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中石化煉化工程(集團)股份有限公司
SINOPEC Engineering (Group) Co., Ltd.*

(a joint stock limited liability company incorporated in the People's Republic of China)
(Stock Code: 2386)

VOLUNTARY ANNOUNCEMENT
UPDATE ON IRAN SANCTIONS DEVELOPMENTS

This announcement is made voluntarily by SINOPEC Engineering (Group) Co., Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”). The board of directors of the Company (the “**Board**”) is pleased to give the shareholders of the Company an update on the Group’s latest analysis of doing business in Iran in view of the changes in the sanctions targeting Iran effective 16 January 2016. Unless otherwise specified, capitalised terms used herein shall have the same meanings as defined in the Company’s prospectus dated 10 May 2013 (the “**Prospectus**”).

I. Background

As disclosed in the Prospectus, the Company has undertaken to The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) that it would not use the proceeds from the Global Offering, as well as any other funds raised through the Hong Kong Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any Sanctioned Country or any other government, individual or entity sanctioned by the European Union (the “**EU**”), the United Nations (the “**UN**”), the United States of America (the “**United States**” or the “**U.S.**”) 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 U.S. Department of the Treasury (OFAC)) (the “**Sanctioned Business**”) (the “**Undertakings**”). “Sanctioned Country” refers to a sanctioned country that is subject to comprehensive and nation-wide economic sanctions imposed by the U.S., the EU, Australia or the UN for the relevant period of time.

* For identification purposes only.

As disclosed in the Prospectus, the Company will disclose in its annual reports, when necessary, the results of monitoring the Group's business exposure to sanctions law risks including a description of Sanctioned Business (if any) or a confirmation that it did not conduct any Sanctioned Business during the respective period. The Company will also consider to disclose in its annual reports, when necessary, its business intention relating to any Sanctioned Country.

II. Recent Development of Iran Sanctions

Set out below is a summary of the latest sanctions concerning Iran implemented by the United States, the UN and the EU provided by legal advisers.

(1) U.S. Sanctions

On 16 January 2016 (the “**Implementation Day**”), the U.S. and EU announced that a number of sanctions on Iran have been lifted under the Joint Comprehensive Plan of Action (the “**JCPOA**”), following verification by the International Atomic Energy Agency that Iran has met its initial commitments to scale back key aspects of its nuclear program.

The U.S. regulatory changes lifted most nuclear-related secondary sanctions which had targeted certain activities by non-U.S. persons relating to Iran. With very limited exceptions (and some modest changes), U.S. persons, wherever located, and U.S. companies remain subject to broad U.S. sanctions prohibiting business dealings with Iran and Iranian parties.

The United States now maintains more limited sanctions with respect to the conduct of non-U.S. persons related to Iran. These sanctions, which target activities related to certain areas of concern such as Iran's weapons of mass destruction, human rights abuses, ballistic missile programs, and involvement in international terrorism, are narrower than the other sanctions that have been lifted.

U.S. sanctions continue to target non-U.S. persons' business engagements with any persons or entities that are designated on the U.S. Department of Treasury Office of Foreign Assets Control's Specially Designated Nationals and Blocked Persons List and entities owned by such persons. Certain U.S. sanctions and export controls also continue to attach to exports and reexports by non-U.S. persons of U.S.-origin goods and goods incorporating more than *de minimis* U.S. content.

(2) EU Sanctions

EU economic and financial sanctions on Iran’s nuclear program have been broadly lifted effective 16 January 2016. These changes now permit transactions in a number of key business sectors, including banking, finance and insurance, and oil and gas. A number of restrictions remain, including an arms embargo, restrictions on supply of missile technology, and a requirement to seek authorisation to supply certain goods for use in the nuclear or missile industries. A number of individuals and entities remain subject to an asset freeze. Pre-existing EU sanctions on Iran relating to human rights abuses, which include restrictions on the supply of equipment which may be used for internal repression or for monitoring/intercepting internet or telephone communications, as well as asset freezes on certain individuals and entities, have not been lifted.

(3) UN Sanctions

All UN Security Council (the “UNSC”) resolutions that had imposed sanctions on Iran were eliminated on Implementation Day except for UNSC Resolution 2231, which implemented the JCPOA. Therefore, UN restrictions on Iranian financial institutions, insurance, and shipping have been eliminated. However, the UN arms embargo on Iran is scheduled to continue. Additionally, all nuclear-related exports to Iran must receive pre-approval by the UNSC.

III. Business Opportunities in Iran’s Oil and Gas Market, Relevant Legal Exposure, and Internal Control Measures

As the U.S. lifted most nuclear-related secondary sanctions that had targeted non-U.S. persons, the Company, as a non-U.S. person, may explore potential business opportunities in Iran’s oil and gas engineering market without conflicting with prior U.S. sanctions identified in the Undertakings to the Hong Kong Stock Exchange. As advised by Company’s legal advisers, the Group is no longer prohibited from engaging in various activities relating to Iran’s oil and gas sector. The Group therefore plans to explore potential business opportunities, and gradually do businesses, in, among others, the engineering sector of certain oil and gas industries (including oil refining, petrochemicals, coal chemicals, inorganic chemicals and natural gas processing).

The Group will conduct any such activities in compliance with the requirements of all applicable U.S., EU, and other laws. Remaining sanctions are targeted at Iran’s weapons of mass destruction and ballistic missile programs, support for international terrorism, and human rights abuses.

The Company can provide no assurances that the Group's future business will be free of risk under U.S. or other sanctions despite the Company's commitment to comply with the applicable requirements of U.S. authorities, and the applicable requirements of authorities of any other government that imposes sanctions on an extraterritorial basis. The Company cannot predict the interpretation or implementation of government policy at the U.S. federal, state, or local levels or any policy by the EU, the UN or other applicable jurisdictions with respect to any future activities by the Group in Sanctioned Countries. In addition, as many sanctions programs are evolving, new requirements may be imposed, or original requirements may be reimposed (*e.g.*, with respect to the possibility of "snap back" of sanctions if Iran violates its commitments under the JCPOA) in relevant jurisdictions, which might result in one of or more of the Group's business activities conducted in Sanctioned Countries during the period when sanctions were lifted being deemed to violate applicable sanctions. Shareholders of the Company and potential investors should consider whether investment in the Company would expose them to any OFAC or sanctions-related risk arising from their nationality or residency. If the Group engages in oil and gas engineering business in Sanctioned Countries, such business may result in the reduction of the marketability of the shares of the Company and may have an adverse effect on the price of the shares of the Company.

As disclosed in the Prospectus and the Company's 2015 annual report, the Company has internal control policy and procedures (the "**Internal Control Procedures**") to monitor sanctions risks and to ensure compliance with the Undertakings, which include the following:

- (1) The Company has relevant Internal Control Procedures to monitor and regulate the use of the proceeds of the Global Offering as well as any other funds raised through the Hong Kong Stock Exchange, and ensure that such proceeds and funds currently are not being used for or applied to and will not be used for or applied to any Sanctioned Business.
- (2) The Company will evaluate the sanctions risks prior to determining whether it should embark on any business opportunities in Sanctioned Countries. According to the Internal Control Procedures, the Company's legal department needs to review all new contracts to determine whether the underlying projects or transactions involve any Sanctioned Business.
- (3) The Company retains external international counsel with necessary expertise and experience in sanctions law matters on an ongoing basis and the Company consults with the external international counsel for relevant advice when necessary.

- (4) The Company's legal department and/or legal advisers provide regular updates on sanctions laws to its Directors, its senior management and other relevant personnel to assist them in evaluating the potential sanctions risks in the Group's daily operations.
- (5) The Company has established a risk management committee, and its responsibilities include, among others, monitoring the Group's exposure to sanctions law risks and the Group's implementation of the relevant Internal Control Procedures.

Further announcement will be made as and when appropriate in relation to the major developments of the above matter. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
SINOPEC ENGINEERING (GROUP) CO., LTD.
SANG Jinghua
Vice President, Secretary to the Board

Beijing, PRC
30 June 2016

As at the date of this announcement, the Company's executive directors are LU Dong, YAN Shaochun, SUN Lili (employee representative director) and WU Derong (employee representative director); the non-executive directors are ZHANG Jianhua and LI Guoqing; and the independent non-executive directors are HUI Chiu Chung, Stephen, JIN Yong and YE Zheng.

This announcement will be available on the website of Hong Kong Exchanges and Clearing Limited (www.hkex.com.hk) and on the website of the Company (www.segroup.cn).