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

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

(Stock Code: 2386)

2017 Interim Results Announcement

1 Important Notice

- 1.1 This announcement is extracted from the content of the 2017 interim report (the “**Interim Report**”) of SINOPEC Engineering (Group) Co., Ltd. (“**SINOPEC SEG**” or the “**Company**”), which is also published on the websites of the The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) (www.hkex.com.hk) and SINOPEC SEG (www.segroup.cn). The investors should read the Interim Report for more details.
- 1.2 The interim financial statements for the six months ended 30 June 2017 (the “**Reporting Period**”) of SINOPEC SEG and its subsidiaries (the “**Group**”), prepared in accordance with the International Financial Reporting Standards (“**IFRS**”), were audited by Grant Thornton Hong Kong Limited, which has issued standard unqualified audit report.

* *For identification purposes only.*

2 Basic Information of the Company

2.1 Company Profile

Stock Name of H Shares	:	SINOPEC SEG
Stock Code of H Shares	:	2386
Place of Listing of H Shares	:	Hong Kong Stock Exchange
Legal Representative	:	Mr. LING Yiqun
Authorised Representatives	:	Mr. XIANG Wenwu, Mr. SANG Jinghua
Secretary to the Board of Directors	:	Mr. SANG Jinghua
Place of Business and Correspondence Address	:	Tower B, No. 19, Anhui Beili, Chaoyang District, Beijing, the PRC (Postcode: 100101)
Telephone	:	+86 10 6499 8054
Website	:	www.segroup.cn
E-mail address	:	seg.ir@sinopec.com

2.2 Principal Financial Data and Indicators

Summary of Financial Data and Indicators Prepared in Accordance with IFRS

			Unit: RMB'000
	As at	As at	Changes
	30 June	31 December	from the
Items	2017	2016	end of 2016
			(%)
Total assets	57,194,151	58,818,320	(2.8)
Consolidated equity attributable to equity holders of the Company	25,703,188	25,198,008	2.0
Net assets per share of equity holders of the Company (RMB)	5.80	5.69	2.0

Unit: RMB'000

Items	Six-month periods ended 30 June		Changes over the same period of 2016 (%)
	2017	2016	
Revenue	13,764,426	17,734,811	(22.4)
Gross profit	2,213,384	2,208,763	0.2
Operating profit	843,605	1,159,354	(27.2)
Profit before taxation	1,063,567	1,381,625	(23.0)
Profit attributable to equity holders of the Company	834,875	1,079,124	(22.6)
Basic earnings per share (RMB)	0.19	0.24	(22.6)
Net cash flow used in operating activities	(736,076)	(1,189,570)	(38.1)
Net cash flow used in operating activities per share (RMB)	(0.17)	(0.27)	(38.1)

Items	Six-month periods ended 30 June	
	2017	2016
Gross profit margin (%)	16.1	12.5
Net profit margin (%)	6.1	6.1
Return on assets (%)	1.4	1.9
Return on equity (%)	3.2	4.3
Return on invested capital (%)	3.3	4.4

Items	As at 30 June 2017	As at 31 December 2016
	Asset-liability ratio (%)	55.1

3 Business Review and Prospects

Under the influence of persistent low international crude oil price over the past two years and the shrinking investment in oil refining and chemical industry, the Group continued facing a lot of downward pressure on its performance in the first half of 2017. Under such severe circumstances, the Group has obtained hard-won operation performance by strengthening its management and control of projects and improving the level of detailed management. During the Reporting Period, the Group recognised a revenue of RMB13.764 billion, representing a decrease of 22.4% on a period-on-period basis, with the Group's profits attributable to equity holders being RMB835 million, representing an decrease of 22.6% on a period-on-period basis. The ongoing projects of the Group have been implemented steadily, and the safety, quality and progress of such projects have been under full control. During the Reporting Period, the domestic market tended to be more active. The total value of new contracts entered into by the Group was RMB17.769 billion, representing an increase of 111.6% on a period-on-period basis; and by the end of the Reporting Period, the Group's backlog was RMB92.178 billion, representing an increase of 4.5% as compared with that as at 31 December 2016.

In the second half 2017, the Group will keep working on the overall solutions involving natural gas, new coal chemicals, environmental protection, energy saving and relevant industries on the basis of consolidating its conventionally advantaged businesses such as oil refining and petrochemical industries for the purpose of creating innovation system focusing on technology innovation by further deepening the reorganisation of specialised engineering, regulating internal transactions and optimising allocation of resources. The Group will actively take the good opportunities brought by domestic market and further increase the value of new contracts; in addition, the Group will make good use of the favourable policies associated with the "Belt and Road" strategic development, further consolidate the existing market, actively expand the markets in the countries alongside the "Belt and Road" and keep improving the Group's overall profitability and risk resistance ability in relation to overseas businesses.

3.1 Business Review

During the Reporting Period, the Group's total revenue and net profits attributable to the equity holders of the Company were RMB13.764 billion and RMB835 million, respectively.

The business of the Group is mainly comprised of four segments: (1) engineering, consulting and licensing; (2) EPC contracting; (3) construction; and (4) equipment manufacturing.

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

	Six-month periods ended 30 June				Change (%)
	2017		2016		
	Revenue (RMB '000)	Percentage of total revenue (%)	Revenue (RMB '000)	Percentage of total revenue (%)	
Engineering, consulting and licensing	1,098,525	7.4	795,630	4.2	38.1
EPC Contracting	7,440,155	50.1	9,285,236	49.5	(19.9)
Construction	6,033,732	40.6	8,515,410	45.4	(29.1)
Equipment Manufacturing	283,991	1.9	173,152	0.9	64.0
Subtotal	<u>14,856,403</u>	<u>100.0</u>	<u>18,769,428</u>	<u>100.0</u>	(20.8)
Total (after inter-segment elimination) (1)	<u><u>13,764,426</u></u>	N/A	<u><u>17,734,811</u></u>	N/A	(22.4)

Note:

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

During the Reporting Period, the total revenue of the Group was RMB13.764 billion, representing a decrease of 22.4% on a period-on-period basis, mainly because: 1. value of new contracts decreased significantly in 2016, workload decreased during the Reporting Period, revenue recognition decreased; 2. during the Reporting Period, large engineering, procurement and construction contracting ("EPC Contracting") projects of Zhongtian Hechuang Coal Chemical Project, FCC Project of Kazakhstan Atyrau Refinery, etc. are

almost completed, revenue recognition decreased on a period-on-period basis; 3. some newly signed or newly resumed EPC Contracting projects did not generate much revenue.

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

	Six-month periods ended 30 June				Change (%)
	2017		2016		
	Revenue (RMB '000)	Percentage of total revenue (%)	Revenue (RMB '000)	Percentage of total revenue (%)	
Oil refining	5,666,804	41.2	4,393,661	24.8	29.0
Petrochemicals	3,745,907	27.2	5,595,034	31.5	(33.0)
New coal chemicals	2,243,797	16.3	4,924,443	27.8	(54.4)
Other industries	2,107,918	15.3	2,821,673	15.9	(25.3)
Subtotal	<u>13,764,426</u>	<u>100.0</u>	<u>17,734,811</u>	<u>100.0</u>	(22.4)

The Group derived its revenue mainly from services provided to clients in the oil refining, petrochemical, new coal chemicals and other industries. During the Reporting Period, certain large EPC contracting projects in the oil refining industry, such as Malaysia RAPID Oil Refining Project and Kuwait Oil Refining Project, generated more revenue; revenue generated from the oil refining industry was RMB5.667 billion, representing an increase of 29.0% on a period-on-period basis; certain newly signed or newly resumed EPC Contracting projects in the petrochemical industry, coal chemical industry and other industries did not generate much revenue; revenue generated from the petrochemical industry was RMB3.746 billion, representing a decrease of 33.0% on a period-on-period basis; revenue generated from the new coal chemical industry was RMB2.244 billion, representing a decrease of 54.4% on a period-on-period basis; revenue generated from other industries was RMB2.108 billion, representing a decrease of 25.3% on a period-on-period basis.

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

	Six-month periods ended 30 June				Change (%)
	2017		2016		
	Revenue (RMB '000)	Percentage of total revenue (%)	Revenue (RMB '000)	Percentage of total revenue (%)	
PRC	7,760,921	56.4	11,484,100	64.8	(32.4)
Overseas	6,003,505	43.6	6,250,711	35.2	(4.0)
Subtotal	<u>13,764,426</u>	<u>100.0</u>	<u>17,734,811</u>	<u>100.0</u>	(22.4)

During the Reporting Period, the Group continued to expand its overseas business steadily, the proportion of the Group's overseas income increased period by period, and the revenue of the Group generated overseas was RMB6.004 billion, representing 43.6% of the total revenue; the revenue of the Group generated in the PRC was RMB7.761 billion, representing 56.4% of the total revenue and a decrease of 32.4% on a period-on-period basis, mainly because certain large coal chemical EPC Contracting projects, such as Zhongtian Hechuang Coal Chemical project, were almost completed and hence, the revenue decreased on a period-on-period basis.

As at the end of the Reporting Period, the backlog of the Group amounted to RMB92.178 billion, representing an increase of 4.5% as compared with that as at 31 December 2016, and 2.3 times of the total revenue of RMB39.375 billion in 2016. During the Reporting Period, the value of new contracts amounted to RMB17.769 billion, representing an increase of 111.6% on a period-on-period basis.

During the Reporting Period, representative domestic projects that were signed by the Group include: ethylene units and other relevant units project of Sinochem Quanzhou 1 Mtpa ethylene and oil refining renovation and expansion project of Sinochem Quanzhou Petrochemical Co., Ltd. ("Sinochem Quanzhou Ethylene Project"), Dalian 20 Mtpa refining-chemical integration project of Hengli Petrochemical (Dalian) Refining Co., Ltd. ("Dalian Hengli Project"), 2.6 Mtpa fluidised bed residue hydrogenation units EPC Contracting project of Sinopec Zhenhai Refining & Chemical Company ("Zhenhai Bubbling Bed Residuum Hydrotreating Project"), Jinan oil refining restructuring and quality upgrade for catalytic cracking unit EPC Contracting project of Sinopec Jinan Company ("Jinan Catalytic Cracking Project"), Ningxia synthetic gas debottlenecking and acetic acid gap-filling EPC Contracting project of Sinopec Great Wall Energy and Chemical (Ningxia) Co., Ltd. ("Great Wall Energy and Chemical Ningxia Synthetic Gas Debottlenecking Project"), etc.

Representative overseas projects that were signed by the Group include: Package 3 of the project in relation to the 42 billion cubic meters per annum Amur Gas Processing Plant with Public Joint Stock Company Gazprom EPC Contracting project (“AGPP-P3 Project”), EPC Contracting projects of the 3rd newly-built Saudi Kayan petrochemical spare desalted water station system of (“the 3rd Saudi Kayan Spare Desalted Water Station System Project”), etc.

During the Reporting Period, our capital expenditure was RMB231 million, which was mainly for information construction and constructional temporary equipment construction

3.2 Business Highlights

3.2.1 Successful implementation of major projects

Zhong’An Joint Coalification Complex Project: Please refer to the announcement dated 24 November 2014 published by the Company for further details. In its 2015 Annual Report, the Company disclosed that the project had been suspended as requested by the owner. In January 2017, the Group received a notice from the owner for resumption of work. As at the end of the Reporting Period, about three tenths of the overall construction work of this project was completed and the construction has been fully resumed.

Tianjin LNG Project: Please refer to the announcement dated 1 July 2015 published by the Company for further details. As at the end of the Reporting Period, this project was almost completed and was in the preparation stage of intermediate handover.

Sinochem Quanzhou Ethylene Project: Please refer to the announcement dated 6 June 2017 published by the Company for further details. As at the end of the Reporting Period, the design work of the project has commenced.

Dongjiakou Crude Oil Commercial Reservation Base Project: Please refer to the announcement dated 15 April 2016 published by the Company for further details. As at the end of the Reporting Period, about three tenths of the overall construction work of this project was completed, and the on-site work has commenced.

Kuwait Oil Refining Project: Please refer to the announcement dated 14 October 2015 published by the Company for further details. As at the end of the Reporting Period, approximately one fourths of the project was completed, in which, over 80% of the design work was completed, equipment procurement was almost done and foundation of civil engineering on site was basically completed.

Malaysia RAPID Oil Refining Project: Please refer to the announcement dated 29 August 2014 published by the Company for further details. As at the end of the Reporting Period, over eight tenths of the overall progress of the project was completed, in which, the design work was completed, over nine tenths of the overall procurement work was completed, and about six tenths of the construction was completed.

FCC Project of Kazakhstan Atyrau Refinery: The scope of work under the contract for this project mainly covers the EPCC of 13 processing units including 2.43 Mtpa FCC units and 47 utilities units. As at the end of the Reporting Period, the design work of the project was completed, and approximately nine tenths of the overall progress was completed.

3.2.2 Continuous enhancement of project assurance capability being strengthened continuously

During the Reporting Period, to ensure a more efficient, orderly and safe implementation of projects, the Group largely promoted resource integration and strengthened design management and subcontracting management so as to ensure engineering projects in the PRC and foreign countries could be constructed successfully and production and operation objects could be realised successfully. To thoroughly improve management level of the Group, the Group succeeded in joining the Construction Industry Institute (CII) within the Reporting Period and is the only Chinese member. The Group will participate in research subjects of CII, share advanced technologies and methods, management standards, experience data and research achievements in regard to project management, etc. of CII; the Group will apply CII's matured assessment system and method so as to take care of maturity assessment of project management of the Group, and will bring in CII's advanced project management technology and standard in regard to engineering construction; in addition, the Group will improve project management procedure according to its actual situation, continue improving the level for its project management and its international competitiveness.

3.2.3 Significant results in market development

During the Reporting Period, under the circumstance where domestic market environment was improved, the Group exploited its overall advantages in its industry, business and technical chains, and increased market development efforts. During the Reporting Period, the value of new contracts entered into by the Group was RMB17.769 billion, and approximately 46.8% of the annual target of new contracts was completed, among which, the value of newly signed domestic contracts amounted to RMB16.486 billion, and the value of newly signed overseas contracts amounted to approximately RMB1.283 billion.

In the PRC, during the Reporting Period, the Group entered into new contracts for a number of large projects, such as Sinochem Quanzhou Ethylene Project with a contract value of approximately RMB4.259 billion; Dalian Hengli Project with a contract value of approximately RMB2.201 billion; Zhenhai Bubbling Bed Residuum Hydrotreating Project with a contract value of approximately RMB1.376 billion; Jinan Catalytic Cracking Project with a contract value of approximately RMB680 million; Great Wall Energy and Chemical Ningxia Syngas Debottleneck Project with a contract value of approximately RMB358 million.

Overseas, during the Reporting Period, the Group entered into new contracts for a number of large projects, such as AGPP-P3 Project, under which the Group has formed a consortium with Maire Tecnimont SpA (an Italian company) and has an equity interest of approximately 119 million euros in the contract; the 3rd Saudi Kayan Spare Desalted Water Station System Project with a total contract value of approximately USD 12.8 million, etc.

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

3.2.4 *Wide cooperation, pursue win-win*

On the basis of cooperating and developing alkylation, fluidised bed MTG, flexible coking market with EXXON MOBIL, the Group has been officially enlisted on the strategic EPC contractors list of EXXON MOBIL by successfully passing its interior qualification preview within the Reporting Period. By referring to cooperation mode of EXXON MOBIL, the Group cooperates with SHELL to develop the markets of residual-oil gasification, environmental protection and emission reduction, etc. and was invited to participate in qualification preview of foreign project. During the Reporting Period, the Group developed wide cooperation and communication in coal chemical industry, energy saving and environmental protection industries, etc. so as to improve technical chain of the Company and improve influence of overall solution. Among them, the Group communicated and discussed cooperation with Uhde in regard to lignite gasification technology, communicated with Tsinghua University in regard to FMTA, synthesis gas to aromatics, etc. and discussed construction of demonstration device with potential employer; the Group studied investment plan with SHELL in regard to million ton level CO₂ catching device; furthermore, the Group actively communicated with R&D agency and engineering company in China and foreign countries, etc. in regard to energy saving and environmental protection technologies, etc.

3.2.5 Continuous promotion of innovation and technology advancement

All engineering technology R&D has been steadily promoted.

- Conventional refining technologies such as technology development of complete set of STRONG bubbling bed residuum hydrotreating unit and 50 Ktpa industrial demonstration testing project, technology development and application of complete hydroisomerisation dewaxing high-class base oil unit, long-term producing China V diesel industrial test with RS-2200 low-cost diesel hydrogenation catalyst, technology development of complete PAN matrix-carbon fibre unit, technology development of complete 100 Ktpa hydrogen peroxide processing propylene epoxide, etc. were developed and promoted steadily.
- New coal chemical industry technology developments such as development and industrial application of SE CWS gasification packaged technology, development of powdered coal hydrogenation oil production technology, complete technology of industrial demonstration device of 200 Ktpa syngas to ethylene glycol, etc. have great progress.
- Energy saving and environmental protection technologies such as comprehensive treatment and near-zero-emission technology of coal chemical sewage, safe and environmental friendly coking delaying airtight decoking, transportation and storage packaged technology, soil repair thermal desorption integrated technology, etc. were promising.

The technical innovation work conducted by the R&D Center of the Group (“R&D Center”) made effective achievements.

- Many technology development achievements were identified and approved: there were seven projects that had passed the ministerial and provincial-level higher technical identification and assessment in the first half of 2017. Among them, “industrial application for reducing catalysing smoke NOX emission promoter”, “normative research of on-site corrosion lacing film monitoring and data collection”, and “three-mining promotor of oilfield’s influence on corrosion towards oil refining device”, etc. had passed technical identification of Sinopec Science & Technology Department.
- Many industrial sidestream tests were successfully conducted. Industrial test of optimisation technology research of coking delaying device’ reduced processing was done. Comparing with the regular coking process, coking delaying could reduce 3.3% coke yield while increases over 3.5% liquid yield. The economic profit is obvious. Technical industrial tests of NaOH desulfuration salt-containing wastewater treatment and sodium sulphite recycling were done and got good result.

Technology licensing was conducted effectively. During the Reporting Period, the value of newly signed technology licensing contract amounted to RMB58.024 million.

Good momentum persisted in patent applications. During the Reporting Period, the Group completed 233 new patent applications (including 108 invention patents) and licensing of 198 patents (including 80 invention patents).

Achieving Numerous Fruitful Results in Technology Innovation. During the Reporting Period, the Group was awarded with 20 prizes for scientific and technological advancement above provincial/ministerial levels, including six first-class prizes, eight second-class prizes and six third-class prizes.

3.2.6 Environmental protection and energy saving business was promoted constantly

During the Reporting Period, the Group signed energy saving and environmental protection contracts with a value of RMB358 million, including Sinopec Cangzhou refining sewage standard improvement and reconstruction EPC Project, Sinopec Wuhan branch sewage standard improvement and reconstruction project, Qingjiang Sinopec catalytic unit and smoke desulfurisation and denitrification dedusting project, etc.

In the field of energy saving, the Group widely communicated with other organisations in regard to various types of low-temperature thermal power generation, moving equipment energy saving, power distribution energy saving and other technologies, enriched technical reservation, and improved energy saving ability; besides, the Group promoted progress of several contract energy management projects in Anqing, etc.

In the field of environmental protection, the Group promoted industrial implementation of some large soil repair project in China with its partner. The Group kept communicating in regard to soil repair technology and increasing the ability to respond to various kinds of polluted soil repair projects. The Group cooperated with SHELL in the research in relation to the investment and estimation in regard to million ton level CO₂ catching device; the Group signed VOCs treatment and detection contracts with Sinopec Shanghai, Sinopec Jiujiang, etc., and prepared preliminary work of VOCs treatment of Sinopec Baling.

3.2.7 Smooth construction and implementation of ERP system

During the Reporting Period, the Group speeded up the construction of the ERP operation and management platform and improved integrated management information system. The Group focused on core business, completed all-industrial-chain normalisation engineering industrial template and pilot implementations involving consultation, engineering design, EPC and general construction contracting, technical R&D, equipment manufacturing, etc.; strengthened construction of major data management platform, largely promoted and unified encoding of engineering materials, materiel encoding and project application corresponding to the code; conducted data exploration and application analysis focusing on improving core value of enterprise by using big data BW platform, and effectively provided support to executive decisions and the analysis of the economic activities of the Group and affiliated companies. For the purpose of further enhancing integrated management, control and risk prevention, realising effective merging of business procedure, policy and interior control, and improving application of management information process, the ERP of the Group and relevant system have been set up successfully, accelerating the construction of the integrated information process of the Group, promoting the deep merge of information process and industrialisation and thoroughly improving the application level for and the effect of the information process of the Group.

3.2.8 Safe production remained stable

During the Reporting Period, regarding QHSE (quality, health, safety and environment) management, guided by cultural construction of quality safety and focusing on consolidating management foundation and strengthening risk prevention and control, the Group kept improving QHSE management system, completely implemented major subject responsibility of quality safety management, thoroughly promoted HSE standardisation construction of engineering, and carefully examined weak links by carrying out activities including training, supervision and inspection, safe production month, journey of safe production, Sinopec quality day, welding quality improvement year, etc., and took care of QHSE supervision in direct operation link so as to further enhancing basic management work. Consequently, quality, safety and foreign public safety environment of the projects under construction were generally under control.

As at the end of the Reporting Period, no safety, quality and overseas public security accident had happened in the project under execution as a result of the conscientiousness and strict management of all employees of the Group, and 119.69 million safe man hours had been realised in accumulation.

3.3 Business Prospects

Looking to the second half of 2017, the recovery of the global economy will continue to be slow, but Chinese economy tends to be stable and better and economic growth is maintained in a reasonable range. In 2017, it is predicted that affected by persistently low international crude oil price, slow growth of investment in global energy chemical industry, etc., production and operation situations in oil refining and chemical engineering company still face larger challenges. 2017 is the first year to accelerate implementation of “the 13th Five-Year Plan” and it will bring both opportunities and challenges. The Group will deal with this situation with appropriate attitude, take advantage of collectivisation, integration and large scale of itself to keep improving core competitiveness of the enterprise and promote it to develop sustainably and healthfully.

Regarding market development, the Group will focus on developing major market and major project, take advantage of one-stop integrated solution plan of the Group, high-end product and service to provide full life cycle services to clients, and create more value to clients, keep improving enterprise’ competitiveness in high-end market. Meanwhile, the Group will actively explore and expand new markets, promote pilot project implementation with partners, develop contract energy management project provided that the risks are under control, and accelerate the development of new growth opportunities.

Regarding project management, the Group will strengthen early-warning mechanism management for domestic and international projects by issuing early-warning notice in time in regard to project progress, expense, etc. according to relevant systems and taking measures to solve it in time; keep deepening application of international business management platform, actively promote earned value of overseas project expense and analysis method of cost profit, ensure project cost and expense under control; thoroughly promote project risk management, manage and control risks in project approval, bidding and quotation, project execution, etc., and effectively control risks such as construction progress delaying and over-spending cost.

Regarding technology R&D, the Group will take opportunity of conventional technical advantages to strengthen technology propaganda and promotion in petrochemical industry field, actively respond to domestic and international market changes in the new normal, and establish energetic scientific management and operation mechanism according to the development dynamics of both domestic and overseas markets, especially the demand of target markets alongside the “Belt and Road”; it will keep seeking for technologies and actively seeking for technical cooperation in regard to energy conservation, environmental protection, strategic, prospective and advanced technologies, and take advantage of technology to expand market and create conditions, and provide technical support for the Group to expand market alongside the “Belt and Road”.

4 Management Discussion and Analysis

4.1 Analysis of the reasons of the significant changes in the revenue structure compared to the same period of the last financial year

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

4.1.1 Revenue

The revenue of the Group decreased by 22.4% from RMB17.735 billion for the six months ended 30 June 2016 to RMB13.764 billion for the six months ended 30 June 2017, mainly because: 1. value of new contracts decreased significantly in 2016, workload decreased during the Reporting Period, and revenue recognition decreased on a period-on-period basis; 2. during the Reporting Period, large EPC Contracting projects such as Zhongtian Hechuang Coal Chemical Project, FCC Project of Kazakhstan Atyrau Refinery, etc. were almost completed, revenue recognition decreased on a period-on-period basis; 3. some newly signed or newly resumed EPC Contracting projects did not generate much revenue.

4.1.2 Cost of sales

The cost of sales of the Group decreased by 25.6% from RMB15.526 billion for the six months ended 30 June 2016 to RMB11.551 billion for the six months ended 30 June 2017, mainly due to the decrease in revenue as well as the decrease in the sub-contracting cost and outsourcing costs of equipment and materials.

4.1.3 Gross profit

The gross profit of the Group was RMB2.213 billion for the six months ended 30 June 2017, remaining broadly stable on a period-on-period basis. Gross profit margin increased to 16.1% comparing with 12.5% on a period-on-period basis. It is mainly because the decrease in revenue was smaller than the decrease in costs. On the one hand, the design revenue increased, but its cost was almost the same on period-on-period basis. On the other hand, settlement alteration of completed EPC Contracting and construction projects caused the increase in gross profit.

4.1.4 Other income

The other income of the Group decreased by 64.2% from RMB261 million for the six months ended 30 June 2016 to RMB93 million for the six months ended 30 June 2017, mainly because of the exchange loss caused by the decrease in the US dollar against RMB exchange rate during the Reporting Period, but there was an exchange gain in the same period of last year.

4.1.5 Selling and marketing expenses

The selling and marketing expenses of the Group increased by 16.3% from RMB41 million for the six months ended 30 June 2016 to RMB48 million for the six months ended 30 June 2017.

4.1.6 Administrative expenses

The administrative expenses of the Group increased by 13.0% from RMB422 million for the six months ended 30 June 2016 to RMB477 million for the six months ended 30 June 2017, mainly due to the corresponding increase in the administrative expenses during the Reporting Period as a result of the reversal of actuarial liability in the same period of last year.

4.1.7 Research and development costs

The research and development costs of the Group were RMB377 million for the six months ended 30 June 2017, remaining broadly stable on a period-on-period basis.

4.1.8 Other operating expenses

The other operating expenses of the Group increased by 25.3% from RMB449 million for the six months ended 30 June 2016 to RMB562 million for the six months ended 30 June 2017, mainly because of the exchange loss caused by exchange rate change, provision for impairment and other increase.

4.1.9 Other gains - net

The net other gains of the Group increased by 122.2% from RMB185,000 for the six months ended 30 June 2016 to RMB411,000 for the six months ended 30 June 2017.

4.1.10 Operating profit

Due to the foregoing reasons, the operating profit of the Group decreased by 27.2% from RMB1.159 billion for the six months ended 30 June 2016 to RMB844 million for the six months ended 30 June 2017.

4.1.11 Financial income - net

The net finance income of the Group was RMB216 million for the six months ended 30 June 2017, remaining broadly stable on a period-on-period basis.

4.1.12 Income tax expense

The Group's income tax expense decreased by 24.5% from RMB303 million for the six months ended 30 June 2016 to RMB229 million for the six months ended 30 June 2017, mainly due to period-on-period reduction of pre-tax profit of the Group. Effective income tax rate decreased from 21.9% to 21.5% on a period-on-period basis. Change of effective income tax rate is mainly because of profit fluctuation of several subsidiaries of the Company with different tax rates.

4.1.13 Profit for the period

Due to the above reasons, the profit of the Group decreased by 22.6% from RMB1.079 billion for the six months ended 30 June 2016 to RMB835 million for the six months ended 30 June 2017.

4.1.14 Total comprehensive income for the period

As a result of the reasons above and the impact of other comprehensive income of the Group, the total amount of the comprehensive income of the Group decreased by 21.4% from RMB1.082 billion for the six months ended 30 June 2016 to RMB851 million for the six months ended 30 June 2017.

4.2 Discussion on the backlog and new contracts

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

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

	As at 30 June 2017 (RMB'000)	As at 31 December 2016 (RMB'000)	Change (%)
Engineering, consulting and licensing	8,433,416	6,977,048	20.9
EPC Contracting	70,469,856	68,930,902	2.2
Construction	12,977,199	12,110,670	7.2
Equipment manufacturing	297,706	154,642	92.5
Total	<u>92,178,177</u>	<u>88,173,262</u>	4.5

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

	As at 30 June 2017 (RMB'000)	As at 31 December 2016 (RMB'000)	Change (%)
Oil refining	30,526,302	32,215,821	(5.2)
Petrochemicals	23,805,534	17,649,823	34.9
New coal chemicals	18,972,263	20,227,322	(6.2)
Other industries	18,874,078	18,080,296	4.4
Total	<u>92,178,177</u>	<u>88,173,262</u>	4.5

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

	As at 30 June 2017 (RMB'000)	As at 31 December 2016 (RMB'000)	Change (%)
PRC	64,329,958	55,604,482	15.7
Overseas	27,848,219	32,568,780	(14.5)
Total	<u>92,178,177</u>	<u>88,173,262</u>	4.5

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

	As at 30 June 2017	As at 31 December 2016	Change
	(RMB'000)	(RMB'000)	(%)
Sinopec Group and its associates	39,691,155	37,802,158	5.0
Non-Sinopec Group and its associates	<u>52,487,022</u>	<u>50,371,104</u>	4.2
Total	<u><u>92,178,177</u></u>	<u><u>88,173,262</u></u>	4.5

As at the end of the Reporting Period, the Group's backlog was RMB92.178 billion, representing an increase of 4.5% from that as at 31 December 2016, and 2.3 times of the total revenue of RMB39.375 billion in 2016.

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

	Six-month periods ended 30 June		Change
	2017	2016	(%)
	(RMB'000)	(RMB'000)	
Engineering, consulting and licensing	2,554,893	1,144,695	123.2
EPC Contracting	8,979,109	3,975,080	125.9
Construction	5,938,842	3,204,935	85.3
Equipment manufacturing	<u>296,495</u>	<u>72,074</u>	311.4
Total	<u><u>17,769,339</u></u>	<u><u>8,396,784</u></u>	111.6

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

	Six-month		Change
	periods ended 30 June		
	2017	2016	
	(RMB'000)	(RMB'000)	(%)
Oil refining	3,977,285	2,694,518	47.6
Petrochemicals	9,901,618	2,408,291	311.1
New coal chemicals	988,737	833,270	18.7
Other industries	2,901,699	2,460,705	17.9
Total	<u>17,769,339</u>	<u>8,396,784</u>	111.6

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

	Six-month		Change
	periods ended 30 June		
	2017	2016	
	(RMB'000)	(RMB'000)	(%)
PRC	16,486,397	8,138,700	102.6
Overseas	1,282,942	258,084	397.1
Total	<u>17,769,339</u>	<u>8,396,784</u>	111.6

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

	Six-month		Change
	periods ended 30 June		
	2017	2016	
	(RMB'000)	(RMB'000)	(%)
Sinopec Group and its associates	6,453,711	4,860,560	32.8
Non-Sinopec Group and its associates	11,315,628	3,536,224	220.0
Total	<u>17,769,339</u>	<u>8,396,784</u>	111.6

During the Reporting Period, the value of the Group's new contracts was RMB17.769 billion, representing an increase of 111.6% on a period-on-period basis, mainly because during the Reporting Period, under the background that domestic market environment had been improved, the Group exploited its overall advantage of its industry, business and technical chains, and reinforced market expansion.

4.3 Assets, Liabilities, Equity and Cash Flows

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

4.3.1 Assets, Liabilities and Equity

Unit: RMB'000

	As at 30 June 2017	As at 31 December 2016	Changes
Total assets	57,194,151	58,818,320	(1,624,169)
Current assets	49,489,047	50,972,148	(1,483,101)
Non-current assets	7,705,104	7,846,172	(141,068)
Total liabilities	31,487,054	33,616,404	(2,129,350)
Current liabilities	28,785,302	30,717,166	(1,931,864)
Non-current liabilities	2,701,752	2,899,238	(197,486)
Net assets	25,707,097	25,201,916	505,181
Consolidated equity attributable to equity holders of the Company	25,703,188	25,198,008	505,180
Share capital	4,428,000	4,428,000	0
Reserves	21,275,188	20,770,008	505,180
Non-controlling interests	3,909	3,908	1

As at the end of the Reporting Period, the total assets of the Group were RMB57.194 billion, the total liabilities were RMB31.487 billion, the minority interests were RMB4 million, and the equity attributable to the equity holders of the Company was RMB25.703 billion. The changes in the assets and liabilities as compared with those as at the end of 2016 and the main reasons are as follows:

As at the end of the Reporting Period, the total assets were RMB57.194 billion, decreased by RMB1.624 billion as compared with that as at the end of 2016. In particular, the current assets were RMB49.489 billion, decreased by RMB1.483 billion as compared with that as at the end of 2016, mainly due to a decrease of RMB2.593 billion for cash and cash equivalents, a decrease of RMB1.564 billion for notes and trade receivables, a decrease of RMB331 million for inventory, the fixed deposits with financial institutions increased by RMB1.361 billion, an increase of RMB911 million for customers for contract work receivables, an increase of RMB400 million for loan to the ultimate holding company receivables; the non-current assets were RMB7.705 billion, decreased by RMB141 million as compared with that as at the end of 2016, mainly due to a decrease in depreciation and amortisation for the non-current assets.

As at the end of the Reporting Period, the total liabilities were RMB31.487 billion, decreased by RMB2.129 million as compared with that as at the end of 2016. In particular, the current liabilities were RMB28.785 billion, decreased by RMB1.932 billion as compared with that as at the end of 2016, mainly due to the decrease of RMB2.382 billion in notes and trade payables; other payable items decreased by RMB140 million, amounts due to customers for contract work increased by RMB536 million. The non-current liabilities were RMB2.702 billion, decreased by RMB197 million as compared with that as at the end of 2016, mainly due to the decrease of RMB200 million in retirement and other supplemental benefit obligations.

The total equity attributable to equity holders of the Company was RMB25.703 billion, increased by RMB505 million as compared with that as at the end of 2016, primarily as the result of the increase in the retained earnings.

4.3.2 Cash Flows

During the Reporting Period, the net decrease in cash and cash equivalents was RMB2.232 billion and net cash used in operating activities was RMB736 million. The following table sets forth the main items and their changes in the Group's consolidated cash flow statements for the six months ended 30 June 2017 and for the six months ended 30 June 2016.

Units: RMB'000

Major items of cash flow	Six-month periods ended 30 June	
	2017	2016
Net cash used in operating activities	(736,076)	(1,189,570)
Net cash used in investing activities	(1,739,874)	(1,042,877)
Net cash generated from/(used in) financing activities	243,641	(810,480)
Net decrease in cash and cash equivalents	(2,232,309)	(3,042,927)

During the Reporting Period, the profit before taxation was RMB1.064 billion, and the profit was RMB1.842 billion after adjusting the items in expenses that did not affect the cash flow in operating activities, major non-cash expense items were: depreciation and amortisation were RMB338 million, exchange losses amounted to RMB374 million, impairment of trade and other receivables was RMB286 million, net interest income was RMB216 million. The changes in working capital, which caused a cash outflow of RMB2.188 billion in operating activities, were mainly shown in: reduced inventory balance, causing the cash inflow from operating activities of RMB331 million; reduced trade and other receivables balance, causing the cash inflow from operating activities of RMB954 million; the balance of contract work-in-progress was increased, and thus resulted in the cash outflow generated from operating activities of RMB375 million; trade and other payables balance was reduced, causing the cash outflow from operating activities of RMB3.088 billion.

After adjusting non-cash items, receivables and payables for the profit before taxation, and decrease in outflow of paid income tax by RMB449 million in cash, the net cash used in operating activities was RMB736 million.

Net cash used in investing activities was RMB1.740 billion, mainly because fixed deposit increased by RMB1.450 billion, and funds borrowed by the ultimate holding company increased by RMB400 million.

Net cash generated from financing activities was RMB244 million, mainly because loan from ultimate holding company increased.

Based on the cash flows during the Reporting Period, the Group has adequate working capital. The Group will continue to strengthen the settlement of trade debts and strictly control the use of working capital in operating activities; strive to expand the market, increase capital income source and expand net cash inflow of business operation.

4.3.3 Summary of Financial Ratios

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

Main financial ratios	Six-month periods ended 30 June	
	2017	2016
Net profit margin (%)	6.1	6.1
Return on assets (%) ⁽¹⁾	1.4	1.9
Return on equity (%) ⁽²⁾	3.2	4.3
Return on invested capital (%) ⁽³⁾	3.3	4.4
	As at	As at
	30 June	31 December
Main financial ratios	2017	2016
Gearing ratio (%) ⁽⁴⁾	0.9	0.0
Net debt to equity ratio (%) ⁽⁵⁾	net cash	net cash
Current ratio (%) ⁽⁶⁾	1.7	1.7
Quick ratio (%) ⁽⁷⁾	1.7	1.6

- (1) Return on assets =
$$\frac{\text{Profit for the period}}{(\text{Opening balance of total assets} + \text{Closing balance of total assets})/2}$$
- (2) Return on equity =
$$\frac{\text{Profit for the period}}{\text{Total equity at the end of the period}}$$
- (3) Return on invested capital =
$$\frac{\text{Earnings before interest and tax (EBIT) for the period} \times (1 - \text{effective income tax rate})}{\text{Total interest bearing debt at the end of the period} - \text{Credit loans} + \text{Total equity at the end of the period}}$$
- (4) Gearing ratio =
$$\frac{\text{Interest bearing debt at the end of the period}}{\text{Total interest bearing debt at the end of the period} + \text{Total equity at the end of the period}}$$
- (5) Net debt to equity ratio =
$$\frac{\text{Net debt at the end of the period}}{\text{Total equity at the end of the period}}$$
- (6) Current ratio =
$$\frac{\text{Current assets}}{\text{Current liabilities}}$$
- (7) Quick ratio =
$$\frac{\text{Current assets} - \text{Inventories}}{\text{Current liabilities}}$$

Return on assets

During the Reporting Period, the Group's return on assets decreased to 1.4% from 1.9% in the same period of the previous year, mainly due to the decrease in net profit during the Reporting Period and the increase in average total assets at the end of the Reporting Period.

Return on equity

The Group's return on equity decreased to 3.2% from 4.3% for the same period in 2016, mainly due to the decrease in net profit during the Reporting Period and the increase in equity at the end of the Reporting Period.

Return on invested capital

The Group's return on invested capital decreased to 3.3% from 4.4% for the same period in 2016 for the same reasons as the decrease in return on equity.

Gearing ratio

The Group's gearing ratio is 0.9%, attributable to the Group's loans to ultimate holding company during the Reporting Period.

Net debt to equity ratio

The Group maintained positive net cash as at 30 June 2017 and as at 31 December 2016.

Current ratio

The Group's current ratio was 1.7, remaining stable on a period-on-period basis.

Quick ratio

The Group's quick ratio was 1.7, remaining broadly stable on a period-on-period basis.

5 Significant Events

5.1 The dividend distribution plan for the six months ended 30 June 2017

The tenth meeting of the second session of the Company's Board of Directors approved the dividend distribution plan for the six months ended 30 June 2017. An interim cash dividend of RMB0.056 (inclusive of applicable taxes) per share would be distributed based on 4,428,000,000 shares, being the total share capital of the Company as at 30 June 2017. Since shareholders of the Company have authorised the Board of Directors to decide the interim profit distribution plan of 2017 by ordinary resolution in 2016 annual general meeting held on 16 May 2017, it is unnecessary to submit the above dividend distribution plan to the general meeting of shareholders for review and approval.

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

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

If the individual holders of H Shares are Hong Kong or Macau residents or residents of the countries which had an agreed tax rate of 10% for the cash dividends to them with the PRC under the relevant tax agreement, the Company should withhold and pay individual income tax on behalf of the relevant Shareholders at a rate of 10%. Should the individual holders of H Shares be residents of the countries which had an agreed tax rate of less than 10% with the PRC under the relevant tax agreement, the Company shall withhold and pay individual income tax on behalf of the relevant shareholders at a rate of 10%. In that case, if the relevant individual holders of H Shares wish to reclaim the extra amount withheld

(the “Extra Amount”) due to the application of 10% tax rate, the Company can apply for the relevant agreed preferential tax treatment provided that the relevant Shareholders submit the information required by the notice of the tax agreement to the H share register of the Company. The Company will assist with the tax refund after obtaining the approval of the competent tax authority. Should the individual holders of H Shares be residents of the countries which had an agreed tax rate of over 10% but less than 20% with the PRC under the tax agreement, the Company shall withhold and pay the individual income tax at the agreed actual rate in accordance with the relevant tax agreement. In the case that the individual holders of H Shares are residents of the countries which have had an agreed tax rate of 20% with the PRC, or which have not entered into any tax agreement with the PRC, or otherwise, the Company shall withhold and pay the individual income tax at a rate of 20%.

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

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

For details, please refer to announcement entitled “Distribution of 2017 Interim Dividend and Closure of Register of Members For H Shares” published on 21 August 2017.

5.2 Material litigation or arbitration events

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

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

5.3 Repurchase, sale and redemption of shares

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

5.4 Review of the Interim Report

The audit committee of the Company (the “**Audit Committee**”) has reviewed the Interim Report. The Audit Committee has not expressed any dissent concerning the financial statements in the Interim Report.

The Audit Committee is comprised of all independent non-executive Directors, namely, Mr. YE Zheng, Mr. HUI Chiu Chung, Stephen and Mr. JIN Yong. Among them, Mr. YE Zheng has the appropriate professional qualifications (including being a member of the Hong Kong Institute of Certified Public Accountants) and more than 21 years of experience in auditing, internal control and consultancy.

6 Corporate Governance

During the Reporting Period, the Company complied with all code provisions in the Code on Corporate Governance Practices set out in Appendix 14 to the Hong Kong Listing Rules and did not conduct any acts which deviated from such code provisions.

7 Financial Statements

7.1 Auditor’s opinion

The interim financial statements for the six months ended 30 June 2017 of the Company, prepared in accordance with IFRS, were audited by Grant Thornton Hong Kong Limited, which has issued a standard unqualified audit report.

7.2 Accounting policies

Compared to the last audited financial statements, there are no significant changes to accounting policies.

7.3 Financial Statements

The interim financial statements prepared in accordance with IFRS for the six months ended 30 June 2017:

7.3.1 Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Six months ended 30 June	
	2017	2016
	(RMB'000)	(RMB'000)
Revenue	13,764,426	17,734,811
Cost of sales	(11,551,042)	(15,526,048)
Gross profit	2,213,384	2,208,763
Other income	93,270	260,763
Selling and marketing expenses	(48,061)	(41,314)
Administrative expenses	(476,569)	(421,572)
Research and development costs	(376,819)	(398,853)
Other operating expenses	(562,011)	(448,618)
Other gains - net	411	185
Operating profit	843,605	1,159,354
Finance income	254,210	254,570
Finance expenses	(37,914)	(37,427)
Finance income - net	216,296	217,143
Share of losses of joint arrangements	(446)	(601)
Share of profits of associates	4,112	5,729
Profit before taxation	1,063,567	1,381,625
Income tax expense	(228,691)	(302,795)
Profit for the period	834,876	1,078,830
Other comprehensive income for the period, net of tax:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	(79,661)	(17,074)
Item that will not be reclassified subsequently to profit or loss:		
Profits on revaluation of retirement benefit plans obligations	95,350	20,707

	Six months ended 30 June	
	2017	2016
	(RMB'000)	(RMB'000)
Other comprehensive income for the period, net of tax	<u>15,689</u>	<u>3,633</u>
Total comprehensive income for the period	<u>850,565</u>	<u>1,082,463</u>
Profit attributable to:		
Equity holders of the Company	834,875	1,079,124
Non-controlling interests	<u>1</u>	<u>(294)</u>
Profit for the period	<u><u>834,876</u></u>	<u><u>1,078,830</u></u>
Total comprehensive income attributable to:		
Equity holders of the Company	850,564	1,082,757
Non-controlling interests	<u>1</u>	<u>(294)</u>
Total comprehensive income for the period	<u><u>850,565</u></u>	<u><u>1,082,463</u></u>
	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	<u><u>0.19</u></u>	<u><u>0.24</u></u>

7.3.2 Consolidated Statement of Financial Position

	As at 30 June 2017	As at 31 December 2016
	(RMB'000)	(RMB'000)
ASSETS		
Non-current assets		
Property, plant and equipment	3,922,227	3,974,643
Land use rights	2,648,953	2,679,021
Intangible assets	236,515	271,594
Investment in joint arrangements	4,147	4,593
Investment in associates	114,188	137,876
Available-for-sale financial assets	2,750	2,750
Deferred income tax assets	776,324	775,695
Total non-current assets	<u>7,705,104</u>	<u>7,846,172</u>
Current assets		
Inventories	865,312	1,196,537
Notes and trade receivables	8,425,444	9,989,626
Prepayments and other receivables	6,070,750	5,746,361
Amounts due from customers for contract work	6,750,383	5,839,435
Loans due from the ultimate holding company	14,500,000	14,100,000
Restricted cash	25,600	16,188
Time deposits	3,582,841	2,222,055
Cash and cash equivalents	9,268,717	11,861,946
Total current assets	<u>49,489,047</u>	<u>50,972,148</u>
Total assets	<u><u>57,194,151</u></u>	<u><u>58,818,320</u></u>
EQUITY		
Share capital	4,428,000	4,428,000
Reserves	21,275,188	20,770,008
Consolidated equity attributable to equity holders of the Company	25,703,188	25,198,008
Non-controlling interests	3,909	3,908
Total equity	<u>25,707,097</u>	<u>25,201,916</u>

	As at 30 June 2017	As at 31 December 2016
	(RMB'000)	(RMB'000)
LIABILITIES		
Non-current liabilities		
Retirement and other supplemental benefit obligations	2,437,283	2,637,484
Provision for litigation claims	264,469	261,754
Total non-current liabilities	<u>2,701,752</u>	<u>2,899,238</u>
Current liabilities		
Notes and trade payables	11,834,868	14,217,183
Other payables	5,794,021	5,933,648
Amounts due to customers for contract work	10,755,005	10,219,486
Loans due to a fellow subsidiary	243,878	—
Current income tax liabilities	157,530	346,849
Total current liabilities	<u>28,785,302</u>	<u>30,717,166</u>
Total liabilities	<u>31,487,054</u>	<u>33,616,404</u>
Total equity and liabilities	57,194,151	58,818,320
Net current assets	<u>20,703,745</u>	<u>20,254,982</u>
Total assets less current liabilities	<u><u>28,408,849</u></u>	<u><u>28,101,154</u></u>

7.4 Notes to the Interim Financial Statements Prepared in Accordance with IFRS

7.4.1 Revenue

The Group's revenue is set out below:

	Six months ended 30 June	
	2017	2016
	(RMB'000)	(RMB'000)
Engineering, consulting and licensing	1,098,525	795,630
EPC Contracting	7,440,155	9,285,236
Construction	5,072,314	7,587,978
Equipment manufacturing	153,432	65,967
	<u>13,764,426</u>	<u>17,734,811</u>

7.4.2 Income Tax Expense

	Six months ended 30 June	
	2017	2016
	(RMB'000)	(RMB'000)
Current tax		
PRC enterprise income tax	209,090	237,711
Overseas enterprise income tax	7,835	8,784
Under-provision for income tax in prior years	32,358	38,381
	<u>249,283</u>	<u>284,876</u>
Deferred tax		
Origination and reversal of temporary differences	<u>(20,592)</u>	<u>17,919</u>
Income tax expense	<u>228,691</u>	<u>302,795</u>

According to the Corporate Income Tax Law of the PRC, the applicable income tax of the six months ended 30 June 2017 and 2016 is 25%.

According to the normal statutory PRC corporate income tax and relevant rules, apart from certain subsidiaries of the Company have been qualified as new high-tech enterprises which can enjoy 15% preferential tax rate in the related period. For the six months ended 30 June 2017 and 2016, the majority of the members of the Group is subject to 25% income tax rate.

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

The difference between the actual income tax charge in the consolidated statement of profit or loss and other 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 months ended 30 June	
	2017	2016
	(RMB'000)	(RMB'000)
Profit before taxation	<u>1,063,567</u>	<u>1,381,625</u>
Taxation calculated at the statutory tax rate	265,892	345,406
Income tax effects of:		
Preferential income tax treatments of certain companies	(100,917)	(125,973)
Difference in overseas profits tax rates	(1,966)	(121)
Non-deductible expenses	34,436	44,694
Income not subject to tax	(707)	(795)
Unrecognised tax losses	66	1,682
Utilisation of previously unrecognised tax losses	(471)	(479)
Under provision for income tax in prior years	<u>32,358</u>	<u>38,381</u>
Income tax expense	<u>228,691</u>	<u>302,795</u>
Effective income tax rate	<u>21.5%</u>	<u>21.9%</u>

7.4.3 Earnings Per Share

(a) Basic

The basic earnings per share for each of the six months ended 30 June 2017 and 2016 is calculated based on the profit attributable to the equity holders of the Company and the weighted average number of ordinary shares in issue.

	Six months ended 30 June	
	2017	2016
Profit attributable to equity holders of the Company (RMB'000)	834,875	1,079,124
Weighted average number of ordinary shares in issue	4,428,000,000	4,428,000,000
Basic earnings per share (RMB)	<u>0.19</u>	<u>0.24</u>

(b) Diluted

As the Company had no dilutive shares for the each of the six months ended 30 June 2017 and 2016, diluted earnings per share for the six months ended 30 June 2017 and 2016 are the same as basic earnings per share.

7.4.4 Dividends

Dividends represented dividends declared by the Company during each of six months ended 30 June 2017 and 2016.

	Six months ended 30 June	
	2017 (RMB'000)	2016 (RMB'000)
Proposed interim dividends of RMB0.056 per ordinary share (2016: RMB0.072) ⁽¹⁾	<u>247,968</u>	<u>318,816</u>

⁽¹⁾ Pursuant to the Directors' meeting on 18 August 2017, the Directors recommended to declare the interim dividends for the year ending 31 December 2017 of RMB0.056 (2016: RMB0.072) per share totalling RMB247,968,000 (2016: RMB318,816,000). Dividend proposed to be declared by the Directors' meeting after the end of the reporting period are not recognised as a liability at the end of the reporting period.

8 Miscellaneous

Copies of the Interim Report will be despatched to the Shareholders before 30 September 2017.

This announcement is published in both Chinese and English languages. Should there be any discrepancy between the English language and the Chinese language, the Chinese language version shall prevail.

Yours faithfully,
By the Order of the Board
SINOPEC Engineering (Group) Co., Ltd
LING Yiqun
Chairman

Beijing, the PRC
21 August 2017

As at the date of this announcement, the executive Directors are LU Dong, XIANG Wenwu, SUN Lili (employee representative Director) and WU Derong (employee representative Director); the non-executive Directors are LING Yiqun and LI Guoqing; and the independent non-executive Directors are HUI Chiu Chung, Stephen, JIN Yong and YE Zheng.

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