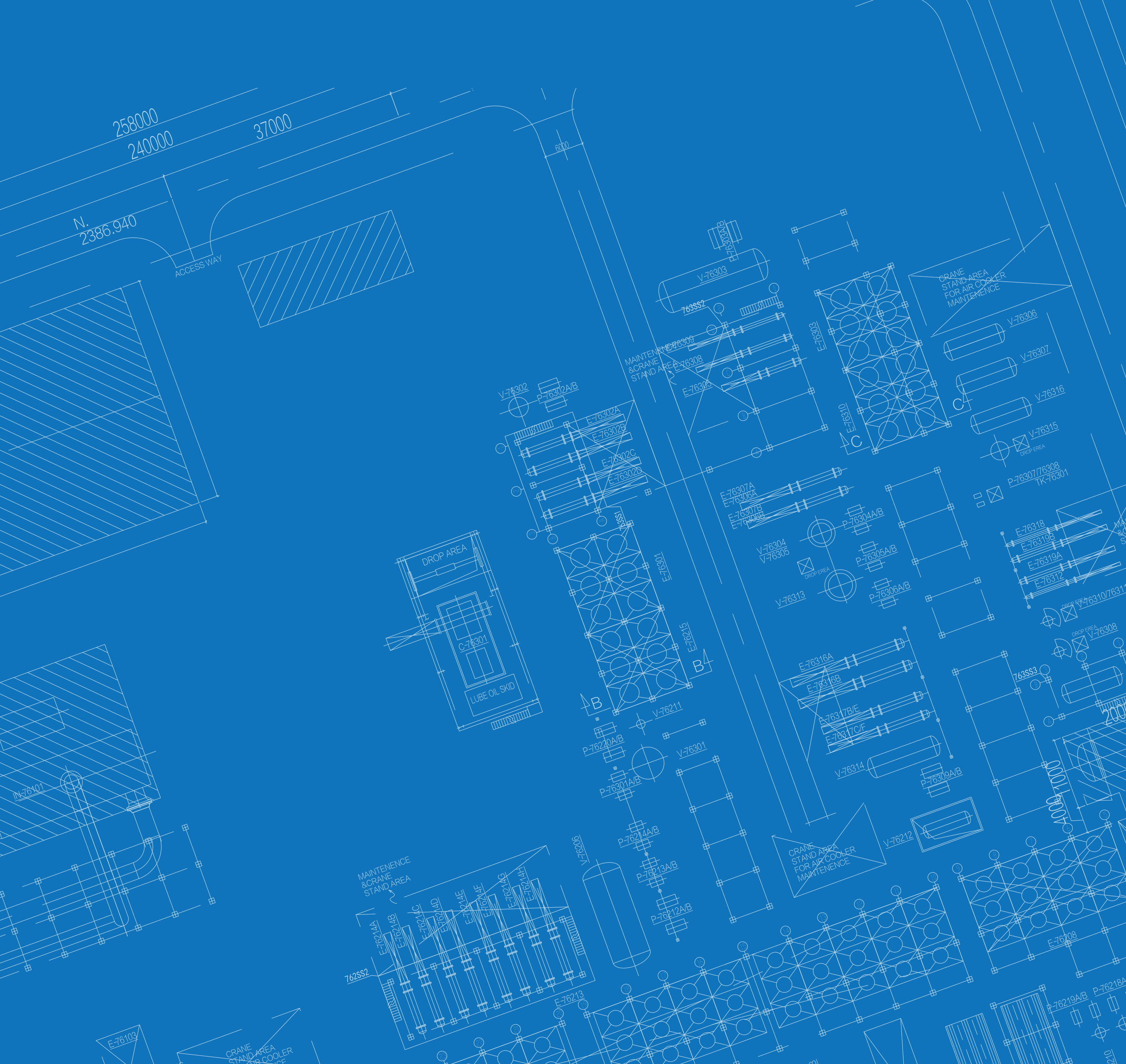
Stock Code: 2386

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

2013 INTERIM REPORT



Important Notice

The Board of Directors and directors of SINOPEC ENGINEERING (GROUP) CO., LTD. ("SINOPEC SEG") warrant that there are no false representations, misleading statements or material omissions contained in this interim report and hereby are jointly and severally liable for the authenticity, accuracy and completeness of the content thereof. SINOPEC SEG's directors, Mr. LING Yiqun and Mr. CHANG Zhenyong, were engaged with official duties and could not attend the eighth meeting of the First Session of the Board of Directors on August 16, 2013 (the "Meeting"). Mr. LING Yiqun authorized Mr. CAI Xiyou and Mr. CHANG Zhenyong authorized Mr. ZHANG Kehua to attend the Meeting and vote on their behalf. Mr. CAI Xiyou, Chairman of the Board, Mr. YAN Shaochun, President, Mr. JIA Yiqun, Chief Financial Officer and Mr. WANG Yi, head of the finance department warrant the authenticity and completeness of the financial statements contained in this interim report.

The interim financial statements for the six-month period ended 30 June 2013 of SINOPEC SEG and its subsidiaries ("the Company"), prepared in accordance with the International Financial Reporting Standards ("IFRS"), have been audited by Grant Thornton Certified Public Accountants (Special General Partnership), which has issued standard unqualified opinions on the interim financial statements contained in this interim report.

This interim 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 trend may differ materially from those indicated by these forward-looking statements as a result of various factors and uncertainties. The Company makes the forward-looking statements referred to herein as at 16 August 2013 and, unless otherwise required by the relevant regulatory authorities, undertakes no obligation or responsibility to update these statements.

Contents

Company Profile

SINOPEC SEG is a leading oil refining, petrochemical and new coal chemical engineering company in the PRC. The Company provides engineering services for a broad range of industries including oil refining, petrochemicals, new coal chemicals, inorganic chemicals, pharmaceutical chemicals and clean energy with a complete service chain involving technology licensing, consulting, financing assistance, engineering, procurement, construction and pre-commissioning/start-up services. Leveraging over 60 years of industry experience and continual innovation in technical expertise, the Company has achieved great success in engineering and constructing large-scale oil refining, petrochemical and new coal chemical complexes with strong competitiveness.

The Company will focus on the development strategy of integration, globalisation, differentiation, continuous innovation, green and low-carbon in order to attain the corporate vision of becoming the world's top-tier energy and chemical engineering company.

Basic Information of the Company

LEGAL NAME

中石化煉化工程(集團)股份有限公司

CHINESE ABBREVIATION

中石化煉化工程

ENGLISH NAME

SINOPEC ENGINEERING (GROUP) CO., LTD.

ENGLISH ABBREVIATION

SINOPEC SEG

LEGAL REPRESENTATIVE

Mr. CAI Xiyou

AUTHORISED REPRESENTATIVES

Mr. YAN Shaochun

Mr. SANG Jinghua

SECRETARY TO THE BOARD OF DIRECTORS

Mr. SANG Jinghua

REGISTERED ADDRESS

A6 Huixindong Street, Chaoyang District, Beijing, PRC

PLACE OF BUSINESS AND CORRESPONDENCE ADDRESS

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WEBSITES PUBLISHING THIS INTERIM REPORT

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

http://www.hkex.com.hk

The Company's Website:

http://www.segroup.cn

PLACE WHERE THE INTERIM REPORT IS AVAILABLE FOR INSPECTION

Office of Board of Directors

SINOPEC ENGINEERING (GROUP) CO., LTD.

Tower B, No.19, Anyuan, Anhuibeili,

Chaoyang District, Beijing, PRC

PLACE OF LISTING OF SHARES, STOCK NAME AND STOCK CODE

H Shares: Hong Kong Stock Exchange

Stock name: SINOPEC SEG

Stock code: 2386

ENTERPRISE LEGAL BUSINESS LICENSE REGISTRATION NO.

100000000041054

TAXATION REGISTRATION NO.

110105710934908

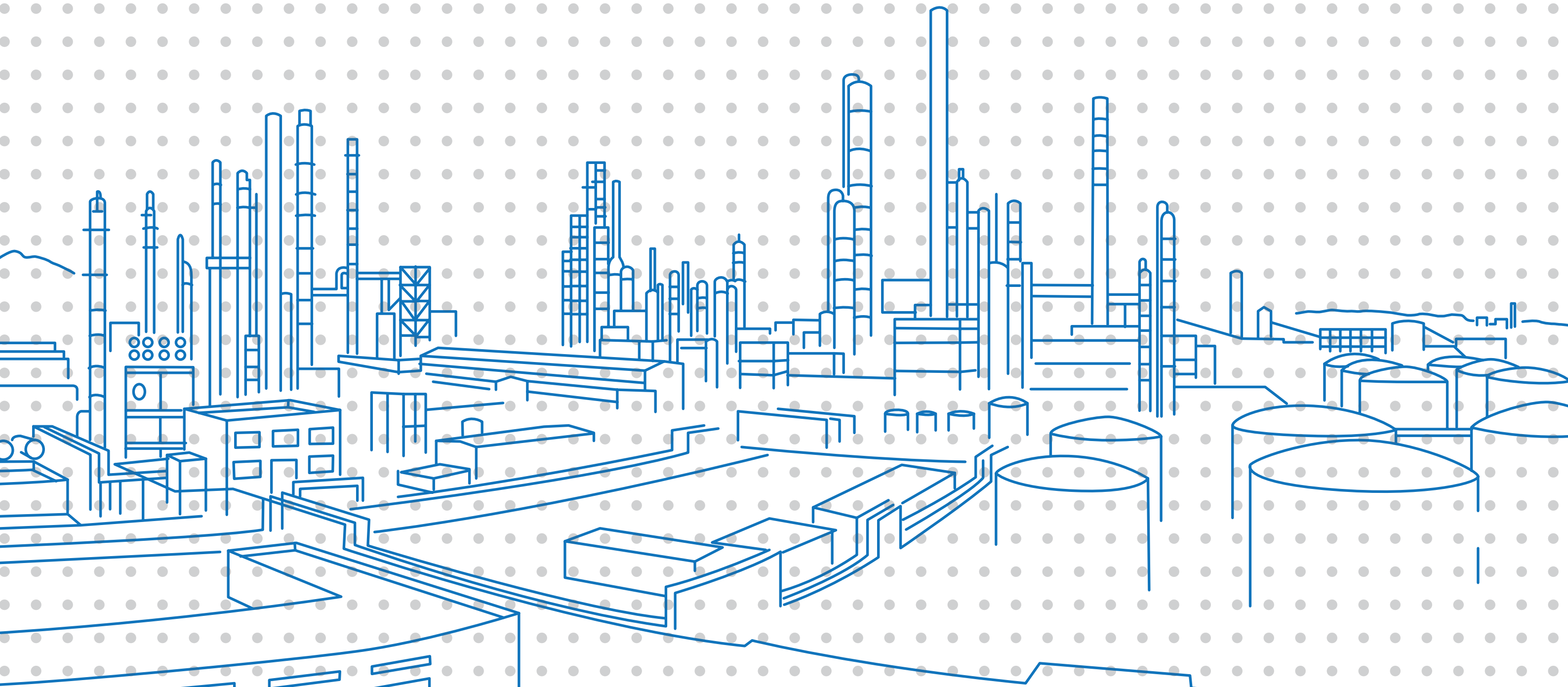
ORGANIZATION CODE

71093490-8

NAMES AND ADDRESSES OF AUDITOR OF SINOPEC SEG

Grant Thornton
Certified Public Accountants
(Special General Partnership)

4th, 5th and 10th Floor, Scitech Place, 22 Jianguomen Wai Avenue, Chaoyang District, Beijing, PRC



Principal Financial Data and Indicators

Principal Financial Data and Indicators

Financial Data and Indicators Prepared in Accordance with IFRS

Unit: RMB'000

Items	As at 30 June 2013	As at 31 December 2012	Changes from the end of last year (%)
Total assets	47,428,498	37,130,025	27.7
Total equity attributable to shareholders of the Company	19,907,145	7,077,985	181.3
Net assets per share attributable to shareholders of the Company (RMB)	4.50	2.28	97.4

Unit: RMB'000

Items	Six-month periods ended 30 June		Changes over the same period of the preceding year (%)
	2013	2012	
Revenue	19,645,416	16,888,392	16.3
Gross profit	3,645,816	3,077,236	18.5
Operating profit	2,821,410	2,269,798	24.3
Profit before taxation	2,930,287	2,583,889	13.4
Net profit attributable to shareholders of the Company	2,214,134	1,998,504	10.8
Basic earnings per share (RMB)	0.66	0.64	3.1
Net cash flow used in operating activities	(905,213)	(2,668,792)	N/A
Net cash flow used in operating activities per share (RMB)	(0.27)	(0.86)	N/A

Items	Six-month periods ended 30 June	
	2013	2012
Gross profit margin (%)	18.56	18.22
Net profit margin (%)	11.27	11.83
Return on assets (%)	5.24	5.25
Return on equity (%)	11.12	35.59
Return on invested capital (%)	11.24	35.35

Items	As at 30 June 2013	As at 31 December 2012
Asset-liability ratio (%)	58.02	80.93

Changes in Share Capital and Shareholdings of Substantial Shareholders

Changes in Share Capital and Shareholdings of Substantial Shareholders

1 Changes in the Share Capital of SINOPEC SEG

Unit: Share

	As at 31 December 2012		Increase/Decrease during the Reporting Period (+, -)			As at 30 June 2013	
	Number	Percentage (%)	New share issued	Others	Subtotal	Number	Percentage (%)
Promoter shares (domestic shares)	3,100,000,000	100.00	—	-132,800,000	-132,800,000	2,967,200,000	67.01
Foreign shares listed overseas (H shares) (1)	—	—	+1,328,000,000	+132,800,000	+1,460,800,000	1,460,800,000	32.99
Total number of shares	3,100,000,000	100.00	+1,328,000,000	—	+1,328,000,000	4,428,000,000	100.00

Notes:

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

2 Shareholdings of Substantial Shareholders

As at 30 June 2013, there were a total of 1,826 shareholders of SINOPEC SEG. The public float of SINOPEC SEG 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").

❶ Shareholdings of the top ten shareholders

Unit: Share

Name of Shareholders	Increase/Decrease during the Reporting Period	Number of shares held at the end of the Reporting Period	Approximate percentage at the end of the Reporting Period	
			In total share capital (%)	In relevant class of shares (%)
China Petrochemical Corporation	-132,800,000	2,967,200,000	67.01	0.00
HKSCC (Nominees) Limited	+1,458,073,000	1,458,073,000	32.93	99.81
CHAN LAI KUEN SELINA	+195,500	195,500	0.33	0.01
WONG CHUI CHUNG	+195,500	195,500	0.33	0.01
WONG MAY JANE	+131,000	131,000	0.33	0.01
MUI CHOK WAH	+18,000	18,000	0.00	0.00
WONG KWOK WAI PHILIP	+16,500	16,500	0.00	0.00
WONG KWOK YUNG ANSON	+16,500	16,500	0.00	0.00
YUE KAR MAN DORA	+16,000	16,000	0.00	0.00
WONG KWOK CHEE JUDY	+13,500	13,500	0.00	0.00
Statement on the connected relationship or action in concert among or between the aforementioned shareholders	SINOPEC SEG is not aware of any connection or action in concert among or between the aforementioned top ten shareholders.			

❷ Information disclosed according to the Securities and Futures Ordinance

Except for the information disclosed below, as at 30 June 2013, so far as is known to the Board of Directors, no person(s) (not being a director, chief executive or supervisor of the Company) 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 ("SFO") or, who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at the general meetings of any other member of the Company:

Name of Shareholders	Class of shares	Capacity	Number of shares with interests held or regarded as being held (share)	Approximate percentage in shares of SINOPEC SEG of the same class (%) (5)	Approximate percentage in the total share capital of SINOPEC SEG (%) (6)
China Petrochemical Corporation (1)	Domestic Shares	Beneficial owner/ Interests of controlled corporation	2,967,200,000(L)	100(L)	67.01(L)
Hang Seng Bank Trustee International Limited (2)	H shares	Trustee/Interests of controlled corporation	74,583,500(L)	5.10(L)	1.68(L)
National Council for Social Security Fund of the PRC (全國社會保障基金理事會) (3)	H shares	Beneficial owner	146,632,000(L)	10.04(L)	3.31(L)
State Administration of Foreign Exchange of the PRC (國家外滙管理局) (4)	H shares	Interests of controlled corporation	131,756,000(L)	9.02(L)	2.98(L)

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

Notes:

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

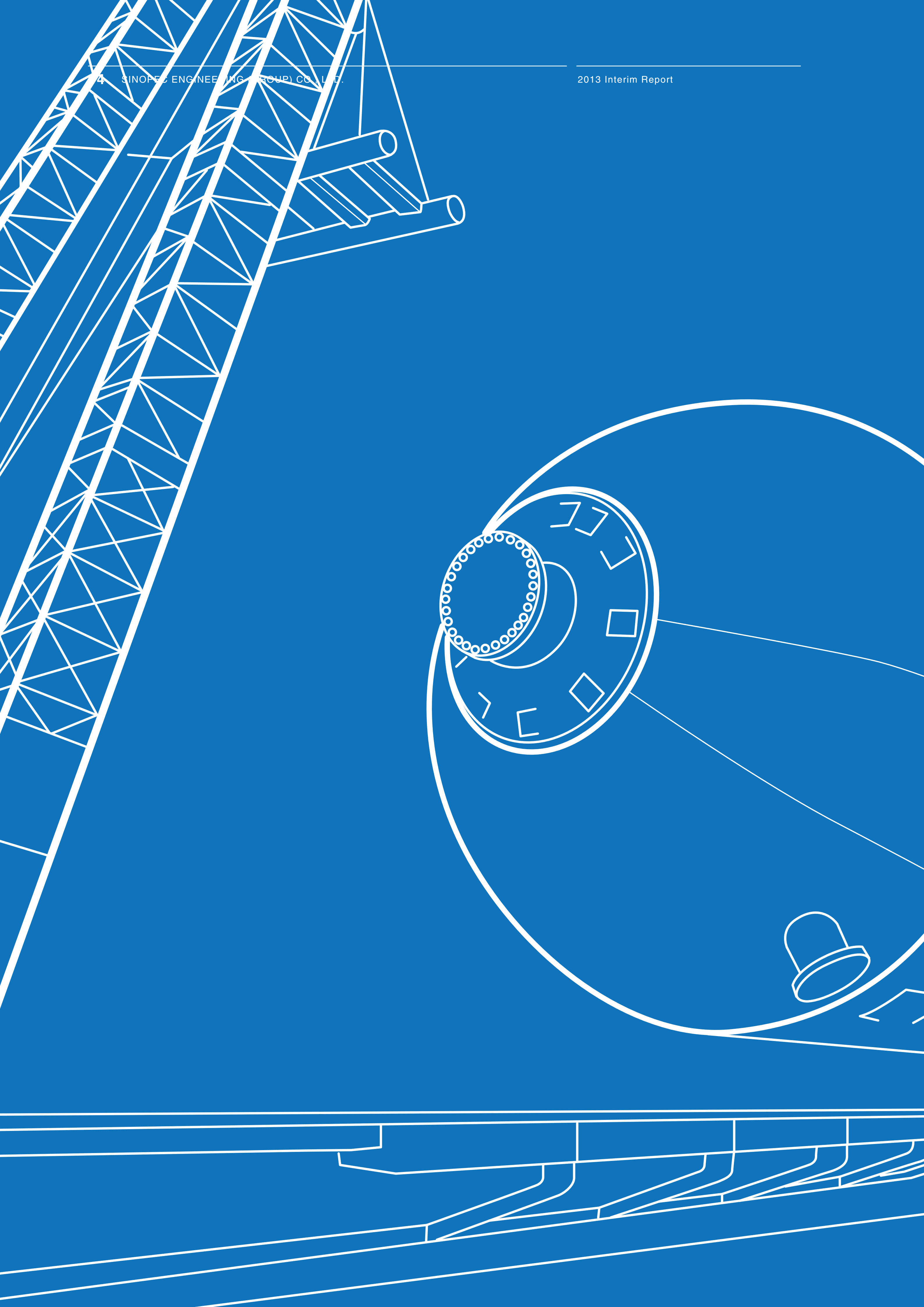
(2) According to the Corporate Substantial Shareholders Notices dated 6 June 2013 and filed by each of (i) Hang Seng Bank Trustee International Limited, (ii) Cheah Company Limited, (iii) Cheah Capital Management Limited, (iv) Value Partners Group Limited, (v) Cheah Cheng Hye and (vi) To Hau Yin with the Hong Kong Stock Exchange, Value Partners Group Limited (wholly-owned subsidiary of Value Partners Group Limited) directly holds 74,583,500 H shares of the Company. Hang Seng Bank Trustee International Limited is the trustee of the C H Cheah Family Trust, of which Cheah Cheng Hye is the founder. To Hau Yin is the spouse of Cheah Cheng Hye. Each of Cheah Company Limited, Cheah Capital Management Limited and Value Partners Group Limited is directly or indirectly controlled by Hang Seng Bank Trustee International Limited. Accordingly, for the purposes of the SFO, each of Hang Seng Bank Trustee International Limited, Cheah Company Limited, Cheah Capital Management Limited, Value Partners Group Limited, Cheah Cheng Hye and To Hau Yin is deemed interested in the long positions held by Value Partners Group Limited.

(3) The information is based on the Corporate Substantial Shareholders Notices dated 4 June 2013 and filed by the NSFF with the Hong Kong Stock Exchange.

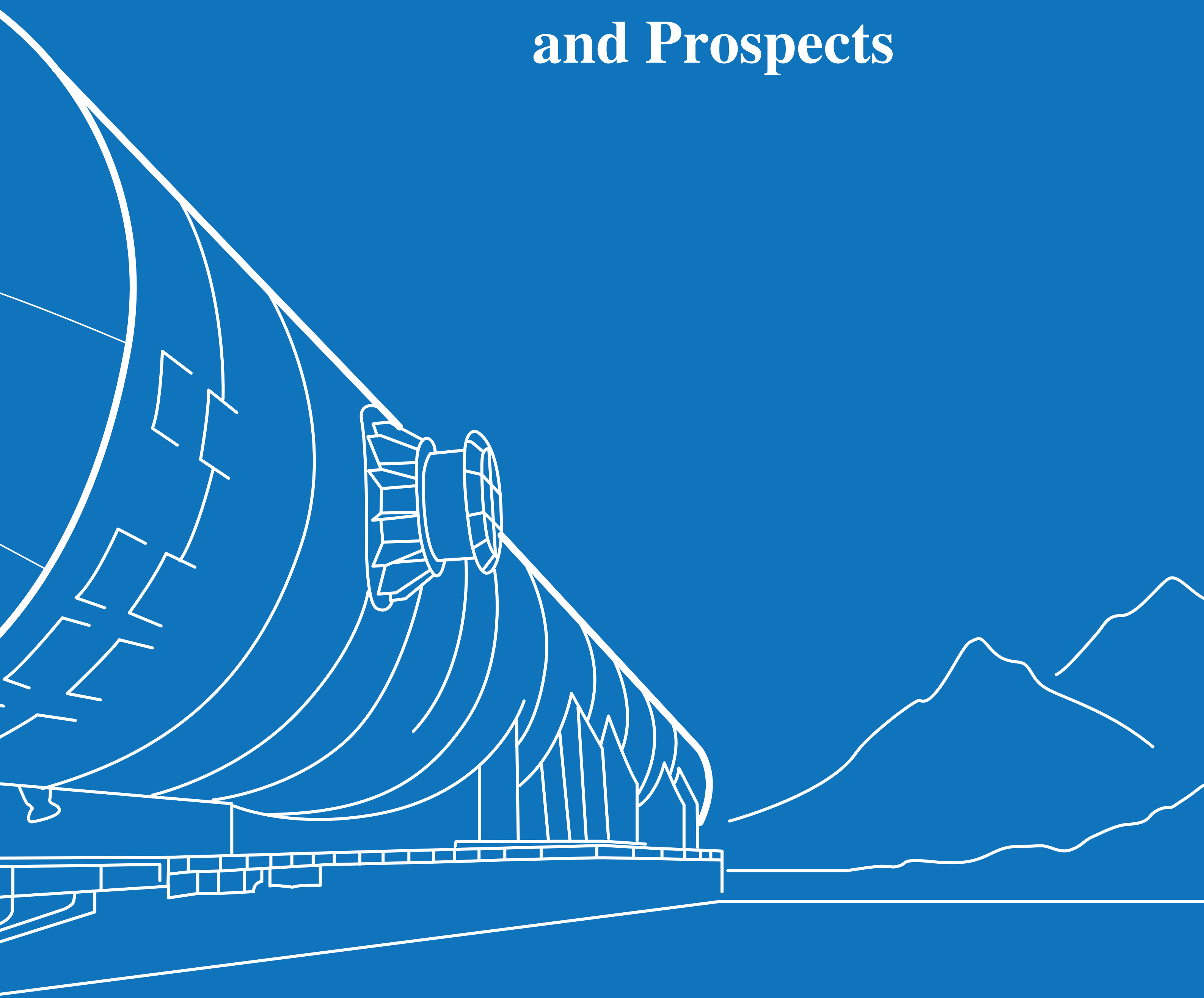
(4) According to the Corporate Substantial Shareholders Notices dated 4 June 2013 and filed with by (i) the State Administration of Foreign Exchange of the PRC ("SAFE"), (ii) Pagoda Tree Investment Company Limited (中國華馨投資有限公司), (iii) Compass Investment Company Limited (博遠投資有限公司), (iv) GUOXIN International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

(5) The calculation is based on the 2,967,200,000 domestic shares or 1,460,800,000 H shares issued by the Company.

(6) The calculation is based on the 4,428,000,000 shares issued by the Company in total.



Business Review and Prospects



Market Environment

In the six months ended 30 June 2013, the situation for the global economy remained complicated and severe. While the U.S. economy started to recover with clear signs of improvement, economies in the rest of the world, especially Europe, were still in the doldrums. The recovery of the global economy as a whole stayed slow. Overall, China enjoyed relatively stable growth, with satisfactory progress made in economic restructuring and transformation. In the six months ended 30 June 2013, China witnessed a GDP growth rate of 7.6%, far exceeding the global average. The new PRC administration will focus on enhancing the quality and efficiency of economic growth. By streamlining administration, delegating power and transforming government functions, the Chinese economy is expected to continue its growing trend through implementation of development strategies including transformation and upgrading industrialization and urbanization.

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

1. The oil refining and chemical industry has great potential for development, due to the rising demand for refined oil and chemical products in China as well as urbanization;
2. Tighter standards for environmental protection, the need for energy conservation and emission reduction, and the elimination of backward production capacity have all given impetus to industrial upgrades and agglomeration, which have also brought development opportunities for engineering enterprises;
3. In recent years, technologies for raw materials diversification, such as the utilization of new coal chemicals and light hydrocarbon, have gradually matured and received government support. Meanwhile, the development and utilization of unconventional natural gas have remarkably lowered product cost and provided the chemical industry with a broad development prospect;
4. The market has become more diversified with newcomers, who often rely heavily on EPC contractor, thereby creating more opportunities for EPC contracting business;
5. The investment scale of the oil refining and chemical engineering industry as a whole will continue to grow, hence directly contributing to the sustained growth for this industry.

BUSINESS REVIEW

In the six-month period ended 30 June 2013 (the "Reporting Period"), the Company's total revenue and profit attributable to shareholders of the Company were RMB19.645 billion and RMB2.214 billion, respectively. As at the end of the Reporting Period, the Company's backlog was RMB101.485 billion. The value of new contracts the Company entered into during the Reporting Period was RMB45.080 billion.

The business of the Company is mainly comprised of four segments: (1) Engineering, consulting and licensing; (2) EPC Contracting; (3) Construction; and (4) Equipment manufacturing. The following table sets forth the revenue generated from each of the segments (before and after inter-segment elimination) and their respective percentage of the Company's total revenue (before inter-segment elimination) during the periods indicated:

	Six-month periods ended 30 June				
	2013		2012		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB'000)	(%)	(RMB'000)	(%)	(%)
Engineering, consulting and licensing	2,263,920	10.6	1,677,822	9.4	34.9
EPC Contracting	10,594,811	49.7	8,331,527	46.6	27.2
Construction	8,098,838	38.0	7,495,236	41.9	8.1
Equipment manufacturing	365,763	1.7	384,928	2.1	(5.0)
Subtotal	21,323,332	100.0	17,889,513	100.0	N/A
Total revenue after inter-segment elimination (1)	19,645,416	N/A	16,888,392	N/A	16.3

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

In the Reporting Period, the total revenue of the Company was RMB19.645 billion, an increase of 16.3% from the same period of the previous year, benefited mainly by several large Engineering, Procurement and Construction Contracting ("EPC Contracting") projects that entered their peak construction stage this year, including the Yanchang Petroleum Jingbian Energy Chemical Complex ("Jingbian Coal Chemical Complex"), Shaanxi Yulin Methanol Acetic Acid Deep Processing and Comprehensive Utilization Complex ("Yulin Coal Chemical Complex"), Wuhan 800 thousand tons per annum ("Ktpa") Ethylene Complex ("Wuhan Ethylene Complex"), Sinochem Quanzhou 12 million tons per annum ("Mtpa") Oil Refining Complex ("Sinochem Quanzhou Complex"), Refined Oil Quality Upgrading and Heavy Crude Oil Adapting Complex of Shijiazhuang Refining and Chemical Company ("Shijiazhuang Refining and Chemical Complex").

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

	Six-month periods ended 30 June				
	2013		2012		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB'000)	(%)	(RMB'000)	(%)	(%)
Oil refining	**5,129,647**	**26.1**	5,449,534	32.3	(5.9)
Petrochemicals	**8,625,631**	**43.9**	6,783,294	40.2	27.2
New coal chemicals	**3,686,688**	**18.8**	2,234,112	13.2	65.0
Other industries	**2,203,450**	**11.2**	2,421,452	14.3	(9.0)
Total	**19,645,416**	**100.0**	16,888,392	100.0	16.3

The Company derived its revenue mainly from services provided to clients in the oil refining, petrochemical and new coal chemical industries. In the Reporting Period, the Company's revenue from the oil refining industry was RMB5.130 billion, similar to that of the same period in 2012. This was mainly because a number of large domestic projects were at their final stage and new projects including the Kazakhstan Atyrau Refinery Oil Deep Processing Project were still in the initial stages of construction. The revenue derived from the petrochemical industry was RMB8.626 billion, representing an increase of 27.2% as compared to that for the same period in 2012. This increase was mainly because a large proportion of contracts signed after 2011 by the Company in this industry substantially realized revenue in the Reporting Period. Revenue derived from the new coal chemical industry witnessed a sharp rise to RMB3.687 billion, representing an increase of 65.0% as compared to that for the same period in 2012. This increase was mainly due to the significant increase of revenue generated from projects such as the Jingbian Coal Chemical Complex and the continued increase in backlogs for new coal chemicals. Revenue derived from other industries was RMB2.203 billion, which was slightly lower compared to that for the same period in 2012.

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

	Six-month periods ended 30 June				
	2013		2012		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB'000)	(%)	(RMB'000)	(%)	(%)
PRC	**16,189,958**	**82.4**	14,200,348	84.1	14.0
Overseas	**3,455,458**	**17.6**	2,688,044	15.9	28.5
Total	**19,645,416**	**100.0**	16,888,392	100.0	16.3

During the Reporting Period, the overseas revenue of the Company amounted to RMB3.455 billion, representing an increase of 28.5% as compared to RMB2,688 billion in the same period in 2012. This increase was mainly due to the Kazakhstan Atyrau Refinery Aromatics EPC Project, the Saudi Kayan NDA Project, the SABIC PET Project in Saudi Arabia and the Singapore Lubricant Oil/Grease Project. In particular, over 70 percent of the Kazakhstan Atyrau Refinery Aromatics EPC Project was completed, with engineering, procurement and construction conducted in full force. The project was in its peak construction stage in the Reporting Period. The Saudi Kayan NDA Project and the SABIC PET Project entered their final stage, with most of the progress made in the Reporting Period. The Singapore Lubricant Oil/Grease Project was fully completed in the Reporting Period, also contributing to the Company's overseas revenue.

As the end of the Reporting Period, the backlog of the Company amounted to RMB101.485 billion, representing an increase of 33.4% as compared to RMB76.051 billion as at 31 December 2012, or 2.6 times of the total revenue of RMB38.526 billion in 2012. During the Reporting Period, the value of new contracts amounted to RMB45.080 billion, representing an increase of 244.2% as compared to RMB13.097 billion in the same period of 2012.

Representative domestic projects with new contracts signed during the Reporting Period include: (i) the DMTO-II unit for the 700 Ktpa coal-to-olefin project of Pucheng Clean Energy Chemical Co., Ltd., with an EPC contract value of RMB2.398 billion; (ii) the DMTO unit for the 300 Ktpa polyethylene project and the 390 Ktpa polypropylene project of Zhejiang Xingxing New Energy Co., Ltd., with an EPC contract value of RMB1.819 billion; (iii) the tank farm project for Shandong LNG receiving terminal project of Sinopec Qingdao LNG Co., Ltd., with an EPC contract value of RMB1.665 billion; and (iv) the 400 Ktpa phenol-acetone project of Shanghai Sinopec Mitsui Chemical Co., Ltd., with an EPC contract value of RMB1.23 billion. Representative overseas projects with new contracts signed during the Reporting Period include: (i) the USA PTA and PET project, with an EPC contract value of USD1.150 billion; and (ii) the Engineering, Procurement, Construction, Commissioning/Start-Up Contracting ("EPCC") contract for the Kazakhstan KPI project, with a contract value of USD1.850 billion.

The capital expenditure of the Company would usually be used for facility expansion, upgrade of technology and procurement of equipment. In the Reporting Period, our capital expenditure was approximately RMB209 million, which was for the construction of production bases and procurement of large construction equipment. It decreased significantly as compared to the capital expenditure of RMB736 million for the same period of 2012, which was principally for the purchase of land use rights for a number of parcels of land.

Business Highlights

1 Successful Implementation of Major Projects

Jingbian Coal Chemical Complex: This complex mainly involves units for 1.5 Mtpa of residue fluid catalytic cracking, 600 Ktpa of polyethylene, and 600 Ktpa of polypropylene, etc. During the Reporting Period, the engineering, procurement and construction of the project were completed and pending further commissioning.

Yulin Coal Chemical Complex: The first phase of this complex involves the units for 1.8 Mtpa of MTO, 300 Ktpa of polyethylene, 300 Ktpa of polypropylene, and the unit for the comprehensive utilization of C4. Currently, the overall completion progress of all the units has exceeded fifty percent and the safety, quality and progress of the complex are all under control of the Company.

Wuhan Ethylene Complex: This complex mainly involves units for 800 Ktpa of ethylene, 550 Ktpa of gasoline hydrofining unit, 350 Ktpa of aromatics extraction, 300 Ktpa of high density polyethylene and 300 Ktpa of linear low density polyethylene, etc. Currently, all the units have been delivered and the complex is going through commissioning and start-up phase.

Sinochem Quanzhou Complex: The major processing units of this complex consist of 12 Mtpa CDU/VDU unit, 2 Mtpa continuous catalytic reforming unit, 1.6 Mtpa delayed coking unit, 3.3 Mtpa residue desulfurisation unit, 3.4 Mtpa fluid catalytic cracking unit, 2.6 Mtpa wax oil hydrocracking unit, and hydrogen production unit with a capacity of 140,000 normal cubic meter per hour. Currently, the design of the complex has been almost completed and all the major equipment and materials have been purchased. The safety, quality and progress of the complex are all under control of the Company.

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

2 Excellent Results in Market Development

In 2013, due to the impact of the international and domestic macro environment, the energy and chemical engineering market has slowed down and the pressure caused by market competition has been intensifying. The new coal chemical industry has seen remarkable growth in the PRC with the development of new coal chemical technology and its cost advantages. While maintaining our market edges in conventional industries, e.g. the oil refining and chemical industry, the Company strove to explore the domestic coal chemical markets and strengthened overseas marketplace exploration. During the Reporting Period, the value of new contracts was RMB45.080 billion, including RMB22.443 billion for domestic projects and RMB22.637 billion for overseas projects.

Domestically, the Company signed contracts for a number of large projects during the Reporting Period, including the EPC contracting for the continuous catalytic reforming and gasoline separation project of Dalian West Pacific Petrochemical Co., Ltd., the project of the tank farm for the LNG receiving terminal in Qingdao of Shandong and Dapeng of Guangdong, the EPC contracting for the butadiene unit of SECCO and the EPC contracting for the phenol-acetone unit of Sinopec Mitsui. In the new coal chemical industry, the Company signed contracts for the following projects: the polypropylene unit of China Coal Mengda, the olefin separation plant of Shenhua Shaanxi, the DMTO unit of Zhejiang Xingxing Energy and the DMTO unit in Pucheng. The significant increase in new contracts clearly indicates that the conventional petrochemical industry is still the primary business of the Company. There was also a continuous increase in the number of new contracts signed for new coal chemical projects, contributing to a total contract value of RMB9.069 billion during the Reporting Period. During the Reporting Period, the permit for the new coal chemical projects in Zhijin of Guizhou Province and Hebi of Henan Province which the Company had been following up closely was granted by the NDRC to commence early stage work. The ethylene and oil refining revamping and expansion project of Hainan Refining Chemical Co., Ltd. and the integration project for Phase II of CNOOC Huizhou Refining have also been approved by the NDRC. In addition to the above projects, the Company is also pursuing a number of significant projects, and expects an optimistic prospect for the market development.

Overseas, the Company signed an EPC contract on 11 January 2013 with Italian M&G for the 1.2 Mtpa PTA and the 1 Mtpa PET complex located in Texas, the United States. The contract value is USD 1.15 billion with a construction period of 36 months. Upon completion, the plant will become the largest manufacturer of PET for packing material in the United States. Responsibilities of the Company for this project include assisting the owner in obtaining USD350 million of Chinese export credit and providing procurement service for relevant Chinese equipments and materials. The Company is also responsible for managing and supervising the project as a general contractor. On 10 June 2013, the Company entered into an EPC contract with Kazakhstan Petrochemical Industry Inc ("KPI"). The project is located in the region of Karabatan, Atyrau State, Kazakhstan. The Company's scope of work under the contract includes the general contracting of the engineering, procurement, construction, commissioning and performance assessment (EPCC) for a 500 Ktpa propane dehydrogenation unit (PDH) and polypropylene unit (PP) as well as the utilities required by the two units above and the related infrastructures. The project will be implemented upon satisfaction of certain conditions. The construction period of the project is expected to be 36 months, with a total contract value of approximately USD1.85 billion (approximately RMB11.4 billion).

3 Leading Technologies

Steady progress of the R&D of major technologies developed along with the key projects. Satisfactory progress has been made in 35 major technological R&D projects. Following successful adoption in Sinopec Shijiazhuang Refining & Chemical Company, the technology of liquid-phase cyclic hydrogenation of diesel was also adopted by Sinopec Zhanjiang Petrochemical Company which has successfully commenced operations. With licensed technologies employed by eight core units, the Wuhan Ethylene Complex will start commissioning soon. The projects that will be commissioned in the second half of 2013 include : (i)

Sinopec Hainan Petrochemical Company 480 Ktpa polyester raw material project, which uses proprietary technology, (ii) Sinopec Hubei Chemical Fertilizer 200 Ktpa coal-to-glycol project, and (iii) the hydrogen production project (Dongfang gasifier) of Sinopec Yangzi Petrochemical Company. The industrialisation of a number of technologies have entered the construction stage, including the residual desulfurisation on floating bed, propylene epoxide production using hydrogen peroxide method, and wet process flue gas desulfurisation. Good progress has been made on key projects, including Yuanba Natural Gas Purification Plant and the sewage treatment of Sinopec Nanjing Chemical Industrial Co., Ltd.. The successful implementation of the aforesaid new technological projects has made positive contribution to the Company's business.

Remarkable achievements in licensing. During the Reporting Period, 39 new technology licensing contracts were signed, amounting to RMB199 million. In addition to the conventional advantageous projects, e.g. polypropylene, cracking furnace, MTO, styrene and acrylonitrile, licensing has also been completed for the oil refining projects of CNOOC Taizhou Refining Units and Sinopec Yangzi Petrochemical Company Refining Project.

Good momentum kept in patent applications. During the Reporting Period, the Company submitted 202 new patent applications, of which 121 patents were granted. In particular, 5 affiliated engineering companies, including Sinopec Engineering Incorporation, Sinopec Luoyang Petrochemical Engineering Corporation, Sinopec Shanghai Engineering Co., Ltd., Sinopec Ningbo Engineering Company Limited and Sinopec Nanjing Engineering & Construction Incorporation, submitted 187 patent applications. Of these 187 patent applications, 120 were invention patents, which accounted for approximately two-thirds of the total number of patent applications, reflecting the high quality of the Company's patent applications.

During the Reporting Period, the Company won 22 provincial/ministerial or higher level awards for scientific and technological progress. The "safe and efficient development technology for the industrialized application of mega-sized and ultra-deep gas field of high sulfur compounds" project won the 2012 National Special Award for Scientific and Technological Progress; the "development and application of packaged technology for 650 Ktpa ethylbenzene", "development of the application technology for the capacity expansion and quality upgrading of the hydrocracking unit", "development of packaged technology for 300 Ktpa vinyl acetate made from natural gas by acetylene method" and "development and industrial application of packaged technology for catalytic oxidation of PO/SM flue gas" won first prize for Scientific and Technological Progress awarded by Sinopec Group; the "creation and industrial application of catalyst for binderless composite molecular sieve" won the first prize for Scientific and Technological Progress awarded by the People's Government of Shanghai; the "demo plant for producing 500 Ktpa of olefin using residue catalytic pyrolysis process ("CPP") won the first prize for Scientific and Technological Progress awarded by China Petroleum and Chemical Industry Federation ("CPCIF"); and the "1 Mtpa ethylene project of Sinopec Zhenhai" won a gold medal of National Premium Project Award.

4 Intensifying Enterprise Reform

The Company has been actively pursuing corporate reform focusing on the developmental goal of "building the world's top-tier energy and chemical engineering company" and the developmental mode of "integrated operation and group-oriented management and control". The Company has continued to reorganise its businesses and push forward specialization reform and has been in the process of establishing Sinopec Heavy Lifting and Transportation Ltd. ("SLT"), and resolving the issue of "scattered and poor business" and "homogenous competition" of its subsidiaries (especially the construction enterprises). With a focus on "streamlining and efficiency". The Company has further optimized organizational structure and functionality and established Procurement Department, QHSE Management Department and IT Management Department. The Company has also sought methods to carry out mechanism and institutional reform, enhance corporate governance under a different situation and establish effective institutions, mechanisms, and a Group-oriented management system which accomodates the development of the Company during its upward development.

5 Sustained Safe Operation

During the Reporting Period, the Company has strengthened the implementation and accountability in QHSE management, establishing the philosophy of "Safety comes first, Life above all else", adhering to the guiding principle of "Safety first, prevention foremost and comprehensive treatment",actively introducing modern management concepts and methods, complying with management requirements of "all-member participation, assignment of responsibility, perfection of systems, continuous improvement, process control and serving clients". The Company has additionally enhanced the quality, HSE training and inspection for projects under construction.

As at the end of the Reporting Period, the accumulated safe man-hours amounted to 119.74 million hours, with no quality or operational safety incidents occurred.

6 Other Aspects

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

Business Prospects

1 Realising the synergies of reorganization

1) Joint EPC contracting. The Company actively encourages its affiliated engineering companies and construction enterprises to carry out joint EPC contracting for projects and has undertaken pilot experiments for such projects such as Beihai LNG and Tianjin LNG. The joint EPC contracting has further streamlined project management structure, reduced management costs and avoided waste of resources. In addition, construction enterprises can step in at the early stage of a project to carry out constructability studies and create conditions for subsequent construction to ensure the safety, quality and efficient implementation of the project.

2) Market development. The Company will further strengthen its coordination in market development, eliminate vicious competition, realize orderly development and healthy competition; assist its subsidiaries in enhancing the efficiency of market development outside Sinopec Group under the principle of maximizing the benefits of the Company; require full considerations of risk factors associated with market development projects and be cautious before participating in "build, operate and transfer" ("BOT") projects and projects with questionable credit standing to ensure that the risks in project implementation are under control.

3) Standardized engineering, standardized procurement, modularized construction. The approach can shorten construction period, reduce costs, ensure safety construction, improve profitability and provide better services to owners and thus is the route that must be taken for engineering companies. The Company will further promote this approach by facilitating the combination between modularized construction and design and carrying out constructability studies in the early stage of a project so as to optimize design, lower construction cost, enhance work efficiency and increase the profitability of the project and the Company.

4) Management of large-scale hoisting equipment. The Company now has 36 large and ultra-large hoisting equipments with lifting capacity of over 200 tons. After the establishment of SLT, the Company will further optimize the allocation of resources and adopt the centralized management and unified allocation to take full advantage of the equipment and turn the segment into a new profit driver of the Company.

5) Manufacturing business. Ningbo Tianyi Petrochemical Heavy Equipment Manufacturing Co., Ltd. ("Ningbo Tianyi") is the only manufacturing enterprise affiliated with the Company. In order to turn manufacturing business into one of the profit drivers of the Company, the Company will help Ningbo Tianyi continuously strengthen its just-in-time management and internationalized operations to foster Ningbo Tianyi into an internationalized manufacturing enterprise.

2 Creating an integrated new coal chemical industrial chain

The new coal chemical business is one of the highlights of the Company in its future development. Currently, the Company boasts technical equipment and engineering achievements in aspects such as coal gasification, syngas to natural gas, syngas to methanol, syngas to glycol, methanol to olefin, polyolefin, indirect/direct coal liquefaction. Through coordination and optimization, these can contribute to the formation of a technical industrial chain with complete upstream and downstream support. Combined with the Company's advantages in the conventional engineering service segment, the Company can provide a complete industrial service chain including the licensing of process technology, engineering, procurement, construction and start-up services, becoming extremely competitive in the new coal chemical market and providing owners with a set of complete EPC services. For the next step, the Company will set up a leading group, a task force and a marketing team for the new coal chemical sector to introduce the new coal chemical industrial chain EPC services to the Company's key clients.

3 Continuing to increase investment in R&D

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

1) Create a new coal chemical technological chain;

2) Consolidate the results of the common growth with the technological development of Sinopec Group;

3) Strengthen external technical cooperation with industry experts, universities, research and engineering institutes by “using IPR as link and pursuing win-win outcome” to seek new sources of technology, expand business and improve the level of technology;

4) Leverage the Company’s advantages in traditional petrochemical business to expand business in new resources and new energy;

5) Fully utilize the key laboratory in Luoyang and make it an innovation base of the Company and a bridge for the industrialization of laboratory achievements so that it can support the competitiveness enhancement and business growth of the Company.

4 Steadily developing overseas markets

The Company plans to optimize its deployment for overseas market exploration, continuously improve the existing organisational structure and divide the global market into five regions (i.e. Southeast Asia and India, Central Asia, Middle East, America and Africa). The Company will establish overseas affiliates in each region to extend market development and operational functions and enhance the efficiency of market development. Meanwhile, to suit the current characteristics of overseas markets, the Company has established development strategies which are driven by the financing assistance and technology, to consolidate the construction and the preliminary stage of projects, and to strengthen international cooperation, strive for differentiation, and compete with low-cost strategy when appropriate.

5 Establishing modern HR management system and management incentive mechanism

1) Establishing a competitive remuneration system that reflects each position's unique feature that combines with job responsibility. The Company will gradually build a remuneration system that is based on jobs, pegged to competence and led by performance, continuously improve the dual mechanism of salary determination and total compensation package evaluation, straighten out the remuneration strategy of talents at all levels and provide institutional support for building a team of talents;

2) Establishing medium and long-term incentives that can inspire the enthusiasm and creativity of the employees. The Company will constantly motivate the key members of the Company, and providing appropriate incentives for those who are qualified for medium and long-term incentives, inspire the value creativity of talents and promote the industrial upgrading and sound development of the Company;

3) Establishing a performance-led management system. The Company will focus on management by objectives ("MBO") to establish a performance appraisal mechanism closely related to the remuneration system based on each position's unique feature, enhance the standardization, operability and measurability of performance management system and strive for a positive incentive result;

4) Establishing and improving a talent fostering and development system. The Company will carry out targeted multi-tiered and multi-class training to quickly enhance the professional proficiency of employees, conduct the staff training work steadily and properly, and build talent teams composed of 4 kinds of talents: international talents, project management talents, engineering design talents and professional construction talents.

5) Studying and developing a medium and long-term incentive mechanism for the management. Fully utilize and leverage the Company's management's business intelligence and decision-making capabilities.

6 Building an IT management platform

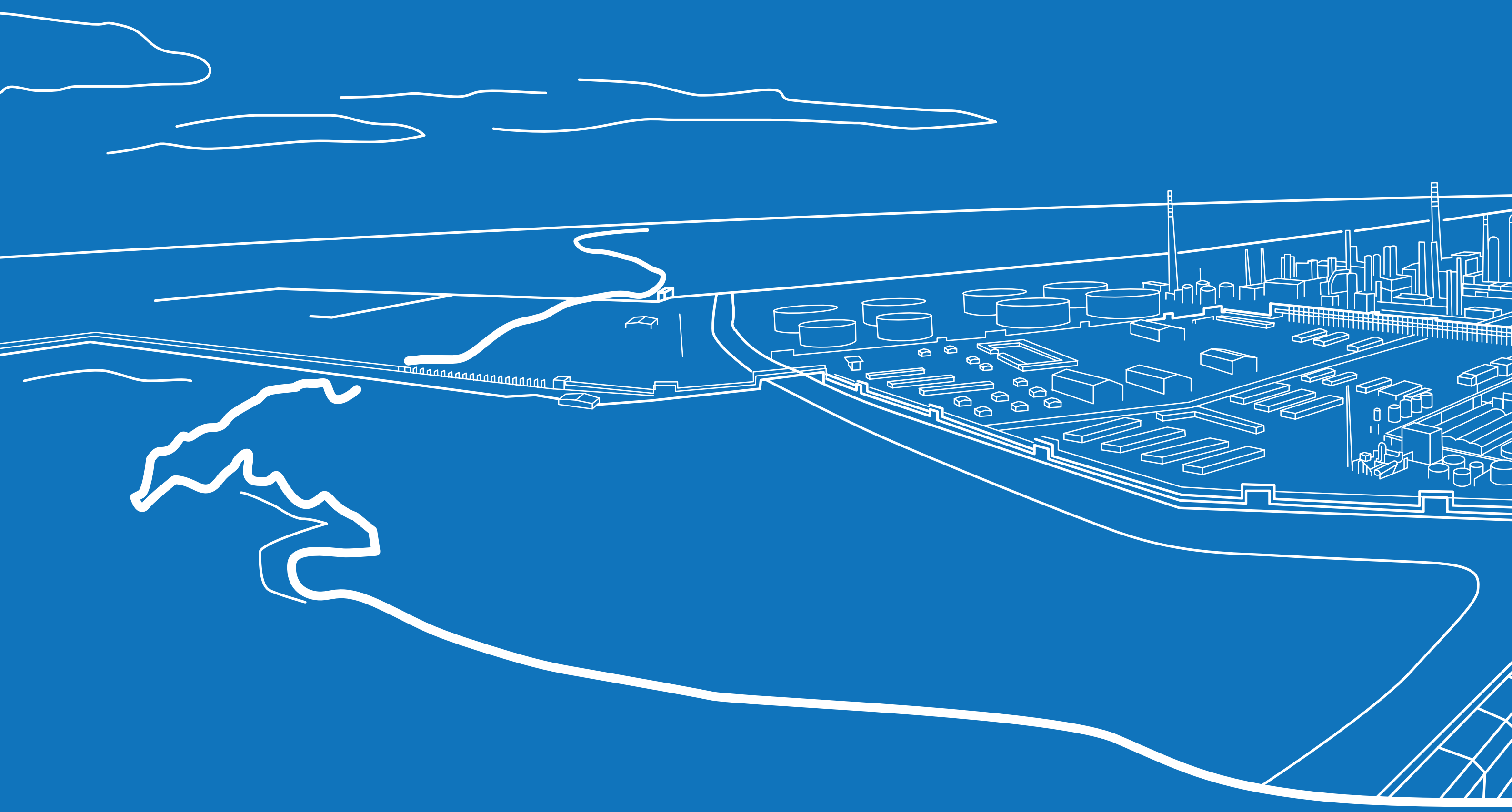
To facilitate the efficient and safe operation of its core business, the Company expects to fully enhance the comprehensive corporate management and core competitiveness through IT construction that focuses on integrated and intelligent systems. The Company plans to strengthen the top-level design of IT construction in the near future, speed up the intensive ERP pilot runs, enhance sharing services, accelerate the establishment and improvement of the organizational structure and incentive system for IT construction, with focus on building "One main line, Two integrations, Three platforms and Four systems".

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

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

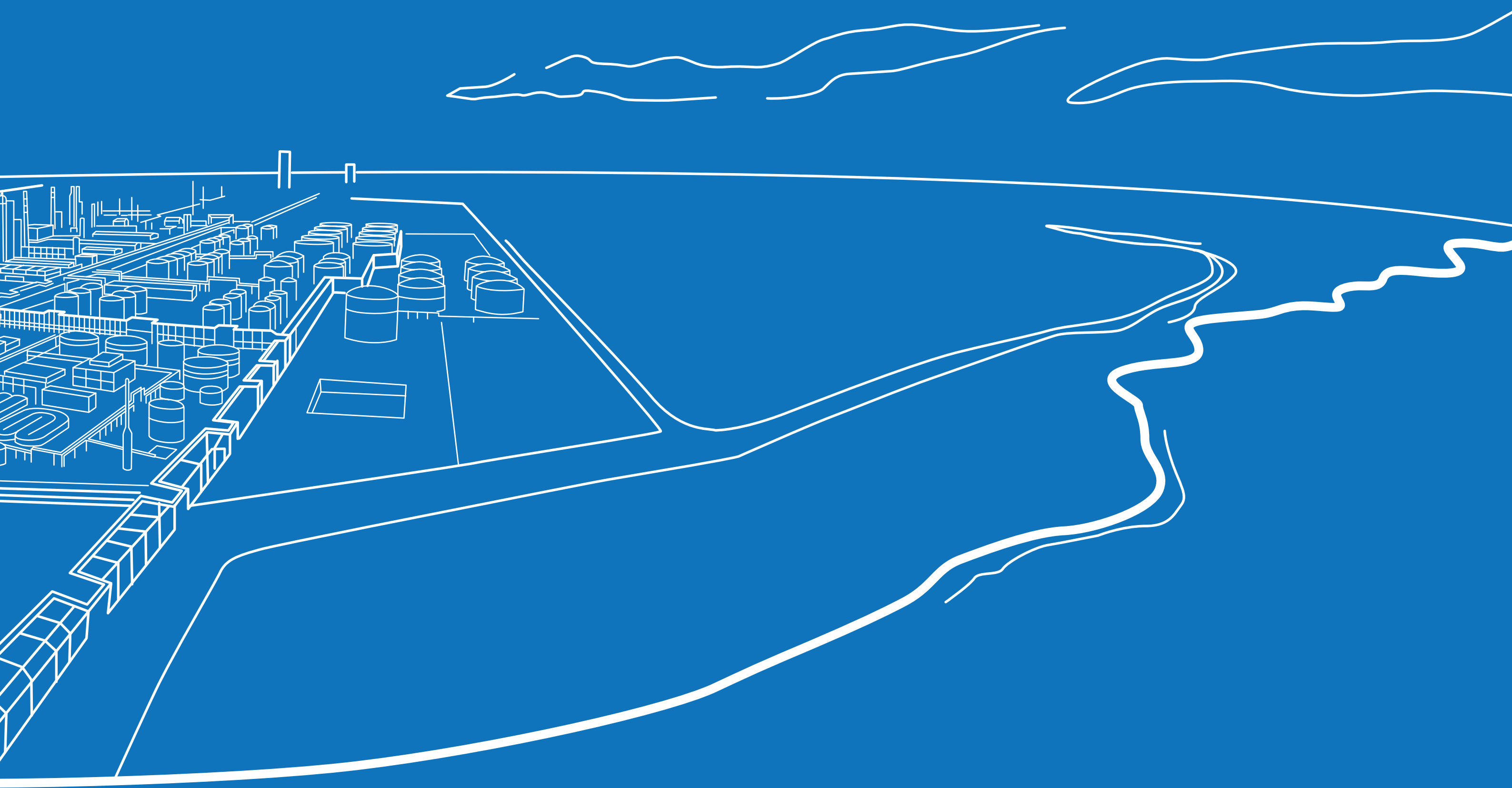
Three platforms mean the operation management platform centered on ERP construction; the project execution platform comprises standardized engineering, standardized procurement and modularized construction; and the infrastructure cloud platform supported by a global network system.

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



Management's Discussion and Analysis

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



1 Consolidated Results of Operations

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

	Six-month periods ended 30 June				
	2013		2012		
	Amount	Percentage of total revenue	Amount	Percentage of total revenue	Change
	(RMB'000)	(%)	(RMB'000)	(%)	(%)
Revenue	19,645,416	100.0	16,888,392	100	16.3
Cost of sales	(15,999,600)	(81.4)	(13,811,156)	(81.8)	15.8
Gross profit	3,645,816	18.6	3,077,236	18.2	18.5
Other income	23,271	0.1	31,468	0.2	(26.0)
Selling and marketing expenses	(38,243)	(0.2)	(36,511)	(0.2)	4.7
Administrative expenses	(422,935)	(2.1)	(452,789)	(2.7)	(6.6)
Research and development costs	(254,823)	(1.3)	(208,164)	(1.2)	22.4
Other operating expenses	(133,639)	(0.7)	(99,614)	(0.6)	34.2
Other gains/(losses) - net	1,963	0.0	(41,828)	(0.2)	N/A
Operating profit	2,821,410	14.4	2,269,798	13.5	24.3
Financial income	159,441	0.8	371,705	2.2	(57.1)
Financial expenses	(54,703)	(0.3)	(62,634)	(0.4)	(12.7)
Financial income - net	104,738	0.5	309,071	1.8	(66.1)
Share of profits/(losses) of joint ventures	(112)	0.0	(896)	0.0	(87.5)
Share of profits/(losses) of associates	4,251	0.0	5,916	0.0	(28.1)
Profit before taxation	2,930,287	14.9	2,583,889	15.3	13.4
Income tax expense	(716,132)	(3.6)	(585,307)	(3.5)	22.4
Profit for the period	2,214,155	11.3	1,998,582	11.8	10.8
Fair value (losses)/gains on available-for-sale financial assets	(268)	0.0	2,611	0.0	(110.3)
Gains on revaluation of retirement benefit plan obligations	51,105	0.3	143,713	0.9	(64.4)
Share of other comprehensive income of associates	—	—	—	—	—
Total comprehensive income for the period	2,264,992	11.6	2,144,906	12.7	5.6

(1) Revenue

The revenue of the Company increased by 16.3% from RMB16.888 billion for the six months ended 30 June 2012 to RMB19.645 billion for the six months ended 30 June 2013. The increase was mainly due to a number of large EPC Contracting projects, such as Jingbian Coal Chemical Complex, Yulin Coal Chemical Complex, Wuhan Ethylene Complex, Sinochem Quanzhou Complex and Shijiazhuang Oil Refining and Chemical Complex, entering their peak construction stage this year, as well as the settlement of many engineering projects.

(2) Cost of sales

The cost of sales of the Company increased by 15.8% from RMB13.811 billion for the six months ended 30 June 2012 to RMB16.000 billion for the six months ended 30 June 2013, primarily due to the increased direct costs including labor cost and expenditure on procurement of materials, machinery and equipment caused by the increase of revenue.

(3) Gross profit

The gross profit of the Company increased by 18.5% from RMB3.077 billion for the six months ended 30 June 2012 to RMB3.646 billion for the six months ended 30 June 2013, due to the larger increase in the Company's revenue than in the Company's cost of sales.

(4) Other income

The other income of the Company decreased by 26.0% or RMB8 million from RMB31 million for the six months ended 30 June 2012 to RMB23 million for the six months ended 30 June 2013.

(5) Sales and marketing expenses

The sales and marketing expenses of the Company remained stable and slightly increased by 4.7% from RMB37 million for the six months ended 30 June 2012 to RMB38 million for the six months ended 30 June 2013.

(6) Administrative expenses

The administrative expenses of the Company declined by 6.6% from RMB453 million for the six months ended 30 June 2012 to RMB423 million for the six months ended 30 June 2013, mainly due to the multiple cost control measures taken by the Company.

(7) Research and development costs

The research and development costs of the Company increased by 22.4% from RMB208 million for the six months ended 30 June 2012 to RMB255 million for the six months ended 30 June 2013, mainly due to the efforts made by the Company to strengthen the integration of technologic resources and intensify R&D efforts.

(8) Other operating expenses

The other operating expenses of the Company increased by 34.2% from RMB100 million for the six months ended 30 June 2012 to RMB134 million for the six months ended 30 June 2013, mainly due to the rising exchange losses.

(9) Other gains/ (losses) - net

The net other gains/(losses) of the Company changed from a loss of RMB42 million for the six months ended 30 June 2012 to a gain of RMB2 million for the six months ended 30 June 2013, mainly because in 2012, the Company recorded a loss of RMB31.4 million from the sale of land use right that was disposed of by an affiliated company but no similar loss was incurred.

(10) Operating profit

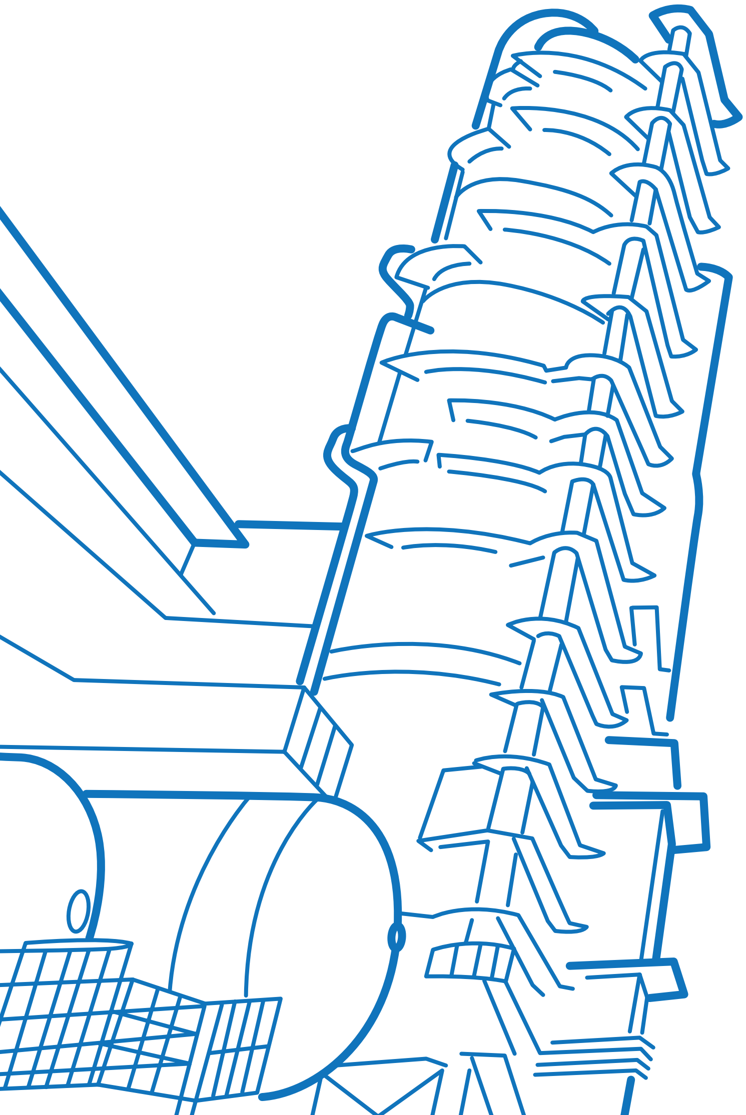
As a result of the reasons above, the operating profit of the Company increased by 24.3% from RMB2.270 billion for the six months ended 2012 to RMB2.821 billion for the six months ended 30 June 2013.

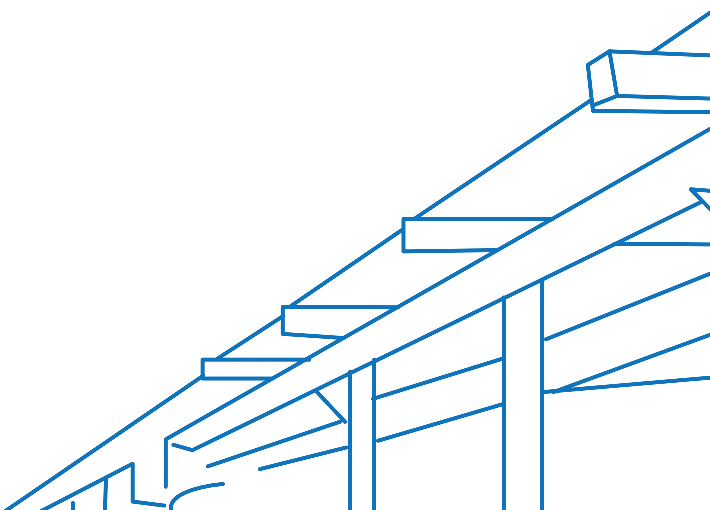
(11) Financial income - net

The net financial income of the Company declined by 66.1% from RMB309 million for the six months ended 2012 to RMB105 million for the six months ended 30 June 2013, mainly due to a decline in the interest income receivable from the ultimate holding company as compared with the same period of the previous year.

(12) Income tax expense

The income tax expense of the Company increased by 22.4% from RMB585 million for the six months ended 2012 to RMB716 million for the six months ended 30 June 2013. The main reason was that the Company's profit before taxation increased from RMB2.584 billion for the six months ended 2012 to RMB2.930 billion for the six months ended 30 June 2013, while the effective income tax rate rose from 22.65% for the six months ended 2012 to 24.44% for the six months ended 30 June 2013. The change in the effective income tax rate was due to fluctuations in the profit of some affiliated companies.





(13) Profit for the period

Due to the above reasons, the net profit in the Reporting Period increased by 10.8% from RMB1.999 billion for the six months ended 30 June 2012 to RMB2.214 billion.

(14) Total comprehensive income for the period

As a combined result of the reasons above and the contributions of other comprehensive income of the Company, the total amount of the comprehensive income of the Company increased by 5.6% from RMB2.145 billion for the six months ended 30 June 2012 to RMB2.265 billion.

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:

	Revenue		Gross profit		Gross profit margin		Operating profit		Operating profit margin	
	Six-month periods ended 30 June		Six-month periods ended 30 June		Six-month periods ended 30 June		Six-month periods ended 30 June		Six-month periods ended 30 June	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	(RMB'000)		(RMB'000)		(%)		(RMB'000)		(%)	
Engineering, consulting and licensing	2,263,920	1,677,822	1,228,052	757,543	54.2	45.2	966,188	597,140	42.7	35.6
EPC Contracting	10,594,811	8,331,527	1,972,716	2,025,664	18.6	24.3	1,602,544	1,590,589	15.1	19.1
Construction	8,098,838	7,495,236	457,702	279,113	5.7	3.7	275,421	69,568	3.4	0.9
Equipment manufacturing	365,763	384,928	(12,654)	14,916	(3.5)	3.9	(29,786)	1,499	(8.1)	0.4
Non-allocated	—	—	—	—	N/A	N/A	7,043	11,002	N/A	N/A
Subtotal	21,323,332	17,889,513	3,645,816	3,077,236	17.1	17.2	2,821,410	2,269,798	13.2	12.6
Total after inter-segment elimination (3)	19,645,416	16,888,392	3,645,816	3,077,236	18.6(1)	18.2(1)	2,821,410	2,269,798	14.4(2)	13.4(2)

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

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

(3) Inter-segment elimination is mainly caused by the inter-segment sales made by the Construction and Equipment Manufacturing segments to the EPC Contracting segment. Other information on inter-segment sales is set out in Note 7 to the Financial Statements contained in this Report.

- **Engineering, Consulting and Licensing**

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

	Six-month periods ended 30 June			
	2013		2012	
	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue
	(RMB'000)	(%)	(RMB'000)	(%)
Revenue	2,263,920	100.0	1,677,822	100.0
Cost of sales	(1,035,868)	(45.8)	(920,279)	(54.8)
Gross profit	1,228,052	54.2	757,543	45.2
Selling and marketing expenses	(1,934)	(0.1)	(91)	0.0
Administrative expenses	(32,839)	(1.5)	(17,707)	(1.1)
Research and development costs	(154,254)	(6.7)	(136,768)	(8.2)
Other incomes and expenses	(72,837)	(3.2)	(5,837)	(0.3)
Operating profit	966,188	42.7	597,140	35.6

(1) Revenue

The revenue of the Company's Engineering, Consulting and Licensing segment increased by 34.9% from RMB1.678 billion for the six months ended 30 June 2012 to RMB2.264 billion for the six months ended 30 June 2013. The main reasons for this increase are (i) an increase in business volume and settlement for engineering projects, including the upgrading of refined oil quality projects, (ii) an increase in new licensing projects, and (iii) the improving engineering efficiency due to the implementation of the "engineering standardization".

(2) Cost of sales

The cost of sales of the Company's Engineering, Consulting and Licensing segment increased by 12.6% from RMB920 million for the six months ended 30 June 2012 to RMB1.036 billion for the six months ended 30 June 2013. This increase is due to the increase of man-hours for growing business volume and the increase in staff compensation packages.

(3) Gross profit

The gross profit of the Company's Engineering, Consulting and Licensing segment increased by 62.1% from RMB758 million for the six months ended 30 June 2012 to RMB1.228 billion for the six months ended 30 June 2013. The main reason for this was the increasing of the segment's revenue and gross profit margin. The segment has maintained a high level of gross profit margin, increased from 45.2% for the six months ended 30 June 2012 to 54.2% for the six months ended 30 June 2013.

(4) Sales and marketing expenses

The selling and marketing expenses of the Company's Engineering, Consulting and Licensing segment increased from RMB91,000 for the six months ended 30 June 2012 to RMB1.934 million for the six months ended 30 June 2013. This increase was primarily because the Company has increased its marketing efforts for the engineering and consulting business during the Reporting Period.

(5) Administrative expenses

The administrative expenses of the Company's Engineering, Consulting and Licensing segment increased by 85.5% from RMB18 million for the six months ended 30 June 2012 to RMB33 million for the six months ended 30 June 2013. The increase was mainly due to the increase of travelling and administration expenses brought about the increased business volume.

(6) Research and development costs

The research and development costs of the Company's Engineering, Consulting and Licensing segment increased by 12.8% from RMB137 million for the six months ended 30 June 2012 to RMB154 million for the six months ended 30 June 2013. The increase was mainly because the Company continued to make large investment in R&D in order to maintain its advantage in the engineering technology.

(7) Operating profit

As a result of the reasons discussed above, the operating profit of the Company's Engineering, Consulting and Licensing segment increased by 61.8% from RMB597 million for the six months ended 30 June 2012 to RMB966 million for the six months ended 30 June 2013.

• EPC Contracting

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

	Six-month periods ended 30 June			
	2013		2012	
	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue
	(RMB'000)	(%)	(RMB'000)	(%)
Revenue	10,594,811	100.0	8,331,527	100.0
Cost of sales	(8,622,095)	(81.4)	(6,305,863)	(75.7)
Gross profit	1,972,716	18.6	2,025,664	24.3
Sales and marketing expenses	(21,565)	(0.2)	(20,176)	(0.2)
Administrative expenses	(219,246)	(2.0)	(255,722)	(3.1)
Research and development costs	(93,884)	(0.9)	(66,866)	(0.8)
Other incomes and expenses	(35,477)	(0.4)	(92,311)	(1.1)
Operating profit	1,602,544	15.1	1,590,589	19.1

(1) Revenue

The revenue of the Company's EPC Contracting segment increased by 27.2% from RMB8.332 billion for the six months ended 30 June 2012 to RMB10.595 billion for the six months ended 30 June 2013. The main reasons for this increase included (i) the Shijiazhuang Oil Refining and Chemical Complex, Yulin Coal Chemical Complex and Sinochem Quanzhou Complex entered the peak construction stage, (ii) the continuous increase of new projects, and (iii) the growth in the Company's business volume.

(2) Cost of sales

The cost of sales of the Company's EPC Contracting segment increased by 36.7% from RMB6.306 billion for the six months ended 30 June 2012 to RMB8.622 billion for the six months ended 30 June 2013. This was mainly due to the increasing in man-hours, material costs, machine days, and procurement costs of equipment which was due to the growth in business volume.

(3) Gross profit

The gross profit of the Company's EPC Contracting segment declined by 2.6% from RMB2.026 billion for the six months ended 30 June 2012 to RMB1.973 billion for the six months ended 30 June 2013, and the gross profit margin fell from 24.3% for the six months ended 30 June 2012 to 18.6% for the six months ended 30 June 2013. This was mainly due to the Company's additional revenue recognised in accordance with price adjustment or incentive contract terms upon project owners' confirmation from several large projects entering into settlement stage for the six months ended 30 June 2012. The EPC Contracting segment maintained a normal level of gross profit margin in the Reporting Period.

(4) Sales and marketing expenses

The sales and marketing expenses of the Company's EPC Contracting segment increased by 6.9% from RMB20 million for the six months ended 30 June 2012 to RMB22 million for the six months ended 30 June 2013, which remained stable.

(5) Administrative expenses

The administrative expenses of the Company's EPC Contracting segment declined by 14.3% from RMB256 million for the six months ended 30 June 2012 to RMB219 million for the six months ended 30 June 2013 which was mainly due to the Company's intensified efforts in cost control.

(6) Research and development costs

The research and development costs of the Company's EPC Contracting segment increased by40.4% from RMB67 million for the six months ended 30 June 2012 to RMB94 million for the six months ended 30 June 2013, primarily due to the Company's intensified R&D effort.

(7) Operating profit

As a result of the reasons discussed above, the operating profit of the Company's EPC Contracting segment increased by 0.8% from RMB1.591 billion for the six months ended 30 June 2012 to RMB1.603 billion for the six months ended 30 June 2013.

• Construction

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

	Six-month periods ended 30 June			
	2013		2012	
	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue
	(RMB'000)	(%)	(RMB'000)	(%)
Revenue	8,098,838	100.0	7,495,236	100.0
Cost of sales	(7,641,136)	(94.3)	(7,216,123)	(96.3)
Gross profit	457,702	5.7	279,113	3.7
Sales and marketing expenses	(13,225)	(0.2)	(14,959)	(0.2)
Administrative expenses	(160,227)	(2.0)	(166,185)	(2.2)
Research and development costs	(6,185)	(0.1)	(4,102)	(0.1)
Other incomes and expenses	(2,644)	0.0	(24,299)	(0.3)
Operating profit	275,421	3.4	69,568	0.9

(1) Revenue

The revenue of the Company's Construction segment increased by 8.1% from RMB7.495 billion for the six months ended 30 June 2012 to RMB8.099 billion for the six months ended 30 June 2013, primarily because the Shijiazhuang Oil Refining and Chemical Complex, the new coal-to-hydrogen production unit in Maoming, 400 Ktpa phenol-acetone project of Sinopec Mitsui, Sinopec Yangzi Petrochemical Company Refined Oil and Crude Oil Upgrading Project and many other projects entered their peak stage of construction with a sharp increase in workload.

(2) Cost of sales

The cost of sales of the Company's Construction segment increased by 5.9% from RMB7.216 billion for the six months ended 30 June 2012 to RMB7.641 billion for the six months ended 30 June 2013, mainly due to the increase in project subcontracting costs and machinery expenses brought about by the increased workload.

(3) Gross profit

The gross profit of the Company's Construction segment increased by 64.2% from RMB279 million for the six months ended 30 June 2012 to RMB458 million for the six months ended 30 June 2013, and the gross profit margin rose from 3.7% for the six months ended 30 June 2012 to 5.7% for the six months ended 30 June 2013. The increase of gross margin was mainly due to the increase in revenue and gross profit margin.

(4) Sales and marketing expenses

The sales and marketing expenses of the Company's Construction segment decreased by 11.6% from RMB15 million for the six months ended 30 June 2012 to RMB13 million for the six months ended 30 June 2013, which remained relatively stable.

(5) Administrative expenses

The administrative expenses of the Company's Construction segment decreased by 3.6% from RMB166 million for the six months ended 30 June 2012 to RMB160 million for the six months ended 30 June 2013, primarily due to the Company's intensified efforts in cost control.

(6) Research and development costs

The research and development costs of the Company's Construction segment increased by 50.8% from RMB4 million for the six months ended 30 June 2012 to RMB6 million for the six months ended 30 June 2013.

(7) Operating profit

As a result of the reasons discussed above, the operating profit of the Company's Construction segment increased by 295.9% from RMB70 million for the six months ended 30 June 2012 to RMB275 million for the six months ended 30 June 2013.

• Equipment Manufacturing

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

	Six-month periods ended 30 June			
	2013		2012	
	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue
	(RMB'000)	(%)	(RMB'000)	(%)
Revenue	365,763	100.0	384,928	100.0
Cost of sales	(378,417)	(103.5)	(370,012)	(96.1)
Gross profit	(12,654)	(3.5)	14,916	3.9
Sales and marketing expenses	(1,518)	(0.4)	(1,285)	(0.3)
Administrative expenses	(10,623)	(2.9)	(13,175)	(3.5)
Research and development costs	(499)	(0.1)	(428)	(0.1)
Other incomes and expenses	(4,492)	(1.2)	1,471	0.4
Operating profit	(29,786)	(8.1)	1,499	0.4

(1) Revenue

The revenue of the Company's Equipment Manufacturing segment declined by 5.0% from RMB385 million for the six months ended 30 June 2012 to RMB366 million for the six months ended 30 June 2013, mainly due to a decrease in orders and business volume. The revenue of the segment only accounted for 1.7% of the Company's total revenue.

(2) Cost of sales

The cost of sales of the Company's Equipment Manufacturing segment increased by 2.3% from RMB370 million for the six months ended 30 June 2012 to RMB378 million for the six months ended 30 June 2013, which remained relatively stable.

(3) Gross profit

The gross profit of the Company's Equipment Manufacturing segment changed from a gain of RMB15 million for the six months ended 30 June 2012 to a loss of RMB13 million for the six months ended 30 June 2013, primarily as a result of a decrease in business volume while other fixed costs such as accumulated depreciation of plant buildings and equipment and staff salaries remained stable. This segment did not reach a break-even point at the current capacity utilisation level.

(4) Sales and marketing expenses

The sales and marketing expenses of the Company's Equipment Manufacturing segment increased by 18.2% from RMB1 million for the six months ended 30 June 2012 to RMB2 million for the six months ended 30 June 2013, which remained relatively stable.

(5) Administrative expenses

The administrative expenses of the Company's Equipment Manufacturing segment declined by 19.4% from RMB13 million for the six months ended 30 June 2012 to RMB11 million for the six months ended 30 June 2013, which remained relatively stable.

(6) Research and development costs

The research and development costs of the Company's Equipment Manufacturing segment increased by 16.7% from RMB0.4 million for the six months ended 30 June 2012 to RMB0.5 million for the six months ended 30 June 2013, which remained relatively stable.

(7) Operating profit

Due to the reasons discussed above, the operating loss of the Company's Equipment Manufacturing segment was RMB30 million.

3 Discussion on the results by other classification

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

	Six-month periods ended 30 June				
	2013		2012		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB'000)	(%)	(RMB'000)	(%)	(%)
Oil refining	5,129,647	26.1	5,449,534	32.3	(5.9)
Petrochemicals	8,625,631	43.9	6,783,294	40.2	27.2
New coal chemicals	3,686,688	18.8	2,234,112	13.2	65.0
Other industries	2,203,450	11.2	2,421,452	14.3	(9.0)
Total	19,645,416	100.0	16,888,392	100.0	16.3

The Company's revenue was mainly generated from the oil refining and petrochemical industries. The oil refining industry and the petrochemicals industry accounted for 26.1% and 43.9% of the total revenue respectively. In the Reporting Period, the revenue from the new coal chemical industry grew rapidly, and the percentage of total revenue increased from 13.2% to 18.8%. Compared to the same period of 2012, the revenue from the petrochemical and new coal chemical industries has witnessed a sharp increase, rising by 27.2% and 65.0% respectively over the same period of 2012. This was mainly because major projects in these industries had entered their peak stage of construction. The revenue from the oil refining industry declined slightly over the same period of the previous year, mainly because some major oil refining projects approached their final stage but new oil refining projects were still in the early stage of construction.

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

	Six-month periods ended 30 June				
	2013		2012		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB'000)	(%)	(RMB'000)	(%)	(%)
PRC	16,189,958	82.4	14,200,348	84.1	14.0
Overseas	3,455,458	17.6	2,688,044	15.9	28.5
Total	19,645,416	100.0	16,888,392	100.0	16.3

During the Reporting Period, the Company's revenue generated from the PRC and overseas increased steadily. With the successful implementation of overseas EPC contracting and construction projects, the percentage of total revenue from overseas rose slightly over the same period of 2012. In particular, the revenue from the PRC and overseas grew by 14.0% and 28.5% respectively over the same period of 2012; the percentage of the revenue from overseas increased from 15.9% for the same period of 2012 to 17.6%.

The following table sets forth the revenue generated from services provided by the Company for China Petrochemical Corporation ("Sinopec Group") and non-Sinopec Group clients:

	Six-month periods ended 30 June				
	2013		2012		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB'000)	(%)	(RMB'000)	(%)	(%)
Sinopec Group	7,259,889	37.0	8,053,602	47.7	(9.9)
Non-Sinopec Group clients	12,385,527	63.0	8,834,790	52.3	40.2
Total	19,645,416	100.0	16,888,392	100.0	16.3

During the Reporting Period, the revenue from non-Sinopec Group clients grew sharply over the same period of 2012, up from RMB8.835 billion to RMB12.386 billion, due to a significant growth in the revenue from the projects of non-Sinopec Group clients, such as SINOCHEM Quanzhou Complex, Jingbian Coal Chemical Complex and other projects.

4 Discussion on the backlog and new contracts

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

	As at 30 June 2013 (RMB'000)	As at 31 December 2012 (RMB'000)	Change (%)
Engineering, consulting and licensing	6,173,551	4,992,705	23.7
EPC Contracting	79,567,421	56,809,988	40.1
Construction	15,487,163	13,992,728	10.7
Equipment manufacturing	256,968	255,318	0.6
Total	101,485,103	76,050,739	33.4

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

	As at 30 June 2013	As at 31 December 2012	Change
	(RMB'000)	(RMB'000)	(%)
Oil refining	22,360,412	24,081,504	(7.1)
Petrochemicals	41,090,729	20,329,113	102.1
New coal chemicals	29,068,653	23,686,369	22.7
Other industries	8,965,309	7,953,753	12.7
Total	101,485,103	76,050,739	33.4

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

	As at 30 June 2013	As at 31 December 2012	Change
	(RMB'000)	(RMB'000)	(%)
PRC	54,046,000	47,792,690	13.1
Overseas	47,439,103	28,258,049	67.9
Total	101,485,103	76,050,739	33.4

As at 30 June 2013, the value of the Company's backlog totaled RMB101.485 billion, up by 33.4% as compared with that as at 31 December 2012, representing 2.6 times of the annual revenue of RMB38.526 billion in 2012.

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

	Six-month periods ended 30 June		
	2013	2012	Change
	(RMB'000)		(%)
Engineering, consulting and licensing	3,412,328	1,663,133	105.2
EPC Contracting	33,352,244	6,782,867	391.7
Construction	8,066,671	4,319,994	86.7
Equipment manufacturing	248,537	330,846	(24.9)
Total	45,079,780	13,096,840	244.2

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

	Six-month periods ended 30 June		Change
	2013	2012	
	(RMB'000)		(%)
Oil refining	3,408,555	2,937,497	16.0
Petrochemicals	29,387,247	4,189,071	601.5
New coal chemicals	9,068,972	3,891,976	133.0
Other industries	3,215,006	2,078,296	54.7
Total	45,079,780	13,096,840	244.2

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

	Six-month periods ended 30 June		Change
	2013	2012	
	(RMB'000)		(%)
PRC	22,443,268	12,906,340	73.9
Overseas	22,636,512	190,500	11,782.7
Total	45,079,780	13,096,840	244.2

During the Reporting Period, the value of the Company's new contracts was RMB45.08 billion, representing an increase of 244.2% as compared with RMB13.097 billion for the same period of 2012.

5 Assets, Liabilities, Equity and Cash Flows

The Company's funds mainly come from operating activities and are primarily used for working capital and capital expenditure.

(1) Assets, Liabilities and Equity

Units: RMB'000

	As at 30 June 2013	As at 31 December 2012	Changes
Total assets	47,428,498	37,130,025	10,298,473
Current assets	39,449,721	29,051,247	10,398,474
Non-current assets	7,978,777	8,078,778	(100,001)
Total liabilities	27,518,067	30,048,775	(2,530,708)
Current liabilities	24,400,342	26,762,416	(2,362,074)
Non-current liabilities	3,117,725	3,286,359	(168,634)
Minority interests	3,286	3,265	21
Total equity	19,910,431	7,081,250	12,829,181
Total equity attributable to shareholders of the Company	19,907,145	7,077,985	12,829,160
Share capital	4,428,000	3,100,000	1,328,000
Reserves	15,479,145	3,977,985	11,501,160

As at 30 June 2013, the total assets of the Company were RMB47.428 billion, the total liabilities were RMB27.518 billion, the minority interests were RMB3 million, and the equity attributable to the shareholders of the Company was RMB19.907 billion. The changes in the assets and liabilities as compared with that at the end of 2012 and the main reasons are as follows:

The total assets were RMB47.428 billion, up by RMB10.298 billion as compared with that at the end of 2012. In particular, the current assets were RMB39.450 billion, up by RMB10.398 billion as compared with that at the end of 2012, mainly due to the increase of cash and cash equivalents and time deposits. Non-current assets were RMB7.979 billion, which remained relatively stable.

The total liabilities were RMB27.518 billion, down by RMB2.531 billion as compared with that at the end of 2012. In particular, the current liabilities were RMB24.400 billion, down by RMB2.362 billion as compared with that at the end of 2012, mainly due to the decrease in amounts due to clients for contract work by RMB1,099 billion, the decrease in notes and trade payables by RMB821 million and the repayment of loans due to fellow subsidiaries by RMB157 million. Non-current liabilities were RMB3.118 billion, down by RMB169 million as compared with that at the end of 2012, mainly due to the decline in retirement and other supplementary benefit obligations by RMB142 million.

Total equity attributable to shareholders of the Company was RMB19.907 billion, up by RMB12.829 billion as compared with that at the end of 2012, primarily as the result of the proceeds from the Company's initial public offering on the Main Board of The Stock Exchange of Hong Kong ("HK IPO") and the net profit in the Reporting Period.

(2) Cash Flow

During the Reporting Period, the net increase in cash and cash equivalents was RMB2.279 billion and net cash flow used in operating activities was RMB905 million. The following table sets forth the main items and their changes in the Company's consolidated cash flow statements for the six months ended 30 June 2013 and for the six months ended 30 June 2012.

Units: RMB'000

Major items of cash flow	Six month periods ended 30 June	
	2013	2012
Net cash generated from/(used in) operating activities	(905,213)	(2,668,792)
Net cash generated from/(used in) investing activities	(7,418,495)	477,712
Net cash generated from/(used in) financing activities	10,602,411	(906,650)
Net increase/(decrease) in cash and cash equivalents	2,278,703	(3,097,730)

During the Reporting Period, the profit before taxation was RMB2.93 billion, and the profit was RMB3.181 billion after adjusting the items in expenses that did not affect the cash flow in operating activities (non-cash expense items). The main non-cash expense items were: RMB289 million of depreciation and amortization and RMB2 million of losses on the disposal of property, plant buildings and equipment. The cash outflow in operating receivables and payables increased by RMB3.464 billion. In particular, due to the rise in purchasing costs brought by growing business volume and a drop in account payables, etc., the cash flew out by RMB1.576 billion; as construction projects proceeded, cash used for contract work-in-progress increased, causing a cash outflow of RMB2.572 billion; the Company strengthened its management of working capital, cleared up more account receivables, reduced the occupation of funds by current assets and cut account receivables, note receivables, inventories and other net current assets, which resulted in a cash inflow of RMB684 million.

After adjusting non-cash expenses and receivables and payables for the profit before taxation, and after deducting the paid income tax amounting to RMB631 million, the net cash used in operating activities was RMB905 million.

Net cash used in investing activities was RMB7.418 billion, mainly including a cash outflow of RMB7.403 billion as time deposits in a third-party financial institutions by the Company.

Net cash generated from financing activities was RMB10.602 billion, mainly due to proceeds from the Company's HK IPO during the Reporting Period.

Based on the Company's cash flow during the Reporting Period, the Company has adequate working capital. The Company will continue to closely monitor the account receivables for efficient use of working capital. The Company will also continue to effectively manage the investment risk, expand the scale of investment and increase the return on investment.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(3) Summary of Financial Ratios


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

Main financial ratios	Six-month periods ended 30 June	
	2013	2012
Net profit margin (%)	**11.27**	11.83
Return on assets (%)[(1)]	**5.24**	5.25
Return on equity (%)[(2)]	**11.12**	35.59
Return on invested capital [(3)]	**11.24**	35.35

Main financial ratios	Six-month periods ended 30 June	
	As at 30 June 2013	As at 31 December 2012
Gearing ratio (%)[(4)]	**0.00**	2.22
Net debt to equity ratio (%)[(5)]	**net cash**	net cash
Current ratio [(6)]	**1.62**	1.09
Quick ratio [(7)]	**1.59**	1.06

(1) Return on assets equals the profit for the year divided by the arithmetic mean of the opening and closing balances of total assets of the relevant half year expressed as a percentage.
(2) Return on equity equals the profit for the period divided by total equity at the end of the period.
(3) Return on invested capital is calculated by Earnings before Interest and Tax (EBIT) multiplied by one minus the tax rate, divided by invested capital.
Invested capital equals shareholders' equity plus interest-bearing liabilities, excluding credit loans.
(4) Gearing ratio is calculated based on total interest bearing debt divided by total equity plus total interest bearing debt at the end of the respective period.
(5) Net debt to equity ratio is calculated based on net debt divided by total equity at the end of the respective period.
(6) Current ratio is calculated by dividing current assets by current liabilities.
(7) Quick ratio is calculated by dividing current assets less inventories by current liabilities.

Return on assets

The Company's return on assets slightly decreased to 5.24%, which remained stable.

Return on equity

The Company's return on equity decreased from 35.59% for the same period in 2012 to 11.12%, mainly due to the increase in equity with the proceeds from the HK IPO.

Return on invested capital

The Company's return on invested capital decreased from 35.35% for the same period in 2012 to 11.24% for the same reason as for the decrease in return on equity.

Gearing ratio

The Company's gearing ratio decreased from 2.22% as at 31 December 2012 to 0 as at 30 June 2013 because the Company did not have any borrowings as at 30 June 2013.

Net debt to equity ratio

The Company maintained a positive net cash both as at 31 December 2012 and 30 June 2013.

Current ratio

The Company's current ratio increased from 1.09 as at 31 December 2012 to 1.62 as at 30 June 2013, primarily due to the increase in current assets during the Reporting Period.

Quick ratio

The Company's quick ratio increased from 1.06 as at 31 December 2012 to 1.59 as at 30 June 2013. The Company's inventories accounted for a minor percentage of current assets. The change in the quick ratio was due to the same reason as that for the increase in the current ratio.

7 Foreign exchange risk

During the Reporting Period, the Company continued to operate some engineering business overseas and formed foreign currency-denominated receivables, payables and cash balances. In addition, the Company raised funds denominated in foreign currencies by issuing H shares. During the Reporting Period, foreign currencies held by us were primarily U.S. dollars, Euros, and Saudi riyals. Changes in foreign exchange rates may affect the quotation of the Company's services and expenditure on the purchase of materials in foreign currency. Fluctuations in foreign exchange rates may influence the Company's results of operations and financial position.

8 Employees and remuneration policy

As at 30 June 2013, the Company had a total of 19,343 employees.

The following table sets forth a breakdown of the Company's employees by business as at 30 June 2013:

	As at 30 June 2013	
	Number of Employees	Percentage of Total
Engineering and technical personnel	13,707	70.86%
Operational management personnel	1,131	5.85%
Production operators	4,505	23.29%
Total	19,343	100%

The following table sets forth a breakdown of the Company's employees by level of education as at 30 June 2013:

	As at 30 June 2013	
	Number of Employees	Percentage of Total
Master's or doctorate degree	1,230	6.36%
Bachelor's degree	7,821	40.43%
College-level degree	3,715	19.21%
Others	6,577	34.00%
Total	19,343	100%

During the Reporting Period, the Company maintained good labor relations. The remuneration package of the Company's employees mainly includes salaries, discretionary bonuses and contributions to mandatory social security funds. As required by PRC regulations, the Company participates in various defined pension schemes for its employees, including those organized by provincial or municipal governments as well as supplemental pension schemes. Bonuses are generally discretionary and based on the overall performance of the Company's business. During the six-month periods ended 30 June 2012 and 30 June 2013, the Company incurred employee costs of approximately RMB1.896 billion and RMB2.112 billion respectively.

Other Significant Events

1 Corporate governance

SINOPEC SEG is committed to the establishment of a modern corporate governance structure where the shareholders' meeting, the Board of Directors, the Board of Supervisors and senior management adopt an effective check and balance system and operate independently in accordance with relevant regulatory requirements.

During the period from the date of listing of the Company to 30 June 2013, SINOPEC SEG complied with all provisions in the Code on Corporate Governance Practices set out in Appendix 14 to the Hong Kong Listing Rules.

General meeting of shareholders and the Board of Directors of the Company

During the Reporting Period, SINOPEC SEG held one general meeting of shareholders, during which the shareholders reviewed and approved the Waiver from the Period of Notification for the First Extraordinary General Meeting of Shareholders in 2013, the Election of Members of the First Session of the Board of Directors, the Modifications to the Rules of Procedure for the Shareholders' Meeting, the Modifications to the Rules of Procedure for the Board of Directors, the Annual Profit Distribution Plan for 2012, the Formulation of the Profit Distribution Policy, the Establishment of the Liability Insurance System of Directors, Supervisors and Members of Senior Management, Credit of Commercial Bank for 2013 and other resolutions.

During the Reporting Period, SINOPEC SEG held three meetings of the Board of Directors, during which the Directors reviewed and approved the Approval of the Annual Financial Report and Audit Report for 2010-2012, the Provision of Guarantee for the Waste Treatment Project of the Subsidiary Middle East (Saudi Arabia) Limited in Sadara in Saudi Arabia, the Provision of Guarantee for the Petrokemya ABS Project of the Subsidiary Middle East (Saudi Arabia) Limited in Saudi Arabia, the Election of Members of the First Session of the Board of Directors and the Appointment of President, the Appointment of the Company's Authorized Representatives, the Setting of the Organization of the Company's Headquarters, the Establishment of the Company's Internal Control System, the Modifications to the Rules of Procedure for the Shareholders' Meeting and for the Board of Directors, the Setting of the Upper Limit to Performance Guarantee by the Parent Company for 2013, the Annual Profit Distribution Plan for 2012, the Formulation of the Profit Distribution Policy, the Establishment of the Liability Insurance System of Directors, Supervisors and Members of Senior Management and Purchase of the First Liability Insurance after Listing, Credit of Commercial bank for 2013, the Convening of the First Extraordinary General Meeting of Shareholders in 2013, the Waiver of Period of Notification for the First Extraordinary General Meeting of Shareholders in 2013, Relevant Matters on H Share IPO and Listing, the Amendment to the Company's Articles of Association (H Shares), the Appointment of Members of the Special Committees under the Board of Directors, the Approval of the Terms of Reference for the Special Committees under the Board of Directors, and other resolutions.

Independent non-executive directors

The Company has, under the Hong Kong Listing Rules, appointed a sufficient number of independent non-executive directors who have appropriate professional qualifications or appropriate accounting or relevant financial management expertise. The Company has appointed three independent non-executive directors, including Mr. HUI Chiu Chung, Stephen, Mr. JIN Yong, and Mr. YE Zheng.

Special committees

During the Reporting Period, the Board of Directors of SINOPEC SEG established four special committees, which include the Audit Committee, the Remuneration Committee, the Nomination Committee, and the Strategy and Development Committee. The Company's management established two special committees, namely the Risk Control Committee and the Confidentiality Committee.

Amendments to the Company's Articles of Association

On 22 April 2013, at the seventh meeting of the first session of the Board of Directors, the Directors considered and approved the proposal to amend the Company's Articles of Association. The amendments included the listing of and trading in unlisted shares overseas, the transfer of state-owned shares, the procedures for convening an extraordinary general meeting of shareholders, and other matters.

The Company's internal control system

The Company officially initiated the formulation of the Internal Control Manual and the establishment of a relevant institutional system in October 2012 in order to (i) facilitate the establishment and improvement of all management systems, (ii) standardize management practices, (iii) strengthen internal control, (iv) guard against operational risks, and (v) raise the management level of the Company.

To formulate the internal control manual, the Company organized and set up a working group for preparing the internal control manual that consists of corporate internal control experts, intermediary internal control consultants, and heads of all departments. Following the Company's general idea of "integrated operation, group management and control" and in line with the principle of "reflecting the Company's characteristics, controlling major risks, meeting regulatory requirements, taking into account cost effectiveness, facilitating practical operation, and focusing on control effects", they prepared a detailed implementation plan of work and established weekly meetings, which effectively ensured that preparation work was carried out smoothly. On 10 April 2013, the Internal Control Manual (2013 Edition) was officially issued and implemented after approval at the sixth meeting of the first session of the Board of Directors.

In terms of the rule system establishment, the formulation of 119 rules were completed as planned on the basis of (i) drawing up the implementation plan of rules establishment, (ii) advancing the rules establishment in an orderly way, and (iii) laying stress on the progress and quality control during rules formulation in accordance with the relevant regulatory requirements for preparation for the listing. Among them, there are 19 basic rules for standardizing the corporate governance structure, and 100 enterprise rules for regulating the Company's operation.

Organizational reform

To better adapt to the development and management needs of a listed company, the headquarters of the Company set up a new QHSE Management Department and an individual Information Management Department for the six months ended 30 June 2013 by studying the organizational structures of comparable Chinese and foreign enterprises. At the same time, the Technology Development and Licensing Center was renamed the Technology Department, and the Global Procurement Center was renamed the Procurement Department. After optimization and adjustment, the headquarters of the Company has 14 departments working together to ensure comprehensive business, complete functions and smooth operation.

2 The issuance of H shares and listing

The Company officially issued 1.328 billion H shares to global investors in May 2013, and the offering price was HK$10.5 per share. The H shares have been trading on the Hong Kong Stock Exchange since 23 May 2013.

3 The dividend distribution plan for the six-month period ended 30 June 2013

After approval at the sixth meeting of the first session of SINOPEC SEG's Board of Directors, the net profit of RMB363 million attributable to shareholders of the Company for the period from the date immediately after our assets were valued for the establishment of our Company (30 June 2012) to the date of our establishment (28 August 2012), as special dividend, was distributed to the initial state-owned shareholders on 10 April 2013.

The eighth meeting of the first session of SINOPEC SEG's Board of Directors approved the dividend distribution plan for the six-month period ended 30 June 2013. An interim cash dividend of RMB0.134 (inclusive of applicable taxes) per share would be distributed based on 4,428,000,000 shares, being the total share capital of SINOPEC SEG as at 30 June 2013. The distribution plan will be implemented after review and approval at SINOPEC SEG's extraordinary general meeting of shareholders for the second half of 2013.

The proposed dividend will be denominated and declared in RMB and distributed to domestic shareholders in Renminbi and to foreign shareholders in Hong Kong dollars. The exchange rate for dividends to be paid in Hong Kong dollars shall be based on the average benchmark exchange rate of Renminbi against Hong Kong dollars as published by the People's Bank of China one week preceding the date of declaration of dividends.

4 Connected transaction

Connected transaction agreements between the Company and Sinopec Group

During in the Reporting Period, the Company and Sinopec Group entered into certain continuing connected transactions or agreements, the transactions under which constitute continuous connected transaction:

(1) The Engineering and Construction Services Framework Agreement.

(2) The Financial Services Framework Agreement; and

(3) The Technology R&D Framework Agreement;

(4) The General Services Framework Agreement;

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

(6) Counter-guarantees provided by Sinopec Group;

(7) Safe Production Insurance;

(8) The Trademark Licensing Agreement;

Please refer to the section headed "Connected Transactions" in the prospectus dated 10 May 2013 posted on the website of the Hong Kong Stock Exchange or of the Company for more details.

Connected transactions incurred

The aggregate amount of connected transactions incurred of the Company during the Reporting Period was RMB7.806 billion. In particular, expenses amounted to RMB373 million, and the revenue amounted to RMB7.433 billion (including RMB7.224 billion of sales of products and services and RMB155 million of interest income), satisfying the exemption conditions specified by the Hong Kong Stock Exchange.

During the Reporting Period, the engineering and construction services (supply of equipment and materials, procurement services and equipment leasing, technology licensing and other engineering-related services) provided by Sinopec Group to the Company amounted to RMB351 million, less than 19.5% of the exempted cap. The engineering and construction services (preliminary consulting, technology licensing, engineering design, EPC contracting, construction and equipment manufacturing, etc.) provided by the Company to Sinopec Group amounted to RMB7.224 billion, less than 34.4% of the exempted cap.

During the Reporting Period, the expenses relating to the settlement of entrustment loans and other financial services between the Company and Sinopec Finance Co., Ltd. and Sinopec Century Bright Capital Investment Limited were RMB10 million, less than 38.5% of the exempted cap. The daily maximum balance of deposits and interest income was RMB2.402 billion, less than 43.7% of the exempted cap. The daily maximum balance of entrusted loans was RMB9.1 billion, less than 82.7% of the exempted cap.

During the Reporting Period, the technology R&D services provided by the Company to Sinopec Group amounted to RMB53 million, less than 52.5% of the exempted cap.

During the Reporting Period, the counter-guarantees provided by Sinopec Group to the Company amounted to USD206 million, less than 66.7% of the exempted cap.

During the Reporting Period, the general services provided by Sinopec Group to the Company amounted to RMB4 million, less than 28.4% of the exempted cap.

During the Reporting Period, the land use right and property lease contracts provided by the Company to Sinopec Group amounted to RMB3 million, controlled within less than 38.4% of the exempted cap.

During the Reporting Period, the land use right and property lease contracts provided by Sinopec Group to the Company amounted to RMB2 million, controlled within less than 28.2% of the exempted cap.

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

The major related party transactions actually incurred during the Reporting Period were detailed in Note 41 to the Financial Report in the interim report that was prepared in accordance with IFRS.

The above mentioned connected transactions were approved during the Reporting Period, at the eighth meeting of the first session of the Board of Directors of SINOPEC SEG.

Views of independent non-executive directors on the deposits and entrustment loan transactions under the Financial Services Framework Agreement

The independent non-executive directors of the Company have reviewed and confirmed the transactions relating to the deposits and entrustment loans under the Financial Services Framework Agreement, based on the following:

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

(b) one of the following items was met:

(i) the transaction was entered into on normal commercial terms;

(ii) if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, the transactions under the agreement 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 no appropriate assessment can be made to determine whether the transactions meet the conditions under (i) and (ii) above, they are entered into on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole; and

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

5 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. There was no progress in the litigation during the Reporting Period.

Save as disclosed in the Interim Report, there were no other litigation or arbitration events during the Reporting Period.

6 Other material contracts

Save as disclosed in the Interim Report, the Company had no other significant contracts which should be disclosed during the Reporting Period.

7 Repurchase, sale and redemption of shares

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

8 Reserves

During the Reporting Period, movements in the reserves of the Company were as set out in the Consolidated Statement of Changes in Shareholders' Equity of the financial report prepared under IFRS in the interim report.

9 Use of IPO Proceeds

The Company raised a total gross proceeds of HKD13.944 billion from the H share IPO in May 2013. The net proceeds amounted to HKD13.667 billion after the deduction of various listing fees and expenses. A total amount of HKD9.759 billion was remitted to Mainland China during the Reporting Period, and the remaining HKD3.908 billion was deposited with the Bank of China (Hong Kong) Limited. None of the IPO proceeds was used or applied during the Reporting Period.

10 Assets transactions

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

11 Insolvency and restructuring

During the Reporting Period, the Company had no issues related to insolvency or restructuring.

12 Significant trusteeship, contracting and lease

During the Reporting Period, the Company was not involved in respect of 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.

13 Significant acquisitions and sale

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

14 Pledged assets

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

15 Debt

SINOPEC SEG had no interest-bearing debts at the end of the Reporting Period.

16 Implementation of stock option incentive

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

17 Review of interim report

The Audit Committee of the Company has reviewed and confirmed this report. The Audit Committee does not have different views on the financial statement.

The Audit Committee is comprised of Mr. YE Zheng, Mr. HUI Chiu Chung, Stephen and Mr. JIN Yong. Among them, Mr. YE Zheng has the appropriate professional qualifications (member of Hong Kong Institute of Certified Public Accountants) and over 17 years of experience in auditing, internal control and consulting.

18 Other important matters

During the Reporting Period, none of SINOPEC SEG, its Board of Directors or its Directors were punished by administrative means or criticized through circulars by Hong Kong Securities and Futures Commission or publicly condemned by the Hong Kong Stock Exchange.

Directors, Supervisors and Members of Senior Management

As at 30 June 2013, members of SINOPEC SEG's Board of Directors and the Board of Supervisors and the other members of the senior management are as follows:

(1) Directors

The members of the first session of the Board of Directors

Name	Gender	Age	Position in the SINOPEC SEG	Tenure
CAI Xiyou	Male	51	Chairman and Non-executive Director	August 2012 – August 2015
ZHANG Kehua	Male	59	Vice Chairman and Non-executive Director	August 2012 – August 2015
LEI Dianwu	Male	51	Non-executive Director	August 2012 – August 2015
LING Yiqun	Male	50	Non-executive Director	August 2012 – August 2015
CHANG Zhenyong	Male	55	Non-executive Director	August 2012 – August 2015
YAN Shaochun	Male	48	Executive Director and President	April 2013 – April 2016
HUI Chiu Chung, Stephen	Male	66	Independent Non-executive Director	April 2013 – April 2016
JIN Yong	Male	77	Independent Non-executive Director	April 2013 – April 2016
YE Zheng	Male	48	Independent Non-executive Director	April 2013 – April 2016

(2) Supervisors

The members of the first session of the Board of Supervisors

Name	Gender	Age	Position in the SINOPEC SEG	Tenure
GUAN Qingjie	Male	54	Chairman of the Board of Supervisors	August 2012 – August 2015
ZHANG Jixing	Male	50	Supervisor	August 2012 – August 2015
ZOU Huiping	Male	52	Supervisor	August 2012 – August 2015
GENG Limin	Male	58	Supervisor	August 2012 – August 2015
ZHU Jinbao	Male	57	Employee Representative Supervisor	August 2012 – August 2015
WANG Renli	Male	53	Employee Representative Supervisor	August 2012 – August 2015
WANG Yuejie	Male	49	Employee Representative Supervisor	August 2012 – August 2015

(3) The members of senior management

The members of senior management

Name	Gender	Age	Position in the SINOPEC SEG	Date of appointment
YAN Shaochun	Male	48	President	April 2013
XIAO Gang	Male	54	Vice President	August 2012
FAN Jixian	Male	50	Vice President	August 2012
WU Derong	Male	52	Vice President	August 2012
SHAO Jianxiong	Male	54	Vice President	August 2012
XIANG Wenwu	Male	47	Vice President	August 2012
LI Guoqing	Male	55	Vice President	August 2012
WANG Guoliang	Male	53	Vice President	December 2012
TIAN Jianjun	Male	56	Vice President	August 2012
LI Xusheng	Male	50	Vice President	September 2012
JIA Yiqun	Male	45	Chief Financial Officer	August 2012
SANG Jinghua	Male	45	Board Secretary/ Company Secretary	August 2012/ December 2012

Equity capital of directors, supervisors and members of senior management

During the Reporting Period, so far as was known to the directors of SINOPEC SEG, none of the directors, supervisors and chief executive of SINOPEC SEG or their respective associates had any interest or short positions in any shares, underlying shares or debentures of SINOPEC SEG or any associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to 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 SINOPEC SEG referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Hong Kong Listing Rules, to be notified to SINOPEC SEG and the Hong Kong Stock Exchange. that are regarded, or treated as being held, in accordance with the Securities and Futures Ordinance (SFO) in the shares of SINOPEC SEG or any associated corporation. This is in compliance with Divisions 7 and 8 of Part XV of the Ordinance, whereby such individuals must inform SINOPEC SEG and the Hong Kong Stock Exchange if they hold any such interests, Section 352, where they shall also then be registered on the designated register as required by the Ordinance, or the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under Appendix 10 of the Hong Kong Listing Rules and inform SINOPEC SEG and the Hong Kong Stock Exchange. After specific inquiries by SINOPEC SEG, all the directors confirmed that they have complied with all the standards of Model Code during the reporting period.

Financial Statements

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 interim financial statements of SINOPEC Engineering (Group) Co., Ltd. (the "Company") and its subsidiaries (together the "Group") set out on pages 84 to 173, which comprise the consolidated statement of financial position as at June 30, 2013, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated interim financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, and for such internal control as the directors determine is necessary to enable the preparation of consolidated interim 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 interim financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated interim financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated interim 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 interim 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 interim 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 interim financial statements give a true and fair view of the state of affairs of the Group as at June 30, 2013 and of the Group's profit and cash flows for the six-month period then ended in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

Grant Thornton

Certified Public Accountants

Beijing China

August 16, 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six month periods ended 30 June	
		2013	2012
		RMB'000	RMB'000
Revenue	6	19,645,416	16,888,392
Cost of sales		(15,999,600)	(13,811,156)
Gross profit		3,645,816	3,077,236
Other income	8	23,271	31,468
Selling and marketing expenses		(38,243)	(36,511)
Administrative expenses		(422,935)	(452,789)
Research and development costs		(254,823)	(208,164)
Other operating expenses		(133,639)	(99,614)
Other gains/(losses), net	9	1,963	(41,828)
Operating profit		2,821,410	2,269,798
Finance income	10	159,441	371,705
Finance expenses	10	(54,703)	(62,634)
Finance income, net		104,738	309,071
Share of losses of joint arrangements	19(a)	(112)	(896)
Share of profits of associates	19(b)	4,251	5,916
Profit before taxation	11	2,930,287	2,583,889
Income tax expense	12	(716,132)	(585,307)
Profit for the period		2,214,155	1,998,582
Other comprehensive income for the period, net of tax			
Item that may be reclassified subsequently to profit or loss:			
Fair value (losses)/gains on available-for-sale financial assets		(268)	2,611

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

	Note	Six month periods ended 30 June	
		2013	2012
		RMB'000	RMB'000
Item that will not be reclassified to profit or loss:			
Gains on revaluation of retirement benefit plans obligations		51,105	143,713
		50,837	146,324
Total comprehensive income for the period		2,264,992	2,144,906
Profit attributable to:			
Equity holders of the Company		2,214,134	1,998,504
Non-controlling interests		21	78
Profit for the period		2,214,155	1,998,582
Total comprehensive income attributable to:			
Equity holders of the Company		2,264,971	2,144,828
Non-controlling interests		21	78
Total comprehensive income for the period		2,264,992	2,144,906
		RMB	RMB
Earnings per share for profit attributable to equity holders of the Company during the period (expressed in RMB per share) - Basic and diluted	13	0.66	0.64

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	At 30 June 2013	At 31 December 2012
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	3,762,034	3,834,150
Land use rights	17	2,888,035	2,866,761
Intangible assets	18	446,497	476,763
Investment in joint arrangements	19(a)	5,483	7,666
Investment in associates	19(b)	88,869	84,618
Available-for-sale financial assets	20	14,707	15,065
Deferred income tax assets	35	773,152	793,755
Total non-current assets		7,978,777	8,078,778
Current assets			
Inventories	24	734,835	747,117
Notes and trade receivables	21	4,701,605	6,074,402
Prepayments and other receivables	22	5,304,644	4,658,720
Amounts due from customers for contract work	23	6,057,223	4,584,264
Loans due from the ultimate holding company	25	8,100,000	8,140,000
Restricted cash	26	11,131	24,254
Time deposits	27	7,403,007	—
Cash and cash equivalents	28	7,137,276	4,822,490
Total current assets		39,449,721	29,051,247
Total assets		47,428,498	37,130,025
EQUITY			
Share capital	29	4,428,000	3,100,000
Reserves	30	15,479,145	3,977,985
Consolidated equity attributable to equity holders of the Company		19,907,145	7,077,985

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Note	At 30 June 2013	At 31 December 2012
		RMB'000	RMB'000
Non-controlling interests		3,286	3,265
Total equity		19,910,431	7,081,250
LIABILITIES			
Non-current liabilities			
Retirement and other supplemental benefit obligations	31	2,735,241	2,877,632
Provision for litigation claims	32	343,091	369,244
Deferred income tax liabilities	35	39,393	39,483
Total non-current liabilities		3,117,725	3,286,359
Current liabilities			
Trade payables	33	7,545,303	8,366,282
Other payables	34	11,436,797	11,801,526
Amounts due to customers for contract work	23	5,143,235	6,242,041
Loans due to fellow subsidiaries	36	—	157,138
Current income tax liabilities		275,007	195,429
Total current liabilities		24,400,342	26,762,416
Total liabilities		27,518,067	30,048,775
Total equity and liabilities		47,428,498	37,130,025
Net current assets		15,049,379	2,288,831
Total assets less current liabilities		23,028,156	10,367,609

Approved and authorised for issue by the Board of Directors on August 16, 2013

Cai Xiyou	Yan Shaochun	Jia Yiqun
Chairman of the Board	President	Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company			
	Share capital	Capital reserve	Statutory surplus reserve	Investment revaluation reserve
	RMB'000	RMB'000 (Note 30)	RMB'000 (Note 30)	RMB'000 (Note 30)
At January 1, 2012	400,000	2,147,721	—	7,317
Profit for the period	—	—	—	—
Other comprehensive income:				
Fair value change of available-for-sale financial assets – gross	—	—	—	3,482
Fair value change of available-for-sale financial assets – tax	—	—	—	(871)
Defined benefits obligation revaluation of actuarial gain and loss – gross	—	—	—	—
Defined benefits obligation revaluation of actuarial gain and loss – tax	—	—	—	—
Total comprehensive income	—	—	—	2,611
Transactions with owners:				
Assets transferred from the Group to Sinopec Group	—	(19,448)	—	—
Capital contributions by Sinopec Group to subsidiaries of the Company	—	243,628	—	—
Assets transferred from Sinopec Group to subsidiaries of the Company	—	513,199	—	—
Acquisition of non-controlling interests of subsidiaries	—	—	—	—
Appropriation of specific reserve	—	—	—	—
Utilisation of specific reserve	—	—	—	—
Total transactions with owners	—	737,379	—	—
At June 30, 2012	400,000	2,885,100	—	9,928

	Attributable to equity holders of the Company			Non-controlling interests	Total equity
	Specific reserve	Retained earnings	Total		
	RMB'000 (Note 30)	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2012	46,574	128,495	2,730,107	3,301	2,733,408
Profit for the period	—	1,998,504	1,998,504	78	1,998,582
Other comprehensive income:					
Fair value change of available-for-sale financial assets – gross	—	—	3,482	—	3,482
Fair value change of available-for-sale financial assets – tax	—	—	(871)	—	(871)
Defined benefits obligation revaluation of actuarial gain and loss – gross	—	186,131	186,131	—	186,131
Defined benefits obligation revaluation of actuarial gain and loss – tax	—	(42,418)	(42,418)	—	(42,418)
Total comprehensive income	—	2,142,217	2,144,828	78	2,144,906
Transactions with owners:					
Assets transferred from the Group to Sinopec Group	—	—	(19,448)	—	(19,448)
Capital contributions by Sinopec Group to subsidiaries of the Company	—	—	243,628	—	243,628
Assets transferred from Sinopec Group to subsidiaries of the Company	—	—	513,199	—	513,199
Acquisition of non-controlling interests of subsidiaries	—	(60)	(60)	(335)	(395)
Appropriation of specific reserve	63,603	(63,603)	—	—	—
Utilisation of specific reserve	(52,672)	52,672	—	—	—
Total transactions with owners	10,931	(10,991)	737,319	(335)	736,984
At June 30, 2012	57,505	2,259,721	5,612,254	3,044	5,615,298

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

		Attributable to equity holders of the Company			
	Note	Share capital	Capital reserve	Statutory surplus reserve	Investment revaluation reserve
		RMB'000	RMB'000 (Note 30)	RMB'000 (Note 30)	RMB'000 (Note 30)
At January 1, 2013		3,100,000	519,472	191,517	8,261
Profit for the period		—	—	—	—
Other comprehensive income:					
Fair value change of available-for-sale financial assets – gross		—	—	—	(358)
Fair value change of available-for-sale financial assets – tax		—	—	—	90
Defined benefits obligation revaluation of actuarial gain and loss – gross		—	—	—	—
Defined benefits obligation revaluation of actuarial gain and loss – tax		—	—	—	—
Total comprehensive income		—	—	—	(268)
Transactions with owners:					
Issuance of ordinary shares for Listing, net	29(ii)	1,328,000	9,599,488	—	—
Special dividends	14				
Appropriation of specific reserve		—	—	—	—
Utilisation of specific reserve		—	—	—	—
Total transactions with owners		1,328,000	9,599,488	—	—
At June 30, 2013		4,428,000	10,118,960	191,517	7,993

	Attributable to equity holders of the Company			Non-controlling interests	Total equity
	Specific reserve	Retained earnings	Total		
	RMB'000 (Note 30)	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2013	98,753	3,159,982	7,077,985	3,265	7,081,250
Profit for the period	—	2,214,134	2,214,134	21	2,214,155
Other comprehensive income:					
Fair value change of available-for-sale financial assets – gross	—	—	(358)	—	(358)
Fair value change of available-for-sale financial assets – tax	—	—	90	—	90
Defined benefits obligation revaluation of actuarial gain and loss – gross	—	65,895	65,895	—	65,895
Defined benefits obligation revaluation of actuarial gain and loss – tax	—	(14,790)	(14,790)	—	(14,790)
Total comprehensive income	—	2,265,239	2,264,971	21	2,264,992
Transactions with owners:					
Issuance of ordinary shares for Listing, net	—	—	10,927,488	—	10,927,488
Special dividends	—	(363,299)	(363,299)	—	(363,299)
Appropriation of specific reserve	55,582	(55,582)	—	—	—
Utilisation of specific reserve	(39,888)	39,888	—	—	—
Total transactions with owners	15,694	(378,993)	10,564,189	—	10,564,189
At June 30, 2013	114,447	5,046,228	19,907,145	3,286	19,910,431

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six month periods ended 30 June	
		2013	2012
		RMB'000	RMB'000
Cash flows from operating activities			
Cash used in operations	38	(283,586)	(1,254,173)
Income tax paid		(630,740)	(1,437,080)
Interest received		9,113	22,461
Net cash used in operating activities		(905,213)	(2,668,792)
Cash flows from investing activities			
Purchase of property, plant and equipment		(148,101)	(231,970)
Purchase of intangible assets		(8,499)	(14,756)
Purchase of land use rights		(52,151)	(459,392)
Acquisition of non-controlling interests		—	(395)
Interest income on loan to the ultimate holding company		150,328	349,244
Proceeds from disposal of property, plant and equipment		2,806	59,102
Proceeds from disposal of land use rights		—	25,174
Dividends received from joint arrangements		129	705
Increase in time deposits		(7,403,007)	—
Loans to the ultimate holding company		(7,100,000)	(9,450,000)
Repayments of loans from the ultimate holding company		7,140,000	10,200,000
Net cash (used in)/ generated from investing activities		(7,418,495)	477,712

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

	Note	Six month periods ended 30 June	
		2013	2012
		RMB'000	RMB'000
Cash flows from financing activities			
Proceeds from global offering		11,128,846	—
Payment of fees relating to Listing		(2,960)	—
Borrowings from fellow subsidiaries		499,774	335,096
Repayments of borrowings from fellow subsidiaries		(656,912)	(289,634)
Interest paid		(3,038)	(2,157)
Dividends paid		(363,299)	(374,248)
Repayments to fellow subsidiaries		—	(562,847)
Financing costs paid		—	(12,860)
Net cash generated from/(used in) financing activities		10,602,411	(906,650)
Net increase/(decrease) in cash and cash equivalents		2,278,703	(3,097,730)
Cash and cash equivalents at beginning of period		4,822,490	5,575,335
Exchange gains/ (losses) on cash and cash equivalents		36,083	(8,422)
Cash and cash equivalents at end of period	28	7,137,276	2,469,183

Notes To The Interim Financial Statements

1. Principal Activities, Organization and Reorganization

1.1 Principal activities

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

1.2 Organization and reorganization

The Company was established as a company with limited liability under the name of Sinopec Engineering Co., Ltd (中國石化集團煉化工程有限公司) in the People's Republic of China (the "PRC") on July 24, 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 interim financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

Upon the establishment of the Company, Sinopec Group held its 100% equity interests. Sinopec Group transferred 2% of the Company's equity interest to Sinopec Assets Management Co., Ltd. (中國石化集團資產經營管理有限公司, "SAMC"), a wholly-owned subsidiary of Sinopec Group, at nil consideration with May 31, 2012 as the measurement date. Pursuant to a reorganization of engineering, consulting and licensing, EPC Contracting, construction and equipment manufacturing in respect of oil refining, petrochemical engineering, storage and transportation (the "Core Business") of Sinopec Group in preparation for the Listing of the Company's shares on the Main Board of The Stock Exchange (the "Reorganization") with 31 December, 2011 as the base date, the Company became the holding company of the subsidiaries now comprising the Group. The Company then transformed into a joint stock company with limited liability and renamed as SINOPEC Engineering (Group) Co., Ltd. (中石化煉化工程(集團)股份有限公司) on August 28, 2012.

The principal reorganization transactions include:

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

(i) 100% equity interest in Sinopec Engineering Incorporation (中國石化工程建設有限公司, "SEI"), formerly known as China Petrochemincal Corporation, Engineering Incorporation (中國石化工程建設公司);

(ii) 100% equity interest in Sinopec Luoyang Petrochemical Engineering Corporation (中石化洛陽工程有限公司, "LPEC"), formerly known as China Petrochemical Corporation, Luoyang Petrochemical Engineering Corporation (中國石化集團洛陽石油化工工程公司);

(iii) 100% equity interest in Sinopec Shanghai Engineering Co., Ltd (中石化上海工程有限公司, "SSEC"), formerly known as China Petrochemical Corporation, Shanghai Engineering Company Limited (中國石化集團上海工程有限公司);

1. Principal Activities, Organization and Reorganization (Continued)

1.2 Organization and reorganization (Continued)

(iv) 100% equity interest in Sinopec Ningbo Engineering Company Limited (中石化寧波工程有限公司, "SNEC"), formerly known as China Petrochemical Corporation, Ningbo Engineering Co., Ltd (中國石化集團寧波工程有限公司);

(v) 100% equity interest in Sinopec Nanjing Engineering & Construction Incorporation (中石化南京工程有限公司, "SNEI"), formerly known as China Petrochemical Corporation, Nanjing Engineering & Construction Incorporation (中國石化集團南京工程有限公司);

(vi) 100% equity interest in Sinopec The Fourth Construction Company Limited (中石化第四建設有限公司, "FCC"), formerly known as The Fourth Construction Company of China Petrochemical Corporation (中國石化集團第四建設公司);

(vii) 100% equity interest in the Fifth Construction Company of Sinopec (中石化第五建設有限公司, "SFCC"), formerly known as The Fifth Construction Company of China Petrochemical Corporation (中國石化集團第五建設公司);

(viii) 100% equity interest in Sinopec Tenth Construction Company (中石化第十建設有限公司, "TCC"), formerly known as The Tenth Construction Company of China Petrochemical Corporation (中國石化集團第十建設公司);

(ix) 100% equity interest in Sinopec Ningbo Engineering Research Institute Company Limited (中石化寧波技術研究院有限公司, "Ningbo Institute"), formerly known as China Petrochemical Corporation, Ningbo Institute of Technology (中國石化集團寧波技術研究院);

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

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

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

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

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

During the process of Reorganization, as requested by Sinopec Group, the Group was required to transfer RMB12.2 billion to Sinopec Group in 2011, which was accounted as other payables to Sinpec Group as at December 31, 2011 (Note 39). As a result, the Group's capital reserve was reduced accordingly as at December 31, 2011. Subsequent to the above reorganization transactions which were completed in April 2012, the Company was transformed into a joint stock company with limited liability on August 28, 2012.

The Company has completed its primary listing (the "Listing") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on May 23, 2013.

2. Basis of Presentation

2.1 As the Company and its subsidiaries described in Note 1.2(a) are under the control of Sinopec Group, both before and after the Reorganization and control is not transitory, the Reorganization has been accounted for as a reorganization of business under common control and the consolidated interim financial statements of the Group have been prepared using the principals of merger accounting. The consolidated statements of financial position as at June 30, 2013 and December 31, 2012 and consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the six months ended June 30, 2013 and 2012 have been presented as if the current group structure had been in existence throughout each of the six months ended June 30, 2013 and 2012 or since respective dates of incorporation/establishment or acquisition, whichever is the shorter period.

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

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

The Other Assets that were transferred to Sinopec Group upon the completion of the Reorganization were summarised as follow:

	Year ended December 31, 2011	Six months ended June 30, 2012	Total
	RMB'000	RMB'000	RMB'000
Non-current assets			
– Property, plant and equipment	**42,988**	15,051	58,039
– Land use rights	**4,474**	4,397	8,871
Net assets	**47,462**	19,448	66,910

3. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of the interim financial statements are set out below. These policies have been consistently applied during the year ended December 31, 2012, and the six months ended June 30, 2013 .

3.1 Basis of preparation

The interim 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 interim financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

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

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

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

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

• The amendments to IAS 1 (Revised), "Presentation of financial statements – Presentation of items of other comprehensive income" require companies to classify items within other comprehensive income under two categories: (i) items which may be reclassified to profit or loss in the future and (ii) items which would never be reclassified to profit or loss. The adoption of the amended IAS 1 (Revised) only affects the presentation of the consolidated statement of comprehensive income.

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

3. Summary of Significant Accounting Policies (Continued)

3.1 Basis of preparation (Continued)

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

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

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

The revised and new accounting standards issued but not yet effective for the accounting period ended June 30, 2013 which are relevant to the Group but the Group has not early adopted are set out below:

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

During the six months ended June 30, 2012, the Group has early adopted the new accounting standards that have been issued and revised but not yet be effective for the six months ended June 30, 2012:

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

3. Summary of Significant Accounting Policies (Continued)

3.2 Consolidation

Subsidiaries

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

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

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

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

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

3. Summary of Significant Accounting Policies (Continued)

3.2 Consolidation (Continued)

Subsidiaries (Continued)

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

Transactions with non-controlling interests

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

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

Joint Arrangements

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

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

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

3. Summary of Significant Accounting Policies (Continued)

3.2 Consolidation (Continued)

Associates

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

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

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

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

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

3.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors and certain senior management (including financial director) (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 interim 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 period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income.

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

Group companies

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

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

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

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

3. Summary of Significant Accounting Policies (Continued)

3.5 Property, plant and equipment

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

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

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

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

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

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

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

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

3. Summary of Significant Accounting Policies (Continued)

3.6 Land use rights

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

3.7 Intangible assets

Computer software

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

Patent and proprietary technologies

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

3.8 Impairment of non-financial assets

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

3. Summary of Significant Accounting Policies (Continued)

3.9 Financial assets

Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, 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) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(ii) Loans and receivables

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

(iii) Available-for-sale financial assets

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

Recognition and measurement

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

3. Summary of Significant Accounting Policies (Continued)

3.9 Financial assets (Continued)

Recognition and measurement (Continued)

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

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

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

Offsetting financial instruments

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

3. Summary of Significant Accounting Policies (Continued)

3.10 Inventories

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

3.11 Trade and other receivables

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

3.12 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. Summary of Significant Accounting Policies (Continued)

3.14 Borrowings

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

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

3.15 Payables

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

3.16 Employee benefits

Pension obligations

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

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

3. Summary of Significant Accounting Policies (Continued)

3.16 Employee benefits (Continued)

Pension obligations (Continued)

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

Other post-employment obligations

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

Termination and early retirement benefits

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

Housing benefits

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

Bonus entitlements

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

3. 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 recognized in the consolidated statement of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the income tax is also recognized in other comprehensive income or directly in equity, respectively.

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

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

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

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

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

• The Group has the legally enforceable right to settle current income tax assets and current income tax liabilities; and

• The deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3. Summary of Significant Accounting Policies (Continued)

3.17 Taxation (Continued)

Value-added taxation ("VAT")

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

Business tax

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

3.18 Contingencies

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

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

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

3.19 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

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

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

3. Summary of Significant Accounting Policies (Continued)

3.20 Government grants

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

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

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

3.21 Contract work

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

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

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

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

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

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

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

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

Revenue from construction and service contracts

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

Services rendered

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

Sales of products

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

3. Summary of Significant Accounting Policies (Continued)

3.22 Revenue recognition (Continued)

Dividend income

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

Interest income

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

3.23 Research and development

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

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

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

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

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

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

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

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

3. Summary of Significant Accounting Policies (Continued)

3.24 Dividend distribution

Dividend distribution to the Group's equity holders is recognized as a liability in the interim financial statements in the period 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 recognized 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 recognized less, when appropriate, cumulative amortisation recognized over the life of the guarantee on a straight-line basis.

3.26 Leases

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

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

4. Financial and Capital Risks Management

The Group works out general principles for overall risk management, including management of financial risks, as well as management policies covering specific areas. In considering the importance of risks, the Group identifies and evaluates risks at 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 receivables and payables, borrowings and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currency that gives rise to this risk is primarily in USD, EUR, Saudi Arabian Riyal ("SAR") as at June 30, 2013 and December 31, 2012.

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

4. Financial and Capital Risks Management (Continued)

4.1 Financial risk management (Continued)

(a) Market risk (Continued)

Foreign exchange risk (Continued)

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

	At 30 June 2013			
	USD	EUR	SAR	Others
	RMB'000	RMB'000	RMB'000	RMB'000
Restricted cash,time deposits, cash and cash equivalent	9,837,664	182,143	100,330	250,447
Trade and other receivables	1,831,770	104,194	233,127	122,759
Trade and other payables	(3,451,873)	(37,200)	(475,882)	(44,216)
Net exposure in RMB	8,217,561	249,137	(142,425)	328,990

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

A 5% strengthening of RMB against the USD and EUR as at 30 June 2013 and 31 December 2012 would have decreased the equity and net profit by the amounts shown below:

	At 30 June 2013	At 31 December 2012
	RMB'000	RMB'000
Changes in equity and net profit		
USD	(308,159)	(15,780)
EUR	(9,343)	(11,641)

A 5% weakening of RMB as at June 30, 2013 and December 31, 2012 would have had the equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remain constant.

4. Financial and Capital Risks Management (Continued)

4.1 Financial risk management (Continued)

(a) Market risk (Continued)

Foreign exchange risk (Continued)

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 as at 30 June 2013 and 2012.

Interest rate risk

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

Price risk

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

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

	At 30 June 2013	At 31 December 2012
	RMB'000	RMB'000
Impact on equity		
Increase/(decrease) in equity for the period		
– as a result of increase in equity securities price	552	565
– as a result of decrease in equity securities price	(552)	(565)

4. Financial and Capital Risks Management (Continued)

4.1 Financial risk management (Continued)

(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 cash and cash equivalents are mainly deposited in the stated owned/controlled PRC banks which the Directors have assessed the credit risk to be insignificant.

The Group has policies in place to ensure that services are rendered and products are sold to customers with appropriate credit history and the Group reforms 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 June 30, 2013							
Trade and other payables	**N/A**	**10,827,739**	**—**	**—**	**—**	**10,827,739**	**10,827,739**

	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 December 31, 2012							
Trade and other payables	N/A	11,539,015	—	—	—	11,539,015	11,539,015
Amounts due to fellow subsidiaries	2.60%	159,528	—	—	—	159,528	157,138
		11,698,543	—	—	—	11,698,543	11,696,153

4.2 Capital risk management

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

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

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

4. Financial and Capital Risks Management (Continued)

4.2 Capital risk management (Continued)

	At June 30, 2013	At December 31, 2012
	RMB'000	RMB'000
Total borrowings and other liabilities	10,827,739	11,696,153
Less: Restricted cash, time deposits and cash and cash equivalents	(14,551,414)	(4,846,744)
Net debt	(3,723,675)	6,849,409
Total equity (excluding non-controlling interests)	19,907,145	7,077,985
Total capital	16,183,470	13,927,394
Gearing ratio	N/A	49%

4.3 Fair value estimation

Fair value measurements

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

• Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

• Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2).

• Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs) (level 3).

4. Financial and Capital Risks Management (Continued)

4.3 Fair value estimation (Continued)

Fair value disclosures

The carrying amounts of the Group's financial assets and liabilities including restricted cash, time deposits, cash and cash equivalents, trade and other receivables, trade and other payables and short-term borrowings approximate their fair values due to their short maturities. There are no financial liabilities that are measured at fair value as at 30 June 2013 and 31 December 2012.

The following table presents the Group's assets that are measured at fair value as at 30 June 2013 and 31 December 2012.

	At 30 June 2013	At 31 December 2012
	RMB'000	RMB'000
Level 1		
Available-for-sale financial assets – Listed equity securities	**11,957**	12,315

5. Critical Accounting Estimates and Judgement

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

The Group makes accounting estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal 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 period are discussed below.

(a) Construction contracts

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

5. Critical Accounting Estimates and Judgement (Continued)

(b) Useful lives of property, plant and equipment

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

(c) Provision for impairment of trade receivables

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

(d) Current taxation and deferred taxation

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

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

5. Critical Accounting Estimates and Judgement (Continued)

(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 period. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of corporate securities which have maturity approximating to the terms of the related pension liability. Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 31.

(f) Provision for litigation claims

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

(g) Tax matters pursuant to the Reorganization

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

6. Revenue

The Group's revenue is set out below (consistent with revenue from principal operations):

	Six month periods ended 30 June	
	2013	2012
	RMB'000	RMB'000
Engineering, consulting and licensing	**2,231,482**	1,677,822
EPC Contracting	**10,594,811**	8,331,527
Construction	**6,572,236**	6,539,066
Equipment manufacturing	**246,887**	339,977
	19,645,416	16,888,392

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 trasportation, construction, renovation, expansion, repair and maintenance services and large equipment lifting and transportation services in construction projects;

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

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

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

7. Segment Information (Continued)

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

Capital expenditure comprises additions to property, plant and equipment (Note 16), land use rights (Note 17), intangible assets (Note 18) and other non-current assets, including additions resulting from acquisitions through business combinations.

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

(i) The segment results for the six months ended 30 June 2012 are as follows:

	Engineering, consulting and licensing	EPC Constructing	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	1,677,822	8,331,527	6,539,066	339,977	—	—	16,888,392
Inter - segment revenue	—	—	956,170	44,951	—	(1,001,121)	—
Segment revenue	1,677,822	8,331,527	7,495,236	384,928	—	(1,001,121)	16,888,392
Segment result	597,140	1,590,589	69,568	1,499	11,002	—	2,269,798
Finance income							371,705
Finance expenses							(62,634)
Share of losses of joint arrangements	(896)	—	—	—	—	—	(896)
Share of profits of associates	662	—	5,254	—	—	—	5,916
Profit before income tax							2,583,889
Income tax expense							(585,307)
Profit for the period							1,998,582
Other segment items							
Depreciation	83,864	22,895	219,797	9,425	—	—	335,981
Amortisation	45,539	2,631	9,748	168	—	—	58,086
Capital expenditures:							
– Property, plant and equipment	28,423	7,684	194,808	1,055	—	—	231,970
– Land use rights	64,360	81,133	293,644	50,293	—	—	489,430
– Intangible assets	8,640	5,845	271	—	—	—	14,756
Provision for impairment on trade and other receivables	5,730	13,184	15,519	283	—	—	34,716

7. Segment Information (Continued)

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

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

7. Segment Information (Continued)

(iii) The segment results for the six months ended 30 June 2013 are as follows:

	Engineering, consulting and licensing	EPC Constructing	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	2,231,482	10,594,811	6,572,236	246,887	—	—	19,645,416
Inter – segment revenue	32,438	—	1,526,602	118,876	—	(1,677,916)	—
Segment revenue	2,263,920	10,594,811	8,098,838	365,763	—	(1,677,916)	19,645,416
Segment result	966,188	1,602,544	275,421	(29,786)	7,043	—	2,821,410
Finance income							159,441
Finance expenses							(54,703)
Share of losses of joint arrangements	(112)	—	—	—	—	—	(112)
Share of profits of associates	3,741	—	510	—	—	—	4,251
Profit before income tax							2,930,287
Income tax expense							(716,132)
Profit for the period							2,214,155
Other segment items							
Depreciation	66,318	22,588	121,754	8,714	—	—	219,374
Amortisation	51,423	5,048	13,003	168	—	—	69,642
Capital expenditures							
– Property, plant and equipment	27,498	1,300	119,303	—	—	—	148,101
– Land use rights	—	—	52,151	—	—	—	52,151
– Intangible assets	3,061	4,857	581	—	—	—	8,499
Provision for impairment on trade and other receivables	6,230	45,774	10,813	5,235	—	—	68,052

7. Segment Information (Continued)

(iv) The segment assets and liabilities as at 30 June 2013 are as follows:

	Engineering, consulting and licensing	EPC Constructing	Construction	Equipment manufacturing	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets						
Segment assets	6,208,718	14,966,771	11,904,959	858,829	(1,267,404)	32,671,873
Investment in joint arrangements	5,483	—	—	—	—	5,483
Investment in associates	69,070	—	19,799	—	—	88,869
Other unallocated assets						14,662,273
Total assets						47,428,498
Liabilities						
Segment liabilities	3,789,311	14,479,026	9,863,990	338,744	(1,267,404)	27,203,667
Other unallocated liabilities						314,400
Total liabilities						27,518,067

7. Segment Information (Continued)

Analysis of information by geographical regions:

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

Revenue	Six month periods ended 30 June	
	2013	2012
	RMB'000	RMB'000
The PRC	16,189,958	14,200,348
Other countries	3,455,458	2,688,044
	19,645,416	16,888,392

Specified non-current assets	At 30 June 2013	At 31 December 2012
	RMB'000	RMB'000
The PRC	7,056,298	7,105,500
Other countries	134,620	164,458
	7,190,918	7,269,958

The customers accounted for more than 10% of the total revenue of the Group for the six month periods ended 30 June 2013 and 2012, the details are as follows:

	Six month periods ended 30 June	
	2013	2012
	RMB'000	RMB'000
A fellow subsidiary	6,659,164	7,019,946
A third party	2,191,796	—
	8,850,960	7,019,946

8. Other Income

	Six month periods ended 30 June	
	2013	2012
	RMB'000	RMB'000
Operating lease rental income on property, plant and equipment	20,117	16,113
Income from write-back of long outstanding payables	1,544	289
Others	1,610	15,066
	23,271	31,468

9. Other Gains/(Losses), Net

	Six month periods ended 30 June	
	2013	2012
	RMB'000	RMB'000
Gains/(Losses) on disposal of property, plant and equipment	1,963	(5,477)
Losses on disposal of land use rights	—	(36,351)
	1,963	(41,828)

10. Finance Income and Finance Expenses

	Six month periods ended 30 June	
	2013	2012
	RMB'000	RMB'000
Finance income		
Interest income from the ultimate holding company	150,328	349,244
Bank interest income	9,113	22,461
	159,441	371,705
Finance expenses		
Interest expenses to fellow subsidiaries on balance wholly repayable within 5 years	(3,038)	(2,157)
Interest expenses on retirement and other supplementary benefit obligation	(51,665)	(60,477)
	(54,703)	(62,634)
	104,738	309,071

11. Profit Before Taxation

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

	Six month periods ended 30 June	
	2013	2012
	RMB'000	RMB'000
Staff costs, including directors and supervisors emoluments	2,111,602	1,896,333
Retirement benefit plan contribution (included in the above mentioned staff costs)	280,665	269,266
Cost of goods sold	6,839,981	4,129,667
Subcontracting costs	6,048,677	5,234,338
Depreciation and amortisation		
– Property, plant and equipment	219,374	335,981
– Land use rights	30,877	21,269
– Intangible assets	38,765	36,817
Operating lease rentals		
– Property, plant and equipment	125,630	53,913
Provision for impairment of assets (included in other operating expenses)		
– trade receivables, prepayment and other receivables	68,052	34,716
Rental income from property, plant and equipment after relevant expenses	(10,657)	(2,652)
Provision for litigation claims (included in other operating expenses)	—	19,740
Research and development costs	254,823	208,164
(Gains) /Losses on disposal/write-off of property, plant and equipment	(1,963)	5,477
Losses on disposal of land use rights	—	36,351
Exchange losses, net	53,733	14,258

12. Income Tax Expense

	Six month periods ended 30 June	
	2013	2012
	RMB'000	RMB'000
Current tax		
PRC enterprise income tax	634,713	561,894
Overseas enterprise income tax	31,900	4,797
Under-provision for PRC enterprise income tax in prior periods	43,706	34,567
	710,319	601,258
Deferred tax		
Origination and reversal of temporary differences	5,813	(15,951)
Income tax expense	716,132	585,307

According to the Corporate Income Tax Law of the PRC, the applicable income tax for the six months ended June 30, 2013 and 2012 is 25%.

According to the normal statutory PRC corporate income tax and relevant rules, apart from a certain subsidiaries of the Company subjected to the relevant development zone policy or participation in technology development and China's western development project can enjoy 15-24% preferential tax rate. For the six months ended June 30, 2013 and 2012, the majority of the members of the Group is subject to 25% income tax rate.

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

12. Income Tax Expense (Continued)

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:

	Six month periods ended 30 June	
	2013	2012
	RMB'000	RMB'000
Profit before taxation	2,930,287	2,583,889
Taxation calculated at the statutory tax rate	732,572	645,972
Income tax effects of:		
Preferential income tax treatments of certain companies	(87,842)	(121,364)
Difference in overseas income tax rates	(6,129)	(1,199)
Non-deductible expenses	27,647	29,340
Income not subject to tax	(1,534)	(1,255)
Tax losses for which no deferred income tax asset was recognized	7,721	3,230
Unrecognized deferred tax losses in prior periods utilised	(9)	(3,984)
Under provision for enterprise income tax in prior periods	43,706	34,567
Income tax expense	716,132	585,307
Effective income tax rate (i)	24%	23%

Note:

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

13. Earnings Per Share

(a) Basic

The basic earnings per share for each of the six months ended 30 June 2013 and 2012 is calculated based on the profit attributable to the equity holders of the Company and the weighted average number of ordinary shares in issue, and on the assumption that 3,100,000,000 shares issued upon the transformation of the Company from a limited liability company to a joint stock company with limied liability had been in issue since 1 January 2012.

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

	Six month periods ended 30 June	
	2013	2012
Profit attributable to equity holders of the Company (RMB'000)	2,214,134	1,998,504
Weighted average number of ordinary shares in issue	3,378,806,630	3,100,000,000
Basic earnings per share (RMB)	0.66	0.64

(b) Diluted

As the Company had no dilutive ordinary shares for each of the six months ended June 30, 2013 and 2012, dilutive earnings per share for the six months ended June 30, 2013 and 2012 are the same as basic earnings per share.

14. Dividends

Dividends represented dividends declared by the Company during each of the six months ended 30 June 2013 and 2012.

	Six month periods ended 30 June	
	2013	2012
	RMB'000	RMB'000
Dividends attributable to the then equity owners (i)	**363,299**	—
Proposed of RMB0.134 per ordinary share (2012: Nil) (ii)	**593,352**	—

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

(ii) According to the Company's Articles of Association, the amount of retained earnings available for distribution to equity shareholders of the Company is the lower of the amount determined in accordance with the accounting policies complying with "Accounting Standards for Business Enterprises" ("ASBE") and the amount determined in accordance with the accounting policies complying with IFRS. At June 30, 2013, the amount of retained earnings available for distribution was RMB1,982,000,000, being the amount determined in accordance with the accounting policies complying with the ASBE.

Pursuant to a resolution passed at the Directors' meeting on August 16, 2013, the Directors authorised to declare the interim dividends for the year ending December 31, 2013 of RMB0.134 (2012:Nil) per share totalling RMB593,352,000 (2012:Nil). Dividends declared after the end of the reporting period are not recognised as a liability at the end of the reporting period.

15. Employment Benefits

	Six month periods ended 30 June	
	2013	2012
	RMB'000	RMB'000
Salaries, wages and bonuses	1,111,873	1,048,674
Retirement benefits (a)	239,505	206,579
Early retirement and supplemental pension benefit (Note 31(b))		
– interest cost	51,665	60,477
– past service cost	(10,505)	2,210
Housing fund (b)	98,914	78,626
Welfare, medical and other expenses	620,150	499,767
	2,111,602	1,896,333

Note:

(a) Retirement benefits

The Group is required to make specific contributions to the state-managed retirement plan at a rate of 17% to 22% of the specified salaries of the PRC employees for the six months ended June 30, 2012 and 2013. The PRC government is responsible for the pension liability to the retired employees. The PRC employees of the Group are entitled to a monthly pension upon their retirements.

(b) Housing fund

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

16. Property, Plant and Equipment

	Buildings and other facilities	Plant and machinery, Transportation equipment and others equipment	Construction-in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2012				
Cost	2,597,997	2,847,540	32,652	5,478,189
Accumulated depreciation and impairment	(647,204)	(1,368,330)	—	(2,015,534)
Net book amount	1,950,793	1,479,210	32,652	3,462,655
Six months ended June 30, 2012				
Opening net book amount	1,950,793	1,479,210	32,652	3,462,655
Transfers	17,441	1,600	(19,041)	—
Additions	7,347	158,191	66,432	231,970
Transfer from Sinopec Group	462,125	51,074	—	513,199
Depreciation	(98,235)	(237,746)	—	(335,981)
Transfer to Sinopec Group	(15,051)	—	—	(15,051)
Disposals/write-off	(23,343)	(29,048)	(12,188)	(64,579)
Closing net book amount	2,301,077	1,423,281	67,855	3,792,213
At June 30, 2012				
Cost	3,019,127	2,957,721	67,855	6,044,703
Accumulated depreciation and impairment	(718,050)	(1,534,440)	—	(2,252,490)
Net book amount	2,301,077	1,423,281	67,855	3,792,213

16. Property, Plant and Equipment (Continued)

	Buildings and other facilities	Plant and machinery, Transportation equipment and others equipment	Construction-in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2013				
Cost	3,010,890	2,954,734	238,361	6,203,985
Accumulated depreciation and impairment	(758,861)	(1,610,974)	—	(2,369,835)
Net book amount	2,252,029	1,343,760	238,361	3,834,150
Six months ended June 30, 2013				
Opening net book amount	2,252,029	1,343,760	238,361	3,834,150
Transfers	—	12,968	(12,968)	—
Additions	—	48,999	99,102	148,101
Depreciation	(70,638)	(148,736)	—	(219,374)
Disposals/write-off	—	(843)	—	(843)
Closing net book amount	2,181,391	1,256,148	324,495	3,762,034
At June 30, 2013				
Cost	2,998,601	3,006,931	324,495	6,330,027
Accumulated depreciation and impairment	(817,210)	(1,750,783)	—	(2,567,993)
Net book amount	2,181,391	1,256,148	324,495	3,762,034

16. Property, Plant and Equipment (Continued)

Depreciation expense recognized is analysed as follows:

	Six month periods ended 30 June	
	2013	2012
	RMB'000	RMB'000
Cost of sales	201,752	308,790
Selling and marketing expenses	448	377
Administrative expenses	17,174	26,814
	219,374	335,981

17. Land Use Rights

	Six month periods ended 30 June	
	2013	2012
	RMB'000	RMB'000
Beginning of the period	2,866,761	2,010,363
Additions	52,151	489,430
Amortisation	(30,877)	(21,269)
Transfer to Sinopec Group	—	(4,397)
Disposals	—	(61,525)
End of the period	2,888,035	2,412,602

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

Amortisation recognized is analysed as follows:

	Six month periods ended 30 June	
	2013	2012
	RMB'000	RMB'000
Cost of sales	15,395	—
Selling and marketing expenses	386	—
Administrative expenses	15,096	21,269
	30,877	21,269

18. Intangible Assets

	Patent	Computer software	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2012				
Cost	479,882	169,058	4,562	653,502
Accumulated amortisation	—	(121,428)	(4,269)	(125,697)
Net book amount	479,882	47,630	293	527,805
Six months ended June 30, 2012				
Opening net book amount	479,882	47,630	293	527,805
Additions	—	14,756	—	14,756
Amortisation	(27,594)	(8,930)	(293)	(36,817)
Closing net book amount	452,288	53,456	—	505,744
At June 30, 2012				
Cost	479,882	183,814	—	663,696
Accumulated amortisation	(27,594)	(130,358)	—	(157,952)
Net book amount	452,288	53,456	—	505,744
At January 1, 2013				
Cost	479,882	192,134	—	672,016
Accumulated amortisation	(55,191)	(140,062)	—	(195,253)
Net book amount	424,691	52,072	—	476,763
Six months ended June 30, 2013				
Opening net book amount	424,691	52,072	—	476,763
Additions	—	8,499	—	8,499
Amortisation	(27,596)	(11,169)	—	(38,765)
Closing net book amount	397,095	49,402	—	446,497
At June 30, 2013				
Cost	479,882	200,633	—	680,515
Accumulated amortisation	(82,787)	(151,231)	—	(234,018)
Net book amount	397,095	49,402	—	446,497

18. Intangible Assets (Continued)

Amortisation recognized is analysed as follows:

	Six month periods ended 30 June	
	2013	2012
	RMB'000	RMB'000
Cost of sales	19,159	—
Selling and marketing expenses	36	—
Administrative expenses	19,570	36,817
	38,765	36,817

19. Investment in Joint Arrangements and Associates

(a) Investment in joint arrangements

	Six month periods ended 30 June	
	2013	2012
	RMB'000	RMB'000
Joint ventures		
Beginning of the period	7,666	6,683
Share of total comprehensive income	(112)	(896)
Dividend distribution	(2,071)	(705)
End of the period	5,483	5,082

19. Investment in Joint Arrangements and Associates (Continued)

(a) Investment in joint arrangements (Continued)

The Group's joint ventures, all of which are unlisted, are as follows:

Name	Establishment/ Place and date 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/ October 19, 1985	—	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/ April 12, 1993	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/ October 4, 1988	471	—	50%	Technical development, equipment manufacturing/ The PRC

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

	Six month periods ended 30 June	
	2013	2012
	RMB'000	RMB'000
Beginning of the period	**84,618**	77,992
Share of total comprehensive income	**4,251**	5,916
End of the period	**88,869**	83,908

19. Investment in Joint Arrangements and Associates (Continued)

(b) Investment in associates (Continued)

The Group's associates, all of which are unlisted, are as follows:

Name	Establishment/ Place and date of incorporation	Registered and fully paid capital	Indirect effective interest held	Principal activities and place of operations
		RMB'000		
China Petrochemical Technology Company Ltd. (中國石油化工科技開發有限公司)	The PRC/ November 12, 1990	50,000	35%	Technical development, technical service/ The PRC
Huizhou Tianxin Petrochemical Engineering Co., Ltd. (惠州天鑫石化工程有限公司)	The PRC/ October 11, 2005	15,000	40%	Construction contracting/ The PRC
Shanghai KSD Bulk Solids Engineering Co., Ltd. (上海金申德粉體工程有限公司)	The PRC/ November 18, 2003	Registered capital: 5,500 Fully paid capital: 5,000	36.36%	Powder engineering services/The PRC

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

	At 30 June 2013	At 31 December 2012
	RMB'000	RMB'000
Current assets	362,059	526,802
Non-current assets	13,426	1,455
Total assets	375,485	528,257
Current liabilities	(207,000)	(367,197)
Total liabilities	(207,000)	(367,197)
Equity attributable to equity holders	161,379	153,954
Non- controlling interests	7,106	7,106
Share of equity by the Group (35%)(2012:35%)	56,483	53,884

19. Investment in Joint Arrangements and Associates (Continued)

(b) Investment in associates (Continued)

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

	Six month periods ended 30 June	
	2013	2012
	RMB'000	RMB'000
Revenue	75,529	147,867
Profit and total comprehensive income for the period attributable to equity holders	7,425	11,197
Profit and total comprehensive income for the period attributable to non- controlling interests	—	662
Share of total comprehensive income (35%)(2012:35%)	2,599	3,919

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

	At 30 June 2013	At 31 December 2012
	RMB'000	RMB'000
Current assets	51,348	48,303
Non-current assets	38,261	38,991
Total assets	89,609	87,294
Current liabilities	(23,494)	(22,997)
Total liabilities	(23,494)	(22,997)
Equity	66,116	64,297
Share of equity by the Group (40%)(2012:40%)	26,446	25,719

	Six month periods ended 30 June	
	2013	2012
	RMB'000	RMB'000
Revenue	28,345	25,702
Profit and total comprehensive income for the period	1,819	3,338
Share of total comprehensive income (40%)(2012:40%)	728	1,335

19. Investment in Joint Arrangements and Associates (Continued)

(b) Investment in associates (Continued)

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

	At 30 June 2013	At 31 December 2012
	RMB'000	RMB'000
Current assets	71,105	87,383
Non-current assets	1,192	1,199
Total assets	72,297	88,582
Current liabilities	(55,960)	(74,790)
Total liabilities	(55,960)	(74,790)
Equity	16,337	13,792
Share of equity by the Group (36.36%) (2012: 36.36%)	5,940	5,015

	Six month periods ended 30 June	
	2013	2012
	RMB'000	RMB'000
Revenue	31,508	51,148
Profit and total comprehensive income for the period	2,545	1,656
Share of total comprehensive income (36.36%) (2012:40%)	925	662

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.

20. Available-for-sale Financial Assets

	Six month periods ended 30 June	
	2013	2012
	RMB'000	RMB'000
Beginning of the period	15,065	13,932
Net fair value (losses)/gains transferred to equity	(358)	3,482
End of the period	14,707	17,414

Available-for-sale financial assets includes the following:

	At 30 June 2013	At 31 December 2012
	RMB'000	RMB'000
Listed securities:		
Equity securities – PRC	11,957	12,315
Unlisted securities:		
Equity securities - PRC	2,750	2,750
	14,707	15,065
Market value of listed securities	11,957	12,315

As at June 30, 2013 and December 31, 2012, the listed available-for-sale financial assets represented 1.07% equity interest of Lanzhou Huanghe Enterprise Co., Ltd. (蘭州黃河企業股份有限公司).

The unlisted equity securities are carried at cost less impairment as these investments do not have a quoted market price and range of reasonable fair value estimate is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reliably.

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

21. Notes and Trade Receivables

	At 30 June 2013	At 31 December 2012
	RMB'000	RMB'000
Trade receivables		
– Fellow subsidiaries	2,100,085	3,582,591
– A joint venture of fellow subsidiaries	48,998	16,170
– An associate entity of fellow subsidiaries	—	13,740
– Associates	—	—
– Third parties	2,489,460	2,030,074
	4,638,543	5,642,575
Less: Provision for impairment	(176,510)	(149,699)
Trade receivables-net	4,462,033	5,492,876
Notes receivables	239,572	581,526
Notes and trade receivables	4,701,605	6,074,402

The carrying amounts of the notes and trade receivables approximate their fair value.

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

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

Ageing analysis of impaired notes and trade receivables is as follows:

	At 30 June 2013	At 31 December 2012
	RMB'000	RMB'000
Within 1 year	4,145,179	5,552,785
Between 1 and 2 years	434,016	394,282
Between 2 and 3 years	119,118	107,527
Between 3 and 4 years	1,292	483
Between 4 and 5 years	483	13,387
Over 5 years	1,517	5,938
	4,701,605	6,074,402

21. Notes and Trade Receivables (Continued)

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

	Six month periods ended 30 June	
	2013	2012
	RMB'000	RMB'000
At the beginning of the period	149,699	102,068
Provisions	32,190	14,856
Receivables written off as uncollectible	(3,990)	—
Reversal	(1,389)	(6,904)
At the end of the period	176,510	110,020

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

	At 30 June 2013	At 31 December 2012
	RMB'000	RMB'000
RMB	3,929,650	5,703,485
USD	695,580	269,206
SAR	75,614	99,698
Others	761	2,013
	4,701,605	6,074,402

22. Prepayments and Other Receivables

	At 30 June 2013	At 31 December 2012
	RMB'000	RMB'000
Prepayments		
Prepayments for construction and materials:		
– Ultimate holding company	427	450
– Fellow subsidiaries	102,730	81,824
Prepayments for construction	1,971,139	936,800
Prepayments for materials and equipments	1,987,040	2,696,095
Prepayments for labour costs	6,949	17,954
Prepayments for rent	13,291	6,711
Others	93,484	135,467
	4,175,060	3,875,301
Other receivables		
Amount due from the ultimate holding company(i)	122	295
Amounts due from fellow subsidiaries(i)	26,636	18,366
Amounts due from joint ventures of fellow subsidiaries (i)	365	—
Dividends receivable	7,578	5,635
Petty cash funds	85,519	60,770
Retention deposits	860,275	557,726
Other guarantee deposits and deposits	84,429	67,834
Rent receivables	—	2,680
Payment in advance	143,904	141,442
Maintenance funds	76,047	75,778
Others	73,921	44,854
	1,358,796	975,380
Less: Provision for impairment	(229,212)	(191,961)
Prepayment and other receivables-net	5,304,644	4,658,720

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

22. Prepayments and Other Receivables (Continued)

The carrying amounts of the prepayments and other receivables approximate their fair value.

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

	Six month periods ended 30 June	
	2013	2012
	RMB'000	RMB'000
At the beginning of the period	191,961	179,200
Provisions	66,424	61,802
Receivables written off as uncollectible	—	(17,060)
Reversal	(29,173)	(35,038)
At the end of the period	229,212	188,904

23. Contract Work-in-progress

	At 30 June 2013	At 31 December 2012
	RMB'000	RMB'000
Contract cost incurred plus recognized profit less recognized losses	78,362,641	73,971,276
Less: Progress billings	(77,448,653)	(75,629,053)
Contract work-in-progress	913,988	(1,657,777)
Representing:		
Amounts due from customers for contract work	6,057,223	4,584,264
Amounts due to customers for contract work	(5,143,235)	(6,242,041)
	913,988	(1,657,777)

	Six month periods ended 30 June	
	2013	2012
	RMB'000	RMB'000
Contract revenue recognized as revenue in the period	17,167,047	14,870,593

24. Inventories

	At 30 June 2013	At 31 December 2012
	RMB'000	RMB'000
Raw materials	544,213	589,701
Turnover materials	55,062	68,267
Goods in transit	112,795	75,551
Work-in-process	22,765	13,598
	734,835	747,117

As at June 30, 2013 and December 31, 2012, no provision for impairment of inventories of the Group has been made.

For the six months ended June 30, 2013 and 2012, the cost of inventories recognized as expense and included in cost of sales amounted to RMB6,839,981,000 and RMB4,129,667,000 respectively.

25. 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:

	At 30 June 2013	At 31 December 2012
Loans due from the ultimate holding company	4.40% to 4.75%	4.40% to 5.00%

26. Restricted Cash

	At 30 June 2013	At 31 December 2012
	RMB'000	RMB'000
Restricted cash		
– RMB	11,089	23,844
– AED	42	171
– KZT	—	239
	11,131	24,254

Restricted cash mainly represented bank deposits for guarantees and deposit for rural migrant workers' salaries.

As at June 30, 2013 and December 31, 2012, the weighted average effective interest rates per annum on restricted cash with maturities ranging from one to twelve months was determined in accordance with the interest rate per annum of bank current account.

The maximum exposure to credit risk approximates to carrying amounts of the Group's restricted cash at the end of the respective reporting periods.

27. Time Deposits

	At 30 June 2013	At 31 December 2012
	RMB'000	RMB'000
Time deposits with initial term of over three months		
– RMB	3,074,497	—
– USD	4,328,510	—
	7,403,007	—

The effective interest rates per annum on time deposits, with maturities ranging from three months to six months, approximate 1.61% to 2.55% as at June 30, 2013.

The maximum exposure to credit risk approximates to carrying amounts of the Group's time deposits at the end of the respective reporting periods.

28. Cash and Cash Equivalents

	At 30 June 2013	At 31 December 2012
	RMB'000	RMB'000
Cash at bank and in hand	5,725,998	2,420,861
Deposits in related parties	1,411,278	2,401,629
	7,137,276	4,822,490

	At 30 June 2013	At 31 December 2012
	RMB'000	RMB'000
Denominated in:		
– RMB	1,095,244	1,546,672
– USD	5,509,154	2,905,189
– SAR	100,330	95,112
– SGD	3,570	677
– EUR	182,143	265,674
– AED	4,014	1,812
– KZT	15,376	4,956
– HKD	225,179	—
– Others	2,266	2,398
	7,137,276	4,822,490

Deposits in related parties represent deposits in the fellow subsidiaries, Sinopec Finance Co., Ltd. and Sinopec Century Bright Capital Investment Limited.

As at June 30, 2013 and December 31, 2012, the weighted average effective interest rates per annum on cash at bank was 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.

29. Share Capital

	At 30 June 2013		At 31 December 2012	
	Number of shares	Share capital	Number of shares	Share capital
		RMB'000		RMB'000
Registered, issued and fully paid				
– Domestic shares of RMB1.00 each (i)	2,967,200,000	2,967,200	3,100,000,000	3,100,000
– H Shares of RMB1.00 each (ii)	1,460,800,000	1,460,800	—	—
Including: H Shares issued by the Company	1,328,000,000	1,328,000	—	—
H Shares held by NSSF	132,800,000	132,800	—	—
	4,428,000,000	4,428,000	3,100,000,000	3,100,000

(i) On August 28, 2012, the Company was transformed from a limited liability company into a joint stock company with limited liability by converting total equity into 3,100,000,000 ordinary shares ("domestic shares") with a par value of RMB1.00 each.

(ii) On May 23, 2013, 132,800,000 H Shares with a par value of RMB1.00 each were converted from domestic shares and transferred to National Council for Social Security Fund of the PRC ("NSSF"). As at June 30, 2013, the number of domestic shares is 2,967,200,000 with a par value of RMB1.00.

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.

The Company's H shares were listed on the Main Board of the Stock Exchange on May 23, 2013. 1,328,000,000 H Shares were issued at HK$10.50 (equivalent to approximately RMB8.38) per H Share with a par value of RMB1.00 each. The Company received net proceeds of approximately RMB10,927,488,000 from the issuance of H Shares, of which paid up share capital was RMB1,328,000,000 and share premium was approximately RMB9,599,488,000 (net of share issue cost).

30. Reserves

(i) Statutory surplus reserve

In accordance with the relevant laws and regulations of the PRC and the articles of association of the Company, it is required to appropriate 10% of its net profit determined in accordance with China Accounting Standards for Enterprises issued by the Ministry of Finance of PRC, after offsetting any prior years' losses, to the statutory surplus reserve. When the balance of such a reserve reaches 50% of the respective companies registered capital, any further appropriation is optional.

The 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 shareholding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the reserve after such an issue is not less than 25% of registered capital. The statutory surplus reserve is non-distributable.

(ii) Capital reserve

Capital reserve arising from event-driven revaluation represented reserve recognized due to the revaluation arising from the Reorganization as described in Note 1.2, being the excess of fair value over carrying value net of the deferred tax liabilities. Apart from the above mentioned event-driven revaluation, capital reserve included transactions with holding company such as assets transferred from/to Sinopec Group and also the share premium account.

(iii) Specific reserve

Pursuant to certain regulations issued by the State Administration of Work Safety of the PRC, the Group is required to set aside an amount to a safety fund for its engineering and construction contracting business. The fund can be used for improvements of safety at the worksite, and is not available for distribution to shareholders. Upon incurring qualifying safety expenditures, anequivalent amount is transferred from safety fund to retained earnings.

(iv) Investment revaluation reserve

Investment revaluation reserve represents the net cumulative change in available-for-sale financial assets at the end of period and is treated according to accounting policies Note 3.9.

31. Retirement and Other Supplemental Benefit Obligations

(a) State-managed retirement plan

The Chinese employees of the Group participate in employee social security plans organised and administrated by the PRC government authority. The PRC companies are required to contribute from 17% - 22%, depending on the applicable legal regulations, of salaries, wages and bonuses to the state-managed retirement plans. The obligation of these PRC companies with respect to the state-managed retirement plans is to make the specified contributions (Note 15(a)).

The total costs charged to the consolidated statement of comprehensive income during the six months ended June 30, 2013 and 2012 are as follows:

	Six month periods ended 30 June	
	2013	2012
	RMB'000	RMB'000
Contributions to state-managed retirement plan	239,505	206,579

(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 June 30, 2012. Such supplementary pension subsidies are considered to be defined benefit plans as the Group is obligated to provide post-employment benefits to these employees.

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

The affordable actuarial risks of the Group's retirement benefit plans include: discount rate risk, benefits growth rate risk.

The Group is not obligated to provide post-employment benefits to incumbent employees.

The most recent actuarial valuation as at June 30, 2013 was performed by an independent qualified actuarial firm: Mercer Consulting Limited. The present value, related current service cost and past service cost of the Group's retirement benefit plan obligation are prepared by qualified actuary using the projected unit credit actuarial cost method.

31. Retirement and Other Supplemental Benefit Obligations (Continued)

(b) Group employee retirement benefit plans (Continued)

(i) Discount rates adopted (per annum):

	At 30 June 2013	At 31 December 2012
Retirement with honors benefit plan	**3.40%**	3.40%
Retirement benefit plan	**3.70%**	3.70%
Early retirement benefit plan	**3.10%**	3.20%

(ii) Benefit growth rates (per annum):

	At 30 June 2013	At 31 December 2012
Retirement with honors benefit plan	**3.30%**	3.20%
Retirement benefit plan	**1.90%**	2.20%
Early retirement benefit plan	**3.10%**	2.90%

(iii) Mortality: Average life expectancy of resident in the PRC;

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

31. Retirement and Other Supplemental Benefit Obligations (Continued)

(b) Group employee retirement benefit plans (Continued)

The total costs of retirement benefit plans in the consolidated statement of comprehensive income are as follows:

	Retirement with honors benefit plan	Retirement benefit plan	Early retirement benefit plan	Total
	RMB'000	RMB'000	RMB'000	RMB'000
For the six months ended June 30, 2012				
Service cost:				
Past service cost	—	—	2,210	2,210
Net interest expenses	2,013	56,221	2,243	60,477
Benefit cost recognized in profit or loss	2,013	56,221	4,453	62,687
Revaluation of net benefit obligation liabilities				
Actuarial revaluation of economic assumptions change	—	(186,131)	—	(186,131)
Benefit cost recognized in other comprehensive income	—	(186,131)	—	(186,131)
Total benefit cost recognized in the consolidated statements of comprehensive income	2,013	(129,910)	4,453	(123,444)
For the six months ended June 30, 2013				
Service cost:				
Past service cost	—	(11,832)	1,327	(10,505)
Net interest expenses	1,880	47,747	2,038	51,665
Benefit cost recognized in profit or loss	1,880	35,915	3,365	41,160
Revaluation of net benefit obligation liabilities				
Actuarial revaluation of economic assumptions change	1,303	(67,198)	—	(65,895)
Benefit cost recognized in other comprehensive income	1,303	(67,198)	—	(65,895)
Total benefit cost recognized in the consolidated statements of comprehensive income	3,183	(31,283)	3,365	(24,735)

31. Retirement and Other Supplemental Benefit Obligations (Continued)

(b) Group employee retirement benefit plans (Continued)

The Group's benefit plans do not include incumbent employees. No current service cost of each benefit plan incurred during each financial period. 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 period.

Service cost and net interest expenses are recognized in employment benefits, part of the administrative expenses of the consolidated statements of comprehensive income. Revaluation of net liabilities of benefit obligation is recognized as other comprehensive income in the consolidated statement of comprehensive income.

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

	At 30 June 2013	At 31 December 2012
	RMB'000	RMB'000
Net liabilities of retirement benefit plan obligation	2,735,241	2,877,632

31. Retirement and Other Supplemental Benefit Obligations (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 January 1, 2012	129,941	3,079,692	164,182	3,373,815
Past service cost	—	—	2,210	2,210
Net interest expenses	2,013	56,221	2,243	60,477
Revaluation gain/ (loss):				
Economic assumption change of actuarial revaluation	—	(186,131)	—	(186,131)
Direct benefit paid by the Group	(8,498)	(81,386)	(19,015)	(108,899)
At June 30, 2012	123,456	2,868,396	149,620	3,141,472
At January 1, 2013	115,561	2,626,731	135,340	2,877,632
Past service cost	—	(11,832)	1,327	(10,505)
Net interest expenses	1,880	47,747	2,038	51,665
Revaluation gain/ (loss):				
Economic assumption change of actuarial revaluation	1,303	(67,198)	—	(65,895)
Direct benefit paid by the Group	(10,133)	(91,541)	(15,982)	(117,656)
At June 30, 2013	108,611	2,503,907	122,723	2,735,241

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

31. Retirement and Other Supplemental Benefit Obligations (Continued)

Duration of the Group's retirement benefit plans:

	At 30 June 2013	At 31 December 2012
Retirement with honors benefit plan	5.5 years	5.7 years
Retirement benefit plan	9.8 years	10.2 years
Early retirement benefit plan	3.2 years	3.3 years

32. Provision for Litigation Claims

	Six month periods ended 30 June	
	2013	2012
	RMB'000	RMB'000
At the beginning of the period	369,244	360,338
Provisions	—	19,740
Exchange differences	(24,987)	—
Payment	(1,166)	—
At the end of the period	343,091	380,078

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 care.

The provision for litigation claims for the six months ended June 30, 2012 was recognized in other operating expenses in the consolidated statement of comprehensive income. For the six months ended June 30, 2013, no provision has been made.

33. Trade Payables

	At 30 June 2013	At 31 December 2012
	RMB'000	RMB'000
Trade payables		
– Fellow subsidiaries	69,638	50,161
– A joint venture of fellow subsidiaries	—	300
– Associates	6,375	4,052
– Third parties	7,469,290	8,311,769
	7,545,303	8,366,282

The carrying amounts of the Group's trade payables as at 30 June 2013 and 31 December 2012 approximated their fair value.

Ageing analysis of trade payables is as follows:

	At 30 June 2013	At 31 December 2012
	RMB'000	RMB'000
Within 1 year	5,562,615	6,239,001
Between 1 and 2 years	1,326,049	1,254,907
Between 2 and 3 years	518,734	595,763
Over 3 years	137,905	276,611
	7,545,303	8,366,282

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

	At 30 June 2013	At 31 December 2012
	RMB'000	RMB'000
RMB	6,804,287	7,931,448
USD	363,557	309,528
EUR	36,378	—
AED	1,378	5,872
KZT	38,887	12,963
SAR	299,781	105,248
Others	1,035	1,223
	7,545,303	8,366,282

34. Other Payables

	At 30 June 2013	At 31 December 2012
	RMB'000	RMB'000
Other payables		
Contract deposits advance:		
– Fellow subsidiaries	1,424,509	1,177,820
– Joint ventures of fellow subsidiaries	259,254	91,007
– An associate entity of fellow subsidiaries	7,010	7,010
– Associates	—	1,484
– Third parties	6,463,588	7,351,472
Salaries payables	206,659	200,717
Other taxation payables	244,290	299,588
Deposits and guarantee deposits payables	82,556	67,951
Advanced payables	301,546	331,531
Rent, property management and maintenance payables	78,692	66,358
Contracts payables	19,560	8,560
Retention payables	—	30
Initial public offering payables	198,398	—
Amount due to the ultimate holding company (i)	2,000,000	2,000,000
Amounts due to fellow subsidiaries (i)	1,578	40,102
Amounts due to joint arrangements (i)	71	—
Others	149,086	157,896
Total other payables	11,436,797	11,801,526

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

The carrying amounts of other payables as at June 30, 2013 and December 31, 2012 approximated their fair values.

35. Current and Deferred Taxation

Deferred income tax assets and liabilities recognized:

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

	At 30 June 2013	At 31 December 2012
	RMB'000	RMB'000
Deferred income tax assets	773,152	793,755
Deferred income tax liabilities	(39,393)	(39,483)
Deferred income tax assets, net	733,759	754,272

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

	Six month periods ended 30 June	
	2013	2012
	RMB'000	RMB'000
Beginning of the period	754,272	846,750
Charged to equity for fair-value change of available-for-sale financial assets	90	(871)
Charged to equity for retirement and other supplementary benefit actuarial revaluation	(14,790)	(42,418)
Tax (credited)/charged to the consolidated statement of comprehensive income (Note 12)	(5,813)	15,951
End of the period	733,759	819,412

35. Current and Deferred Taxation (Continued)

The movement in deferred income tax assets/ (liabilities) during the six month periods ended 30 June 2013 and 2012, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Tax loss	Provision for retirement and other supplemental benefit obligation	Provision for impairment of assets	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2012	—	771,552	58,643	63,066	893,261
(Charged) /Credited to:					
Profit for the period	13,191	(11,109)	6,415	2,961	11,458
Equity	—	(42,418)	—	—	(42,418)
At June 30, 2012	13,191	718,025	65,058	66,027	862,301
At January 1, 2013	—	658,346	72,441	62,968	793,755
(Charged) /Credited to:					
Profit for the period	—	(17,951)	15,301	(3,163)	(5,813)
Equity	—	(14,790)	—	—	(14,790)
At June 30, 2013	—	625,605	87,742	59,805	773,152

35. 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 January 1, 2012	44,072	2,439	46,511
(Credited) /Charged to:			
Profit for the period	(4,493)	—	(4,493)
Equity	—	871	871
At June 30, 2012	39,579	3,310	42,889
At January 1, 2013	36,762	2,721	39,483
(Credited)/Charged to:			
Equity	—	(90)	(90)
At June 30, 2013	36,762	2,631	39,393

Deferred income tax assets not recognized

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

	At 30 June 2013	At 31 December 2012
	RMB'000	RMB'000
Tax losses for which no deferred income tax asset was recognized	222,613	213,255

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

36. Loans Due to Fellow Subsidiaries

Loans due to fellow subsidiaries are unsecured, repayable within one year and interest bearings as follows.

	At 30 June 2013	At 31 December 2012
Loans due to fellow subsidiaries	—	2.02% - 2.60%

In April 2013, the loans due to fellow subsidiaries of RMB157,138,000 have been repaid.

37. Commitments

(a) Capital commitments

Capital commitments for the purchase of property, plant and equipment outstanding at 30 June 2013 and 31 December 2012 not provided for in the interim financial statements are as follows:

	At 30 June 2013	At 31 December 2012
	RMB'000	RMB'000
Contracted but not provided for		
– Property, plant and equipment	252,692	308,755

(b) Operating leasing commitments

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

	At 30 June 2013	At 31 December 2012
	RMB'000	RMB'000
Less than 1 year	50,651	22,177
1 year to 5 years	64,328	48,222
Over 5 years	44,268	31,465
Total	159,247	101,864

38. Cash Generated from Operations

	Six month periods ended 30 June	
	2013	2012
	RMB'000	RMB'000
Profit before taxation	2,930,287	2,583,889
Adjustment for:		
Provision for impairment of trade and other receivables	68,052	34,716
Depreciation of property, plant and equipment	219,374	335,981
Amortisation of intangible assets	38,765	36,817
Amortisation of land use rights	30,877	21,269
Net (gains)/losses on disposal of property, plant and equipment	(1,963)	5,477
Losses on disposal of land use rights	—	36,351
Interest income	(159,441)	(371,705)
Interest expense	54,703	62,634
Net foreign exchange losses/(gains)	4,233	(3,375)
Share of losses of joint arrangements	112	896
Share of profits of associates	(4,251)	(5,916)
Cash flows from operating activities before changes in working capital	3,180,748	2,737,034
Changes in working capital:		
– Inventories	12,282	(127,175)
– Contract work-in-progress	(2,571,765)	(2,632,796)
– Trade and other receivables	657,595	265,378
– Trade and other payables	(1,575,569)	(1,524,648)
– Restricted cash	13,123	28,034
Cash used in operations	(283,586)	(1,254,173)

39. Significant Non-cash Transaction

As described in Note 1.2, the Group was required to transfer RMB12.2 billion, which was included in other payables, to Sinopec Group that had not been transferred as at 31 December 2011. During the six month periods ended 30 June 2012, RMB 10.2 billion other payables were off-set by loans due from the ultimate holding company (Note 25).

40. Contingencies

The Group has been named in a number of lawsuits and other legal proceedings arising in the ordinary course of business. Provisions have been made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits based on management's judgments and the legal advice. No provision has been made for pending lawsuits when the outcome of the lawsuits cannot be reasonably estimated or management believes the outflow of resources is not probable.

It is not anticipated that any material liabilities will arise from the contingent liabilities other than those provided for(Note 32).

41. Significant Related Party Transactions and Balances

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. The Group is subject to the control of the PRC government which also controls a significant portion of the productive assets and entities in the PRC (collectively known as the "state-owned enterprises").

In accordance with IAS 24 "Related party disclosures", other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC government are regarded as related parties of the Group ("other state-owned enterprises"). For the purpose of related party disclosures, the Group has in place procedures to identify the immediate ownership structure of its customers and suppliers to determine whether they are state-owned enterprises. Many state-owned enterprises have multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatisation programs. Nevertheless, management believes that meaningful information relating to related party transaction has been adequately disclosed.

In addition to the related party information shown elsewhere in this report, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, including other state-owned enterprises, during the six months ended 30 June 2013 and 2012, and balances as at 30 June 2013 and 31 December 2012.

The transactions with related parties are carried out on pricing and settlement terms agreed with counter parties in the ordinary course of business.

41. Significant Related Party Transactions and Balances (Continued)

(a) Significant related party transactions and period end balances arising with the Sinopec Group, fellow subsidiaries, associates, joint ventures of fellow subsidiaries and associate entity of fellow subsidiaries

	Six month periods ended 30 June	
	2013	2012
	RMB'000	RMB'000
Construction and services provided to		
– Joint ventures of fellow subsidiaries	210,557	136,071
– Associate entities of fellow subsidiaries	—	3,475
– Fellow subsidiaries	6,934,492	7,906,275
– Associates	78,713	7,781
	7,223,762	8,053,602
Construction and services received from		
– Fellow subsidiaries	351,195	180,172
Technology research and development provided to fellow subsidairies	52,513	47,260
Interest income on loans		
– Ultimate holding company	150,328	349,244
Interest expense on borrowings		
– Fellow subsidiaries	3,038	2,157
Deposit interest income from fellow subsidiaries	4,416	18,597

	At 30 June 2013	At 31 December 2012
	RMB'000	RMB'000
Deposits in fellow subsidiaries	1,411,278	2,401,629

41. Significant Related Party Transactions and Balances (Continued)

Apart from transactions with Sinopec Group, fellow subsidiaries, associates, joint ventures of fellow subsidiaries and associate entity of fellow subsidiaries, the Group has transactions with other state-owned enterprises including but not limited to the following:

– Sales and purchases of goods and services;

– Purchases of assets;

– Lease of assets; and

– Bank deposits and borrowings.

In the ordinary course of business, the Group sells goods and services to, and purchase goods and services from other state-owned enterprises based on terms as set out in the underlying agreements, market price or actual cost incurred, or as mutually agreed.

In the ordinary course of business, the Group places deposits with mainly from state-owned financial institutions. The deposits are in accordance with terms as set out in the respective agreement, and the interest rates are set at prevailing market rates.

Apart from the disclosure of loans due from the ultimate holding company in Note 25, trade receivables, prepayment and other receivables are unsecured, interest free and repayable on demand.

Apart from the disclosure of loans due to fellow subsidiaries in Note 36, trade and other payables are unsecured, interest free and repayable on demand.

(b) Key management personnel remuneration

Key management includes directors (executive and non-executive), supervisors, president, vice presidents, secretary to the Board of Directors and chief accountant of the Company. The compensation paid or payable to key management form employee services is shown below:

	Six month periods ended 30 June	
	2013	2012
	RMB'000	RMB'000
Salaries, housing allowances, other allowances and benefits-in-kind	**1,418**	885
Discretionary bonus	**4,199**	2,789
Contributions to pension plans	**346**	198
	5,963	3,872

42. Particulars of Principal Subsidiaries

At June 30, 2013, the Company has direct and indirect interests in the following principal subsidiaries:

Name	Establishment/ Place and date 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/ November 18, 1985/ 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/ March 6, 1985/ 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/ September 18, 1993/ 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/ September 30, 2003/ 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/ April 28, 1986/ 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/December 17, 1985/ Limited liability company	350,000	100%	—	Engineering contracting/The PRC
SFCC (中石化第五建設有限公司)	The PRC/ March 25, 1991/ Limited liability company	350,000	100%	—	Engineering contracting/The PRC
TCC (中石化第十建設有限公司)	The PRC/ October 25, 1970/ 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/ June 16, 1998/ 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/ October 23, 2006/ Limited liability company	10,000	100%	—	Technical services/The PRC
Sinopec E&C Middle East Co., Ltd. (中石化煉化工程中東(沙特)有限公司)	Saudi Arabia/ April 25, 2006/ Limited liability company	3,356 (SAR18,000,000)	100%	—	Engineering contracting/ Saudi Arabia
Sinopec Engineering & Construction (Singapore) Pte. Ltd. (中石化煉化工程新加坡有限公司)	Singapore/ December 8, 2010/ Limited liability company	2,560 (SGD 500,000)	100%	—	Engineering contracting/ Singapore

43. Events After the Reporting Period

No other significant subsequent events took place subsequent to 30 June 2013.

Documents for Inspection

The following documents will be available for inspection during normal working hours after 16 August 2013 (Friday) at the legal address of SINOPEC SEG upon requests by the relevant regulatory authorities and shareholders in accordance with laws and regulations and the Articles of Association of SINOPEC SEG:

a) The original interim report signed by the Chairman and the President;

b) The original audited financial statements and consolidated financial statements for the six-month period ended 30 June 2013 prepared in accordance with IFRS and signed by the Chairman, the President, the Chief Financial Officer and head of the finance department;

c) The original audit report in respect of the above financial statements signed by the auditor.

By order of the Board of Directors

CAI Xiyou

Chairman of the Board

On 16 August 2013 in Beijing, PRC

This interim report is published in both Chinese and English. Should any conflict regarding meaning arises, the Chinese version shall prevail.

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