve an information management system and integrated platform for collaborative work, accelerate the in-depth fusion between informatisation and business, enhance the overall management level and operation efficiency of the Group. Meanwhile, the Group will integrate the allocation of resources, increase the sharing of the fruits of engineering software, standardise the operation mechanism, improve the efficiency of collaboration, solidly and effectively boost the application of informatisation achievements, gradually form the synergy of informatisation and the application by enterprises to provide all-round engineering data for an integrated management information system.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Management's Discussion and Analysis

1 Consolidated Results of Operations

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

	Year ended 31 December				Change
	2015		2014		
	Amount	Percentage of total revenue	Amount	Percentage of total revenue	Change
	(RMB '000)	(%)	(RMB '000)	(%)	(%)
Revenue	45,498,354	100.0	49,345,959	100.0	(7.8)
Cost of sales	(39,341,320)	(86.5)	(43,055,347)	(87.3)	(8.6)
Gross profit	6,157,034	13.5	6,290,612	12.7	(2.1)
Other income	367,916	0.8	173,788	0.4	111.7
Selling and marketing expenses	(100,863)	(0.2)	(121,828)	(0.2)	(17.2)
Administrative expenses	(1,116,024)	(2.5)	(1,124,985)	(2.3)	(0.8)
Research and development costs	(1,184,956)	(2.6)	(934,253)	(1.9)	26.8
Other operating expenses	(280,384)	(0.6)	(261,808)	(0.5)	7.1
Other gains - net	2,470	0.0	17,477	0.0	(85.9)
Operating profit	3,845,193	8.5	4,039,003	8.2	(4.8)
Finance income	466,243	1.0	605,803	1.2	(23.0)
Finance expenses	(91,678)	(0.2)	(109,108)	(0.2)	(16.0)
Finance income - net	374,565	0.8	496,695	1.0	(24.6)
Share of profits of joint arrangements	315	0.0	844	0.0	(62.7)
Share of profits of associates	19,974	0.0	14,153	0.0	41.1
Profit before taxation	4,240,047	9.3	4,550,695	9.2	(6.8)
Income tax expense	(922,064)	(2.0)	(1,060,746)	(2.1)	(13.1)
Profit for the year	3,317,983	7.3	3,489,949	7.1	(4.9)
Accumulated fair value change of available-for-sale financial assets reclassified to profit or loss upon disposal	—	—	(11,484)	(0.0)	N/A
Exchange differences arising on translation of foreign operations	(2,534)	0.0	3,566	0.0	N/A
Losses on revaluation of retirement benefit plans obligations	(216,683)	(0.5)	(195,573)	(0.4)	(10.8)
Total comprehensive income for the year	3,098,766	6.8	3,286,458	6.7	(5.7)

(1) Revenue

The revenue of the Group decreased by 7.8% from RMB49.346 billion for the year ended 31 December 2014 to RMB45.498 billion for the year ended 31 December 2015 since the large EPC of oil refining and petrochemical industries are mainly at the starting stage or at the finishing stage, leading to revenue being reduced on a year-on-year basis.

(2) Cost of sales

The cost of sales of the Group decreased by 8.6% from RMB43.055 billion for the year ended 31 December 2014 to RMB39.341 billion for the year ended 31 December 2015, mainly due to the revenue decrease as well as a decrease in the sub-contracting cost and outsourcing costs of equipment and materials resulting from intensified project management.

(3) Gross profit

The gross profit of the Group decreased by 2.1% from RMB6.291 billion for the year ended 31 December 2014 to RMB6.157 billion for the year ended 31 December 2015, which was basically the same on a year-on-year basis; the gross profit margin increases from 12.7% in the same period of last year to 13.5% which mainly benefits from the gross profit contributed by the projects such as Zhongtian Hechuang Coal Chemical Project, Fujian EO/EG Project, Shaanxi Pucheng DMTO Project, Yuanba Purification Plant Project and etc.

(4) Other income

The other income of the Group increased by 111.7% from RMB174 million for the year ended 31 December 2014 to RMB368 million for the year ended 31 December 2015, which was mainly due to the net income on foreign exchange transaction because of rise of exchange rate in the US dollar against the RMB during the Reporting Period.

(5) Selling and marketing expenses

The selling and marketing expenses of the Group decreased by 17.2% from RMB122 million for the year ended 31 December 2014 to RMB101 million for the year ended 31 December 2015.

(6) Administrative expenses

The administrative expenses of the Group decreased by 0.8% from RMB1.125 billion for the year ended 31 December 2014 to RMB1.116 billion for the year ended 31 December 2015, which was basically the same on a year-on-year basis.

(7) Research and development costs

The research and development costs of the Group increased by 26.8% from RMB934 million for the year ended 31 December 2014 to RMB1.185 billion for the year ended 31 December 2015, which was mainly due to the Group continued making large investments in R&D in order to maintain its advantage in the technology.

(8) Other operating expenses

The other operating expenses of the Group increased by 7.1% from RMB262 million for the year ended 31 December 2014 to RMB280 million for the year ended 31 December 2015, which is mainly because of increased provision for impairment of receivables.

(9) Other gains - net

The net other gains of the Group decreased from RMB17,477.1 thousand for the year ended 31 December 2014 to RMB2,469.6 thousand for the year ended 31 December 2015.

(10) Operating profit

Due to the foregoing reasons, the operating profit of the Group decreased by 4.8% from RMB4.039 billion for the year ended 31 December 2014 to RMB3.845 billion for the year ended 31 December 2015.

(11) Finance income - net

The net finance income of the Group decreased by 24.6% from RMB497 million for the year ended 31 December 2014 to RMB375 million for the year ended 31 December 2015, mainly due to a decrease in deposit rate as compared with the same period of the previous year.

(12) Income tax expense

The Group's income tax expense decreased by 13.1% from RMB1.061 billion for the year ended 31 December 2014 to RMB922 million for the year ended 31 December 2015, the effective income tax rate decreased from 23.3% to 21.7% on a year-on-year basis.

(13) Profit for the year

Due to the above reasons, the profit in the Reporting Period decreased by 4.9% from RMB3.490 billion for the year ended 31 December 2014 to RMB3.318 billion for the year ended 31 December 2015.

(14) Total comprehensive income for the year

As a combined result of the reasons above and the effects of other comprehensive income of the Group, the total amount of the comprehensive income of the Group decreased by 5.7% from RMB3.286 billion for the year ended 31 December 2014 to RMB3.099 billion for the year ended 31 December 2015.

2 Discussion on the Results by Business Segments

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

	Segment revenue		Segment gross profit		Segment gross profit margin		Segment operating profit		Segment operating profit margin	
	Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	(RMB '000)		(RMB '000)		(%)		(RMB '000)		(%)	
Engineering, consulting and licensing	2,625,673	3,645,174	926,144	1,597,360	35.3	43.8	236,647	721,669	9.0	19.8
EPC Contracting	27,838,722	30,132,251	3,848,249	3,589,804	13.8	11.9	3,014,790	2,776,297	10.8	9.2
Construction	18,123,282	19,159,750	1,242,276	1,072,187	6.9	5.6	441,259	506,287	2.4	2.6
Equipment manufacturing	679,517	704,107	140,365	31,261	20.7	4.4	75,660	254	11.1	0.0
Unallocated	N/A	N/A	N/A	N/A	N/A	N/A	76,837	34,496	N/A	N/A
Subtotal	49,267,194	53,641,282	6,157,034	6,290,612	N/A	N/A	3,845,193	4,039,003	N/A	N/A
Total after inter-segment elimination [3]	45,498,354	49,345,959	6,157,034	6,290,612	13.5[1]	12.7[1]	3,845,193	4,039,003	8.5[2]	8.2[2]

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

Engineering, Consulting and Licensing

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

	Year ended 31 December			
	2015		2014	
	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue
	(RMB '000)	(%)	(RMB '000)	(%)
Revenue	**2,625,673**	**100.0**	3,645,174	100.0
Cost of sales	**(1,699,529)**	**(64.7)**	(2,047,814)	(56.2)
Gross profit	**926,144**	**35.3**	1,597,360	43.8
Selling and marketing expenses	**(20,979)**	**(0.8)**	(25,498)	(0.7)
Administrative expenses	**(222,487)**	**(8.5)**	(225,079)	(6.2)
Research and development costs	**(580,261)**	**(22.1)**	(600,966)	(16.5)
Other income and expenses	**134,230**	**5.1**	(24,148)	(0.7)
Operating profit	**236,647**	**9.0**	721,669	19.8

(1) Revenue

The revenue generated from the Group's Engineering, Consulting and Licensing segment decreased by 28.0% from RMB3.645 billion for the year ended 31 December 2014 to RMB2.626 billion for the year ended 31 December 2015. This was mainly because (1) the number of newly signed contracts for engineering business decreased; and (2) a few engineering projects in hand were in the detailed design phase and the execution periods were relatively long.

(2) Cost of sales

The cost of sales of the Group's Engineering, Consulting and Licensing segment decreased by 17.0% from RMB2.048 billion for the year ended 31 December 2014 to RMB1.700 billion for the year ended 31 December 2015. This was mainly due to the reduction in revenue.

(3) Gross profit

The gross profit of the Group's Engineering, Consulting and Licensing segment decreased by 42.0% from RMB1.597 billion for the year ended 31 December 2014 to RMB926 million for the year ended 31 December 2015; the gross profit margin decreased from 43.8% for the year ended 31 December 2014 to 35.3% for the year ended 31 December 2015. The main reason is that on the one hand, there was a decline in revenue of this segment; on the other hand, because of the impact of employee benefits and other fixed expenses, which caused the decreases of cost of sales of this segment to be less than that of the revenue.

(4) Selling and marketing expenses

The selling and marketing expenses of the Group's Engineering, Consulting and Licensing segment was RMB21 million, which is similar to that of the same period of the previous year.

(5) Administrative expenses

The administrative expenses of the Group's Engineering, Consulting and Licensing segment were RMB222 million, which is similar to that of the same period of the previous year.

(6) Research and development costs

The research and development costs of the Group's Engineering, Consulting and Licensing segment was RMB580 million, which is similar to that of the same period of the previous year.

(7) Operating profit

Due to the above reasons, the operating profit of the Group's Engineering, Consulting and Licensing segment decreased by 67.2% from RMB722 million for the year ended 31 December 2014 to RMB237 million for the year ended 31 December 2015.

EPC Contracting

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

	Year ended 31 December			
	2015		2014	
	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue
	(RMB '000)	(%)	(RMB '000)	(%)
Revenue	**27,838,722**	**100.0**	30,132,251	100.0
Cost of sales	**(23,990,473)**	**(86.2)**	(26,542,447)	(88.1)
Gross profit	**3,848,249**	**13.8**	3,589,804	11.9
Selling and marketing expenses	**(38,402)**	**(0.1)**	(47,895)	(0.2)
Administrative expenses	**(328,647)**	**(1.2)**	(336,894)	(1.1)
Research and development costs	**(394,769)**	**(1.4)**	(281,313)	(0.9)
Other income and expenses	**(71,641)**	**(0.3)**	(147,405)	(0.5)
Operating profit	**3,014,790**	**10.8**	2,776,297	9.2

(1) Revenue

The revenue generated from the Group's EPC Contracting segment decreased by 7.6% from RMB30.132 billion for the year ended 31 December 2014 to RMB27.839 billion for the year ended 31 December 2015. Since the large EPC of oil refining and petrochemical industries are mainly at the starting stage or at the finishing stage, the revenue reduced on a year-on-year basis.

(2) Cost of sales

The cost of sales of the Group's EPC Contracting segment decreased by 9.6% from RMB26.542 billion for the year ended 31 December 2014 to RMB23.990 billion for the year ended 31 December 2015. This was mainly due to the decrease in sub-contracting costs and equipment procurement costs following the decrease in revenue.

(3) Gross profit

The gross profit of the Group's EPC Contracting segment increased by 7.2% from RMB3.590 billion for the year ended 31 December 2014 to RMB3.848 billion for the year ended 31 December 2015, and the gross profit margin increased from 11.9% for the year ended 31 December 2014 to 13.8% for the year ended 31 December 2015 which mainly benefits from the gross profit contributed by the coal chemical industry project in Zhongtian Hechuang Coal Chemical Project, Fujian EO/EG Project, Shaanxi Pucheng DMTO Project, Yuanba Purification Plant Project and, etc.

(4) Selling and marketing expenses

The selling and marketing expenses of the Group's EPC Contracting segment was RMB38 million.

(5) Administrative expenses

The administrative expense of the Group's EPC Contracting segment was RMB329 million, which is similar to that of the same period of the previous year.

(6) Research and development costs

The research and development costs of the Group's EPC Contracting segment increased by 40.3% from RMB281 million for the year ended 31 December 2014 to RMB395 million for the year ended 31 December 2015. The increase was mainly because the Group continued to make large investments in R&D.

(7) Operating profit

Due to the above reasons, the operating profit of the Group's EPC Contracting segment increased by 8.6% from RMB2.776 billion for the year ended 31 December 2014 to RMB3.015 billion for the year ended 31 December 2015.

Construction

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

	Year ended 31 December			
	2015		2014	
	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue
	(RMB '000)	(%)	(RMB '000)	(%)
Revenue	18,123,282	100.0	19,159,750	100.0
Cost of sales	(16,881,006)	(93.1)	(18,087,563)	(94.4)
Gross profit	1,242,276	6.9	1,072,187	5.6
Selling and marketing expenses	(36,785)	(0.2)	(44,835)	(0.2)
Administrative expenses	(507,180)	(2.8)	(535,488)	(2.8)
Research and development costs	(204,548)	(1.1)	(44,512)	(0.2)
Other income and expenses	(52,504)	(0.3)	58,935	0.3
Operating profit	441,259	2.4	506,287	2.6

(1) Revenue

The revenue generated from the Group's Construction segment decreased by 5.4% from RMB19.160 billion for the year ended 31 December 2014 to RMB18.123 billion for the year ended 31 December 2015. It is mainly because of the decrease in business volume in the Construction segment.

(2) Cost of sales

The cost of sales of the Group's Construction segment decreased by 6.7% from RMB18.088 billion for the year ended 31 December 2014 to RMB16.881 billion for the year ended 31 December 2015. This is mainly because of the corresponding decrease in revenue.

(3) Gross profit

The gross profit of the Group's Construction segment increased by 15.9% from RMB1.072 billion for the year ended 31 December 2014 to RMB1.242 million for the year ended 31 December 2015, and the gross profit margin increased from 5.6% for the year ended 31 December 2014 to 6.9% for the year ended 31 December 2015. This is mainly because the decrease in revenue was not as much as the decrease in cost of sales.

(4) Selling and marketing expenses

The selling and marketing expenses of the Group's Construction segment was RMB37 million, which is similar to that of the same period of the previous year.

(5) Administrative expenses

The administrative expense of the Group's Construction segment was RMB507 million, which is similar to that of the same period of the previous year.

(6) Research and development costs

The research and development costs of the Group's Construction segment increased from RMB45 million for the year ended 31 December 2014 to RMB205 million for the year ended 31 December 2015. The increase was mainly due to the Group's intensified investment in research and development in the Construction segment.

(7) Operating profit

Due to the above reasons, the operating profit of the Construction segment decreased by 12.8% from RMB506 million for the year ended 31 December 2014 to RMB441 million for the year ended 31 December 2015.

Equipment Manufacturing

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

	Year ended 31 December			
	2015		2014	
	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue
	(RMB '000)	(%)	(RMB '000)	(%)
Revenue	679,517	100.0	704,107	100.0
Cost of sales	(539,152)	(79.3)	(672,846)	(95.6)
Gross profit	140,365	20.7	31,261	4.4
Selling and marketing expenses	(4,697)	(0.7)	(3,600)	(0.5)
Administrative expenses	(57,710)	(8.5)	(27,524)	(3.9)
Research and development costs	(5,379)	(0.8)	(7,462)	(1.1)
Other income and expenses	3,081	0.5	7,579	1.1
Operating profit	75,660	11.1	254	0.0

(1) Revenue

The revenue generated from the Group's Equipment Manufacturing segment decreased by 3.5% from RMB704 million for the year ended 31 December 2014 to RMB680 million for the year ended 31 December 2015.

(2) Cost of sales

The cost of sales of the Group's Equipment Manufacturing segment decreased by 19.9% from RMB673 million for the year ended 31 December 2014 to RMB539 million for the year ended 31 December 2015.

(3) Gross profit

The gross profit of the Group's Equipment Manufacturing segment increased from RMB31 million for the year ended 31 December 2014 to RMB140 million for the year ended 31 December 2015, the gross profit margin increased to 20.7% from 4.4% on a year-on-year basis, mainly attributable to the equipment manufacturing activities with a higher added value which were conducted during the Reporting Period.

(4) Selling and marketing expenses

The selling and marketing expenses of the Group's Equipment Manufacturing segment were RMB5 million for the year ended 31 December 2015.

(5) Administrative expenses

The administrative expenses of the Group's Equipment Manufacturing segment were RMB58 million for the year ended 31 December 2015.

(6) Research and development costs

The research and development costs of the Group's Equipment Manufacturing segment were RMB5 million for the year ended 31 December 2015.

(7) Operating profit

Due to the above reasons, the operating profit of the Group's Equipment Manufacturing segment was RMB76 million for the year ended 31 December 2015.

3 Discussion on the results by other classification

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

	Year ended 31 December				Change
	2015		2014		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB '000)	(%)	(RMB '000)	(%)	(%)
Oil refining	**7,683,275**	**16.9**	10,006,661	20.3	(23.2)
Petrochemicals	**11,982,650**	**26.3**	16,010,839	32.4	(25.2)
New coal chemicals	**17,431,865**	**38.3**	14,938,090	30.3	16.7
Other industries	**8,400,564**	**18.5**	8,390,369	17.0	0.1
Total	**45,498,354**	**100.0**	49,345,959	100.0	(7.8)

From the above revenue generated from different industries, during the Reporting Period, since the large EPC projects of oil refining and petrochemical industries are mainly at the starting stage or at the finishing stage, the revenue generated from the oil refining industry was RMB7.683 billion, representing a decrease of 23.2% on a year-on-year basis; the revenue generated from the petrochemical industry was RMB11.983 billion, representing a decrease of 25.2% on a year-on-year basis; the revenue generated from the new coal chemical industry was RMB17.432 billion, representing an increase of 16.7% on a year-on-year basis, which was mainly due to the revenue growth of projects such as Zhongtian Hechuang Coal Chemical Project, etc.; the revenue generated from other industries was RMB8.401 billion, which was mainly due to the revenue growth of clean energy projects such as LNG receiving terminals, which is similar to that of the same period of the previous year.

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

	Year ended 31 December				
	2015		2014		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB '000)	(%)	(RMB '000)	(%)	(%)
PRC	36,407,242	80.0	42,507,010	86.1	(14.4)
Overseas	9,091,112	20.0	6,838,949	13.9	32.9
Total	45,498,354	100.0	49,345,959	100.0	(7.8)

During the Reporting Period, the Group has received RMB36.407 billion from the PRC, which constitutes 80.0% of the total revenue and represents a decrease of 14.4% on a year-on-year basis; the Group's revenue generated overseas has steadily increased. The Group's revenue generated overseas was RMB9.091 billion, which constitutes 20.0% of the total revenue and represents an increase of 32.9% on a year-on-year basis.

The following table sets forth the revenue generated from services provided by the Group for (i) Sinopec Group and its associates; and (ii) non-Sinopec Group and its associates:

	Year ended 31 December				
	2015		2014		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB '000)	(%)	(RMB '000)	(%)	(%)
Sinopec Group and its associates	20,067,936	44.1	19,338,263	39.2	3.8
Non-Sinopec Group and its associates	25,430,418	55.9	30,007,696	60.8	(15.3)
Total	45,498,354	100.0	49,345,959	100.0	(7.8)

During the Reporting Period, the revenue from Sinopec Group and its associates was RMB20.068 billion, representing an increase of 3.8% on a year-on-year basis; the revenue from non-Sinopec Group and its associates was RMB25.430 billion, represents a decrease of 15.3% on a year-on-year basis.

4 Discussion on backlog and new contracts

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

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

	As at 31 December 2015 (RMB '000)	As at 31 December 2014 (RMB '000)	Change (%)
Engineering, consulting and licensing	6,935,838	6,514,745	6.5
EPC Contracting	89,776,105	82,079,668	9.4
Construction	14,273,326	15,191,362	(6.0)
Equipment manufacturing	114,615	136,508	(16.0)
Total	111,099,884	103,922,283	6.9

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

	As at 31 December 2015 (RMB '000)	As at 31 December 2014 (RMB '000)	Change (%)
Oil refining	32,951,451	26,639,953	23.7
Petrochemicals	22,730,572	23,600,743	(3.7)
New coal chemicals	37,345,973	47,261,719	(21.0)
Other industries	18,071,888	6,419,868	181.5
Total	111,099,884	103,922,283	6.9

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

	As at 31 December 2015 (RMB '000)	As at 31 December 2014 (RMB '000)	Change (%)
PRC	74,418,344	77,288,816	(3.7)
Overseas	36,681,540	26,633,467	37.7
Total	111,099,884	103,922,283	6.9

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

	As at 31 December 2015 (RMB '000)	As at 31 December 2014 (RMB '000)	Change (%)
Sinopec Group and its associates	42,242,637	41,346,352	2.2
Non-Sinopec Group and its associates	68,857,247	62,575,931	10.0
Total	111,099,884	103,922,283	6.9

As at 31 December 2015, the value of the Group's backlog totaled RMB111.100 billion, an increase of 6.9% from that as at 31 December 2014, representing 2.44 times of the total revenue of RMB45.498 billion in 2015.

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

	Year ended 31 December		
	2015	2014	Change
	(RMB '000)		(%)
Engineering, consulting and licensing	3,046,766	4,109,902	(25.9)
EPC Contracting	35,535,159	38,172,858	(6.9)
Construction	13,995,579	18,299,071	(23.5)
Equipment manufacturing	98,450	118,059	(16.6)
Total	52,675,954	60,699,890	(13.2)

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

	Year ended 31 December		
	2015	2014	Change
	(RMB '000)		(%)
Oil refining	**13,994,772**	17,894,394	(21.8)
Petrochemicals	**11,112,479**	12,336,104	(9.9)
New coal chemicals	**7,516,119**	23,040,511	(67.4)
Other industries	**20,052,584**	7,428,881	169.9
Total	**52,675,954**	60,699,890	(13.2)

The following table sets forth the total value of new contracts entered into by the Group by regions in the periods indicated:

	Year ended 31 December		
	2015	2014	Change
	(RMB '000)		(%)
PRC	**33,536,769**	49,249,344	(31.9)
Overseas	**19,139,185**	11,450,546	67.1
Total	**52,675,954**	60,699,890	(13.2)

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

	Year ended 31 December		
	2015	2014	Change
	(RMB '000)		(%)
Sinopec Group and its associates	**20,964,222**	24,234,279	(13.5)
Non-Sinopec Group and its associates	**31,711,732**	36,465,611	(13.0)
Total	**52,675,954**	60,699,890	(13.2)

During the Reporting Period, the value of the new contracts was RMB52.676 billion, representing a decrease of 13.2% on a year-on-year basis.

5 Assets, Liabilities, Equity and Cash Flows

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

(1) Assets, Liabilities and Equity

Units: RMB'000

	As at 31 December 2015	As at 31 December 2014	Changes
Total assets	58,404,370	52,084,595	6,319,775
Current assets	50,464,917	44,032,264	6,432,653
Non-current assets	7,939,453	8,052,331	(112,878)
Total liabilities	33,765,858	29,212,021	4,553,837
Current liabilities	30,798,517	26,347,950	4,450,567
Non-current liabilities	2,967,341	2,864,071	103,270
Non-controlling interests	3,737	3,458	279
Net assets	24,638,512	22,872,574	1,765,938
Consolidated equity attributable to equity holders of the Company	24,634,775	22,869,116	1,765,659
Share capital	4,428,000	4,428,000	0
Reserves	20,206,775	18,441,116	1,765,659

As at the end of the Reporting Period, the total assets of the Group were RMB58.404 billion, the total liabilities were RMB33.766 billion, the non-controlling interests were RMB4 million, and the equity attributable to the shareholders of the Company was RMB24.635 billion. The changes in the assets and liabilities as compared with those at the end of 2014 and the main reasons are as follows:

As at the end of the Reporting Period, the total assets were RMB58.404 billion, increased by RMB6.320 billion as compared with that at the end of 2014. In particular, the current assets were RMB50.465 billion, increased by RMB6.433 billion as compared with that at the end of 2014, mainly due to the increase of RMB2.224 billion of cash and cash equivalents, the receivable loans from the ultimate holding company recorded a growth of RMB1.500 billion, whilst the fixed deposits with financial institutions increased by RMB1.262 billion; the non-current assets were RMB7.939 billion, which is similar to that of the same period of the previous year.

As at the end of the Reporting Period, the total liabilities were RMB33.766 billion, increased by RMB4.554 billion as compared with that at the end of 2014. In particular, the current liabilities were RMB30.799 billion, increased by RMB4.451 billion as compared with that at the end of 2014, mainly due to the increase of RMB4.392 billion in notes and trade payables. The non-current liabilities were RMB2.967 billion, increased by RMB103 million as compared with that at the end of 2014, mainly due to the increase of RMB166 million in retirement and other supplemental benefit obligations.

The total equity attributable to shareholders of the Company was RMB24.635 billion, increased by RMB1.766 billion as compared with that at the end of 2014, primarily as the result of the increase in the profit during the Reporting Period.

(2) Cash Flows

During the Reporting Period, the net increase in cash and cash equivalents was RMB1.857 billion and net cash generated from operating activities was RMB5.793 billion. The following table sets forth the main items and their changes in the Group's consolidated statements of cash flows for the years ended 31 December 2015 and 2014, respectively.

Units: RMB'000

Major items of cash flow	Year ended 31 December	
	2015	2014
Net cash generated from operating activities	**5,793,143**	333,312
Net cash (used in)/generated from investing activities	**(2,601,554)**	4,725,026
Net cash generated from financing activities	**(1,334,867)**	(1,396,551)
Net increase in cash and cash equivalents	**1,856,722**	3,661,787

During the Reporting Period, the profit before taxation was RMB4.240 billion, and the profit was RMB4.493 billion after adjusting the items in expenses that did not affect the cash flow in operating activities which was mainly reflected in: an increase of RMB619 million for depreciation and amortisation, an increase of RMB287 million for impairment of trade and other receivables, a decrease of by RMB466 million for interest income, an increase of RMB92 million for interest expense and a decrease of RMB227 million for net foreign exchange gains. The changes in working capital, which caused a cash inflow of RMB2.132 billion in operating activities, are mainly shown in: the increase in trade payables, causing the net cash inflow from operating activities of RMB2.874 billion; through the increase in the settlement of projects, the balance of contract work-in-progress was reduced, and thus resulted in the cash inflow generated from operating activities of RMB921 million; the increase in inventories and trade receivables balance, causing the net cash outflow from operating activities of RMB1.672 billion.

After adjusting for non-cash items, receivables and payables for the profit before taxation, and after deducting the income tax paid amounting to RMB916 million, the net cash generated from operating activities was RMB5.793 billion.

Net cash generated from investing activities was RMB2.602 billion, mainly due to the increase of the Group's entrusted loans to the ultimately holding company and time deposit investments with a third-party financial institution, causing the cashflow from investing activities of RMB2.717 billion.

Net cash used in financing activities was RMB1.335 billion, mainly due to the dividend distribution.

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

(3) Summary of Financial Ratios

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

Main financial ratios	Year ended 31 December	
	2015	2014
Net profit margin (%)	**7.3**	7.1
Return on assets (%) (1)	**6.0**	7.0
Return on equity (%) (2)	**13.5**	15.3
Return on invested capital (%) (3)	**13.5**	15.3

Main financial ratios	As at 31 December 2015	As at 31 December 2014
Gearing ratio (%) (4)	**0.0**	0.0
Net debt to equity ratio (%) (5)	**net cash**	net cash
Current ratio (%) (6)	**1.6**	1.7
Quick ratio (%) (7)	**1.6**	1.6

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

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

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

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

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

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

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

Return on assets

During the Reporting Period, the Group's return on assets decreased to 6.0% from 7.0% in the same period of the previous year, mainly due to the decrease in net profit during the Reporting Period and the increase in assets at the end of the Reporting Period.

Return on equity

The Group's return on equity decreased from 15.3% for the same period in 2014 to 13.5%, mainly due to decrease in net profit during the Reporting Period and equity increase at the end of the Reporting Period.

Return on invested capital

The Group's return on invested capital decreased from 15.3% for the same period in 2014 to 13.5% for the same reasons as the decrease in return on equity.

Gearing ratio

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

Net debt to equity ratio

The Group maintained positive net cash as at 31 December 2015 and 31 December 2014.

Current ratio

The Group's current ratio fell to 1.6 from 1.7 at the end of previous year, mainly due to the increase in current debts such as amounts payable and notes payable.

Quick ratio

As at the end of the Reporting Period, the Group's quick ratio is 1.6, which remained the same as that as at the beginning of the Reporting Period.

SIGNIFICANT EVENTS

Significant Events

1 Connected Transactions

Continuing Connected Transactions between the Group and Sinopec Group

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

(1) the Engineering and Construction Services Framework Agreement and the supplemental agreement;

(2) the Financial Services Framework Agreement and the supplemental agreement;

(3) the Technology R&D Framework Agreement and the supplemental agreement;

(4) the General Services Framework Agreement and the supplemental agreement;

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

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

(7) the Safe Production Insurance Fund; and

(8) the Trademark Licensing Agreement.

For further details, please refer to the section headed "Connected Transactions" in the Company's prospectus published on 10 May 2013, the Company's announcement entitled "Continuing Connected Transactions - Financial Services Framework Agreement" published on 19 August 2013, the contents related to the Financial Services Framework Agreement in the Company's circular to its shareholders published on 10 September 2013 and the Company's announcement entitled "Adjustments to Annual Caps for Continuing Connected Transactions under the Technology R&D Framework Agreement" published on 17 March 2014, the contents in relation to the Financial Services Framework Agreement and the Engineering Services Framework Agreement in the Company's circular to its shareholders published on 15 September 2015, the Company's announcement entitled "Renewal of Technology R&D Framework Agreement, Financial Services Framework Agreement and Engineering and Construction Services Framework Agreement and the Annual Caps" published on 31 August 2015, and the Company's announcement entitled "Renewal of Technology R&D Framework Agreement, Financial Services Framework Agreement and Engineering and Construction Services Framework Agreement and the Annual Caps and the Continuing Connected Transactions and Major Transactions under the Financial Services Framework Agreement" published on 15 September 2015.

The Group's Connected Transactions

During the Reporting Period, the aggregate amount of connected transactions incurred on the Group was RMB23.009 billion. In particular, the expenses amounted to RMB1.813 billion and the revenue amounted to RMB21.196 billion (including RMB20.806 billion from the sale of products and services and RMB390 million from interest income), thus satisfying the exemption requirements specified by the Hong Kong Stock Exchange.

During the Reporting Period, the engineering and construction services (supply of equipment and materials, procurement services and equipment leasing, technology licensing and other engineering-related services) provided by Sinopec Group to the Group amounted to RMB1.793 billion, which was within the annual cap. The engineering and construction services (preliminary consulting, technology licensing, engineering design, EPC Contracting, construction and equipment manufacturing, etc.) provided by the Group to Sinopec Group amounted to RMB20.658 billion, which was within the annual cap.

During the Reporting Period, the expenses relating to the settlement, entrustment loans and other financial services between the Group and Sinopec Finance Co., Ltd. and Sinopec Century Bright Capital Investment Limited were RMB5 million, which was within the annual cap. The daily maximum balance of deposits and interest income was RMB6.219 billion, which was within the annual cap. The daily maximum balance of entrusted loans was RMB11.100 billion, which was within the annual cap.

During the Reporting Period, the technology R&D services provided by the Group to Sinopec Group amounted to RMB143 million, which was within the annual cap.

During the Reporting Period, the counter-guarantees provided by Sinopec Group to the Group amounted to USD69 million, which was within the annual cap.

During the Reporting Period, the general services provided by Sinopec Group to the Group amounted to RMB10 million, which was within the annual cap.

During the Reporting Period, the land use right and property lease contracts provided by the Group to Sinopec Group amounted to RMB5 million, which was within the annual cap.

During the Reporting Period, the land use right and property lease contracts provided by Sinopec Group to the Group amounted to RMB6 million, which was within the annual cap.

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

For more information on the transactions related to the major related parties (including the connected transactions above) during the Reporting Period, please refer to Note 40 of the Financial Report prepared in accordance with the IFRS in this annual report.

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

The external auditor of the SINOPEC SEG was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagement Other Than Audits or Reviews of Historical Financial Information" and Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the conclusions in respect of the above-mentioned continuing connected transactions in accordance with Rule 14A.56 of the Hong Kong Listing Rules and submitted a copy of the auditor's letter to the Hong Kong Stock Exchange.

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

The independent non-executive directors of the Company reviewed the nature, the implementation of annual caps, pricing policy and internal control procedure of the above-mentioned continuing connected transactions (including deposits and entrustment loans under the Financial Services Framework Agreement), and confirmed as follows:

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

(b) one of the following items was met:

  i the transactions were entered into on normal commercial terms;

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

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

(c) according to the agreement governing the transactions on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

Approval for the Provision of Counter Guarantee to Sinopec Group

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

Approval for the terms of the supplemental agreements for continuing connected transactions, the continuing connected transactions thereunder and the proposed annual caps for 2016 to 2018.

On 28 August 2015, the Company convened the the sixteenth meeting of the First Session of the Board, which considered and approved, among others, the supplemental agreements to the Technology R&D Framework Agreement, the Financial Services Framework Agreement and the Engineering and Construction Services Framework Agreement entered into between the Company and Sinopec Group, the continuing connected transactions thereunder and their proposed annual caps in respect thereof for each of the years ending 31 December 2016, 2017 and 2018. Pursuant to Chapter 14A of the Hong Kong Listing Rules, the terms of the Financial Services Framework Agreement and the Engineering and Construction Services Framework Agreement as referred to above and their respective supplemental agreements, the continuing connected transactions thereunder and their proposed annual caps in respect thereof for each of the years ending 31 December 2016, 2017 and 2018 are subject to the approval of independent shareholders of the Company. The services of deposits and entrustment loans under the Financial Services Framework Agreement will also constitute a major transaction of the Company under Chapter 14 of the Hong Kong Listing Rules, and are subject to the approval of independent shareholders of the Company. Please refer to the Company's announcement entitled "Renewal of Technology R&D Framework Agreement, Financial Services Framework Agreement and Engineering and Construction Services Framework Agreement and the Annual Caps" published on 31 August 2015, and the Company's announcement entitled "Renewal of Technology R&D Framework Agreement, Financial Services Framework Agreement and Engineering and Construction Services Framework Agreement and the Annual Caps and the Continuing Connected Transactions and Major Transactions under the Financial Services Framework Agreement" published on 15 September 2015 and the Company's circular to the Shareholders published on 15 September 2015 for further details.

On 30 October 2015, the Company convened its third extraordinary general meeting of 2015, where the independent shareholders considered and approved, among others, the terms under the Financial Services Framework Agreement, the continuing connected transactions thereunder and the proposed annual caps in respect thereof for each of the years ending 31 December 2016, 2017 and 2018, and the terms under the Engineering and Construction Services Framework Agreement, the continuing connected transactions thereunder and the proposed annual caps in respect thereof for each of the years ending 31 December 2016, 2017 and 2018. Please refer to the Company's announcement entitled "Announcement of Resolutions Passed at the Third Extraordinary General Meeting for the Year 2015" published on 30 October 2015 for further details.

As at the end of the Reporting Period, the supplemental agreements for a series of continuing connected transactions between the Group and Sinopec Group were all signed.

2 Material Litigation or Arbitration Events

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

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

There were no other material litigation or arbitration events during the Reporting Period.

3 Other Material Contracts

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

4 Repurchase, Sale and Redemption of Shares

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

5 Reserves

During the Reporting Period, movements in the reserves of the Group were set out in the Consolidated Statement of Changes in Equity of the financial report, which was prepared in accordance with IFRS in this annual report.

6 Use of IPO Proceeds

During the Reporting Period, the total amount of proceeds used in the Group's engineering technology research and development center, modular construction bases and machine-making projects was approximately RMB24 million; the total amount of proceeds used in the setting-up and improvement of overseas marketing networks was approximately RMB12 million; the total amount of proceeds used in the build-up of an information system was approximately RMB17 million. During the Reporting Period, the Group's total amount of proceeds used was RMB53 million. At the end of the Reporting Period, the Group's total amount of proceeds used was RMB3.098 billion. As at the end of the Reporting Period, the remaining amount of proceeds was amounted to approximately HKD9.095 billion.

7 Assets Transactions

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

8 Insolvency and Restructuring

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

9 Significant Trusteeship, Contracting and Lease

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

10 Significant Acquisitions and Disposal

During the Reporting Period, the Group had no substantial acquisitions or disposal.

11 Financial Derivatives for Hedging Purposes

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

12 Pledged Assets

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

13 Debt

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

14 Review of Annual Report

The audit committee of the Company (the "Audit Committee") has reviewed this annual report. The Audit Committee has not expressed any dissent concerning the financial statements in this annual report.

The Audit Committee is comprised of all independent non-executive Directors, namely, Mr. YE Zheng, Mr. HUI Chiu Chung, Stephen and Mr. JIN Yong. Among them, Mr. YE Zheng has the appropriate professional qualifications (including being a member of the Hong Kong Institute of Certified Public Accountants) and more than 20 years of experience in auditing, internal control and consultancy.

15 Other Important Matters

During the Reporting Period, none of the Company, the Board, the Directors and the Supervisors was punished by administrative means or criticised through circular by Hong Kong Securities and Futures Commission or publicly condemned by the Hong Kong Stock Exchange.

CORPORATE GOVERNANCE

Corporate Governance

1 Enhancement of Corporate Governance in the Reporting Period

During the Reporting Period, the Company was in compliance with the domestic and foreign laws and regulations on securities supervision and continuously improves its corporate governance.

During the Reporting Period, in accordance with the related domestic and overseas laws and regulations and the actual situation of the Company, the Company strictly standardised corporate governance based on the working rules, systems and norms such as the Rules of Procedure of Shareholders Meeting, the Rules of Procedure of the Board and the Rules of Procedure of the Supervisory Committee and updated the internal documents timely in accordance with the Hong Kong Listing Rules and other applicable laws and regulations; the Board reviewed and approved the Board Diversity Policy and modified the terms of reference of the Nomination Committee; improving the internal control systems and enhancing the execution of internal control of the Company; implementing “Reporting and Distribution Procedures on Price-Sensitive Information of the Company” and “Registration System of Persons with Access to Inside Information” and put into place confidentiality policies and insider registration regarding inside information such as periodical reports.

During the Reporting Period, the Company further enhanced on-the-job training to promote the sense of responsibility of all Directors, Supervisors and its senior management (the “Senior Management”), optimised the procedure and detailed services; provided Directors with “Company Information” report every month, which empowers the Directors with data and information to make reasonable decisions in a timely and well-rounded manner. We continue to enhance voluntary information disclosure and our relationship with our investors by strengthening two-way communication, and increasing the transparency of the Company. The Company actively performed its social responsibilities and promoted the sustainable development of the Company.

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

2 Compilation of the 13th Five-Year Plan and Organisational Reform of the Group

During the Reporting Period, the Group launched the compilation of its 13th Five-Year Plan by issuing the “Work Program for Compiling the Outline of the 13th Five-Year Development Plan”. On the basis of adequate investigations, the Group used the working mode of “unified organisation, team collaboration, expert consulting, extensive participation, up-down linkup” and held a number of seminars involving the departments and subsidiaries to discuss the market situation and the key tasks in the period of the 13th Five-Year Plan. The result is the formation of a system for compiling the 13th Five-Year Plan, which is a well connected, vertically supported and horizontally collaborated system that relies on the master plan of the Group as lead, 10 special plans and the studies of important issues as support and the development plans of the subsidiaries as foundation. As of the date of publication of this annual report, the Group had completed the compilation of its 13th Five-Year Plan.

According to the development strategy of the Group, to meet the need of “integrated management, grouping control” and set up an organisation system that features well-structured architecture, clear interfaces, clarified responsibilities and smooth communications, the Company optimised and adjusted its organisation structure as follows: the Department of Projects was renamed as Department of Project Management; the QHSE Department was renamed as Department of Quality & Safety; the IT Department was renamed as Department of Information Management; the Department of Discipline Inspection and Supervision was renamed as Department of Supervision; the Department of Strategic Planning was renamed as Department of Strategic Planning (Department of Corporate Reform Management); the Department of Financial Assets was renamed as Department of Finance; the Department of Foreign Affairs Management was set up to work jointly with the Department of International Business in the same place; the Department of Corporate Culture was set up to strengthen the corporate culture of the Company.

3 Equity Interests of Directors, Supervisors and the Senior Management

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

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

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

5 The Company's Independence from Controlling Shareholders

On 7 March 2016, Sinopec Group provided the following declaration to the Company and its independent non-executive Directors confirming its compliance with the terms of the Non-Competition Agreement:

From 31 December 2014 to 31 December 2015, we complied with the principles and terms of the Non-Competition Agreement and undertakings, fulfilled our obligation and responsibilities in accordance with the Non-Competition Agreement and undertakings, and did not violate the Non-Competition Agreement and undertaking. The aforesaid was concluded based on Sinopec Group's overall review of the compliance with every provision (including but not limited to the provision of right of choice for new business opportunities, purchase option and right of first refusal).

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

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

6 Construction and Implementation of Internal Control System of the Group

Internal Control Construction

During the Reporting Period, the Company revised and compiled the "Internal Control Manual (2014 edition)", and the revision and compiling work of the "Internal Control Manual (2015 edition)" (the "Internal Control Manual") has been completed. Internal Control Manual reflects: standardise internal management, prevent operation risks and guarantee the realisation of the development strategies and operation goals of the Company. The Internal Control Manual implements our domestic and overseas regulatory requirements such as the "Basic Standard for Internal Control of Enterprises", the "Implementation Guidelines for Internal Control of Enterprises", and the "Guidelines for Assessment of Internal Control of Enterprises", which was jointly issued by five ministries and commissions including the Ministry of Finance of PRC, the SFO and the Hong Kong Listing Rules. To ensure the quality of the revision and compiling of the Internal Control Manual, we (1) prepared and approved the implementation plan for revision and compiling work of the Internal Control Manual; (2) based on new control arrangement of the head office and subsidiaries (branches) of the Group, business control chart was formulated, whilst the internal control procedures and key control points were readjusted and improved accordingly; (3) self-checks and field examinations were conducted aside from quarterly tests for the purpose of internal control, in an end to evaluate the effectiveness of internal control practices and enhance the performance and efficiency in internal control.

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

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

Setup of Internal Control Examination and Supervision Department

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

Arrangement for Internal Control Made by the Board

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

Improvement of the Internal Control System Associated with Financial Accounting

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

Internal Control Deficiencies and Rectification

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

Businesses with Sanctioned Countries

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

7 Assessment and Incentive Mechanism for the Senior Management

In order to establish and improve the incentive and disciplinary mechanism, to provide effective incentives to the members of the Senior Management, to effectively mobilise the management, and to make efforts to enhance their performance and the Company’s core competitiveness, the Group proposes to implement a mid- and long-term incentive scheme to the Senior Management based on the current incentive of assessment, in accordance with relevant laws, regulations and by referring to international conventional practices and combining the current situation of the remuneration and performance evaluation of the Group. During the Reporting Period, the Group continues to study the mid- and long-term incentive plan for the management – stock appreciation right plan, which will be submitted to the shareholders for approval and implemented when the time and conditions are ripe. The Group will track the changes in the macro policy for reform of state-owned enterprises and study various forms of incentives that fit the development needs of the enterprise.

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

(1) Compliance with Corporate Governance Code

From the listing date of the Company to 31 December 2015, the Company abided by the provisions in the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules and did not conduct any acts which deviated from such provisions.

A BOARD

A.1 Board

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

b. The Board holds at least four meetings annually. The Board communicates on the meeting time and subject matters 14 days prior to the meeting. The documents and materials for the meeting will usually be sent 10 days in advance to each Director. In 2015, the Company held four Board meetings. For details about the attendance of each Director, please refer to the Report of the Board in this annual report.

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

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

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

A.2 Chairman and Chief Executive Officer

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

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

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

A.3 Board Composition

a. The Board of the Company consisted of 9 members, one of them is a female (For details, please refer to Directors, Supervisors, Other Senior Management Members and Employees of this annual report). The composition of the Board is reasonable and diversified. Among the nine (9) members, there were four (4) executive Directors (including 2 employee representative directors), two (2) non-executive Directors and three (3) independent non-executive Directors. The independent non-executive Directors represented one third of the Board. All the executive Directors and non-executive Directors of the Company are experienced in the management of mega refining and chemical engineering, or petroleum and petrochemical enterprise. The independent non-executive Directors are well-known technological experts of chemical engineering, financial experts or accounting experts respectively, and have experience in managing large corporations, capital operation and finance investment, respectively. The composition of the Board is reasonable and diversified.

b. The Company received a letter of confirmation from each independent non-executive Director regarding his compliance with relevant independence requirements set out in Rule 3.13 of the Hong Kong Listing Rules for the year 2015. The Company concluded that each of the independent non-executive Directors is independent.

A.4 Appointment, Re-election and Dismissal

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

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

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

A.5 Nomination Committee

a. The Company established a nomination committee (the “Nomination Committee”). Mr. ZHANG Jianhua, the Chairman of the Board and a non-executive Director, was the chairman of the Nomination Committee; Mr. HUI Chiu Chung, Stephen, an independent non-executive Director, was the vice chairman of the Nomination Committee; Mr. LU Dong, the Vice President and an executive Director, and Mr. JIN Yong and Mr. YE Zheng, independent non-executive Directors, were members of the Nomination Committee. The terms of reference of the Nomination Committee were established and are available on the websites of the Company and the Hong Kong Stock Exchange. The Nomination Committee will recommend appointment or re-election of the Directors as well as the succession plan of Directors (especially the Chairman of the Board and the President of the Company), seek for candidates for Directors with appropriate qualifications and competence; elect and nominate related personnel to be appointed as Directors, and propose recommendations thereof to the Board.

b. Based on discussion, the Nomination Committee deems that the structure, number of members and composition of the Board in 2015 are rational and conform to the strategies of the Group.

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

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

e. The Board set up the Board Diversity Policy, which provides that the nomination and appointment of Board members should be based on the skills and experience necessary for the overall sound operation of the Board, with due considerations given to the goal and requirement for the diversification of Board members. When determining the combination of Board members, the Company should consider their diversity from multiple aspects, including but not limited to sex, age, culture, educational background, race, professional experience, skills, knowledge and length of service.

A.6 Responsibility of Directors

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

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

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

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

A.7 Provision for and Access to Information

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

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

B Remuneration of Directors and the Senior Management

a. The Company established a remuneration committee (the "Remuneration Committee"). Mr. HUI Chiu Chung, Stephen, an independent non-executive Director, was the chairman of the Committee, and Mr. YE Zheng and Mr. JIN Yong, independent non-executive Directors, were member of the committee. The terms of reference of the Remuneration Committee are available on the websites of the Company and the Hong Kong Stock Exchange. The Remuneration Committee is responsible for studying the compensation structures and policies of all Directors, Supervisors and Senior Management and proposing recommendations to the Board thereof, or setting and determining the compensation and welfare of individual executive Directors and Senior Management members as authorised by the Board or proposing recommendations thereof to the Board.

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

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

C Accountability and Auditing

C.1 Financial Reporting

a. The Directors are responsible for supervising the compilation of accounts in each financial period so as to guarantee that the accounts can authentically and fairly reflect the business conditions, performance and cash flows during the corresponding period. The Board approved the financial report for the year 2015 and warranted that there were no material omissions, misrepresentations or misleading statements contained in this annual report, and jointly and severally accepted full responsibility for the authenticity, accuracy and integrity of the contents therein.

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

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

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

C.2 Internal Control

a. In 2015, the Company revised and compiled the Internal Control Manual per the regulations and requirements regarding internal control under the Hong Kong Listing Rules, based on the Articles of Association and current managerial systems, and with consideration to related rules and regulations in the PRC and overseas, which regulates the controls on the company level and business level, and realises the internal control on all elements.

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

c.The Company established an internal audit department, staffed by adequate professional personnel to ensure sound internal auditing functions.

d. For this year, the Company conducted an overall inspection and assessment of the Company's internal control design and effectiveness. The Company also made a specific inspection on the rectification and implementation of the problems detected in the internal control inspection.

C.3 Audit Committee

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

According to the Letter to Issuers released by the Hong Kong Stock Exchange dated 19 December 2014 and relevant amendments in the "Corporate Governance Code" set out in Appendix 14 to the Hong Kong Listing Rules and in an end to improve the corporate governance practice and reinforce the Board of Directors' functions in risk control and internal control, the third meeting of the Second Session of the Board held by the Company on 18 March 2016 has approved a proposal to incorporate the risk control function into the scope of authority of the Audit Committee and also to amend the terms of reference of the Audit Committee as appropriate to enrich and augment the descriptions of risk control function. This proposal will be implemented after the approval of the Board.

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

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

d. In the absence of the management, the Audit Committee held meetings with the auditors twice in 2015 either through writing or meeting in person and discussed the auditing of financial reports and the auditing fee for the year. The Audit Committee considered accounting and financial reporting adequacy, employees' qualifications and experiences, as well as the sufficiency of the training courses provided to employees and the relevant budget. The Audit Committee concluded that the Company's management performed their duties and established an effective internal control system during the Reporting Period. The Company's internal control system established a mechanism for report and complaint, whereby the staff and interested parties may have a channel, such as online reporting, reporting through letters, meeting with reporters, complaint mail box, etc., to report and complain regarding their discovered breaches of the Company's internal control system. The Audit Committee has considered and approved this system.

D Delegation of Power by the Board

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

b. In addition to the Nomination Committee, Audit Committee and Remuneration Committee, the Board also established the Strategy and Development Committee. Mr. LU Dong, Vice Chairman of the Board and an executive Director served as the chairman of the committee. Mr. JIN Yong, an independent non-executive Director, served as the vice chairman of the committee. Mr. YAN Shaochun, President and an executive Director, Mr. LI Guoqing, non-executive Director, Mr. SUN Lili and Mr. WU Derong, executive Directors, served as members. The Strategy and Development Committee is responsible for studying the long-term development strategies as well as major decisions on capital expenditure, investment and financing of the Company.

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

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

E Investor Relations

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

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

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

d. During the Reporting Period, the Articles of Association of the Company were revised, the relevant details are set out in the Company's circular regarding the proposed amendments to the Articles dated 23 January 2015, and the Company's announcement entitled "Announcement of Resolutions Passed at the Second Extraordinary General Meeting for the Year 2015" dated 11 March 2015.

F Company Secretary

a. The secretary to the Board is recognised by the Hong Kong Stock Exchange as the Company secretary, and is nominated by the Chairman of the Board and appointed by the Board. He is a Senior Management and reports to the Company and the Board. The secretary to the Board gives opinions on corporate governance to the Board and arranges for orientation training and professional development of the Directors.

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

G Shareholders' Rights

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

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

c. The eligibility for attending the general meeting, the shareholders' rights and the meeting agenda are clearly stated in the notices to all shareholders of the Company.

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

(2) Auditors

In the 2014 annual general meeting of the Company held on 18 May 2015, the Company approved reappointment of Grant Thornton China (Special General Partnership) and Grant Thornton Hong Kong Limited as the domestic and overseas auditors of the Company, respectively, in 2015 and authorised the Board to determine their compensation. As approved at the fifteenth meeting of the First Session of the Board, the audit fee for 2015 is RMB4.7 million. The financial report of the current year was audited by Grant Thornton Hong Kong Limited.

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

The Company has not changed its auditors since the commencement of preparation for its listing on the Hong Kong Stock Exchange. Since the current auditors will hold office until the conclusion of the annual general meeting for the year 2015, the Company will put forward an ordinary resolution in the annual general meeting for the year 2015 to re-appoint the domestic auditor and international auditor of the Company and fix their remuneration for the year 2016.

(3) Other Information about Corporate Governance of the Company

Except for their working relationships with the Group, none of the Directors, Supervisors and other Senior Management have any financial, business or familial relationships or any relationships in other material aspects with each other. For information regarding changes in share capital and shareholdings of substantial shareholders, please refer to page 13 to page 15; for information regarding meetings of the Board, please refer to page 80; for information regarding the equity interests of Directors, Supervisors and other Senior Management, please refer to page 69; for information regarding the resume and annual remuneration of Directors, Supervisors and other Senior Management Members, please refer to page 100 to page 113.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REPORT OF THE BOARD

Report of the Board

The Board is pleased to present the report for the year ended 31 December 2015 for shareholders' review.

1 Meetings of the Board

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

The fourteenth meeting of the First Session of the Board was held in Beijing, the PRC on 12 January 2015, whereby the following eight proposals were considered and approved: the proposal to elect the chairman and vice chairman of the Company; the proposal to appoint the members of the special committees of the Board; the proposal to optimise the Company's development strategy; the proposal to establish Luoyang Engineering Technology Research and Development Center of the Company; the proposal to restructure and establish offshore subsidiaries and branches of the Company; the proposal to provide a counter-guarantee to China Petrochemical Corporation with respect to the RAPID project in Malaysia; the proposal to amend the Company's articles of association; and the proposal to convene the second extraordinary general meeting for the year 2015.

The fifteenth meeting of the First Session of the Board was held in Beijing, the PRC on 27 March 2015, whereby the following 16 proposals were considered and approved: the proposed report of the Board for the year 2014; the proposed report on the fulfilment of the targets for the year 2014 and the proposed key work arrangements for the year 2015; the proposed report on the operating results, financial conditions and other relevant matters for the year 2014; the proposed approval for the audited financial report for the year 2014; the proposed 2014 annual report and results announcement; the proposed sustainable development report for the year 2014; the proposed business operation plan, investment plan and financial budget for the year 2015; the proposed cap for the amount of performance guarantee(s) to be provided by the Company (as the parent company) for the benefit of its subsidiaries for the year 2015; the proposed final dividend distribution plan for the year 2014 and the authorisation to the Board to determine the interim profit distribution plan for the year 2015 to be put forward for approval at Company's annual general meeting for the year 2014; the proposed appointment of independent auditors and the authorisation to the Board to fix their remuneration for the year 2015; the proposed grant of a general mandate to the Board to repurchase domestic shares and/or H shares of the Company to be put forward for approval at the AGM, the class meeting for holders of domestic shares of the Company and the class meeting for holders of H shares of the Company; the proposed grant of a general mandate to the Board to issue domestic shares and/or H shares of the Company to be put forward for approval at the AGM; the proposed appointment of a supervisor of the Company; the proposed establishment of the Corporate Culture Department of the Company; the proposed establishment of the Engineering Technology Centre for Energy Saving and Environmental Protection of the Company; and the proposed approval to convene the AGM and the Class Meetings.

The sixteenth meeting of the First Session of the Board was held in Beijing, the PRC on 28 August 2015, whereby the following 11 proposals were considered and approved: the proposed report on the fulfillment of the key targets for the first half of 2015 and the proposed report on the work arrangements for the second half of 2015; the proposed report on the operating results, financial conditions and other relevant matters for the first half of 2015; the proposal to approve the audited 2015 interim financial report; the proposed 2015 interim report and results announcement; the proposed 2015 interim dividend distribution plan; the proposed financial derivatives arrangements under the project in Kuwait; the proposed adoption of the Board Diversity Policy of SINOPEC Engineering (Group) Co., Ltd. and the proposed amendments to the Terms of Reference for the Nomination Committee of SINOPEC Engineering (Group) Co., Ltd.; the proposed continuing connected transactions supplemental agreements to be entered into between the Company and Sinopec Group, the continuing connected transactions thereunder and their respective proposed annual caps for the years 2016 to 2018; the proposed appointment of non-employee representative directors for the Second Session of the Board; the proposed appointment of non-employee representative supervisors for the Second Session of the Supervisory Committee; and the proposed approval to convene the third extraordinary general meeting for the year 2015.

The first meeting of the Second Session of the Board was held in Beijing, the PRC on 30 October 2015, whereby the following 5 proposals were considered and approved: the proposal to elect the Chairman and the Vice-chairman of the Board; the proposal to elect the members of the special committees of the Board; the proposal to appoint the President of the Company; the proposal to appoint the Secretary to the Board and the Company Secretary; and the proposal to appoint the Vice Presidents and Chief Financial Officer of the Company.

2 Implementation of Resolutions Approved at the General Meetings by the Board

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

3 Attendance to the Board Meetings

Statistics of the attendance and training of meetings of the First and Second Session of the Board and general meetings:

Name	Board Meetings		Proxy (times)	Attendance at the 2014 Annual General Meeting and the 2015 Extraordinary General Meeting	Training
	Site Meetings	Written Resolutions			
ZHANG Jianhua	4	0	0	3	yes
LU Dong	4	0	0	4	yes
YAN Shaochun	4	0	0	4	yes
LI Guoqing	4	0	0	4	yes
SUN Lili	2	0	2	3	yes
WU Derong	2	0	2	1	yes
HUI Chiu Chung, Stephen	4	0	0	4	yes
JIN Yong	2	0	2	3	yes
YE Zheng	4	0	0	4	yes

4 Meetings Held by the Special Committees of the Board

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

During the Reporting Period, the Audit Committee held two meetings, the Remuneration Committee, the Nomination Committee and the Strategy and Development Committee each held one meeting. Director JIN Yong did not attend the fourth meeting of the first Audit Committee and authorised Director HUI Chiu Chung, Stephen to vote on his behalf in a written form. Details of those meetings are as follows:

The fourth meeting of the First Session of the Audit Committee was held in Beijing, the PRC on 26 March 2015, whereby they reviewed the 2014 interim self-inspection work report of internal control, the audited 2014 annual financial report, the 2014 annual report, the proposed appointment of independent auditors for the year 2015, the execution of 2014 continuing connected transactions, and non-compete situation for the year 2014 and provided review opinions.

The fifth meeting of the First Session of the Audit Committee was held in Beijing, the PRC on 27 August 2015, whereby they reviewed the the audited 2015 interim financial report, the 2015 interim report, the self-inspection work report of internal control in the first half of 2015 and the execution of continuing connected transactions in the first half of 2015, the remuneration for the independent auditors for the 2015, and provided review opinions.

The third meeting of the First Session of the Nomination Committee was held in Beijing, the PRC on 28 August 2015, whereby they reviewed the proposal for Nominating the Director Candidates of SINOPEC Engineering (Group) Co., Ltd. and the proposals of formulating the Board Diversity Policy of SINOPEC Engineering (Group) Co., Ltd. and revising the terms of reference of the Nomination Committee, and provided review opinions.

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

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

5 Performance

The financial results of the Group for the year ended 31 December 2015 were prepared in accordance with the IFRS and its financial position as at that date and the accompanying analysis are set out from page 120 to page 185 of this annual report.

6 Dividends

At the 2014 annual general meeting convened on 18 May 2015, an ordinary resolution was passed to approve the authorisation to the Board to determine the interim profit distribution plan for the year 2015. The dividend distribution plan of RMB0.114 per share (inclusive of applicable tax) for the six months ended 30 June 2015 was approved at the sixteenth meeting of the First Session of the Board convened on 28 August 2015. The dividend distribution plan was implemented.

The final dividend distribution plan for the year ended 31 December 2015 was approved at the third meeting of the Second Session of the Board. The final dividend distribution shall be calculated based on the total number of Shares on 29 May 2016 (the "Record Date") and the final cash dividend distribution shall be based on RMB0.183 per Share (inclusive of applicable tax). That distribution scheme will be implemented after review and approval at the annual general meeting to be held on 6 May 2016. The final dividend of 2015 will be paid on or before Thursday, 30 June 2016 to all the shareholders of the Company whose names appear on the register of members of the Company at the close of business on Sunday, 29 May 2016. In order to qualify for the final dividend, the holders of H Shares must lodge all share certificates accompanied by the transfer documents with Computershare Hong Kong Investor Services Ltd. (address: Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong) before 4:30 p.m. on Monday, 23 May 2016 for registration. For the purpose of ascertaining Shareholders who qualify for the dividend, the register of members for H Shares will be closed from Tuesday, 24 May 2016 to Sunday, 29 May 2016 (both days inclusive).

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

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

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

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

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

7 Major Suppliers and Clients

During the Reporting Period, the total purchases from the top five suppliers of the Group accounted for 9.3% of the total purchases by the Group, of which the purchases from the largest supplier accounted for 3.5% of the total purchases of the Group.

The total sales to the five largest clients of the Group accounted for 53.7% of the total sales of the Group of which sales to the largest client accounted for 20.2% of the total sales. As for the details about the relations of the Group with major customers and the risks that the business of the Group may face due to such relations, please see the section "Board Report - 15. Risk Factors - Risk of Reduced Orders from Major Customers" in this annual report.

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

8 Bank Loans and Other Borrowings

As at the end of the Reporting Period, the Group did not have bank loans or other borrowings.

9 Fixed Assets

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

10 Reserves

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

11 Donations

During the Reporting Period, the amount of charity donations made by the Group amounted to approximately RMB0.22 million.

12 Pre-emptive Right

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

13 Repurchase, Sale and Redemption of Shares

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

14 Core Competitiveness Analysis

The Group is a leading oil refining, petrochemical and new coal chemical engineering company in the PRC. The Group has the legacy of being among the first batch of oil refining and petrochemical engineering enterprises established in the PRC in the 1950s. Leveraging on long operating histories and sophisticated industry experiences, we have developed the strongest execution capabilities in the PRC with respect to engineering and constructing large-scale oil refining, petrochemical and new coal chemical complexes, etc., which usually include a series of process units and utilities, and we are highly competitive in the international engineering market.

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

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

15 Risk Factors

Risks relating to the Uncertain Trend of Global Macroeconomy

The business performance of the Group is closely related to the economic situation of the PRC as well as the global economic situation. In 2015, the global economy showed signs of deep adjustment. On the one hand, the economic recovery of developed countries was unstable on the whole, as proven by the fact that the economy of the Eurozone and Japan has yet to free itself from the plight irrespective of a notable trend of economic growth in the United States; on the other hand, the emerging economies manifested a pattern of marked polarisation. In the BRICS countries, while China and India still managed to maintain an economic growth rate of around 7%, Russia and Brazil had slipped into economic depression, with South Africa also experiencing a slowdown of growth rate. The international prices of bulk commodities continued to fall, leading to the noticeable markdown of raw materials, sluggish consumption prices and reduced investment intensity around the world. In 2016, the world economy will remain weak in recovery. The insufficient total demand of developed economies will coexist with a long-term low growth rate and the downward trend of the overall growth rate will be hard to curb effectively in the emerging economies. The different directions of the macro policies of major economies, the large-scale cross-border capital flow, the turbulences in the forex and financial market, the changes in geopolitics and natural disasters all may cause a negative impact on the economic operation of the world. In short, the world still exist uncertainties in 2016. The blur in the global economy enormously influences global petrochemical engineering companies, especially the Group who expects to enlarge its overseas market share and pursue stable overseas development. The uncertain economic future may make it more difficult to fulfil our market expansion targets.

Risks brought by the Changes in Market Environment

In 2016, the international oil price may continue to stay low and may even touch the record low of $20/barrel under the effect of various factors, including the persistent refusal of Organisation of Petroleum Exporting Countries (OPEC) to cut production, the oversupply of crude oil, the interest rate hike of USD, the flexible production of shale oil and the high oil inventory of the United States. Additionally, against the background of severe overcapacity of domestic refinery, the slowdown in demand for refined oil products and the cutback of investment in oil refining projects by multinational oil companies, large domestic oil companies will stop or suspend the construction of some large refining-chemical complex projects. At the same time, because of the restrictions imposed by factors like the environmental impact assessment of projects, the need for zero discharge and desalting treatment of waste water, continuous drop of international oil price, new coal-to-chemical projects are put to the push with respect to their economical efficiency and environmental compliance. The increasingly more difficult financing causes many projects to be abandoned, stopped or suspended. Furthermore, owing to demand shrinkage, the consumption of natural gas has dropped noticeably, resulting in the falling output of domestic shale gas. In short, the market development of the Group will meet major difficulties.

Risks Relating to Changes in Policies

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

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

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

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

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

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

Risks relating to Project Delays and Budget Overview

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

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

(2) Risks relating to sub-contractor management

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

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

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

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

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

(5) Risk relating to project management

Risks relating to project management are mainly reflected in financing management, engineering design and capability for claiming indemnity. Some of our on-going overseas projects are financing projects. Insufficient financing management may lead to delays in construction because we may not solve problems in a timely manner. For projects where design standards are substantially different from China's standards, the Group's design team's abilities may be hampered. Delay in implementation of the design will result in difficulties in the execution of procurement and construction. Due to the complexity of the construction projects, the capability for claiming indemnity may directly affect the profitability of a project. If the project team's experience in claims and counter claims are inadequate to meet the requirements of the undertaken project, especially for our projects overseas, if we fail to properly deal with claims and counter claims in some EPC Contracting projects where the conditions are complex and the demand is high, especially for the overseas projects, this will cause a negative impact on the effectiveness and profitability of such projects.

Risks relating to QHSE

In recent years, both the domestic and overseas markets require better QHSE management, and the media has also become increasingly concerned about QHSE. Thus, the QHSE management ability of a company has become much more important to its survival and future development. The Group is a member of the petrochemical engineering industry, which has both "petrochemical" and "engineering" production characteristics. The high-risk features of the petrochemical and engineering industries in fact increase the pressure and difficulty in our QHSE management.

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

Risks relating to Exchange Rate

During the Reporting Period, our overseas projects have accounts receivable and payable and cash balances, which are settled in foreign currencies. We also raised funds which are settled in foreign currencies by offering H Shares. During the Reporting Period, our foreign currencies mainly consist of U.S. dollars, EU euros and Saudi Arabian riyals. Exchange rates will affect the pricing of our services as well as our material procurement costs settled in foreign currencies. Thus, fluctuation in exchange rates may affect our business performance and financial status. Moreover, the exchange and remittance of foreign currencies are subject to PRC laws and regulations on foreign currency and therefore, it cannot be guaranteed that foreign trade policies of current accounts and capital accounts will remain unchanged. Foreign currency policies may limit our ability to obtain adequate foreign currencies. We cannot ensure that we have enough foreign currencies to meet the demand of the Group under certain exchange rates. This will affect the execution of our projects settled in foreign currencies.

Risks relating to the Uncertainty of Obtaining New Projects

The Group's revenue mainly comes from offering services in petrochemical and new coal chemical industries services, as well as refining services. Client demands are affected by periodic variation of traditional resources and overall business levels. Resource supply and price variations will significantly affect our ability to obtain new projects. At the same time, the competitiveness of traditional resources in the resource market is the prerequisite of ensuring service demand. If government subsidies or other economic stimulating measures are implemented to lower the prices of the substitute resources, and if technological breakthroughs for substitute resource suppliers and users may be achieved, the cost advantages of traditional resources will diminish. This will decrease our business turnover on a large scale.

Risks relating to Decreased Orders from Major Clients

The industries in which our clients are involved are capital and technology-intensive with high entrance thresholds. Our major clients are relatively concentrated, resulting in the Group being dependent on a small group of clients, especially on the largest client which is the SINOPEC SEG's controlling shareholder, and its associates. If our major clients choose to switch to a competitor of the Group, or reduce orders because of financial difficulties and other factors, we will face severe business or income fluctuations or decreases. We endeavour to attract more new clients for both our domestic and international businesses. However, it is likely that the majority of our clients and revenue will continue to come from our current major clients. Therefore, we cannot guarantee stability and growth of our revenue due to potential risks which may result in significant negative impact on our business performance.

Risks relating to Changes in Investment Strategies and Tactics

In recent years, both domestic and overseas engineering companies have placed emphasis on investment strategies such as acquisition, sales and new market exploration. Entering a new business domain by acquisition may result in additional business risks which differ from our previous risk factors. There might be great difficulties in how to recognise all significant risks during our due diligence investigation, how to achieve synergy and resource integration, and how to successfully operate an expanded company after acquisition. We will strive to assist potential buyers to assume the liabilities of the business, and execute the contracts and other rights should we sell any part of the Group or pursue acquisitions in the future. The Group plans to explore the overseas markets and potential new businesses. It may also increase research investment in substitute resources and substitute chemical raw materials. The future of these investments and trades will be mainly under the influence of government policies, which is out of our control. We cannot guarantee maintaining our powerful growth momentum. If the investments are not successful, this may result in a significant negative impact on the business and financial status of the Group.

Risks relating to New Business Segments

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

Risks relating to the New Business Models

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

Risks associated with oil and gas engineering projects in sanctioned countries when the sanction is partially lifted

As the International Atomic Energy Agency (IAEA) verified that Iran had met its initial commitments to scale back key aspects of its nuclear program, according to the Joint comprehensive Plan of Action (JCPOA), most of the sanctions imposed by the European Union and the “secondary sanctions” imposed by the U.S. (including the activities relating to Iran’s oil and gas sector in which non-U.S. persons could engage) have been lifted since 16 January 2016 (Implementation Day). This will further increase the business opportunities of non-U.S. persons to engage in activities relating to Iran’s oil and gas sector. This will also provide the Group with business opportunities to explore Iran’s oil and gas engineering market. The Group has internal control policy and procedures, according to which, during the time that the sanctions are lifted, the Group will conduct a comprehensive evaluation of any potential risks, such as material sanctions law risks, operational risks or reputational risks, prior to determining whether it should embark on any business opportunities in the sanctioned countries. However, the Group cannot predict the interpretation or implementation of government policy at the U.S. federal, state or local levels or any policy by the European Union, Australia, the United Nations and other applicable jurisdictions with respect to any current or future activities by the Group in the relevant countries. The Group can provide no assurances that its future business will be free of risk under U.S. sanctions or that the Group conforms its business to the expectations and requirements of U.S. authorities or the authorities of any other government that does not have jurisdiction over the Group's business but nevertheless asserts the right to impose sanctions on an extraterritorial basis. In addition, because many sanctions programs are evolving, new requirements may be imposed or original requirements may be reimposed in relevant jurisdictions which might increase scrutiny on the Group's business or result in one of or more of its business activities being deemed to violate sanctions. Shareholders of the Company and potential investors should consider if investment in the Company would expose them to any OFAC or sanctions law risk arising from their nationality or residency, and the risk that if the Group engages in oil and gas engineering business in sanctions countries, this may result in reduction of the marketability of the shares of the Company and may have adverse effect on the price of the shares of the Company.

16 Report on Corporate Social Responsibility

Energy Saving and environmental protection

As a responsible project contractor, the Group is committed to observing the laws and regulations on environmental protection, provides the society with the best green design concept by focusing on the three processes of source treatment, process control and zero discharge, creates optimal tailor-made processing plan of high added value for the efficient utilisation of energy and uses technology innovations to materialise a green and healthy road of sustainable development.

Through the seamless marriage between continuous technology innovation and fine design, the Group regards the design and construction of environmental-friendly green factories of low energy consumption and high efficiency as its own mission and responsibility, pays high attention to environmental protection and implements whole-process clean management. We are committed to being a green design advocate, green technology developer, green project builder undertaker and green office practitioner, to thread the green and low-carbon ideas through the whole processes of planning, design, procurement, construction and completion services, strives to explore new paths of development and pushes the industry onto a healthy road of low-carbon and environmental-friendly development.

At construction sites, the Group applies environmental protection concept at each management stage. Effective measures of dust prevention and suppression are adopted at construction sites. The emissions from onsite vehicles, machinery and equipment, as well as pollutions from dust, noise and waste during transportation are also under control. Standard workshop of prefabrication is built for project construction, where noise reduction barrier is set. SEG would refrain from construction at night and using equipment that would make loud noises so as to reduce noise pollution. In addition, dust removal facilities are provided to reduce dust pollution from sand-blasting and anti-corrosion activities. We have been improving the efficiency of energy utilisation during construction, saving energy, formulating energy-saving measures, using energy-efficient equipment and products, optimising construction process, and making full use of clean and renewable energy. We have also adopted effective measures to supervise and promote the reasonable and economical use of materials, recycle and reuse surplus materials as much as possible, pays attention to the protection of biodiversity and restoration of original ecosystem during construction and strives for the fusion between project construction and natural environment.

Compliance with laws and regulations

The Group has worked out compliance procedures to ensure observance of the applicable laws, rules and regulations that have a significant impact on it. The Group authorises the Legal Department of the Group to supervise its policies and practices for compliance with laws and supervision by reviewing the same periodically. The employees and affiliated companies will be notified from time to time of any change in the applicable laws, rules and regulations.

The Group has abided by Chinese laws and regulations in all material aspects and obtained the material licenses, approval documents and permits for its business operation in China from the competent regulatory authorities. In overseas regions where it operates, the Group has abided by the local applicable laws and regulations in all material aspects and obtained the licenses, approval documents and permits important for its local business operations from the competent regulatory authorities.

To safeguard its intellectual property rights, the Group has registered its own domain name and applied for or registered a number of trademarks of multiple categories in mainland China, Hong Kong and other related jurisdictions. The Group will take all appropriate actions to protect its own intellectual property rights.

The Group's business activities are regulated by competent authorities, laws and regulations of the Chinese government. For details, please refer to the Section "Laws and Regulations" in the Company's prospectus dated 10 May 2013 (the "Prospectus"). Among others, the "Environmental Protection Law of the People's Republic of China", the "Work Safety Law of the People's Republic of China", the "Provisions on the Administration of Qualifications of Construction Enterprises", the "The Regulation on the Administration of Exploration and Design of Construction Projects", and the "Provisions on the Administration of Qualifications for Assessment of Environmental Impact of Construction Projects" have been amended recently and their amendments have taken effect and also been put into force as at the date hereof. Since the abovementioned laws, regulations and decrees still provide for the necessity in legal terms of applying for an approval or recognition of eligibility after being amended, it is estimated that these amendments will not have material effect on the business operations and growth of the Company.

Good work environment

As an equal opportunity employer (EOE), the Group will not discriminate against any employee because of their personal characteristics. The Staff Handbook carries terms and conditions of employment, the expectations for staff conduct and behavior, the rights and benefits of employees. The policies established and implemented by the Group aim to create a work environment of harmony and mutual respect.

The Group is deeply convinced that employees are the most precious asset of an enterprise and deems human resources as a corporate wealth. The Group also provides on-job training and development opportunities to facilitate the career progress of the employees. The various training programs that are offered have enabled the employees to increase their expertise in corporate operations, occupation and management skills. The Group provides its employees with a full range of benefits and activities, e.g. the Group has afforded a full package of customised benefits for its employees, including physical examination, recuperation allowance, accident insurance for working personnel stationed abroad, corporate annuity, supplementary medical insurance and subsides for those employees in financial distress, etc., in the light of the Group's operating conditions and also the circumstances of relevant employees.

Health and safety

The Group commits itself to providing a work environment that is safe, efficient and comfortable and is proud of that. The Group makes appropriate arrangements and provides training courses and guidelines to ensure a healthy and safe work environment. The Group provides its employees with communications on health and safety and exhibits the relevant information to enhance their awareness for occupational health and safety. The Group values the health and wellbeing of its employees and has arranged courses in medical insurance for the employees to ensure their health and enhance their health consciousness.

The Group has diligently implemented a responsibility system, monitored the production stages, laid down a solid foundation and urged its employees to ensure the safety in production and compliance with all applicable standards. So far, it has set up an Assessment Center for Standardisation of Safety Control Measures in Production Work, formulated an evaluation and grading system, and carried out an assortment of campaigns such as public awareness enhancement, trial evaluation, application for official evaluation, monthly “safety first” examinations and “safety in production” inspections, too. In addition to ceaselessly bettering its supervisory system for domestic projects, the Group has started to establish a supervisory system for its projects abroad, in an end to enhance its safety control skills and project management skills. As at the end of the Reporting Period, no accident of production safety, product quality or public security has ever arisen from the Group’s ongoing projects thanks to the full-fledged measures and diligent caution taken and exercised by the membership of its employees. In total, the Group has recorded up to 2.54 million safe man-hours, of which 47 million safe man-hours was clocked up outside of China. The Group has managed to keep the rate of accident and harm to an extremely low level in the year.

Community participation and social relations

The Group has always adhered to its business motto which features “local connections, policy-based development and win-win situation” and its guiding principle of “putting an equal focus on production and human life, and integrating economic, environmental and social efficiency”. The Group contributes to local community and social harmony and endeavours to mobilise its employees to communicate their ideas freely and embrace personal growth together. The Group also encourages and guides social organisations and volunteer teams in local community to provide services for the general public in a professional manner, and carries out a full spectrum of activities in the interests of local residents, ranging from fitness coaching, psychological counseling, security guarding to repair & maintenance services, in an effort to solve problems for local residents and build their trust in the Group. During the Reporting Period, the Group, with the theme of “Environmental Protection”, strives to build a green environment for local communities and residents to have a pleasant and beautiful place to work, study and live at.

By Order of the Board

ZHANG Jianhua

Chairman of the Board

Beijing, the PRC

18 March 2016

REPORT OF THE SUPERVISORY COMMITTEE

Report of the Supervisory Committee

Ms. Deng Qunwei

Chairman, Supervisory Committee

Dear Shareholders,

In 2015, the Supervisory Committee and each Supervisor diligently performed its responsibilities as a supervisor, actively attended and supervised the meetings held by the Board and shareholders, carefully reviewed each significant decision made with regard to issues in production operations, financial management, capital operation, major guarantees and dividend distribution etc., and strived to safeguard the interests of shareholders and the Company in accordance with the Company Law of the PRC and the Articles of Association.

During the Reporting Period, the Supervisory Committee held six meetings, in which the 2014 annual report, the 2015 interim report, financial reports, production and operation plans, investment plans and financial budgets, dividend distribution plan and changes of Supervisors were reviewed.

The seventh meeting of the First Session of the Supervisory Committee was held on 26 March 2015, in which resignation of two supervisors from their positions as supervisors and nomination of a new non-employee representative supervisor candidate were considered and approved.

The eighth meeting of the First Session of the Supervisory Committee was held on 27 March 2015. The 2014 annual report, the 2014 financial report, the business operation plan, investment plan and financial budget for the year 2015, the dividend distribution plan for the year 2014, and the report of the Supervisory Committee for the year 2014 were considered and approved at the meeting.

The ninth meeting of the First Session of the Supervisory Committee was held on 18 May 2015, in which election of the new chairman of the First Session of the Supervisory Committee was considered and approved.

The tenth meeting of the First Session of the Supervisory Committee was held on 28 August 2015, in which the "Work Report of the Company's First Supervisory Committee", election of three former supervisors as candidates for the non-employee representative supervisor of the Company's Second Session of Supervisory Committee and nomination of a new non-employee representative supervisor candidate were considered and approved.

The eleventh meeting of the First Session of the Supervisory Committee was held on 28 August 2015. The 2015 interim financial report, the 2015 interim report and the 2015 interim dividend distribution plan were considered and approved at the meeting.

The first meeting of the Second Session of the Supervisory Committee was held on 30 October 2015, in which the election of the chairman of the Second Session of the Supervisory Committee was considered and approved.

The Supervisory Committee, through its supervision over the Company's major decision-making and operation conditions, is of the opinion that: In 2015, under the development strategy of "energy and petrochemical-oriented, innovation-driven, globalisation-targeted and value-focused", the Company achieved good operating results, made new breakthrough in its international business and further enhanced its overall competitiveness despite the poor global operating environment by deepened reform, optimising resources and strengthening management. The Supervisory Committee has no disagreement with the supervised issues within the Reporting Period.

Firstly, the Board diligently fulfilled its obligations and exercised its rights under the Company Law of the PRC and the Articles of Association, and made scientific decisions on major issues concerning production and operation, reform and development, etc; the management of the Company carefully implemented the decisions made by the Board, strengthened research and development of technologies, emphasised innovative development and optimised resource allocation, and highlighted the overall upgrading of the core competency. As a result, remarkable achievements have been made in every aspect. We have not found that any of the Directors or the Senior Management has violated the laws, regulations, or the Articles of Association of the Company, nor have any of their actions damaged the interests of the Company or its shareholders.

Secondly, the annual report prepared by the Company in 2015 was in compliance with the relevant regulations of domestic and overseas securities regulators, and truly and fairly represented the SINOPEC SEG's financial status and operating results.

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

Fourthly, the Company disclosed material information according to securities regulations in a timely manner, and the information disclosed was authentic, accurate and complete.

The Second Session of the Supervisory Committee will follow the principle of integrity, perform the duties of supervision, actively participate in the process supervision of significant decision-making, increase the strength of inspection and supervision and protect the interests of the Company and its shareholders.

DENG Qunwei

Chairman, Supervisory Committee

Beijing, the PRC

18 March 2016

DIRECTORS, SUPERVISORS, OTHER SENIOR MANAGEMENT MEMBERS AND EMPLOYEES

Directors, Supervisors, Other Senior Management Members And Employees

1 Basic Information of Directors, Supervisors and Other Senior Management Members

(1) Directors

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

Mr. ZHANG Jianhua (章建華), aged 51, is the Chairman of the Board of SINOPEC SEG, who is also a director and senior vice president of Sinopec Corp. and the chairman of the board of directors of Sinopec (Hong Kong) Ltd (中石化(香港)有限公司). Mr. ZHANG is a senior engineer at the professor level with a doctoral degree. From April 1999 to September 2001, he was deputy manager of Shanghai Gaoqiao Petrochemical Company (上海高橋石油化工公司). From February 2000 to September 2000, he served as deputy manager of Sinopec Shanghai Gaoqiao Company (中國石化股份有限公司上海高橋分公司). From September 2000 to June 2003, he was the manager of Sinopec Shanghai Gaoqiao Company. From April 2003 to March 2005, he was the vice president of China Petroleum & Chemical Corporation. From November 2003 to November 2005, he served as the director of the Production and Operation Management Department of Sinopec Corp. (中國石化股份有限公司生產經營管理部) concurrently. Since March 2005, he has been the senior vice president of Sinopec Corp.. Since May 2006, he has been a director of Sinopec Corp.. Since June 2007, he has been the chairman of the board of directors of Sinopec (Hong Kong) Limited. He has been the Chairman of the Board of SINOPEC SEG since January 2015.

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

Mr. LU Dong (陸東), aged 52, is the Vice Chairman of the Board. Mr. LU is a senior engineer at professor level with a university diploma. From January 2000 to March 2004, he was the vice president of Yangzi Petrochemical Limited Liability Company (揚子石油化工有限責任公司). From March 2003 to July 2004, he worked as the deputy director of Chemical Department of Sinopec Corp. (中國石化股份有限公司化工事業部). From July 2004 to December 2007, he served as the president of Fujian Petrochemical Company Limited (福建煉油化工有限公司). From July 2004 to October 2014, he was a director of Fujian Petrochemical Company Limited. From December 2005 to October 2014, he worked as the chairman of the board of directors of Fujian Petrochemical Company Limited. From February 2007 to October 2014, he served as the chairman of the board of directors of and president of Fujian Refining & Petrochemical Company Limited (福建聯合石油化工有限公司). He has been the Vice Chairman of the Board of SINOPEC SEG since January 2015.

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

Mr. YAN Shaochun (閆少春), aged 50, is a Director and the President of SINOPEC SEG. Mr. YAN is a senior engineer at professor level with a university diploma. From October 1998 to July 1999, he served as Associate Dean of Sinopec Beijing Designing Institute (中石化北京設計院). From July 1999 to June 2004, he undertook various roles at Sinopec Engineering Incorporation (中國石化工程建設公司). From May 2001 to June 2004, he was the vice president of Sinopec Engineering Incorporation. From June 2004 to December 2008, he served as the manager of Luoyang Petrochemical Engineering Corporation of Sinopec Group (中國石化集團洛陽石油化工工程公司, "Sinopec Group LPEC"). From December 2008 to April 2012, he served as the president of Sinopec Group LPEC. From April 2012 to September 2012, he served as an executive director and president of each of Sinopec Luoyang Petrochemical Engineering Corporation (中石化洛陽工程有限公司) and Sinopec Guangzhou Engineering Co., Ltd. (中石化廣州工程有限公司). He was the Vice President of SINOPEC SEG from August 2012 to September 2012 and the Standing Vice President of SINOPEC SEG from September 2012 to April 2013 and has been an executive Director and President of SINOPEC SEG since April 2013.

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

Mr. LI Guoqing (李國清), aged 58, is a Director of SINOPEC SEG, and the director of the Engineering Department of Sinopec Corp. (中國石化股份有限公司工程部). Mr. LI is a senior engineer at professor level with a university diploma. From December 2001 to January 2003, he served as the deputy manager of Sinopec Group LPEC (中國石化集團洛陽石油化工工程公司). From January 2003 to April 2005, he was the director of the designing management division of the engineering and construction administration department of Sinopec Group. He served as deputy director general of the engineering and construction administration department of Sinopec Group from April 2005 to June 2007 and deputy director general of the engineering department of Sinopec Corp. from June 2007 to June 2012. From June 2012 to November 2013, he was an executive director and general manager of Sinopec Engineering Incorporation (中國石化工程建設有限公司). He served as the Vice President of SINOPEC SEG from August 2012 to November 2013. He has been the director of the engineering department of Sinopec Corp. since November 2013 and the Director of SINOPEC SEG since May 2014.

Ms. SUN Lili (孫麗麗) - Executive Director

Ms. SUN Lili (孫麗麗), aged 54, is an employee representative Director of SINOPEC SEG, and a Director and President of Sinopec Engineering Incorporation. Ms. SUN is a senior engineer at professor level with a university diploma. From June 2004 to April 2012, she served as the vice president of Sinopec Engineering Incorporation. From January 2006 to May 2008, she served as the vice president of SINOPEC International Petroleum Exploration and Development Co., Ltd. (中國石化國際石油勘探開發有限公司). Since September 2011, she has served as the chairman of the Project Supervision and Management Committee of Saudi Yanbu Refinery Joint Venture (沙特延布煉廠合資公司). Since December 2011, she has served as the president of Saudi Yanbu Refinery Project and a member of the remuneration committee and audit committee of the board of directors of Saudi Yanbu Refinery Joint Venture. From April 2012 to November 2013, she served as the vice president of SINOPEC Engineering Incorporation. Since November 2013, she has served as the executive director and president of SINOPEC Engineering Incorporation. From January 2014 to November 2014, she served as the Vice President of SINOPEC SEG. She has been a Director of SINOPEC SEG since January 2015.

Mr. WU Derong (吳德榮) - Executive Director

Mr. WU Derong (吳德榮), aged 55, is an employee representative Director of SINOPEC SEG and also a director and president of SINOPEC Shanghai Engineering Co., Ltd. (中石化上海工程有限公司). Mr. WU is a senior engineer at professor level with a university diploma. From February 1998 to December 2000, he worked as the deputy dean of Shanghai Pharmaceutical Designing Institute (上海醫藥設計院). From December 2000 to January 2003, he worked as the deputy dean of Sinopec Group Shanghai Pharmaceutical Industry Design Institute (中國石化集團上海醫藥工業設計院). From January 2003 to October 2006, he served as the vice president of Sinopec Group Shanghai Engineering Co., Ltd. (中國石化集團上海工程有限公司). From October 2006 to April 2012, he worked as the chairman of the board and the president of Sinopec Group Shanghai Engineering Co., Ltd. Mr. WU has been the chairman of the board and the president of Sinopec Shanghai Engineering Co., Ltd. since April 2012. He was a Vice President of SINOPEC SEG from August 2012 to November 2014. He has been a Director of SINOPEC SEG since January 2015.

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

Mr. HUI Chiu Chung (許照中), J.P., aged 68, is an independent non-executive Director of SINOPEC SEG. Mr. HUI is currently the Chairman and Chief Executive Officer of Luk Fook Financial Services Limited. He also serves as an independent non-executive director of Zhuhai Holdings Investment Group Limited (Stock Code: 908), Gemdale Properties and Investment Corporation Limited (Stock Code: 535), Lifestyle International Holdings Limited (Stock Code: 1212), China South City Holdings Limited (Stock Code: 1668) and Agile Property Holdings Limited (Stock Code: 3383) and a non-executive director of Luk Fook Holdings (International) Limited (Stock Code: 590), whose shares are listed on the Hong Kong Stock Exchange. Mr. HUI has been appointed as the independent non-executive director of Hong Kong Exchanges and Clearing Limited (Stock Code: 388) by the Hong Kong SAR Government since April 2009, whose term expires in April 2015. Mr. HUI has over 40 years of experience in the securities and investment industry. He was the Managing Director of UOB Kay Hian (Asia) Limited (大華繼顯(亞洲)有限公司) from 2002 to 2005; Group Managing Director of OSK Asia Holdings Limited (僑豐金融集團有限公司) ("OSK") from August 2005 to March 2007; Chief Executive Officer of OSK from March 2007 to March 2011; and the vice chairman of OSK Asia Holdings Hong Kong Limited (僑豐金融集團(香港)有限公司) from April 2011 to September 2011. He served for years as a council member and vice chairman of the Hong Kong Stock Exchange, a member of the Advisory Committee and the Committee on Real Estate Investment Trusts of the Hong Kong Securities and Futures Commission, a director of the Hong Kong Securities Clearing Company Limited, a member of the Listing Committee of the Hong Kong Exchanges and Clearing Limited, an appointed member of the Securities and Futures Appeal Tribunal, a member of the Standing Committee on Company Law Reform, and an appointed member of the Hong Kong Institute of Certified Public Accountants Investigation Panel. He became a Fellow Member of the Hong Kong Securities and Investment Institute and the Hong Kong Institute of Directors in 2011 and 2002, respectively. Mr. HUI has been an independent non-executive Director of SINOPEC SEG since April 2013.

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

Mr. JIN Yong (金涌), aged 80, is an independent non-executive Director of SINOPEC SEG. Mr JIN currently is a member of Chinese Academy of Engineering, the dean of the Chemical Engineering Science and Technology Research Institute of Tsinghua University (清華大學化工科學與技術研究院), a professor of the Chemical Engineering department of Tsinghua University, an executive officer of China Society of Particuology and an executive officer of Chemical Industry and Engineering Society of China. Mr. JIN worked in the University of Science and Technology of China ("USTC") as an assistant teacher in Electrical Engineering Research Office from October 1959 to February 1960. He also served as a teacher engaging in advanced studies in the Chemical Research Office in Tianjin University from February 1960 to February 1961, and worked as a teacher in the Chemistry Department in USTC from February 1961 to May 1973. Since 1973, Mr. JIN has been a lecturer, associate professor, professor and tutor of doctoral candidates at the Chemical Engineering Department of Tsinghua University. Mr. Jin has been an independent non-executive Director of SINOPEC SEG since April 2013.

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

Mr. YE Zheng (葉政), aged 51, is an independent non-executive Director of SINOPEC SEG. Mr. YE is a practicing director of Mazars CPA Limited (瑪澤會計師事務所有限公司). He worked in Shanghai Municipal Finance Bureau (上海市財政局) from October 1982 to January 1989. Mr. YE has over 20 years of experience in audit, internal control and consultancy. He served as an auditor in Ernst & Young (安永會計師事務所) from October 1995 to April 2000; an audit manager in KPMG (畢馬威會計師事務所) from May 2000 to December 2001; a senior audit manager in Grant Thornton (均富會計師事務所) from January 2002 to July 2005 and a director in Ernst &Young from August 2005 to October 2006. Mr. YE obtained a bachelor's degree in accounting and finance in May 1993, and a master's degree in business administration in December 1994, both from California State University, Long Beach. Mr. YE became a member of the American Institute of Certified Public Accountants in September 1998 and a member of the Hong Kong Institute of Certified Public Accountants in May 2003. He has been a practicing director of Mazars CPA Limited since November 2006 and an independent non-executive Director of SINOPEC SEG since April 2013. On 1 November 2014, Mr. YE was appointed by the Ministry of Finance of the People's Republic of China as a consulting expert for the third session of the committee for enterprise internal control standards with a term of two years.

Profile of the Directors of the Second Session of the Board during the Reporting Period

Name	Gender	Age	Position in the Company	Term of Office as Director
ZHANG Jianhua	Male	51	Chairman of the Board and Non-executive Director	October 2015 - October 2018
LU Dong	Male	52	Vice Chairman of the Board and Executive Director	October 2015 - October 2018
YAN Shaochun	Male	50	Executive Director and President	October 2015 - October 2018
LI Guoqing	Male	58	Non-executive Director	October 2015 - October 2018
SUN Lili	Female	54	Executive Director	October 2015 - October 2018
WU Derong	Male	55	Executive Director	October 2015 - October 2018
HUI Chiu Chung, Stephen	Male	68	Independent non-executive Director	October 2015 - October 2018
JIN Yong	Male	80	Independent non-executive Director	October 2015 - October 2018
YE Zheng	Male	51	Independent non-executive Director	October 2015 - October 2018

List of relevant situation of the resigned directors during the Reporting Period

Name	Gender	Age	Original position in the Company	Term of office
CAI Xiyou	Male	54	Chairman of the Board and Non-executive Director	August 2012 - January 2015
LEI Dianwu	Male	53	Non-executive Director	August 2012 - January 2015
LING Yiqun	Male	53	Non-executive Director	August 2012 - January 2015
CHANG Zhenyong	Male	57	Non-executive Director	August 2012 - January 2015

(2) Supervisors

Ms. DENG Qunwei (鄧群偉) - Chairman, Supervisory Committee

Ms. DENG Qunwei (鄧群偉), aged 45, is the Chairman of the Supervisory Committee of SINOPEC SEG. Ms.Deng is a senior accountant at professor level with a university diploma. From July 1992 to June 2003, Ms. Deng served for Sinopec Finance, the Youth League Committee of departments directly under Sinopec Group and the Political Work Department of Sinopec Group. From June 2003 to December 2010, she acted as the director of the General Administration Office of Sinopec Finance and the manager of Zhengzhou Branch and Tianjin Branch of Sinopec Finance. From February 2001 to February 2004, she concurrently acted as the employee representative supervisor on the supervisory committee of Sinopec Group despatched by the State-owned Assets Supervision and Administration Commission of the State Council. From December 2010 to March 2015, she acted as as the manager of the Settlement Department of Sinopec Finance. She has been the Chairman of the Supervisory Committee since May 2015.

Mr. ZHOU Yingguan (周贏冠) - Supervisor

Mr. ZHOU Yingguan (周贏冠), aged 47, is a Supervisor of SINOPEC SEG and a vice president of Sinopec Nanjing Engineering Co., Ltd. (中石化南京工程有限公司). Mr. ZHOU is a senior engineer with a university diploma. From March 2004 to July 2010, Mr. ZHOU worked as the deputy manager of the Sinopec Group Second Construction Company (中國石化集團第二建設公司). From July 2010 to April 2012, he served as the vice president of Sinopec Group Second Construction Company. Since April 2012, he has been the vice president of Sinopec Group Nanjing Engineering Co., Ltd. (中國石化集團南京工程有限公司). He has been the Supervisor of SINOPEC SEG since January 2015.

Mr. WANG Guoliang (王國良) - Supervisor

Mr. WANG Guoliang (王國良), aged 55, is a Supervisor of SINOPEC SEG and a vice president of each of Luoyang Petrochemical Engineering Corporation (LPEC)/SINOPEC (中石化洛陽工程有限公司) and Guangzhou Petrochemical Engineering Corporation (GPEC)/SINOPEC (中石化廣州工程有限公司). Mr. WANG is a senior engineer at professor level with a doctorate degree. From September 1997 to November 2001, he worked as the deputy manager of Sinopec Group LPEC. From November 2001 to May 2003, he was the secretary of the CPC Committee of Sinopec Group LPEC. From May 2003 to December 2008, he was the deputy manager of Sinopec Group Luoyang Petrochemical Engineering Corporation. From December 2008 to April 2012, he was the vice president of Sinopec Group Luoyang Petrochemical Engineering Corporation. From April 2012 to September 2012, he was the vice president of Luoyang Petrochemical Engineering Corporation (LPEC)/SINOPEC and Guangzhou Petrochemical Engineering Corporation (GPEC)/SINOPEC. From September 2012 to November 2014, he was an executive director and president of each of Luoyang Petrochemical Engineering Corporation (LPEC)/SINOPEC and Guangzhou Petrochemical Engineering Corporation (GPEC)/SINOPEC. From December 2012 to November 2014, he was the Vice President of the Company. Since November 2014, he has been the vice president of each of Luoyang Petrochemical Engineering Corporation (LPEC)/SINOPEC and Guangzhou Petrochemical Engineering Corporation (GPEC)/SINOPEC. He has been a Supervisor of SINOPEC SEG since January 2015.

Mr. WANG Cunting (王存庭) - Supervisor

Mr. WANG Cunting (王存庭), aged 48, is a Supervisor of SINOPEC SEG. He is a director and president of Sinopec Group Tenth Construction Company Limited (中石化第十建設有限公司). Mr. WANG is a senior engineer at professor level with a university diploma. From October 2006 to December 2008, Mr. WANG worked as the vice manager of Sinopec Group Tenth Construction Company (中國石化集團第十建設公司). From December 2008 to April 2012, he served as the vice president of the Sinopec Group Tenth Construction Company. From April 2012 to March 2015, he served as the vice president of Sinopec Group Tenth Construction Company Limited. He has been the executive director and president of Sinopec Group Tenth Construction Company Limited since March 2015. He has been a Supervisor of SINOPEC SEG since October 2015.

Mr. ZHU Fei (朱斐) - Employee Representative Supervisor

Mr. ZHU Fei (朱斐), aged 51, is an employee representative Supervisor of SINOPEC SEG and also a vice president of Sinopec Fourth Construction Co., Ltd. (中石化第四建設有限公司). Mr. ZHU is a senior engineer with a university diploma. From October 1998 to July 1999, he was the deputy head of Beijing Design Institute (北京設計院). From July 1999 to December 2002, he undertook different roles at Sinopec Engineering Incorporation. From December 2002 to April 2012, he worked as the vice president of Sinopec Engineering Incorporation. From April 2012 to October 2014, he was the vice president of Sinopec Engineering Incorporation. Since November 2014, he has been the vice president of Sinopec Fourth Construction Co., Ltd. He has been an employee representative Supervisor of SINOPEC SEG since January 2015.

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

Mr. JIANG Dejun (蔣德軍), aged 50, is an employee representative Supervisor of SINOPEC SEG, who is also a vice president of Sinopec Fifth Construction Co., Ltd. (中石化第五建設有限公司). Mr. JIANG is a senior engineer at professor level with a PhD degree. From November 2001 to September 2003, he was the deputy head of Lanzhou Design Institute of Sinopec Engineering and Construction Incorporation (中國石化集團蘭州設計院). From September 2003 to June 2007, he was the director and vice president of Sinopec Ningbo Engineering Co., Ltd. (中石化寧波工程有限公司). From June 2007 to December 2008, he was the deputy manager of SINOPEC Engineering Co., Ltd. (中石化集團煉化工程有限公司). From December 2008 to September 2012, he was the Vice President of SINOPEC SEG. Since September 2012, he has been the vice president of Sinopec Fifth Construction Co., Ltd. He has been an employee representative Supervisor of SINOPEC SEG since January 2015.

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

Mr. XU Yijun (許一君), aged 52, is an employee representative Supervisor of SINOPEC SEG, who is a vice president of Sinopec Ningbo Engineering Co., Ltd. Mr. XU is a senior economist at professor level with a PhD degree. From April 2001 to September 2003, he was the deputy manager of the Third Construction Company of Sinopec Group (中石化集團第三建設公司). From September 2003 to April 2012, he was the vice president of Ningbo Engineering Co., Ltd. He has been the vice president of Sinopec Ningbo Engineering Co., Ltd. since April 2012. He has been an employee representative Supervisor of SINOPEC SEG since January 2015.

Profile of the Supervisors of the Second Session of the Supervisory Committee during the Reporting Period

Name	Gender	Age	Position in the Company	Term of Office as Supervisor
DENG Qunwei	Female	45	Chairman, Supervisory Committee	October 2015 - October 2018
ZHOU Yingguan	Male	47	Supervisor	October 2015 - October 2018
WANG Guoliang	Male	55	Supervisor	October 2015 - October 2018
WANG Cunting	Male	48	Supervisor	October 2015 - October 2018
ZHU Fei	Male	51	Employee Representative Supervisor	October 2015 - October 2018
JIANG Dejun	Male	50	Employee Representative Supervisor	October 2015 - October 2018
XU Yijun	Male	52	Employee Representative Supervisor	October 2015 - October 2018

Relevant situation of the resigned Supervisors during the Reporting Period

Name	Gender	Age	Original position in the Company	Term of Office as Supervisor
GUAN Qingjie	Male	56	Chairman, Supervisory Committee	August 2012 - March 2015
ZHANG Jixing	Male	52	Supervisor	August 2012 - January 2015
ZOU Huiping	Male	55	Supervisor	August 2012 - January 2015
GENG Limin	Male	61	Supervisor	August 2012 - January 2015
FAN Jixian	Male	53	Supervisor	January 2015 - March 2015
ZHU Jinbao	Male	60	Employee Representative Supervisor	August 2012 - January 2015
WANG Renli	Male	55	Employee Representative Supervisor	August 2012 - January 2015
WANG Yuejie	Male	52	Employee Representative Supervisor	August 2012 - January 2015

(3) Other Senior Management

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

Mr. XIAO Gang (肖剛) - Vice President

Mr. XIAO Gang (肖剛), aged 57, is a Vice President of SINOPEC SEG. Mr. XIAO is a senior economist at professor level with a university diploma. From July 1986 to March 2004, Mr. XIAO has held positions in the Beijing Yanshan Petrochemical Corporation (北京燕山石化公司), Sinopec Engineering Incorporation, the Engineering & Construction Department of China Petrochemical Corporation and Engineering & Construction Management Department of Sinopec Group. Mr. XIAO served as Secretary of CPC Committee and Secretary of Discipline Inspection Committee of Sinopec Group SCC from March 2004 to January 2006; Manager of Sinopec Group FCC from January 2006 to December 2008; President of Sinopec Group FCC from December 2008 to April 2012; and Director and President of FCC from April 2012 to November 2014. He has been a Vice President of SINOPEC SEG since August 2012.

Mr. XIANG Wenwu (向文武) - Vice President

Mr. XIANG Wenwu (向文武), aged 49, is a Vice President of SINOPEC SEG. Mr. XIANG is a senior economist at professor level with a PhD degree. Mr. XIANG served as Deputy Manager of Sinopec Group SCC from June 1999 to March 2004; Manager of Sinopec Group SCC from March 2004 to December 2008; President of Sinopec Group SCC from December 2008 to July 2010; Director and President of Sinopec Group Nanjing from December 2009 to April 2012; and Executive Director and President of SNEI from April 2012 to November 2014. He has been a Vice President of SINOPEC SEG since August 2012.

Mr. GUAN Qingjie (官慶杰) - Chairman of Trade Union

Mr. GUAN Qingjie (官慶杰), aged 56, is the Chairman of Trade Union of SINOPEC SEG. Mr. GUAN is a senior accountant with a university diploma. Mr. GUAN served as Deputy Chief Accountant of Jinzhou Petrochemical Company (錦州石油化工公司) from June 1995 to October 1997; Deputy Director General of the Assets Management and Administration Department of Sinopec Group (中國石化集團) from October 1997 to February 2000; Deputy Director General of the Enterprise Reform Department of Sinopec Group from February 2000 to December 2000; Deputy Head of the Asset Operation and Finance Section under Corporate Restructuring Office of Sinopec Group from December 2000 to September 2001; Deputy Director General of the Refining and Chemical Engineering Enterprise Management Department of Sinopec Group from September 2001 to May 2007; and Deputy Director General of the Operation and Management Division of Sinopec Asset Management Co., Ltd Sinopec Group. ("SAMC", 中國石化集團資產經營管理公司) from March 2006 to July 2010. He was Deputy Director General of the Capital Operation Department of each of Sinopec Group and China Petroleum & Chemical Corporation as well as vice president of SAMC from July 2010 to June 2012; and has been the Chairman of the Supervisory Committee of SINOPEC SEG from August 2012 to March 2015. He has been the Chairman of Trade Union of SINOPEC SEG since August 2012.

Mr. QI Guosheng (戚國勝) - Vice President

Mr. QI Guosheng (戚國勝), aged 55, is a Vice President of SINOPEC SEG. Mr. QI is a senior engineer at professor level with a university diploma. From August 1983 to February 2002, Mr. QI has held positions in Anti Chemical Command and Engineering Institute of the Chinese People's Liberation Army, Beijing Petrochemical Engineering Company, Engineering & Construction Department of China Petrochemical Corporation, Engineering & Construction Management Department of Sinopec Group and Sinopec Engineering Incorporation. Mr. QI served as vice president of Sinopec Engineering Incorporation from December 2002 to April 2012 and vice president of Sinopec Engineering Incorporation from April 2012 to November 2014. He has been a Vice President of SINOPEC SEG since November 2014.

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

Mr. JIA Yiqun (賈益群), aged 48, is the Chief Financial Officer of SINOPEC SEG. Mr. JIA is a senior engineer with a master degree. From July 1990 to April 2003, Mr. JIA has held positions in Sinopec Research Institute of Petroleum Engineering (石油科學研究院), China Petrochemical International Company (石化國際事業公司), Foreign Affairs Bureau of Sinopec Group; Mr. JIA served as Deputy Chief Representative of the Hong Kong Representative Office of Sinopec Corp. from April 2003 to June 2012 and has been the Chief Financial Officer of SINOPEC SEG since August 2012. Mr. JIA obtained the qualifications of Chartered Financial Analyst issued by CFA Institute in September 2006.

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

Mr. SANG Jinghua (桑菁華), aged 48, is a Vice President, the Secretary to the Board and the Company Secretary of SINOPEC SEG. Mr. SANG is a senior engineer with a university diploma. From July 1990 to September 2012, Mr. SANG has held positions in the Shijiazhuang Refinery (石家莊煉油廠), and Board Secretariat of Sinopec Corp. Mr. SANG served as Securities Representative of Sinopec Corp. from May 2012 to January 2013. He has been the secretary to the Board since August 2012, the Company Secretary of SINOPEC SEG since December 2012 and a Vice President of SINOPEC SEG since May 2014.

Mr. SUN Xiaobo (孫曉波) - Vice President

Mr. SUN Xiaobo (孫曉波), aged 55, is a Vice President of SINOPEC SEG, who is also the president of Sinopec Lift and Transportation Company. Mr. SUN is a senior engineer with a university diploma. From April 1980 to October 2012, Mr. SUN has held positions in the Third Design Institute of the Ministry of Chemical Industry, Beijing Heavy Machinery Company of the Ministry of Chemical Industry, Engineering Department of China Petrochemical Corporation, Sinopec Engineering Incorporation, Engineering & Construction Management Department of Sinopec Group and SINOPEC SEG. Mr. SUN served as President Assistant of SINOPEC SEG and Director of Department for Enterprise Reform and Management from October 2012 to April 2014. He has been a Vice President of SINOPEC SEG and President of Sinopec Lift and Transportation Company Since May 2014.

Profile of other Senior Management during the Reporting Period

Name	Gender	Age	Position in the Company	Date of Taking Office
YAN Shaochun	Male	50	Executive Director and President	April 2013
XIAO Gang	Male	57	Vice President	August 2012
XIANG Wenwu	Male	49	Vice President	August 2012
GUAN Qingjie	Male	56	Chairman of Trade Union	August 2012
QI Guosheng	Male	55	Vice President	November 2014
JIA Yiqun	Male	48	Chief Financial Officer	August 2012
SANG Jinghua	Male	48	Vice President Secretary to the Board Company Secretary	May 2014 August 2012 December 2012
SUN Xiaobo	Male	55	Vice President	May 2014

2 Appointment and Resignation of Directors during the Reporting Period

Due to job adjustment, Mr. CAI Xiyou, Mr. LEI Dianwu, Mr. LING Yiqun and Mr. CHANG Zhenyong have no longer served as Directors since January 2015. In January 2015, Mr. ZHANG Jianhua and Mr. LU Dong were elected as Directors of First Session of the Board of the Company at the first extraordinary general meeting of the Company for the year 2015. In addition, Ms. SUN Lili and Mr. WU Derong were elected as employee representative Directors of First Session of the Board of the Company through democratic procedures. On 12 January 2015, it was approved at the fourteenth meeting of the First Session of the Board of the Company that Mr. ZHANG Jianhua was appointed as the Chairman of the Board of First Session of the Board of the Company, and Mr. LU Dong was appointed as the Vice Chairman of the Board of First Session of the Board of the Company.

In October 2015, Mr. ZHANG Jianhua, Mr. LU Dong, Mr. YAN Shaochun, Mr. LI Guoqing, independent non-executive Directors, namely, Mr. HUI Chiu Chung, Stephen, Mr. JIN Yong and Mr. YE Zheng were elected as Directors of Second Session of the Board of the Company at the third extraordinary general meeting of the Company for the year 2015. In addition, Ms. SUN Lili and Mr. WU Derong were elected as employee representative Directors of Second Session of the Board of the Company through democratic procedures. In October 2015, it was approved at the first meeting of the Second Session of the Board of the Company that Mr. ZHANG Jianhua was appointed as the Chairman of the Board of Second Session of the Board of the Company, and Mr. LU Dong was appointed as the Vice Chairman of the Board of Second Session of the Board of the Company.

3 Appointment and Resignation of Supervisors during the Reporting Period

Due to job adjustment, Mr. ZHANG Jixing, Mr. ZOU Huiping, Mr. GENG Limin, Mr. ZHU Jinbao, Mr. WANG Renli and Mr. WANG Yuejie have no longer served as Supervisors since January 2015. In January 2015, Mr. ZHOU Yingguan, Mr. FAN Jixian and Mr. WANG Guoliang were elected as Supervisors of First Session of the Supervisory Committee of the Company at the first extraordinary general meeting of the Company for the year 2015. In addition, Mr. ZHU Fei, Mr. JIANG Dejun and Mr. XU Yijun were elected as the employee representative Supervisors of First Session of the Supervisory Committee through democratic procedures.

Due to job adjustment, Mr. GUAN Qingjie has no longer served as Supervisor since March 2015. In May 2015, Ms. DENG Qunwei was elected as Supervisor of the Company at the annual general meeting of the Company for the year 2014, and it was approved at the ninth meeting of the First Session of the Supervisory Committee of the Company that Ms. DENG Qunwei was appointed as the chairman of the Supervisory Committee of the Company. Due to job adjustment, Mr. FAN Jixian has no longer served as Supervisor since March 2015.

In October 2015, Ms. DENG Qunwei, Mr. ZHOU Yingguan, Mr. WANG Guoliang and Mr. WANG Cunting were elected as Supervisors of Second Session of the Supervisory Committee of the Company at the third extraordinary general meeting of the Company for the year 2015. In addition, Mr. ZHU Fei, Mr. JIANG Dejun and Mr. XU Yijun were elected as the employee representative Supervisors of Second Session of the Supervisory Committee of the Company through democratic procedures. In October 2015, it was approved at the first meeting of the Second Session of the Supervisory Committee of the Company that Ms. DENG Qunwei was appointed as the chairman of the Second Session of Supervisory Committee of the Company.

4 Appointment and Resignation of other Senior Management during the Reporting Period

In October 2015, it was approved at the first meeting of the Second Session of the Board of the Company that Mr. YAN Shaochun was appointed as President of the Company, Mr. SANG Jinghua was appointed as Secretary to the Board and the Company Secretary, Mr. XIAO Gang, Mr. XIANG Wenwu, Mr. QI Guosheng, Mr. SANG Jinghua and Mr. SUN Xiaobo were appointed as Vice Presidents of the Company, Mr. JIA Yiqun was appointed as Chief Financial Officer of the Company.

5 Contract Benefits of Directors and Supervisors

As at 31 December 2015 or any time during the Reporting Period, none of the Directors and Supervisors had signed major contracts which would entitle the Director or the Supervisor with significant benefits with the Company, its holding company or any subsidiaries or fellow subsidiaries.

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

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

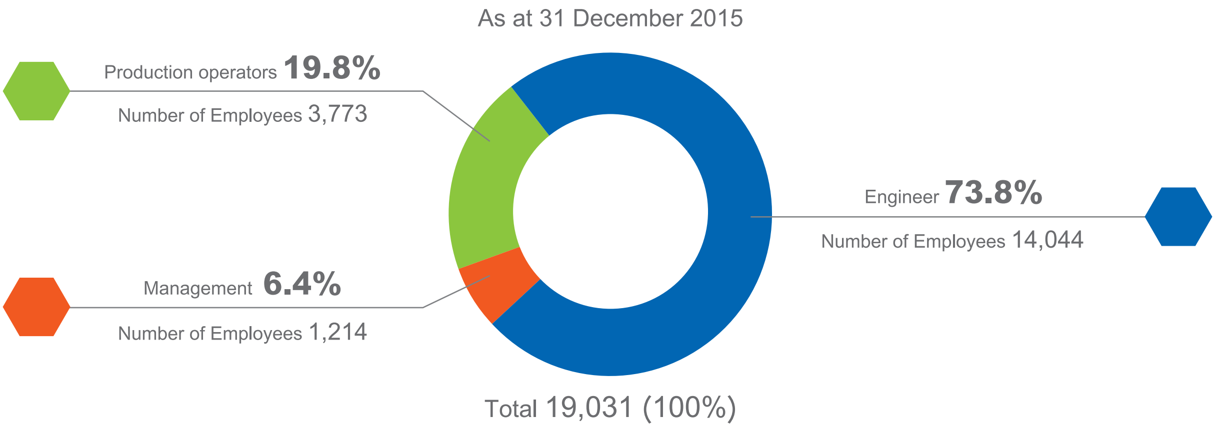
6 Remuneration of Directors, Supervisors and other Senior Management Members

During the Reporting Period, the total number of Directors, Supervisors and other Senior Management Members paid by the Company was 22, and the annual total remuneration paid was RMB11.714 million. Please see Note 40 to the financial statements of this annual report for details.

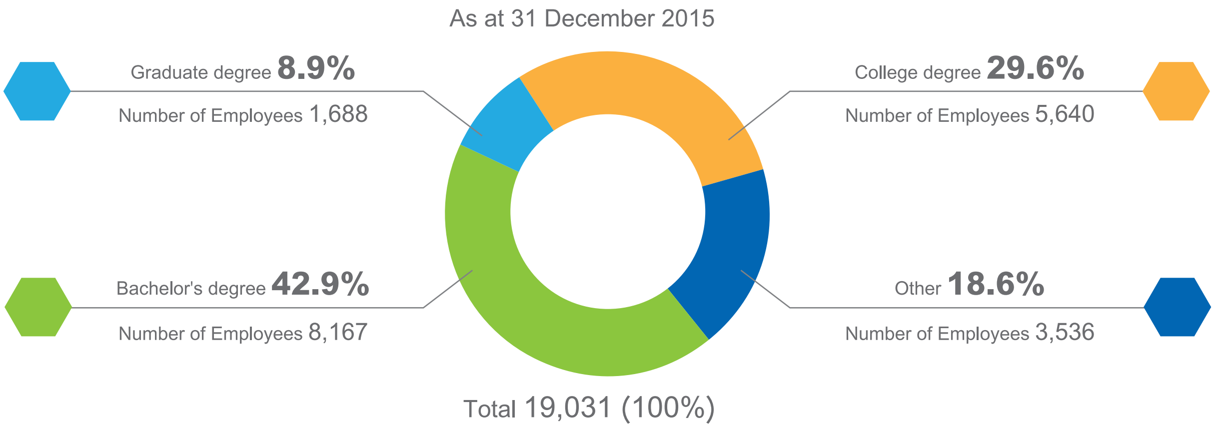
7 Employees

As at 31 December 2015, there are in total 19,031 employees working in the Group.

The following list is a categorisation of employee details in different business sectors as at 31 December 2015.



The following list is a categorisation of employee details in accordance with education level as at 31 December 2015.



8 Employee Remuneration

During the Reporting Period, we maintained good labour relations. The remuneration of our employees mainly consists of salary, discretionary bonuses and contributions to the compulsory social security funds. In accordance with the laws and regulations of the PRC, the Group participates in different retirement pension related programmes for our employees, including the programmes organised by the provincial and municipal governments of the PRC and other complementary retirement pension related plans. Bonuses are usually decided in accordance with the entire performance of the Group's business. For the year ended 31 December 2014 and 31 December 2015, the employment costs of the Group were approximately RMB5.373 billion and RMB5.323 billion, respectively.

9 Employee Training Programmes

During the Reporting Period, the Group organised more than 10 key point professional training sessions including "Training in Contract Management for Overseas Construction Projects" and "Professional Training in Quantitative Management of Risks for Overseas Construction Projects". Throughout the year, there were a total of 11.2 thousand attendees, where there were 31.2 thousand attendances for training inside and outside the Group, of which there were 4.7 thousand attendances of operation management staff, 21.2 thousand attendances of engineering and technical staff, and 5.3 thousand attendances of operational staff.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FINANCIAL STATEMENTS

Grant Thornton
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Independent Auditor's Report

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

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

We have audited the consolidated financial statements of SINOPEC Engineering (Group) Co., Ltd. (the "Company") and its subsidiaries set out on pages 120 to 185, which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of the their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton Hong Kong Limited

Certified Public Accountants

Level 12

28 Hennessy Road

Wanchai

Hong Kong

18 March 2016

Shaw Chi Kit

Practising Certificate No.: P04834

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Revenue	6	45,498,354	49,345,959
Cost of sales		(39,341,320)	(43,055,347)
Gross profit		6,157,034	6,290,612
Other income	8	367,916	173,788
Selling and marketing expenses		(100,863)	(121,828)
Administrative expenses		(1,116,024)	(1,124,985)
Research and development costs		(1,184,956)	(934,253)
Other operating expenses		(280,384)	(261,808)
Other gains - net	9	2,470	17,477
Operating profit		3,845,193	4,039,003
Finance income	10	466,243	605,803
Finance expenses	10	(91,678)	(109,108)
Finance income - net		374,565	496,695
Share of profits of joint arrangements	20(a)	315	844
Share of profits of associates	20(b)	19,974	14,153
Profit before taxation	11	4,240,047	4,550,695
Income tax expense	12	(922,064)	(1,060,746)
Profit for the year		3,317,983	3,489,949

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

For the year ended 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
Other comprehensive income for the year, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Accumulated fair value change of available-for-sale financial assets reclassified to profit or loss upon disposal		—	(11,484)
Exchange differences arising on translation of foreign operations		(2,534)	3,566
		(2,534)	(7,918)
Item that will not be reclassified subsequently to profit or loss:			
Losses on revaluation of retirement benefit plans obligations		(216,683)	(195,573)
Other comprehensive income for the year, net of tax		(219,217)	(203,491)
Total comprehensive income for the year		3,098,766	3,286,458
Profit attributable to:			
Equity holders of the Company		3,317,704	3,489,799
Non-controlling interests		279	150
Profit for the year		3,317,983	3,489,949
Total comprehensive income attributable to:			
Equity holders of the Company		3,098,487	3,286,308
Non-controlling interests		279	150
Total comprehensive income for the year		3,098,766	3,286,458

		RMB	RMB
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in RMB per share) – Basic and diluted	13	0.75	0.79

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015	2014
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	4,013,878	4,089,588
Land use rights	18	2,740,597	2,807,632
Intangible assets	19	327,104	384,847
Investment in joint arrangements	20(a)	8,131	7,812
Investment in associates	20(b)	125,187	105,213
Available-for-sale financial assets	21	2,750	2,750
Deferred income tax assets	36	721,806	654,489
Total non-current assets		7,939,453	8,052,331
Current assets			
Inventories	25	1,829,647	1,623,654
Notes and trade receivables	22	11,870,863	11,076,064
Prepayments and other receivables	23	5,818,509	5,368,153
Amounts due from customers for contract work	24	6,660,306	6,656,897
Loans due from the ultimate holding company	26	11,100,000	9,600,000
Restricted cash	27	17,932	25,644
Time deposits	28	1,762,100	500,000
Cash and cash equivalents	29	11,405,560	9,181,852
Total current assets		50,464,917	44,032,264
Total assets		58,404,370	52,084,595

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2015

	Notes	2015	2014
		RMB'000	RMB'000
EQUITY			
Share capital	30	4,428,000	4,428,000
Reserves		20,206,775	18,441,116
Consolidated equity attributable to equity holders of the Company		24,634,775	22,869,116
Non-controlling interests		3,737	3,458
Total equity		24,638,512	22,872,574
LIABILITIES			
Non-current liabilities			
Retirement and other supplemental benefit obligations	32	2,696,264	2,529,913
Provision for litigation claims	33	239,013	302,094
Deferred income tax liabilities	36	32,064	32,064
Total non-current liabilities		2,967,341	2,864,071
Current liabilities			
Notes and trade payables	34	16,679,058	12,287,138
Other payables	35	6,918,895	7,827,395
Amounts due to customers for contract work	24	6,939,052	6,014,636
Current income tax liabilities		261,512	218,781
Total current liabilities		30,798,517	26,347,950
Total liabilities		33,765,858	29,212,021
Total equity and liabilities		58,404,370	52,084,595
Net current assets		19,666,400	17,684,314
Total assets less current liabilities		27,605,853	25,736,645

Chairman of the Board: **ZHANG Jianhua**

Director, President: **YAN Shaochun**

Chief Financial Officer: **JIA Yiqun**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

	Attributable to equity holders of the Company									
	Share capital	Capital reserve	Statutory surplus reserve	Investment revaluation reserve	Specific reserve	Exchange translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000 (Note 31(v))	RMB'000 (Note 31(iv))	RMB'000 (Note 31(vii))	RMB'000 (Note 31(vi))	RMB'000 (Note 31(viii))	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015	4,428,000	10,119,313	364,707	–	152,695	5,115	7,799,286	22,869,116	3,458	22,872,574
Profit for the year	–	–	–	–	–	–	3,317,704	3,317,704	279	3,317,983
Other comprehensive income:										
Defined benefits obligation revaluation of actuarial gain and loss - gross	–	–	–	–	–	–	(266,320)	(266,320)	–	(266,320)
Defined benefits obligation revaluation of actuarial gain and loss - tax	–	–	–	–	–	–	49,637	49,637	–	49,637
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(2,534)	–	(2,534)	–	(2,534)
Total comprehensive income	–	–	–	–	–	(2,534)	3,101,021	3,098,487	279	3,098,766
Transactions with owners:										
Final dividends for 2014 (Note 14)	–	–	–	–	–	–	(828,036)	(828,036)	–	(828,036)
Interim dividends for 2015 (Note 14)	–	–	–	–	–	–	(504,792)	(504,792)	–	(504,792)
Appropriation of specific reserve	–	–	–	–	98,052	–	(98,052)	–	–	–
Utilisation of specific reserve	–	–	–	–	(71,679)	–	71,679	–	–	–
Transfer to statutory surplus reserve	–	–	205,703	–	–	–	(205,703)	–	–	–
Total transactions with owners	–	–	205,703	–	26,373	–	(1,564,904)	(1,332,828)	–	(1,332,828)
At 31 December 2015	4,428,000	10,119,313	570,410	–	179,068	2,581	9,335,403	24,634,775	3,737	24,638,512

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	For the year ended 31 December 2015	
		2015	2014
		RMB'000	RMB'000
Cash flows from operating activities			
Cash generated from operations	38	6,624,724	1,034,012
Income tax paid		(915,733)	(924,269)
Interest received		84,152	223,569
Net cash generated from operating activities		5,793,143	333,312
Cash flows from investing activities			
Purchase of property, plant and equipment		(261,553)	(457,605)
Purchase of intangible assets		(30,729)	(32,150)
Purchase of land use rights		(143)	(12,023)
Interest income on the loans to the ultimate holding company		382,091	382,234
Proceeds from disposal of property, plant and equipment		18,703	1,169
Proceeds from disposal of land use rights		1,123	—
Proceeds from disposal of available-for-sale financial assets		4,757	1,333
Dividends received from associates		—	3,999
Dividends received from joint arrangements		746	1,216
Net (increase)/decrease in time deposits		(1,216,549)	4,936,853
Loans to the ultimate holding company		(15,600,000)	(10,195,678)
Repayments of loans due from the ultimate holding company		14,100,000	10,095,678
Net cash (used in)/generated from investing activities		(2,601,554)	4,725,026
Cash flows from financing activities			
Borrowings from fellow subsidiaries		490,660	900,313
Repayments of borrowings from fellow subsidiaries		(490,660)	(900,313)
Interest paid		(2,039)	(2,208)
Dividends paid		(1,332,828)	(1,394,343)
Net cash generated used in financing activities		(1,334,867)	(1,396,551)
Net increase in cash and cash equivalents		1,856,722	3,661,787
Cash and cash equivalents at beginning of year		9,181,852	5,514,490
Exchange gains on cash and cash equivalents		366,986	5,575
Cash and cash equivalents at end of year	29	11,405,560	9,181,852

Notes to the Financial Statements

For the year ended 31 December 2015

1. Principal Activities, Organisation and Reorganisation

1.1 Principal activities

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

1.2 Organisation and reorganisation

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

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

These financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 18 March 2016.

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

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

2. Basis of Preparation

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

In addition, the amendments to the Listing Rules relating to disclosure of financial information with reference to the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the financial statements.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, which are carried at fair value.

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

3. Summary of Significant Accounting Policies

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

3.1 New and revised IFRS

The IASB has issued a number of new and revised IFRS. The Group has adopted all these revised IFRS, which are effective for the accounting period beginning on or after 1 January 2015:

Annual Improvements Project	Annual Improvements 2010-2012 Cycle
Annual Improvements Project	Annual Improvements 2011-2013 Cycle
IAS 19 Amendment	Defined Benefit Plans: Employee Contributions

The adoption of the revised IFRS had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

The revised accounting standards issued but not yet effective for the accounting period ended 31 December 2015 which are relevant to the Group but the Group has not early adopted are set out below:

IAS 27 Amendment	Equity Method in Separate Financial Statements[1]
IFRS 9	Financial Instruments[2]
IFRS 15	Revenue from Contracts with Customers[2]
IFRS 16	Leases[3]
IAS 1 Amendment	Disclosure Initiative[1]
Annual Improvements Project	Annual Improvements 2012-2014 Cycle[1]

[1]Accounting periods beginning on or after 1 January 2016
[2]Accounting periods beginning on or after 1 January 2018
[3]Accounting periods beginning on or after 1 January 2019

- The release of IFRS 9 “Financial Instruments” (2014) represents the completion of the project to replace IAS 39. The new standard introduces extensive changes to IAS 39’s guidance on the classification and measurement of financial assets and introduces a new “expected credit loss” model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The Group has started to assess the impact of IFRS 9 but is not yet in a position to provide quantified information. At this stage the main areas of expected impact are as follows:

– the classification and measurement of the Group’s financial assets will need to be reviewed based on the new criteria that considers the assets’ contractual cash flows and the business model in which they are managed.

– an expected credit loss-based impairment will need to be recognised on the Group’s trade receivables, unless classified as at fair value through profit or loss in accordance with the new criteria.

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

(i) Identify the contract with the customer;

(ii) Identify the performance obligations in the contract;

(iii) Determine the transaction price;

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

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

IFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for accounting periods beginning on or after 1 January 2018.

3. Summary of Significant Accounting Policies (Continued)

3.1 New and revised IFRS (Continued)

The Group is yet to assess IFRS 15's full impact. IFRS 16 applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases. In contrast, the Standard does not include significant changes to the requirements for accounting by lessors. The Standard supersedes IAS 17 Leases and its associated interpretative guidance. It is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted for entities that have also adopted IFRS 15 Revenue from Contracts with Customers. The Group is yet to assess IFRS 16's full impact. Other than that, none of the non effective IFRS or interpretation from IFRS interpretation committee is expected to have material impact on the Group's accounting policies and Group's financial statements.

3.2 Consolidation

Subsidiaries

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

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

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

In the statement of financial position of the Company, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

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

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

3. Summary of Significant Accounting Policies (Continued)

3.2 Consolidation (Continued)

Transactions with non-controlling interests

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

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

Joint Arrangements

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

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

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

Associates

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

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

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

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

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

3.3 Segment reporting

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

3. Summary of Significant Accounting Policies (Continued)

3.4 Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents and all other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within "other income" and "other operating expense".

Group companies

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

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

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

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

3.5 Property, plant and equipment

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

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

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

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

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

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

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

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

3.6 Land use rights

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

3. Summary of Significant Accounting Policies (Continued)

3.7 Intangible assets

Computer software

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

Patent and proprietary technologies

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

3.8 Impairment of non-financial assets

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

3.9 Financial assets

Classification

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

(i) Loans and receivables

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

(ii) Available-for-sale financial assets

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

Recognition and measurement

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

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

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

3. Summary of Significant Accounting Policies (Continued)

3.9 Financial assets (Continued)

Recognition and measurement (Continued)

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

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the financial asset and settle the financial liability simultaneously. The legal enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

3.10 Inventories

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

3.11 Trade and other receivables

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

3.12 Cash and cash equivalents

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

3.13 Share capital

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

3.14 Borrowings

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

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

3.15 Payables

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

3. Summary of Significant Accounting Policies (Continued)

3.16 Employee benefits

Pension obligations

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

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

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

Other post-employment obligations

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

Termination and early retirement benefits

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

Housing benefits

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

Bonus entitlements

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

3. Summary of Significant Accounting Policies (Continued)

3.17 Taxation

Current and deferred income tax

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

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

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

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

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

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

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

Value-added taxation (“VAT”)

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

Business tax

Revenue resulting from providing construction services is subject to business tax at 3% of gross service income.

3.18 Contingencies

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

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

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

3. Summary of Significant Accounting Policies (Continued)

3.19 Provisions

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

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

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

3.20 Government grants

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

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

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

3.21 Contract work

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

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

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

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

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

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

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

3. Summary of Significant Accounting Policies (Continued)

3.22 Revenue recognition

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

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

Revenue from construction and service contracts

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

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

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

Services rendered

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

Sales of products

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

Dividend income

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

Interest income

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

3. Summary of Significant Accounting Policies (Continued)

3.23 Research and development

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

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

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

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

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

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

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

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

3.24 Dividend distribution

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

3.25 Financial guarantee contract

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

3.26 Leases

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

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

4. Financial and Capital Risks Management

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

4.1 Financial risk management

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

(a) Market risk

Foreign exchange risk

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

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

The Group is exposed to currency risk primarily through provision of engineering contracting services which give rise to trade and other receivables, trade and other payables, restricted cash, time deposits and cash and cash equivalents that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currency that gives rise to this risk is primarily in USD and EUR as at 31 December 2015 and 2014.

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

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

At 31 December 2015	USD	EUR	Others
	RMB'000	RMB'000	RMB'000
Restricted cash, time deposits and cash and cash equivalents	7,044,245	155,333	187,497
Trade and other receivables	1,110,461	559	347,189
Trade and other payables	(268,715)	(9,743)	(818,408)
Net exposure in RMB	7,885,991	146,149	(283,722)

At 31 December 2014	USD	EUR	Others
	RMB'000	RMB'000	RMB'000
Restricted cash, time deposits and cash and cash equivalents	5,547,609	161,427	82,660
Trade and other receivables	923,250	94	315,863
Trade and other payables	(279,189)	(1,515)	(597,250)
Net exposure in RMB	6,191,670	160,006	(198,727)

A 5% strengthening of RMB against the USD and EUR as at 31 December 2015 and 2014 would have changed the equity and net profit by the amounts shown below:

	2015	2014
	RMB'000	RMB'000
Decrease in equity and net profit		
– USD	(295,725)	(232,188)
– EUR	(5,481)	(6,000)

4. Financial and Capital Risks Management (Continued)

4.1 Financial risk management (Continued)

(a) Market risk (Continued)

Foreign exchange risk (Continued)

A 5% weakening of RMB as at 31 December 2015 and 2014 would have had the equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remain constant.

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

Interest rate risk

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

Price risk

The Group is not exposed to equity securities price risk because the Group's equity securities investments are classified as available-for-sale financial assets which are stated at costs less any identified impairment losses.

(b) Credit risk

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

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

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

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

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

(c) Liquidity risk

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

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

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

4. Financial and Capital Risks Management (Continued)

4.1 Financial risk management (Continued)

(c) Liquidity risk (Continued)

	Weighted average effective interest rate	Within 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2015							
Trade and other payables	**N/A**	**17,636,716**	**—**	**—**	**—**	**17,636,716**	**17,636,716**

	Weighted average effective interest rate	Within 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2014							
Trade and other payables	N/A	13,233,054	—	—	—	13,233,054	13,233,054

4.2 Capital risk management

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

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

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

	2015	2014
	RMB'000	RMB'000
Total borrowings and other liabilities	**17,636,716**	13,233,054
Less: Restricted cash, time deposits and cash and cash equivalents	**(13,185,592)**	(9,707,496)
Net debt	**4,451,124**	3,525,558
Total equity (excluding non-controlling interests)	**24,634,775**	22,869,116
Total capital	**29,085,899**	26,394,674
Gearing ratio	**15%**	13%

4.3 Fair value estimation

Fair value measurements

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

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

Fair value disclosures

The carrying amounts of the Group's financial assets and liabilities including restricted cash, time deposits, cash and cash equivalents, trade and other receivables and trade and other payables approximate their fair values due to their short maturities. There are no financial liabilities that are measured at fair value as at 31 December 2015 and 2014.

5. Critical Accounting Estimates and Judgement

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

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

(a) Construction contracts

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

(b) Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment (Note 17). This estimate is based on projected wear and tear incurred during the useful life of property, plant and equipment. This could change significantly as a result of technical renovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives or residual values vary with previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Provision for impairment on trade receivables

The Group determines the provision for impairment on trade receivables (Note 22). This estimate is based on the credit history of the customers and the current market condition. Management reassesses the adequacy of provision on a regular basis by reviewing the individual account based on past credit history and any prior knowledge of debtor insolvency or other credit risk which might not be easily accessible public information and market volatility might bear a significant impact which might not be easily ascertained.

(d) Current taxation and deferred taxation

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

The estimates of deferred income tax assets (Note 36) require estimates over future taxable profit and corresponding applicable income tax rates of respective years. The change in future income tax rates and timing would affect income tax expense or benefit, as well as deferred income tax balance. The realisation of deferred income tax assets also depends on the realisation of sufficient profitability (taxable profit) of the Group. Deviation of future profitability from the estimate could result in material adjustments to the carrying amount of deferred income tax assets. Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation in the years in which such estimates are changed.

(e) Pension obligations

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

5. Critical Accounting Estimates and Judgement (Continued)

(f) Provision for litigation claims

The Group is from time to time involved in legal proceedings arising in the ordinary course of our business (Note 33). If the management believes that the legal proceedings may result claims for compensation to third parties against the Group, the best estimate of provision for litigation claims will be recognised. If the management believes that the legal proceedings may be more likely not to result claims for compensation to third parties against the Group, no provision will be recognised under any potential litigation claims. Except to the extent that the situations and uncertainties involved, that will be disclosed as contingent liabilities. To access the outcome of legal proceedings and any potential amount of litigation claims, significant judgement is required.

6. Revenue

The Group's revenue is set out below:

	2015	2014
	RMB'000	RMB'000
Engineering, consulting and licensing	2,625,673	3,645,174
EPC Contracting	27,838,722	30,132,251
Construction	14,913,615	15,324,529
Equipment manufacturing	120,344	244,005
	45,498,354	49,345,959

7. Segment Information

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

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

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

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

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

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

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

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

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

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

7. Segment Information (Continued)

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

(i) As at and for the year ended 31 December 2015:

The segment results for the year ended 31 December 2015 are as follows:

	Engineering, consulting and licensing	EPC Contracting	Construction	Equipment manufacturing	Unallocated	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue and results							
Revenue from external customers	2,625,673	27,838,722	14,913,615	120,344	—	—	45,498,354
Inter-segment revenue	—	—	3,209,667	559,173	—	(3,768,840)	—
Segment revenue	2,625,673	27,838,722	18,123,282	679,517	—	(3,768,840)	45,498,354
Segment result	236,647	3,014,790	441,259	75,660	76,837	—	3,845,193
Finance income							466,243
Finance expenses							(91,678)
Share of profits of joint arrangements	315	—	—	—	—	—	315
Share of profits of associates	14,307	—	5,667	—	—	—	19,974
Profit before taxation							4,240,047
Income tax expense							(922,064)
Profit for the year							3,317,983
Other segment items							
Depreciation	101,466	65,948	278,558	22,783	—	—	468,755
Amortisation	71,498	52,032	26,189	787	—	—	150,506
Capital expenditures							
– Property, plant and equipment	17,597	67,899	314,660	11,736	—	—	411,892
– Land use rights	—	—	143	—	—	—	143
– Intangible assets	8,828	18,163	3,738	—	—	—	30,729
Provision/(Reversal of provision) for impairment on trade and other receivables	13,166	210,077	64,398	(601)	—	—	287,040

7. Segment Information (Continued)

(i) As at and for the year ended 31 December 2015: (Continued)

The segment assets and liabilities as at 31 December 2015 are as follows:

	Engineering, consulting and licensing	EPC Contracting	Construction	Equipment manufacturing	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets						
Segment assets	6,583,123	22,103,381	17,410,697	762,962	(2,173,017)	44,687,146
Investment in joint arrangements	8,131	—	—	—	—	8,131
Investment in associates	97,174	—	28,013	—	—	125,187
Other unallocated assets						13,583,906
Total assets						58,404,370
Liabilities						
Segment liabilities	2,695,462	19,075,882	13,897,103	238,363	(2,173,017)	33,733,793
Other unallocated liabilities						32,065
Total liabilities						33,765,858

7. Segment Information (Continued)

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

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

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

7. Segment Information (Continued)

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

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

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

Analysis of information by geographical regions:

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

Revenue

	2015	2014
	RMB'000	RMB'000
The PRC	**36,407,242**	42,507,010
Other countries	**9,091,112**	6,838,949
	45,498,354	49,345,959

The customer accounted for more than 10% of the total revenue of the Group and revenue from it for the years ended 31 December 2015 and 2014, the details are as follows:

	2015	2014
	RMB'000	RMB'000
A fellow subsidiary and its subsidiaries	**9,198,385**	12,224,025
An associate of fellow subsidiaries	**8,796,291**	—

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

7. Segment Information (Continued)

Specified non-current assets

	2015	2014
	RMB'000	RMB'000
The PRC	6,819,822	7,092,744
Other countries	395,075	302,348
	7,214,897	7,395,092

8. Other Income

	2015	2014
	RMB'000	RMB'000
Operating lease rental income on property, plant and equipment	48,325	39,521
Income from write-back long outstanding payables	8,991	6,113
Government grants	25,979	104,088
Exchange gain	226,581	—
Others	58,040	24,066
	367,916	173,788

9. Other Gains - Net

	2015	2014
	RMB'000	RMB'000
Gains/(Losses) on disposal/write-off of property, plant and equipment	2,118	(1,579)
Gain on disposal of land use rights	352	—
Gain on disposal of available-for-sale financial assets	—	19,056
	2,470	17,477

10. Finance Income and Finance Expenses

	2015	2014
	RMB'000	RMB'000
Finance income		
Interest income from the ultimate holding company	359,342	382,234
Bank interest income	106,901	223,569
	466,243	605,803
Finance expenses		
Interest expenses to fellow subsidiaries on balances wholly repayable within 5 years	(2,039)	(2,208)
Interest expenses on retirement and other supplementary benefit obligation	(89,639)	(106,900)
	(91,678)	(109,108)
	374,565	496,695

11. Profit Before Taxation

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

	2015	2014
	RMB'000	RMB'000
Staff costs, including directors and supervisors emoluments (Note 16)	5,322,837	5,372,966
Retirement benefit plan contribution (including in the above mentioned staff costs)	725,227	685,789
Cost of goods sold	14,586,591	15,776,747
Subcontracting costs	17,164,488	19,393,107
Depreciation and amortisation		
– Property, plant and equipment	468,755	453,850
– Land use rights	62,034	61,625
– Intangible assets	88,472	91,082
Operating lease rentals		
– Property, plant and equipment	440,663	463,974
Provision for impairment on trade and other receivables	287,040	238,283
Rental income from property, plant and equipment after relevant expenses	(27,657)	(20,122)
Reversal of provision for litigation claims	(29,321)	—
Research and development costs	1,184,956	934,253
(Gains) /Losses on disposal/write-off of property, plant and equipment	(2,118)	1,579
Gain on disposal of land use rights	(352)	—
Gain on disposal of available-for-sale financial assets	—	(19,056)
Auditors' remuneration	4,700	4,700
Exchange (gains)/losses, net	(226,581)	226

12. Income Tax Expense

	2015	2014
	RMB'000	RMB'000
Current tax		
PRC enterprise income tax	871,164	874,188
Overseas enterprise income tax	23,402	39,078
Under-provision for income tax in prior years	45,178	68,141
	939,744	981,407
Deferred tax		
Origination and reversal of temporary differences (Note 36)	(17,680)	79,339
Income tax expense	922,064	1,060,746

According to the Corporate Income Tax Law of the PRC, the applicable income tax of the years ended 31 December 2015 and 2014 is 25%.

According to the normal statutory PRC corporate income tax and relevant rules, apart from certain subsidiaries of the Company have been qualified as new high-tech enterprises which can enjoy 15% preferential tax rate in the related period, for the years ended 31 December 2015 and 2014, the majority of the members of the Group are subject to 25% income tax rate.

The tax of other countries is based on the nation's tax laws, where the relevant subsidiary of the Group operates in.

The difference between the actual income tax charge in the consolidated statement of comprehensive income and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	2015	2014
	RMB'000	RMB'000
Profit before taxation	4,240,047	4,550,695
Taxation calculated at the statutory tax rate	1,060,012	1,137,674
Income tax effects of:		
Preferential income tax treatments of certain companies	(321,900)	(336,476)
Difference in overseas profits tax rates	(6,557)	(9,770)
Non-deductible expenses	164,025	156,654
Income not subject to tax	(4,382)	(199)
Unrecognised tax losses	10,661	48,480
Utilisation of previously unrecognised tax losses	(24,973)	(3,758)
Under provision for income tax in prior years	45,178	68,141
Income tax expense	922,064	1,060,746
Effective income tax rate	22%	23%

13. Earnings Per Share

(a) Basic

The basic earnings per share for each of the years ended 31 December 2015 and 2014 is calculated based on the profit attributable to the equity holders of the Company and the weighted average number of ordinary shares in issue.

	2015	2014
Profit attributable to equity holders of the Company (RMB'000)	3,317,704	3,489,799
Weighted average number of ordinary shares in issue	4,428,000,000	4,428,000,000
Basic earnings per share (RMB)	0.75	0.79

(b) Diluted

As the Company had no dilutive shares for the each of the years ended 31 December 2015 and 2014, dilutive earnings per share for the years ended 31 December 2015 and 2014 are the same as basic earnings per share.

14. Dividends

Dividends represented dividends declared by the Company during each of years ended 31 December 2015 and 2014.

	2015	2014
	RMB'000	RMB'000
Interim dividends of RMB0.114 per ordinary share (2014: RMB0.125) (1)	504,792	553,023
Proposed final dividends of RMB0.183 per ordinary share (2014: RMB0.187) (2)	810,324	828,036

(1) Pursuant to a resolution passed at the Directors' meeting on 28 August 2015, the Directors authorised to declare the interim dividends for the year ended 31 December 2015 of RMB0.114 per share totalling RMB504,792,000 (2014: RMB553,023,000). Interim dividends have been paid in October 2015.

(2) Pursuant to the Directors' meeting on 18 March 2016, the Directors recommended to declare the final dividends for the year ended 31 December 2015 of RMB0.183 per share totalling RMB810,324,000 (2014: RMB828,036,000). Such recommendation is to be approved by the shareholders at the Annual General Meeting. Dividends declared after the end of the reporting period are not recognised as a liability at the end of the reporting period.

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

(a) Directors' and supervisors' emoluments

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

(i) For the year ended 31 December 2015

	Basic salaries, other allowances and benefits-in-kind	Discretionary bonus	Contributions to pension plans	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors				
LU Dong (2)	219	517	62	798
SUN Lili (1) (2)	211	458	62	731
WU Derong (1) (2)	180	383	59	622
YAN Shaochun	219	473	62	754
	829	1,831	245	2,905
Non-executive directors				
ZHANG Jianhua (2)	—	—	—	—
LI Guoqing	—	—	—	—
CAI Xiyou (3)	—	—	—	—
ZHANG Kehua	—	—	—	—
LEI Dianwu (3)	—	—	—	—
LING Yiqun (3)	—	—	—	—
CHANG Zhenyong (3)	—	—	—	—
	—	—	—	—
Independent non-executive directors				
HUI Chiu Chung, Stephen	180	—	—	180
JIN Yong	180	—	—	180
YE Zheng	180	—	—	180
	540	—	—	540

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

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

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

(i) For the year ended 31 December 2015 (Continued)

	Basic salaries, other allowances and benefits-in-kind	Discretionary bonus	Contributions to pension plans	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Supervisors				
ZHOU Yingguan (1) (2)	176	323	56	555
FAN Jixian (1) (2) (4)	27	136	9	172
WONG Guoliang (1) (2)	206	396	143	745
ZHU Fei (1) (2)	180	357	67	604
JIANG Dejun (1) (2)	163	291	63	517
XU Yijun (1) (2)	173	319	39	531
DENG Qunwei (5)	190	210	63	463
WANG Cunting (1) (6)	26	43	9	78
GUAN Qingjie (4)	49	101	16	166
ZHANG Jixing (3)	—	—	—	—
ZOU Huiping (3)	—	—	—	—
GENG Liming (3)	—	—	—	—
ZHU Jinbao (3)	—	—	—	—
WANG Renli (3)	—	—	—	—
WANG Yuejie (3)	—	—	—	—
	1,190	2,176	465	3,831
	2,559	4,007	710	7,276

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

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

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

(ii) For the year ended 31 December 2014

	Basic salaries, other allowances and benefits-in-kind	Discretionary bonus	Contributions to pension plans	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive director				
YAN Shaochun	213	537	55	805
Non-executive directors				
CAI Xiyou	—	—	—	—
ZHANG Kehua	—	—	—	—
LI Guoqing	—	—	—	—
LEI Dianwu	—	—	—	—
LING Yiqun	—	—	—	—
CHANG Zhenyong	—	—	—	—
	—	—	—	—
Independent non-executive directors				
HUI Chiu Chung, Stephen	180	—	—	180
JIN Yong	180	—	—	180
YE Zheng	180	—	—	180
	540	—	—	540
Supervisors				
GUAN Qingjie	189	456	55	700
ZHANG Jixing	—	—	—	—
ZOU Huiping	—	—	—	—
GENG Liming	—	—	—	—
ZHU Jinbao (1)	145	347	51	543
WANG Renli (1)	155	329	53	537
WANG Yuejie (1)	180	464	57	701
	669	1,596	216	2,481
	1,422	2,133	271	3,826

Notes:

(1) These supervisors receive no emoluments for their services provided to the Company but they however receive emoluments from the Group for their services as directors and/or supervisors of a number of subsidiaries.

(2) Appointed on 12 January 2015.

(3) Resigned on 12 January 2015.

(4) Resigned on 18 March 2015.

(5) Appointed on 18 May 2015.

(6) Appointed on 30 October 2015.

Mr. YAN Shaochun was also the president of the Company and his emoluments disclosed above include those for service rendered by him as the president.

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

(b) Five highest paid individuals

The number of director or supervisor and non-director or supervisor included in the five highest paid individuals for the years ended 31 December 2015 and 2014 are set forth below:

	2015	2014
Director or supervisor	2	1
Non-director or supervisor	3	4
	5	5

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

	2015	2014
	RMB'000	RMB'000
Basic salaries, other allowances and benefits-in-kind	1,030	789
Discretionary bonuses	1,354	2,051
Contributions to pensions plans	351	488
	2,735	3,328

The emoluments of the three (2014: four) highest paid individuals who are non-director or supervisor are within the following bands:

	2015	2014
HK$1,000,001 to HK$2,000,000	1	3
Nil to HK$1,000,000	2	1
	3	4

16. Employment Benefits

	2015	2014
	RMB'000	RMB'000
Salaries, wages and bonuses	3,063,303	3,271,476
Retirement benefits (1)	600,937	562,728
Early retirement and supplemental pension benefit (Note32(b))		
– service cost	34,651	16,161
– interest cost	89,639	106,900
Housing fund (2)	264,281	248,136
Welfare, medical and other expenses	1,270,026	1,167,565
	5,322,837	5,372,966

Notes:

(1) Retirement benefits

The Group is required to make specific contributions to the state-managed retirement plan at a rate of 14% to 21% of the specified salaries of the PRC employees for the years ended 31 December 2015 and 2014. The PRC government is responsible for the pension liability to the retired employees. The PRC employees of the Group are entitled to a monthly pension upon their retirements.

(2) Housing fund

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

17. Property, Plant and Equipment

	Buildings and other facilities	Plant and machinery, transportation equipment and other equipment	Construction-in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014				
Cost	3,153,634	3,274,751	346,624	6,775,009
Accumulated depreciation and impairment	(885,585)	(1,839,936)	—	(2,725,521)
Net book amount	2,268,049	1,434,815	346,624	4,049,488
Year ended 31 December 2014				
Opening net book amount	2,268,049	1,434,815	346,624	4,049,488
Transfers	281,568	120,492	(402,060)	—
Additions	44,317	336,022	122,074	502,413
Depreciation	(124,211)	(329,639)	—	(453,850)
Disposals/write-off	(297)	(8,166)	—	(8,463)
Closing net book amount	2,469,426	1,553,524	66,638	4,089,588
At 31 December 2014 and 1 January 2015				
Cost	3,457,699	3,686,318	66,638	7,210,655
Accumulated depreciation and impairment	(988,273)	(2,132,794)	—	(3,121,067)
Net book amount	2,469,426	1,553,524	66,638	4,089,588
Year ended 31 December 2015				
Opening net book amount	2,469,426	1,553,524	66,638	4,089,588
Transfers	12,201	125,220	(137,421)	—
Additions	68,276	200,667	142,949	411,892
Depreciation	(133,917)	(334,838)	—	(468,755)
Disposals/write-off	(12,965)	(5,882)	—	(18,847)
Closing net book amount	2,403,021	1,538,691	72,166	4,013,878
At 31 December 2015				
Cost	3,511,071	3,915,154	72,166	7,498,391
Accumulated depreciation and impairment	(1,108,050)	(2,376,463)	—	(3,484,513)
Net book amount	2,403,021	1,538,691	72,166	4,013,878

Depreciation expense recognised is analysed as follows:

	2015	2014
	RMB'000	RMB'000
Cost of sales	422,819	412,166
Selling and marketing expenses	2,073	2,115
Administrative expenses	43,863	39,569
	468,755	453,850

18. Land Use Rights

	2015 RMB'000	2014 RMB'000
Beginning of the year	**2,807,632**	2,857,234
Additions	**143**	12,023
Amortisation	**(62,034)**	(61,625)
Disposal	**(5,144)**	—
End of the year	**2,740,597**	2,807,632

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

Amortisation recognised is analysed as follows:

	2015 RMB'000	2014 RMB'000
Cost of sales	**35,400**	30,749
Selling and marketing expenses	**610**	665
Administrative expenses	**26,024**	30,211
	62,034	61,625

19. Intangible Assets

	Patent	Computer software	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2014			
Cost	479,882	238,398	718,280
Accumulated amortisation	(110,383)	(164,118)	(274,501)
Net book amount	369,499	74,280	443,779
Year ended 31 December 2014			
Opening net book amount	369,499	74,280	443,779
Additions	—	32,150	32,150
Amortisation	(55,194)	(35,888)	(91,082)
Closing net book amount	314,305	70,542	384,847
At 31 December 2014 and 1 January 2015			
Cost	479,882	265,498	745,380
Accumulated amortisation	(165,577)	(194,956)	(360,533)
Net book amount	314,305	70,542	384,847
Year ended 31 December 2015			
Opening net book amount	314,305	70,542	384,847
Additions	—	30,729	30,729
Amortisation	(54,144)	(34,328)	(88,472)
Closing net book amount	260,161	66,943	327,104
At 31 December 2015			
Cost	479,882	296,227	776,109
Accumulated amortisation	(219,721)	(229,284)	(449,005)
Net book amount	260,161	66,943	327,104

Amortisation recognised is analysed as follows:

	2015	2014
	RMB'000	RMB'000
Cost of sales	83,736	31,287
Selling and marketing expenses	624	69
Administrative expenses	4,112	59,726
	88,472	91,082

20. Investment in Joint Arrangements, Associates and Subsidiaries

(a) Investment in joint arrangements

	2015	2014
	RMB'000	RMB'000
Joint ventures		
Beginning of the year	**7,812**	8,184
Addition of investment costs	**750**	—
Share of total comprehensive income	**315**	844
Dividend distribution	**(746)**	(1,216)
End of the year	**8,131**	7,812

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

Name	Establishment/Place of incorporation	Registered and fully paid capital		Indirect effective interest held	Principal activities and place of operations
		RMB'000	USD'000		
Hualu Construction Co., Ltd. (華魯工程有限公司)	The PRC	—	1,500 (2014: 1,500)	50%	Engineering design contracting/The PRC
Hainan Great Wall Machinery Engineering Co., Ltd. (海南長城機械工程有限公司)	The PRC	3,000 (2014: 1,500)	—	50%	Technical development, sales of equipments/The PRC
Lanzhou Great Wall Touping Machinery Technology Development Co., Ltd. (蘭州長城透平機械技術開發成套公司)	The PRC	3,000 (2014: 3,000)	—	50%	Technical development, equipment manufacturing/ The PRC

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

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

(a) Investment in joint arrangements (Continued)

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

	2015 RMB'000	2014 RMB'000
Current assets	105,073	105,088
Non-current assets	3,065	3,339
Total assets	108,138	108,427
Current liabilities	(91,877)	(92,803)
Total liabilities	(91,877)	(92,803)
Equity	16,261	15,624
Share of equity by the Group (50%) (2014: 50%)	8,131	7,812

	2015 RMB'000	2014 RMB'000
Revenue	74,964	144,632
Profit and total comprehensive income for the year	630	1,688
Share of total comprehensive income (50%) (2014:50%)	315	844

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

(b) Investment in associates

	2015 RMB'000	2014 RMB'000
Beginning of the year	105,213	95,059
Share of total comprehensive income	19,974	14,153
Dividend distribution	—	(3,999)
End of the year	125,187	105,213

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

(b) Investment in associates (Continued)

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

Name	Establishment/Place of incorporation	Registered and fully paid capital	Indirect effective interest held	Principal activities and place of operations
		RMB'000		
China Petrochemical Technology Co., Ltd. (中國石油化工科技開發有限公司)[(1)]	The PRC	50,000 (2014: 50,000)	35.00%	Technical development, technical service/The PRC
Huizhou Tianxin Petrochemical Engineering Co., Ltd. (惠州天鑫石化工程有限公司)[(2)]	The PRC	15,000 (2014: 15,000)	40.00%	Construction contracting/The PRC
Shanghai KSD Bulk Solids Engineering Co., Ltd. (上海金申德粉體工程有限公司)[(3)]	The PRC	5,500 (2014: 5,500)	36.36%	Powder engineering services/The PRC

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

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

	2015	2014
	RMB'000	RMB'000
Current assets	534,208	517,688
Non-current assets	35,016	26,386
Total assets	569,224	544,074
Current liabilities	(334,047)	(336,934)
Non-current liabilities	(21)	(19)
Total liabilities	(334,068)	(336,953)
Equity attributable to equity holders	228,653	200,619
Non-controlling interests	6,503	6,502
	235,156	207,121
Share of equity by the Group (35%) (2014: 35%)	80,028	70,217

	2015	2014
	RMB'000	RMB'000
Revenue	217,244	222,380
Profit and total comprehensive income for the year attributable to equity holders	28,034	23,861
Share of total comprehensive income (35%) (2014: 35%)	9,812	8,351

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

(b) Investment in associates (Continued)

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

	2015	2014
	RMB'000	RMB'000
Current assets	97,397	65,514
Non-current assets	34,301	36,103
Total assets	131,698	101,617
Current liabilities	(38,320)	(27,131)
Total liabilities	(38,320)	(27,131)
Equity	93,378	74,486
Share of equity by the Group (40%) (2014: 40%)	37,351	29,794

	2015	2014
	RMB'000	RMB'000
Revenue	141,780	93,642
Profit and total comprehensive income for the year	18,891	8,644
Share of total comprehensive income (40%) (2014: 40%)	7,556	3,458

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

	2015	2014
	RMB'000	RMB'000
Current assets	154,435	57,685
Non-current assets	944	1,043
Total assets	155,379	58,728
Current liabilities	(133,902)	(44,420)
Non-current liabilities	(3)	(2)
Total liabilities	(133,905)	(44,422)
Equity	21,474	14,306
Share of equity by the Group (36.36%) (2014: 36.36%)	7,808	5,202

	2015	2014
	RMB'000	RMB'000
Revenue	138,530	71,855
Profit and total comprehensive income for the year	7,167	6,447
Share of total comprehensive income (36.36%) (2014: 36.36%)	2,606	2,344

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

21. Available-For-Sale Financial Assets

	2015 RMB'000	2014 RMB'000
Beginning of the year	2,750	19,362
Disposals	—	(16,612)
End of the year	2,750	2,750

Available-for-sale financial assets include the following:

	2015 RMB'000	2014 RMB'000
Unlisted securities:		
Equity securities - PRC	2,750	2,750

The unlisted equity securities are carried at cost less impairment as these investments do not have a quoted market price and range of reasonable fair value estimate is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

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

22. Notes and Trade Receivables

	2015 RMB'000	2014 RMB'000
Trade receivables		
Fellow subsidiaries	2,512,470	3,714,925
Joint ventures of fellow subsidiaries	346,785	170,941
Associates of fellow subsidiaries	2,048,086	1,255,275
Joint ventures	1,280	1,280
Third parties	6,627,077	5,372,684
	11,535,698	10,515,105
Less: Provision for impairment	(466,561)	(272,620)
Trade receivables - net	11,069,137	10,242,485
Notes receivables	801,726	833,579
Notes and trade receivables - net	11,870,863	11,076,064

The carrying amounts of the Group's notes and trade receivables as at 31 December 2015 and 2014 approximate their fair values.

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

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

22. Notes and Trade Receivables (Continued)

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

	2015 RMB'000	2014 RMB'000
Within 1 year	10,077,190	10,246,620
Between 1 and 2 years	1,439,886	644,152
Between 2 and 3 years	211,157	109,006
Between 3 and 4 years	76,751	59,781
Between 4 and 5 years	49,312	16,505
Over 5 years	16,567	—
	11,870,863	11,076,064

Ageing analysis of impaired notes and trade receivables by due date is as follows:

	2015 RMB'000	2014 RMB'000
Not yet due	6,903,916	8,254,104
Over due within 3 months	1,226,148	941,081
Over due 3 months but within 6 months	1,503,487	607,994
Over due 6 months but within 1 year	1,323,121	829,774
Over due 1 year but within 2 years	726,780	328,871
Over due over 2 years	187,411	114,240
	11,870,863	11,076,064

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

	2015 RMB'000	2014 RMB'000
Beginning of the year	272,620	170,602
Provisions	285,101	159,269
Receivables written off as uncollectible	(3,684)	(1,708)
Reversal	(87,476)	(55,543)
End of the year	466,561	272,620

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

	2015 RMB'000	2014 RMB'000
RMB	10,480,666	9,959,972
USD	1,088,911	891,212
SAR	291,896	213,356
Others	9,390	11,524
	11,870,863	11,076,064

23. Prepayments and Other Receivables

	2015 RMB'000	2014 RMB'000
Prepayments		
Prepayments for construction and materials:		
– Ultimate holding company	—	8
– Fellow subsidiaries	177,596	168,554
– Associates	2,422	—
Prepayments for construction	764,215	945,922
Prepayments for materials and equipments	2,312,393	2,033,375
Prepayments for labour costs	203,765	305,853
Prepayments for rent	2,219	3,078
Others	13,455	56,938
	3,476,065	3,513,728
Other receivables		
Amounts due from fellow subsidiaries (1)	467,700	30,280
Amounts due from associates (1)	40	—
Amounts due from joint ventures of fellow subsidiaries (1)	51,828	15
Amounts due from associates of fellow subsidiaries (1)	15,986	—
Dividends receivable	750	1,500
Interests receivable	17,812	29,626
Petty cash funds	29,545	45,057
Retention deposits	1,765,729	1,575,066
Other guarantee deposits and deposits	127,027	115,398
Payment in advance	129,280	241,721
Maintenance funds	77,880	77,340
Others	107,241	98,463
	2,790,818	2,214,466
Less: Provision for impairment	(448,374)	(360,041)
Prepayments and other receivables - net	5,818,509	5,368,153

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

The carrying amounts of the Group's prepayments and other receivables as at 31 December 2015 and 2014 approximate their fair values.

23. Prepayments and Other Receivables (Continued)

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

	2015	2014
	RMB'000	RMB'000
Beginning of the year	360,041	225,889
Provisions	235,876	174,340
Receivables written off as uncollectible	(1,082)	(405)
Reversal	(146,461)	(39,783)
End of the year	448,374	360,041

24. Contract Work-in-Progress

	2015	2014
	RMB'000	RMB'000
Contract cost incurred plus recognised profit less recognised losses	163,283,346	136,677,128
Less: Progress billings	(163,562,092)	(136,034,867)
Contract work-in-progress	(278,746)	642,261
Representing:		
Amounts due from customers for contract work	6,660,306	6,658,549
Less: Provision for impairment	—	(1,652)
Net amounts due from customers for contract work	6,660,306	6,656,897
Amounts due to customers for contract work	(6,939,052)	(6,014,636)
	(278,746)	642,261

	2015	2014
	RMB'000	RMB'000
Contract revenue recognised as revenue in the year	42,752,337	45,456,780

25. Inventories

	2015	2014
	RMB'000	RMB'000
Raw materials	1,276,563	1,155,213
Turnover materials	57,504	80,144
Goods in transit	495,580	388,297
	1,829,647	1,623,654

As at 31 December 2015 and 2014, no provision for impairment on inventories of the Group has been made.

For the years ended 31 December 2015 and 2014, the cost of inventories recognised as expense and included in cost of sales amounted to RMB14,586,591,000 and RMB15,776,747,000 respectively.

26. Loans Due from the Ultimate Holding Company

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

	2015	2014
Loans due from the ultimate holding company	2.70% - 4.25%	4.00% - 4.50%

27. Restricted Cash

	2015	2014
	RMB'000	RMB'000
Restricted cash		
– RMB	17,190	24,120
– AED	—	42
– KZT	742	1,482
	17,932	25,644

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

As at 31 December 2015 and 2014, the weighted average effective interest rates per annum on restricted cash with maturities ranging from one to twelve months was determined in accordance with the interest rate per annum of bank current account.

The maximum exposure to credit risk approximates to carrying amounts of the Group's restricted cash at the end of the respective reporting periods.

28. Time Deposits

	2015	2014
	RMB'000	RMB'000
Time deposits with initial term over three months:		
Time deposits in banks	1,361,180	—
Time deposits in fellow subsidiaries	400,920	500,000
	1,762,100	500,000

	2015	2014
	RMB'000	RMB'000
Denominated in:		
– RMB	400,920	500,000
– USD	1,361,180	—
	1,762,100	500,000

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

The effective interest rate per annum on time deposits, with maturities of one to three years (2014: one year), is approximately 1.00% to 3.28% as at 31 December 2015 (2014: 3.60%).

The maximum exposure to credit risk approximates to carrying amounts of the Group's time deposits at the end of the respective reporting periods.

29. Cash and Cash Equivalents

	2015	2014
	RMB'000	RMB'000
Cash at bank and in hand	5,592,982	5,640,653
Deposits in fellow subsidiaries	5,812,578	3,541,199
	11,405,560	9,181,852

	2015	2014
	RMB'000	RMB'000
Denominated in:		
– RMB	5,380,407	3,391,680
– USD	5,683,065	5,547,609
– SAR	121,111	60,944
– EUR	155,333	161,427
– AED	89	3,536
– KZT	2,977	14,562
– GBP	6	—
– THB	45,720	—
– MYR	4,048	—
– Others	12,804	2,094
	11,405,560	9,181,852

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

As at 31 December 2015 and 2014, the weighted average effective interest rates per annum on cash at bank are determined in accordance with the interest rate per annum of bank current account.

The maximum exposure to credit risk approximates the carrying amounts of cash and cash equivalents at the end of the respective reporting periods.

30. Share Capital

	2015		2014	
	Number of shares	Share capital	Number of shares	Share capital
		RMB'000		RMB'000
Registered, issued and fully paid				
– Domestic shares of RMB1.00 each [(1)]	2,967,200,000	2,967,200	2,967,200,000	2,967,200
– H Shares of RMB1.00 each	1,460,800,000	1,460,800	1,460,800,000	1,460,800
	4,428,000,000	4,428,000	4,428,000,000	4,428,000

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

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

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

31. The Statement of Financial Position, The Statement of Changes in Equity and Reserves of The Company

(i) The statement of financial position of the Company

	2015	2014
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	211,049	37,654
Land use rights	60,887	29,401
Intangible assets	6,368	342
Investment in subsidiaries	7,215,097	7,346,869
Deferred income tax assets	8,729	263
Total non-current assets	7,502,130	7,414,529
Current assets		
Inventories	1,089,679	176,463
Trade receivables	299,518	195,425
Prepayments and other receivables	3,038,114	1,836,429
Amounts due from customers for contract work	137,405	78,688
Loans due from the ultimate holding company	11,100,000	9,600,000
Restricted cash	742	1,523
Time deposits	1,762,100	500,000
Cash and cash equivalents	9,749,173	8,358,463
Total current assets	27,176,731	20,746,991
Total assets	34,678,861	28,161,520

31. The Statement of Financial Position, The Statement of Changes in Equity and Reserves of The Company (Continued)

(i) The statement of financial position of the Company (Continued)

	2015	2014
	RMB'000	RMB'000
EQUITY		
Share capital	4,428,000	4,428,000
Reserves	12,856,844	12,132,628
Total equity	17,284,844	16,560,628
LIABILITIES		
Non-current liabilities		
Retirement and other supplemental benefit obligations	577	605
Total non-current liabilities	577	605
Current liabilities		
Trade payables	849,388	63,480
Other payables	14,786,786	11,188,436
Amounts due to customers for contract work	1,713,618	318,072
Current income tax liabilities	43,648	30,299
Total current liabilities	17,393,440	11,600,287
Total liabilities	17,394,017	11,600,892
Total equity and liabilities	34,678,861	28,161,520
Net current assets	9,783,291	9,146,704
Total assets less current liabilities	17,285,421	16,561,233

Chairman of the Board:
ZHANG Jianhua

Director, President:
YAN Shaochun

Chief Financial Officer:
JIA Yiqun

31. The Statement of Financial Position, The Statement of Changes in Equity and Reserves of The Company (Continued)

(ii) The statement of changes in equity of the Company

	Share capital	Capital reserve	Statutory surplus reserve	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	4,428,000	11,217,175	191,517	386,398	16,223,090
Profit for the year	—	—	—	1,731,908	1,731,908
Other comprehensive income:					
Defined benefits obligation revaluation of actuarial gain and loss - gross	—	—	—	(36)	(36)
Defined benefits obligation revaluation of actuarial gain and loss - tax	—	—	—	9	9
Total comprehensive income	—	—	—	1,731,881	1,731,881
Transactions with owners:					
2013 final dividend (Note 14)	—	—	—	(841,320)	(841,320)
2014 interim dividend (Note 14)	—	—	—	(553,023)	(553,023)
Transfer to statutory surplus reserve	—	—	173,190	(173,190)	—
Total transactions with owners	—	—	173,190	(1,567,533)	(1,394,343)
At 31 December 2014 and 1 January 2015	4,428,000	11,217,175	364,707	550,746	16,560,628
Profit for the year	—	—	—	2,057,028	2,057,028
Other comprehensive income:					
Defined benefits obligation revaluation of actuarial gain and loss - gross	—	—	—	21	21
Defined benefits obligation revaluation of actuarial gain and loss - tax	—	—	—	(5)	(5)
Total comprehensive income	—	—	—	2,057,044	2,057,044
Transactions with owners:					
2014 final dividend (Note 14)	—	—	—	(828,036)	(828,036)
2015 interim dividend (Note 14)	—	—	—	(504,792)	(504,792)
Transfer to statutory surplus reserve	—	—	205,703	(205,703)	—
Total transactions with owners	—	—	205,703	(1,538,531)	(1,332,828)
At 31 December 2015	4,428,000	11,217,175	570,410	1,069,259	17,284,844

31. The Statement of Financial Position, The Statement of Changes in Equity and Reserves of The Company (Continued)

(iii) Distributable profits

The distributable profits of the Company are as follows:

	2015	2014
	RMB'000	RMB'000
Distributable profits	1,069,259	550,746

(iv) Statutory surplus reserve

In accordance with the relevant laws and regulations of the PRC and the articles of association of the Company, it is required to appropriate 10% of its net profit determined in accordance with China Accounting Standards for Enterprises issued by the Ministry of Finance of PRC, after offsetting any prior years' losses, to the statutory surplus reserve. When the balance of such a reserve reaches 50% of the respective companies registered capital, any further appropriation is optional. The reserve must be made before distribution of dividends to shareholders.

The statutory surplus reserve can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing share holding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the reserve after such an issue is not less than 25% of registered capital. The statutory surplus reserve is non-distributable.

(v) Capital reserve

Capital reserve arising from event-driven revaluation represented reserve recognised due to the revaluation arising from the Reorganisation, being the excess of fair value over carrying value net of the deferred tax liabilities. Apart from the above mentioned event-driven revaluation, capital reserve included transactions with holding company such as assets transferred from/to Sinopec Group and also the share premium account.

(vi) Specific reserve

Pursuant to certain regulations issued by the State Administration of Work Safety of the PRC, the Group is required to set aside an amount to a safety fund for its engineering and construction contracting business. The fund can be used for improvements of safety at the worksite, and is not available for distribution to shareholders. Upon incurring qualifying safety expenditures, an equivalent amount is transferred from safety fund to retained earnings.

(vii) Investment revaluation reserve

Investment revaluation reserve represents the net cumulative change in available-for-sale financial assets at the end of year and is treated according to accounting policies Note 3.9.

(viii) Exchange translation reserve

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

32. Retirement and Other Supplemental Benefit Obligations

(a) State-managed retirement plan

The Chinese employees of the Group participate in employee social security plans organised and administrated by the PRC government authority. The PRC companies are required to contribute from 14% to 21%, depending on the applicable legal regulations, of salaries, wages and bonuses to the state-managed retirement plans. The obligation of these PRC companies with respect to the state-managed retirement plans is to make the specified contributions (Note 16(1)).

The total costs charged to the consolidated statement of comprehensive income during the years ended 31 December 2015 and 2014 are as follows:

	2015	2014
	RMB'000	RMB'000
Contributions to state-managed retirement plan	600,937	562,728

(b) Group employee retirement benefit plans

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

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

The exposure to actuarial risks of the Group's retirement benefit plans include: discount rate risk, benefit growth rate risk.

The Group is not obligated to provide post-employment benefits to incumbent employees.

The most recent actuarial valuation as at 31 December 2015 was performed by an independent qualified actuarial firm: Mercer Consulting Limited. The present value, related current service cost and past service cost of the Group's retirement benefit plan obligation are prepared by qualified actuary using the projected unit credit actuarial cost method.

(i) Discount rates adopted (per annum):

	2015	2014
Retirement with honors benefit plan	2.70%	3.50%
Retirement benefit plan	2.90%	3.70%
Early retirement benefit plan	2.50%	3.40%

(ii) Benefit growth rates (per annum):

	2015	2014
Retirement with honors benefit plan	2.90%	2.70%
Retirement benefit plan	2.40%	2.20%
Early retirement benefit plan	2.10%	3.00%

(iii) Duration:

	2015	2014
Retirement with honors benefit plan	4.8 years	5.0 years
Retirement benefit plan	10.2 years	9.7 years
Early retirement benefit plan	2.9 years	3.1 years

32. Retirement and Other Supplemental Benefit Obligations (Continued)

(b) Group employee retirement benefit plans (Continued)

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

	As at 31 December 2015 Increase/(decrease) in retirement benefit plan obligation		As at 31 December 2014 Increase/(decrease) in retirement benefit plan obligation	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
	RMB'000	RMB'000	RMB'000	RMB'000
Discount rates	(134,265)	134,265	(118,254)	118,254
Benefit growth rates	134,250	(134,250)	119,424	(119,424)

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

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

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

The total costs of retirement benefit plans in the consolidated statement of comprehensive income are as follows:

	Retirement with honors benefit plan	Retirement benefit plan	Early retirement benefit plan	Total
	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2014				
Service cost:				
Past service cost	—	—	16,161	16,161
Net interest expenses	4,517	98,257	4,126	106,900
Benefit cost recognised in profit or loss	4,517	98,257	20,287	123,061
Revaluation of net benefit obligation liabilities				
Actuarial revaluation of economic assumptions change	1,968	258,469	—	260,437
Actuarial revaluation of other assumptions change	7,686	(30,390)	—	(22,704)
Benefit cost recognised in other comprehensive income	9,654	228,079	—	237,733
Total benefit cost recognised in the consolidated statement of comprehensive income	14,171	326,336	20,287	360,794

32. Retirement and Other Supplemental Benefit Obligations (Continued)

(b) Group employee retirement benefit plans (Continued)

	Retirement with honors benefit plan	Retirement benefit plan	Early retirement benefit plan	Total
	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2015				
Service cost:				
Past service cost	—	—	34,651	34,651
Net interest expenses	3,316	82,979	3,344	89,639
Benefit cost recognised in profit or loss	3,316	82,979	37,995	124,290
Revaluation of net benefit obligation liabilities				
Actuarial revaluation of economic assumptions change	4,164	226,578	—	230,742
Actuarial revaluation of other assumptions change	5,095	30,483	—	35,578
Benefit cost recognised in other comprehensive income	9,259	257,061	—	266,320
Total benefit cost recognised in the consolidated statement of comprehensive income	12,575	340,040	37,995	390,610

The Group's benefit plans do not include incumbent employees. No current service cost of each benefit plan incurred during each financial year. Meanwhile, the Group's benefit plans do not provide reserve of plan assets, therefore, there is no reserve of earnings from plan assets during each financial year.

Service cost and net interest expenses are recognised in employment benefits, part of the administrative expenses and finance expenses of the consolidated statement of comprehensive income. Revaluation of net liabilities of benefit obligation is recognised as other comprehensive income in the consolidated statement of comprehensive income.

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

	2015	2014
	RMB'000	RMB'000
Net liabilities of retirement benefit plan obligation	2,696,264	2,529,913

32. Retirement and Other Supplemental Benefit Obligations (Continued)

(b) Group employee retirement benefit plans (Continued)

The movement of retirement benefit plan obligation as follows:

	Retirement with honors benefit plan	Retirement benefit plan	Early retirement benefit plan	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	110,240	2,178,219	108,095	2,396,554
Past service cost	—	—	16,161	16,161
Net interest expenses	4,517	98,257	4,126	106,900
Revaluation gain/(loss):				
Actuarial revaluation of economic assumptions change	1,968	258,469	—	260,437
Actuarial revaluation of other assumptions change	7,686	(30,390)	—	(22,704)
Direct benefit paid by the Group	(19,717)	(175,277)	(32,441)	(227,435)
At 31 December 2014 and 1 January 2015	**104,694**	**2,329,278**	**95,941**	**2,529,913**
Past service cost	**—**	**—**	**34,651**	**34,651**
Net interest expenses	**3,316**	**82,979**	**3,344**	**89,639**
Revaluation gain/(loss):				
Actuarial revaluation of economic assumptions change	**4,164**	**226,578**	**—**	**230,742**
Actuarial revaluation of other assumptions change	**5,095**	**30,483**	**—**	**35,578**
Direct benefit paid by the Group	**(19,938)**	**(173,263)**	**(31,058)**	**(224,259)**
At 31 December 2015	**97,331**	**2,496,055**	**102,878**	**2,696,264**

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

33. Provision for Litigation Claims

	2015 RMB'000	2014 RMB'000
Beginning of the year	302,094	329,890
Reversal	(29,321)	—
Exchange difference	(33,398)	(25,855)
Payment	(362)	(1,941)
End of the year	239,013	302,094

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

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

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

For the years ended 31 December 2015 and 2014, no additional provision for litigation claims is provided.

34. Notes and Trade Payables

	2015 RMB'000	2014 RMB'000
Trade payables		
Fellow subsidiaries	203,323	280,682
Associates of fellow subsidiaries	198	—
Joint ventures of fellow subsidiaries	4	—
Associates	478	1,240
Third parties	14,722,657	11,990,753
	14,926,660	12,272,675
Notes payables	1,752,398	14,463
Notes and trade payables	16,679,058	12,287,138

The carrying amounts of the Group's notes and trade payables as at 31 December 2015 and 2014 approximate their fair values.

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

	2015 RMB'000	2014 RMB'000
Within 1 year	12,445,798	8,726,897
Between 1 and 2 years	2,268,216	2,154,331
Between 2 and 3 years	1,231,741	933,501
Over 3 years	733,303	472,409
	16,679,058	12,287,138

34. Notes and Trade Payables (Continued)

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

	2015	2014
	RMB'000	RMB'000
RMB	15,685,406	11,566,695
USD	206,329	169,962
EUR	9,743	1,515
KZT	38,075	59,554
SAR	739,505	488,536
Others	—	876
	16,679,058	12,287,138

35. Other Payables

	2015	2014
	RMB'000	RMB'000
Contract deposits advance:		
Fellow subsidiaries	328,013	478,484
Joint ventures of fellow subsidiaries	866,628	276,290
Associates of fellow subsidiaries	1,533,113	—
Third parties	3,233,483	6,126,705
Salaries payables	63,939	51,138
Other taxation payables	277,278	268,078
Deposits and guarantee deposits payables	108,049	111,795
Advanced payables	177,593	120,079
Rent, property management and maintenance payables	63,674	66,122
Contracts payables	21,528	64,026
Amounts due to ultimate holding company (1)	3	—
Amounts due to fellow subsidiaries (1)	23,447	1,088
Amounts due to joint ventures (1)	71	71
Amounts due to joint ventures of fellow subsidiaries (1)	282	—
Others	221,794	263,519
Total other payables	6,918,895	7,827,395

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

The carrying amounts of the Group's other payables as at 31 December 2015 and 2014 approximate their fair values.

36. Current and Deferred Taxation

Deferred income tax assets and liabilities recognised:

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

	2015 RMB'000	2014 RMB'000
Deferred income tax assets	**721,806**	654,489
Deferred income tax liabilities	**(32,064)**	(32,064)
Deferred income tax assets, net	**689,742**	622,425

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

	2015 RMB'000	2014 RMB'000
Beginning of the year	**622,425**	655,809
Credited to equity for fair value change of available-for-sale financial assets	**—**	3,795
Credited to equity for defined benefit obligations revaluation of actuarial gain or loss	**49,637**	42,160
Tax credited/(charged) to profit for the year (Note 12)	**17,680**	(79,339)
End of the year	**689,742**	622,425

The movement in deferred income tax (liabilities)/assets during the years ended 31 December 2015 and 2014, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Tax losses RMB'000	Provision for retirement and other supplemental benefit obligation RMB'000	Provision for impairment on assets RMB'000	Others RMB'000	Total RMB'000
At 1 January 2014	13,359	539,415	91,816	48,783	693,373
Credited/(Charged) to:					
Profit for the year	(13,359)	(86,107)	20,925	(2,503)	(81,044)
Equity	—	42,160	—	—	42,160
At 31 December 2014 and 1 January 2015	—	495,468	112,741	46,280	654,489
Credited/(Charged) to:					
Profit for the year	—	(25,958)	53,048	(9,410)	17,680
Equity	—	49,637	—	—	49,637
At 31 December 2015	—	519,147	165,789	36,870	721,806

36. Current and Deferred Taxation (Continued)

Deferred income tax liabilities

	Excess of carrying value of assets over tax bases arising from business combination	Change in fair value of available-for-sale financial assets	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2014	33,769	3,795	37,564
(Credited)/Charged to:			
Profit for the year	(1,705)	—	(1,705)
Equity	—	(3,795)	(3,795)
At 31 December 2014 and 1 January 2015	32,064	—	32,064
(Credited)/Charged to:			
Profit for the year	—	—	—
At 31 December 2015	**32,064**	—	**32,064**

Deferred income tax assets not recognised

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

	2015	2014
	RMB'000	RMB'000
Tax losses for which no deferred income tax asset was recognised	**125,701**	182,946

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

37. Commitments

(a) Capital commitments

Capital commitments for the purchase of property, plant and equipment outstanding at 31 December 2015 and 2014 not provided for in the consolidated financial statements are as follows:

	2015	2014
	RMB'000	RMB'000
Contracted but not provided for		
– Property, plant and equipment	**40,463**	92,397

(b) Operating leasing commitments

The Group leases various residential properties, office and equipments under non-cancellable operating lease agreements. The leases run for an initial period of one to twenty years, with an option to renew the lease and renegotiate the terms at the expiry date or at dates mutually agreed between the Group and respective landlords/lessors. None of the leases include contingent rentals. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2015	2014
	RMB'000	RMB'000
Less than 1 year	**68,175**	37,601
1 year to 5 years	**40,495**	30,954
Over 5 years	**36,244**	40,031
Total	**144,914**	108,586

38. Cash Generated from Operations

	2015 RMB'000	2014 RMB'000
Profit before taxation	4,240,047	4,550,695
Adjustments for:		
Provision for impairment on trade and other receivables	287,040	238,283
Reversal of provision for litigation claims	(29,321)	—
Depreciation of property, plant and equipment	468,755	453,850
Amortisation of land use rights	62,034	61,625
Amortisation of intangible assets	88,472	91,082
Net (gains)/losses on disposal/write-off of property, plant and equipment	(2,118)	1,579
Gain on disposal of land use rights	(352)	—
Interest income	(466,243)	(605,803)
Interest expense	91,678	109,108
Net foreign exchange gains	(226,581)	(87,094)
Share of profits of joint arrangements	(315)	(844)
Share of profits of associates	(19,974)	(14,153)
Cash flows from operating activities before changes in working capital	4,493,122	4,798,328
Changes in working capital:		
– Inventories	(205,993)	(378,507)
– Contract work-in-progress	921,007	405,893
– Trade and other receivables	(1,465,540)	(5,125,770)
– Trade and other payables	2,874,416	1,340,560
– Restricted cash	7,712	(6,492)
Cash generated from operations	6,624,724	1,034,012

39. Contingencies

The Group has been named in a number of lawsuits and other legal proceedings arising in the ordinary course of business. Provisions have been made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits based on management's judgements and the legal advice. No provision has been made for pending lawsuits when the outcome of the lawsuits cannot be reasonably estimated or management believes the outflow of resources is not probable.

It is not anticipated that any material liabilities will arise from the contingent liabilities other than those provided for (Note 33).

40. Significant Related Party Transactions and Balances

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. The Group is subject to the control of the PRC government which also controls a significant portion of the productive assets and entities in the PRC (collectively known as the "state-owned enterprises").

In accordance with IAS 24 "Related party disclosures", other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC government are regarded as related parties of the Group ("other state-owned enterprises"). For the purpose of related party disclosures, the Group has in place procedures to identify the immediate ownership structure of its customers and suppliers to determine whether they are state-owned enterprises. Many state-owned enterprises have multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatisation programs. Nevertheless, management believes that meaningful information relating to related party transaction has been adequately disclosed.

40. Significant Related Party Transactions and Balances (Continued)

In addition to the related party information shown elsewhere in this report, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, including other state-owned enterprises, during the years ended 31 December 2015 and 2014 and balances as at 31 December 2015 and 2014.

The transactions with related parties are carried out on pricing and settlement terms agreed with counter parties in the ordinary course of business.

(a) Significant related party transactions and year end balances arising with the Sinopec Group, fellow subsidiaries, associates, joint ventures of fellow subsidiaries and associates of fellow subsidiaries:

	2015	2014
	RMB'000	RMB'000
Construction and services provided to		
– Ultimate holding company	3,501	21,713
– Joint ventures of fellow subsidiaries	1,246,515	1,912,738
– Associates of fellow subsidiaries	8,796,477	3,073,915
– Fellow subsidiaries	10,560,683	14,217,515
– Associates	51,017	30,752
	20,658,193	19,256,633
Construction and services received from		
– Ultimate holding company	186	703
– Joint ventures of fellow subsidiaries	1,084	—
– Associates of fellow subsidiaries	283	2,150
– Fellow subsidiaries	1,787,791	1,085,994
– Associates	3,487	696
	1,792,831	1,089,543
Technology research and development provided to		
– Ultimate holding company	32,390	—
– Fellow subsidiaries	110,125	94,284
	142,515	94,284
Interest income on loans		
– Ultimate holding company	359,342	382,234
Interest expense on borrowings		
– Fellow subsidiaries	2,039	2,208
Expenses in relation to settlement and other financial services		
– Fellow subsidiaries	2,943	950
Deposit interest income from fellow subsidiaries	30,710	50,628

	As at 31 December 2015	As at 31 December 2014
	RMB'000	RMB'000
Deposits and time deposits placed in fellow subsidiaries	6,213,498	4,041,199

40. Significant Related Party Transactions and Balances (Continued)

(a) Significant related party transactions and year end balances arising with the Sinopec Group, fellow subsidiaries, associates, joint ventures of fellow subsidiaries and associates of fellow subsidiaries: (Continued)

	As at 31 December 2015	As at 31 December 2014
	USD'000	USD'000
Guarantee received		
– Ultimate holding company	69,320	191,243

Besides, in respect of the Project RAPID (total contract value of approximately USD1.329 billion) between the Group and PETRONAS company, Sinopec Group provided guarantee to PETRONAS company. The Group provided counter guarantee to Sinopec Group.

The majority of these significant related party transactions with Sinopec Group and fellow subsidiaries also constitute continuing connected transactions as defined under Chapter 14A of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

Apart from transactions with Sinopec Group, fellow subsidiaries, associates, joint ventures of fellow subsidiaries and associates of fellow subsidiaries, the Group has transactions with other state-owned enterprises including but not limited to the following:

– Sales and purchases of goods and services;

– Purchases of assets;

– Lease of assets; and

– Bank deposits and borrowings.

In the ordinary course of business, the Group sells goods and services to, and purchase goods and services from other state-owned enterprises based on terms as set out in the underlying agreements, market price or actual cost incurred, or as mutually agreed.

In the ordinary course of business, the Group places deposits mainly in state-owned financial institutions. The deposits are in accordance with terms as set out in the respective agreement, and the interest rates are set at prevailing market rates.

Apart from the disclosure of loans due from the ultimate holding company in Note 26, trade receivables, prepayments and other receivables are unsecured, interest free and repayable on demand.

(b) Key management personnel remuneration

Key management includes directors (executive and non-executive), supervisors, president, vice presidents, chief financial officer and secretary to the Board of Directors. The compensation paid or payable to key management for employee services is shown below:

	2015	2014
	RMB'000	RMB'000
Basic salaries, other allowances and benefits-in-kind	3,902	4,363
Discretionary bonus	6,674	8,907
Contributions to pension plans	1,138	1,209
	11,714	14,479

Senior management, excluding directors and supervisors, whose remuneration fell within the following bands is as follows:

	2015	2014
	No. of individuals	No. of individuals
RMB500,000 to RMB1,000,000	6	6

41. Particulars of Principal Subsidiaries

As at 31 December 2015, the Company has direct and indirect interests in the following principal subsidiaries:

Name	Establishment/Place of incorporation and type of legal entity	Registered and fully paid capital	Effective interest held		Principal activities and place of operation
			Direct held	Indirect held	
		RMB'000			
SEI (中國石化工程建設有限公司)	The PRC/Limited liability company	500,000	100%	—	Engineering contracting, engineering and consulting/The PRC
LPEC (中石化洛陽工程有限公司)	The PRC/Limited liability company	500,000	100%	—	Engineering contracting, engineering and consulting/The PRC
SSEC (中石化上海工程有限公司)	The PRC/Limited liability company	200,000	100%	—	Engineering contracting, engineering and consulting/The PRC
SNEC (中石化寧波工程有限公司)	The PRC/Limited liability company	300,000	100%	—	Engineering contracting, design, equipment manufacturing/The PRC
SNEI (中石化南京工程有限公司)	The PRC/Limited liability company	556,005	100%	—	Engineering contracting, design/The PRC
FCC (中石化第四建設有限公司)	The PRC/Limited liability company	350,000	100%	—	Engineering contracting/The PRC
SFCC (中石化第五建設有限公司)	The PRC/Limited liability company	350,000	100%	—	Engineering contracting/The PRC
TCC (中石化第十建設有限公司)	The PRC/Limited liability company	350,000	100%	—	Engineering contracting/The PRC
Sinopec Guangzhou Engineering Co., Ltd. (中石化廣州工程有限公司)	The PRC/Limited liability company	50,000	100%	—	Engineering contracting/The PRC
Ningbo Institute (中石化寧波技術研究院有限公司)	The PRC/Limited liability company	10,000	100%	—	Technical services/The PRC
Sinopec Heavy Lifting and Transportation Co., Ltd. (中石化重型起重運輸工程有限責任公司)	The PRC/Limited liability company	500,000	100%	—	Engineering contracting technical service, equipment selling and leasing/The PRC
Sinopec Engineering Group Saudi Arabia Co., Ltd. (中石化煉化工程 (集團) 股份有限公司沙特公司))	Saudi Arabia/Limited liability company	3,356 (SAR 18,000,000)	100%	—	Engineering contracting/Saudi Arabia
Sinopec Engineering & Construction (Singapore) Pte. Ltd. (中石化煉化工程 (集團) 股份有限公司新加坡公司)	Singapore/Limited liability company	2,560 (SGD 500,000)	100%	—	Engineering contracting/Singapore
Sinopec Engineering Group America, L.L.C (中石化煉化工程 (集團) 股份有限公司美國公司)	United States/Limited liability company	3,075 (USD 500,000)	100%	—	Engineering contracting, engineering and consulting/United States
Beijing BPEC Engineering and Construction Supervision Co., Ltd. (北京畢派克項目管理有限公司)	The PRC/Limited liability company	7,000	—	100%	Engineering project management/The PRC
Beijing Petrochemical Engineering Consulting Co.,Ltd. (北京石油化工工程諮詢有限公司)	The PRC/Limited liability company	5,100	—	100%	Technical consulting/The PRC
Dalian Economy and Technology Zone Jinghai Petrochemical New Technology Development Co., Ltd. (大連經濟技術開發區京海石化新技術開發有限公司)	The PRC/Limited liability company	1,700	—	100%	Technology development service/The PRC
SEI (London) Co., Ltd. (中國石化工程倫敦有限公司)	United Kingdom/Limited liability company	165 (USD20,000)	—	100%	Market consulting agent/United Kingdom London
Tianjin Tianshi Engineering Project Management Co., Ltd. (天津天實工程項目管理有限公司)	The PRC/Limited liability company	3,000	—	100%	Engineering supervision/The PRC
Guangzhou Xinyue Refining and Petrochemical Engineering Designing Co., Ltd. (廣州新粵煉化工程設計有限公司)	The PRC/Limited liability company	1,000	—	100%	Engineering design/The PRC
Sinopec Tenth Construction Qingdao Co., Ltd. (中石化第十建設青島有限公司)	The PRC/Limited liability company	100,000	—	100%	Construction, equipment manufacturing/The PRC

41. Particulars of Principal Subsidiaries (Continued)

As at 31 December 2015, the Company has direct and indirect interests in the following principal subsidiaries (Continued):

Name	Establishment/Place of incorporation and type of legal entity	Registered and fully paid capital	Effective interest held		Principal activities and place of operation
			Direct held	Indirect held	
		RMB'000			
Beijing Jinhaiwan Engineering and Construction Supervision Co., Ltd. (北京金海灣工程建設監理有限公司)	The PRC/Limited liability company	10,000	—	100%	Construction, project supervision/The PRC
Urumqi Chenjiqian Construction Equipment Co., Ltd. (烏魯木齊宸吉齊安工程設備有限公司)	The PRC/Limited liability company	5,000	—	100%	Equipment installation and leasing/The PRC
Luoyang Gaoxinlongpu Petrochemical Development Co., Ltd. (洛陽高新龍浦石油化工開發有限公司)	The PRC/Limited liability company	35,000	—	100%	Oil production/The PRC
Luoyang Xinuo Fuel Oil Quality Testing Center, Ltd. (洛陽西諾燃料油質量檢驗中心有限公司)	The PRC/Limited liability company	5,000	—	100%	Oil inspection/The PRC
Jiangsu Nanhua Engineering and Technology Complete Development Co., Ltd. (江蘇南華工程技術開發成套有限公司)	The PRC/Limited liability company	5,000	—	100%	Construction/The PRC
Sinopec Shanghai Pharmaceutical Industry Designing Institute Co., Ltd. (中石化上海醫藥工業設計研究院有限公司)	The PRC/Limited liability company	8,046	—	100%	Medicine, pesticide, chemical research/The PRC
Zhuhai Shibidi Pharmaceutical Technology Development Co., Ltd. (珠海事必迪醫藥技術開發有限公司)	The PRC/Limited liability company	470	—	100%	Medicine, chemical, petrochemical design/The PRC
Shanghai Eastern Engineering Consulting Co., Ltd. (上海東方工程諮詢有限公司)	The PRC/Limited liability company	5,000	—	100%	Medicine, chemical, petrochemical consulting/The PRC
Shanghai Sanyuan Engineering Consulting and Supervision Co., Ltd. (上海三圓工程諮詢監理有限公司)	The PRC/Limited liability company	3,000	—	100%	Construction installation, construction supervision/The PRC
Shanghai Sanding Environmental Engineering Investment Co.,Ltd. (上海三鼎環境工程投資有限公司)	The PRC/Limited liability company	50,000	—	100%	Environmental protection and public facilities investments/The RPC
Shanghai Petrochemical Machine Manufacturing Co., Ltd. (上海石化機械製造有限公司)	The PRC/Limited liability company	133,640	—	100%	Petrochemical equipment manufacturing/The RPC
Ningbo Tianyi Equipment Technology Co., Ltd. (寧波天翼裝備技術有限公司)	The PRC/Limited liability company	60,000	—	100%	Petrochemical equipment design, manufacturing and installation/The PRC
Ningbo Tianyi Petrochemical Heavy Equipment Manufacturing Co., Ltd. (寧波天翼石化重型設備製造有限公司)	The PRC/Limited liability company	60,000	—	97%	Petrochemical equipment manufacturing and installation/The PRC
SINOPEC Engineering Group Malaysia SDN BHD (中石化煉化工程 (集團) 股份有限公司馬來西亞公司)	Malaysia/Limited liability company	5,157	—	100%	Engineering contracting/Malaysia
SINOPEC Engineering Group (Thailand) Co., Ltd. (中石化煉化工程 (集團) 股份有限公司泰國公司)	Thailand/Limited liability company	6,228	—	100%	Engineering contracting/Thailand

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, results in particulars of excessive length.

Documents for Inspection

The following documents will be available for inspection during normal business hours after 21 March 2016 (Monday) at the registered address of the Company upon request by the relevant regulatory authorities and shareholders in accordance with the laws and regulations of the PRC and the Articles of Association of the Company:

a) the original Annual Report signed by the Chairman of the Board and the President;

b) the original audited financial statements and consolidated financial statements for the year ended 31 December 2015 prepared in accordance with the IFRS and signed by the Chairman of the Board, the President, the Chief Financial Officer and the Head of the Finance Department; and

c) the original auditor's report in respect of the above financial statements signed by Grant Thornton Hong Kong Limited.

By Order of the Board

ZHANG Jianhua

Chairman of the Board

Beijing, the PRC

18 March 2016

This Annual Report is printed in both Chinese and English languages. Should there be any discrepancy between the English language and the Chinese language, the Chinese language shall prevail.

中石化炼化工程（集團）股份有限公司
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