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

Stock Code: 2386

2017 INTERIM REPORT

BUILDING ON OUR
CORE STRENGTHS
TO ACHIEVE CONSISTENT EXCELLENCE

IMPORTANT NOTICE

The board of directors (the "Board") and the directors (the "Directors") of SINOPEC ENGINEERING (GROUP) CO., LTD. ("SINOPEC SEG" or the "Company") warrant that there are no false representations, misleading statements or material omissions contained in this interim report and are hereby jointly and severally liable for the authenticity, accuracy and completeness of the content hereof. Directors, Mr. WU Derong and Mr. JIN Yong could not attend the Tenth Meeting of the Second Session of the Board (the "Meeting") due to official duties. Director, Mr. WU Derong authorised Director, Mr. LU Dong and Director, Mr. JIN Yong authorised Director, Mr. YE Zheng to attend the Meeting, and to vote on their behalves. Mr. LING Yiqun (Chairman of the Board), Mr. XIANG Wenwu (Director and President), Mr. JIA Yiqun (Chief Financial Officer) and Mr. WANG Yi (head of the finance department) warrant the authenticity and completeness of the financial statements contained in this interim report.

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, were audited by Grant Thornton Hong Kong Limited, which has issued a standard unqualified audit 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 Group expects or anticipates will or may occur in the future (including but not limited to projections, targets, estimates and business plans) are forward-looking statements. The future actual results or development trends may differ materially from those indicated by these forward-looking statements as a result of various factors and uncertainties. The forward-looking statements referred to herein as at 18 August 2017 are made by the Group and, unless otherwise required by the relevant regulatory authorities, the Group undertakes no obligation or responsibility to update these statements.

优质工程 展上海工程公司新形象
心设计 科学管理 为天津石化作贡献
为天津石化提供全优服务


国际领先 国内最强 最大吊装能力1600吨

Contents


SEG

COMPANY PROFILE

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

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

BASIC INFORMATION OF THE COMPANY

LEGAL NAME

中石化煉化工程(集團)股份有限公司

CHINESE ABBREVIATION

中石化煉化工程

ENGLISH NAME

SINOPEC ENGINEERING (GROUP) CO., LTD.

ENGLISH ABBREVIATION

SINOPEC SEG

LEGAL REPRESENTATIVE

Mr. LING Yiqun

AUTHORISED REPRESENTATIVES

Mr. XIANG Wenwu

Mr. SANG Jinghua

SECRETARY TO THE BOARD

Mr. SANG Jinghua

REGISTERED ADDRESS

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

http://www.hkex.com.hk

The Company's website:

http://www.segroup.cn

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Office of the Board

SINOPEC ENGINEERING (GROUP) CO., LTD.

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

PLACE OF LISTING OF SHARES, STOCK NAME AND STOCK CODE

H Shares: the Hong Kong Stock Exchange

Stock name: SINOPEC SEG

Stock code: 2386

UNIFORM SOCIAL CREDIT CODE

911100007109349087

NAMES AND ADDRESSES OF AUDITORS

PRC:

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Chaoyang District, Beijing, People's Republic of China

HONG KONG:

Kirkland & Ellis

26th Floor, Gloucester Tower, The Landmark,
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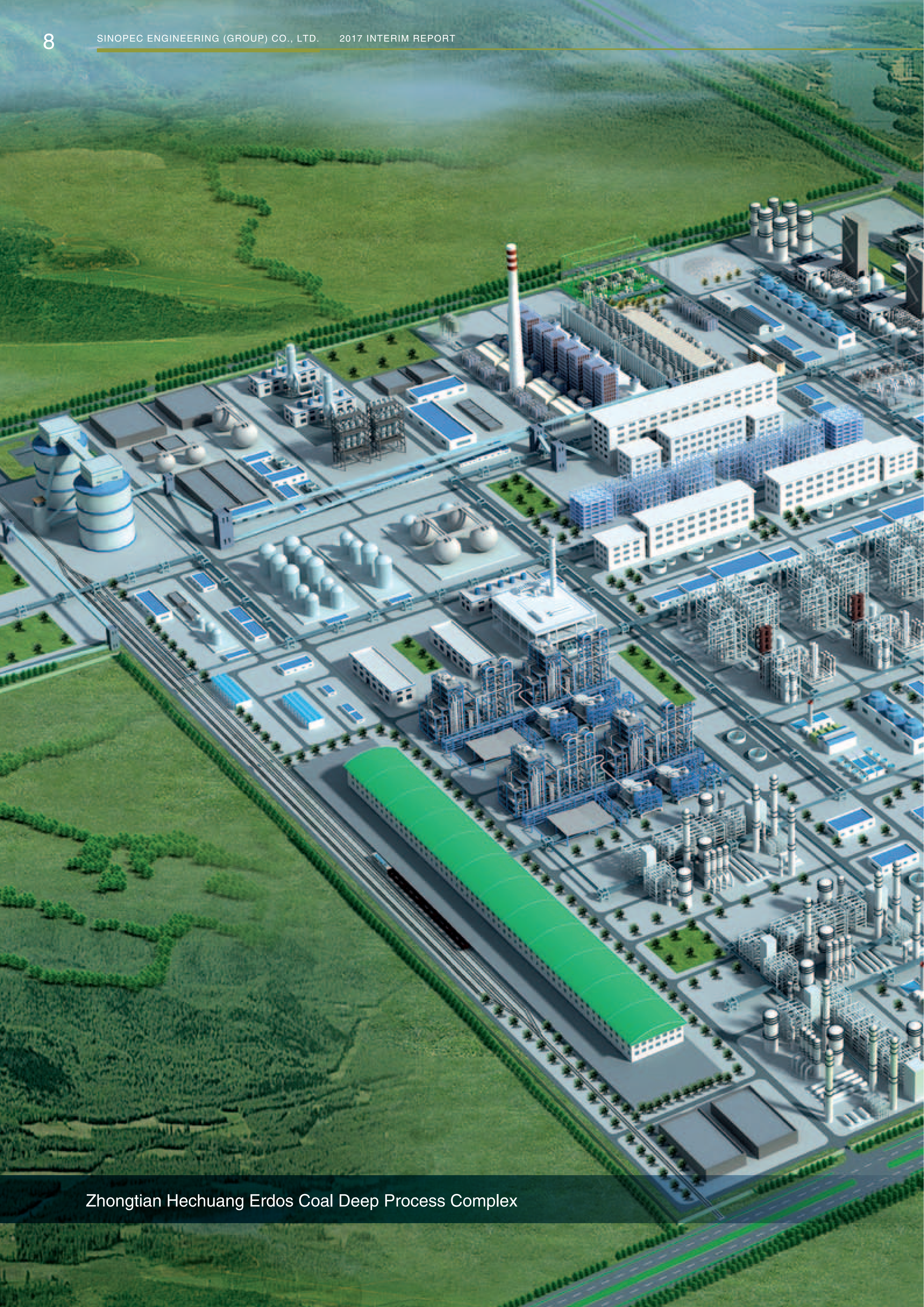


Zhongtian Hechuang Erdos Coal Deep Process Complex

PRINCIPAL FINANCIAL DATA AND INDICATORS

Principal Financial Data and Indicators

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

Unit: RMB'000

Items	As at 30 June 2017	As at 31 December 2016	Changes from the 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

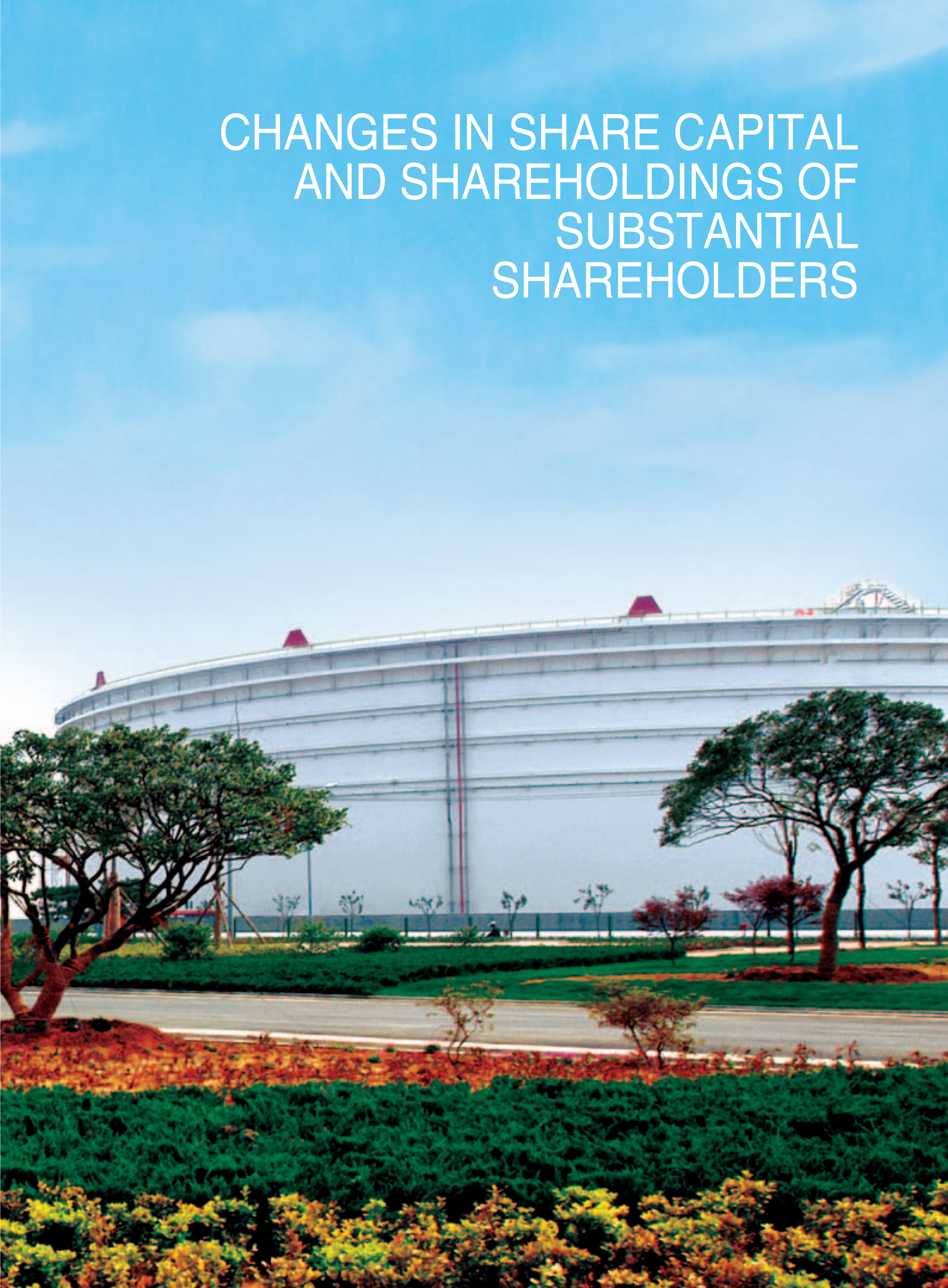
Unit: RMB'000

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	57.2

CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS



Changes in Share Capital and Shareholdings of Substantial Shareholders

1 Changes in the Share Capital of the Company

Unit: Share

	As at 31 December 2016		Increase/Decrease during the Reporting Period (+, -)			As at 30 June 2017	
	Number	Percentage (%)	New shares issued	Others	Subtotal	Number	Percentage (%)
Promoter shares (Domestic Shares)	2,967,200,000	67.01	—	—	—	2,967,200,000	67.01
Foreign shares listed overseas (H Shares)	1,460,800,000	32.99	—	—	—	1,460,800,000	32.99
Total number of shares	4,428,000,000	100.00	—	—	—	4,428,000,000	100.00

2 Shareholdings of Substantial Shareholders

As at the end of the Reporting Period, there were a total of 1,121 shareholders of the Company. The public float of the Company satisfied the minimum requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules").

(1) Shareholdings of the top ten shareholders

Unit: Share

Name of Shareholders	Increase/Decrease during the Reporting Period (+,-)	Number of Domestic Shares held at the end of the Reporting Period	Number of H Shares held at the end of the Reporting Period	Percentage at the end of the Reporting Period	
				In total share capital (%)	In relevant class of shares (%)
China Petrochemical Corporation [1]	0	2,967,200,000	—	67.01	100.00
HKSCC NOMINEES LIMITED	19,638,500	—	1,458,006,900	32.93	99.81
WONG CHUI CHUNG	295,000	—	295,000	0.01	0.02
CHAN LAI KUEN SELINA	195,500	—	195,500	0.00	0.01
WONG CHUI CHUNG	195,500	—	195,500	0.00	0.01
WONG MAY JANE	131,000	—	131,000	0.00	0.01
CHOI LAI MING	130,000	—	130,000	0.00	0.01
YAN TAT CHIU DAVID	96,500	—	96,500	0.00	0.01
KONG CHUK LUN	60,000	—	60,000	0.00	0.00
PANG KWOK WAI	60,000	—	60,000	0.00	0.00
Statement on the connected relationship or action in concert among or between the aforementioned shareholders	The Company is not aware of any connection or action in concert among or between the aforementioned top ten shareholders.				

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

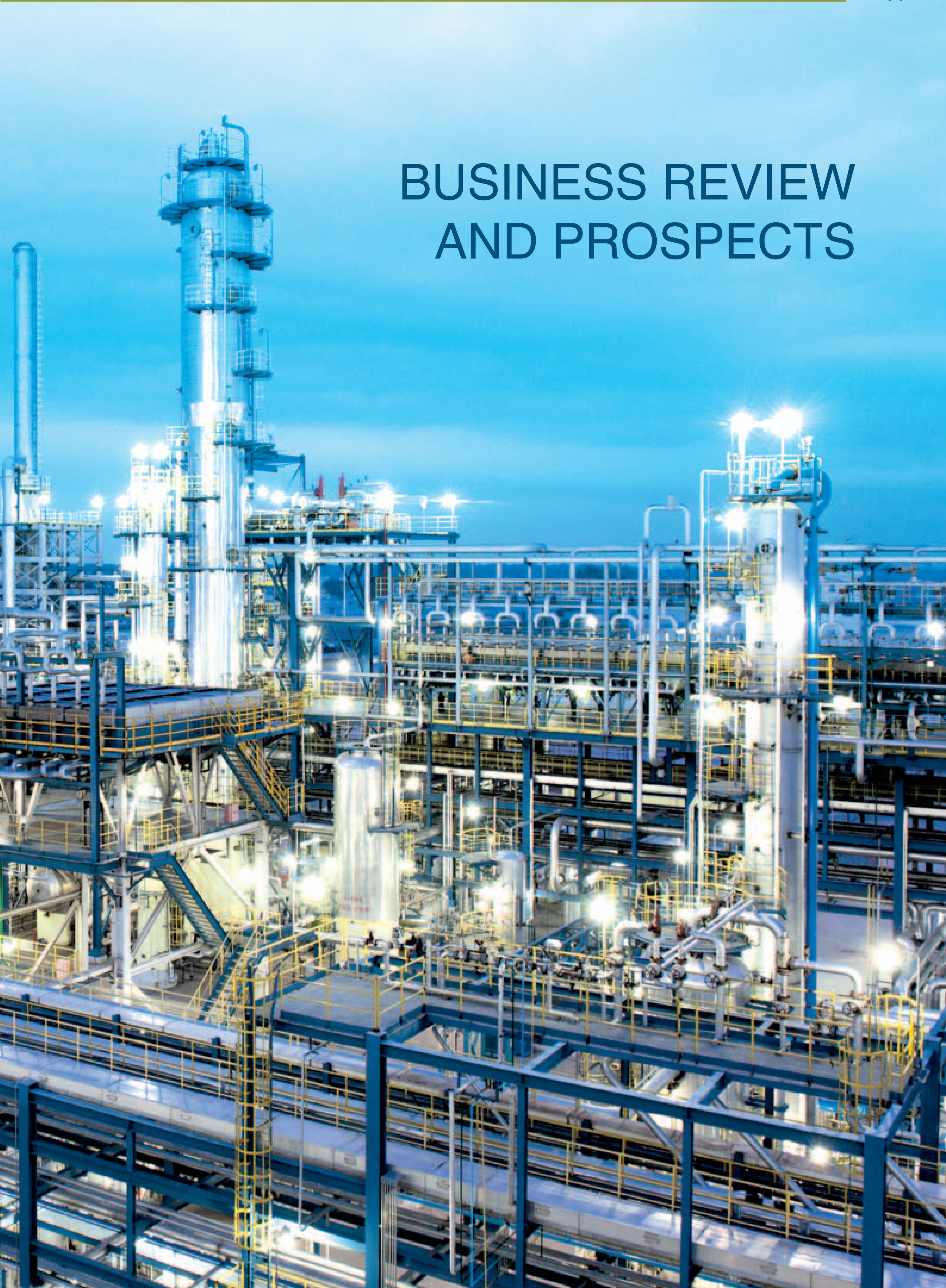
Except for the information disclosed below, as at the end of the Reporting Period, so far as is known to the Board, no person(s) (not being a Director, chief executive of the Company or supervisor of the Company (the "Supervisor")) had an interest or short position in the shares or underlying shares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

Name of Shareholders	Class of shares	Capacity	Number of shares with interests held or regarded as being held (Share)	Percentage in shares of the Company of the same class (%) (7)	Percentage in the total share capital of the Company (%) (8)
China Petrochemical Corporation (1)	Domestic Share	Beneficial owner/Interests of controlled corporation	2,967,200,000(L)	100.00(L)	67.01(L)
National Council for Social Security Fund of the PRC (2)	H Share	Beneficial owner	131,468,000 (L)	8.99 (L)	2.97 (L)
State Administration of Foreign Exchange of the PRC (3)	H Share	Interests of controlled corporation	131,756,000(L)	9.02(L)	2.98(L)
JPMorgan Chase & Co. (4)	H Share	Trustee/Interests of controlled corporation	131,903,886 (L) 1,882,591 (S) 104,653,147 (P)	9.02 (L) 0.12 (S) 7.16 (P)	2.98 (L) 0.04 (S) 2.36 (P)
Prudential plc (5)	H Share	Interests of controlled corporation	117,459,500 (L)	8.04 (L)	2.65(L)
Templeton Global Advisors Limited (6)	H Share	Investment manager	78,865,000 (L)	5.40(L)	1.78(L)

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

Notes:
(1) China Petrochemical Corporation ("Sinopec Group") directly and indirectly holds 2,967,200,000 domestic shares of the Company ("Domestic Shares"), representing 100% of the Domestic Shares and approximately 67.01% of the total share capital of the Company, respectively. Sinopec Assets Management Co., Ltd. is a wholly-owned subsidiary of Sinopec Group and directly holds 59,344,000 Domestic Shares, representing 2.00% of the Domestic Shares and approximately 1.34% of the total share capital of the Company, respectively. For the purposes of the SFO, Sinopec Group is also deemed to be interested in the Domestic Shares held by Sinopec Assets Management Co., Ltd..
(2) The information is based on the Corporate Substantial Shareholders Notice dated 19 November 2013 and filed by the National Council for Social Security Fund of the PRC with the Hong Kong Stock Exchange.
(3) According to the Corporate Substantial Shareholders Notice dated 4 June 2013 and filed by the State Administration of Foreign Exchange of the PRC ("SAFE") with the Hong Kong Stock Exchange, Metroson Holdings Corporation Limited (都盛控股有限公司) directly holds 131,756,000 H Shares. As each of Pagoda Tree Investment Company Limited (華馨投資有限公司), Compass Investment Company Limited, (博遠投資有限公司) GUOXIN International Corporation Limited (國新國際投資有限公司) and Metroson Holdings Corporation Limited is a subsidiary directly or indirectly controlled by SAFE, each of SAFE, Pagoda Tree Investment Company Limited, Compass Investment Company Limited and GUOXIN International Investment Corporation Limited is deemed to be interested in the long positions held by Metroson Holdings Corporation Limited for the purposes of the SFO.
(4) The information is based on the Corporate Substantial Shareholders Notice dated 19 June 2017 and filed by JPMorgan Chase & Co. with the Hong Kong Stock Exchange.
(5) The information is based on the Corporate Substantial Shareholders Notice dated 7 June 2017 and filed by Prudential plc with the Hong Kong Stock Exchange.
(6) The information is based on the Corporate Substantial Shareholders Notice dated 1 April 2015 and filed by Templeton Global Advisors Limited with the Hong Kong Stock Exchange.
(7) It is calculated on the basis that the Company has issued 2,967,200,000 Domestic Shares and 1,460,800,000 H Shares.
(8) It is calculated on the basis that the Company has issued 4,428,000,000 shares in total.

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.

1 Business Review

(1) Market Environment

In the first half of 2017, the world political and economic environment was generally stable and the global economy tended to revive and the trades of major economies picked up. Chinese economy continued developing steadily and positively; in addition, China continued accelerating new and old kinetic energy conversion, implementing the strategy of innovation-driven development, and focusing on promoting "Internet +" Strategy and "Made in China 2025" Strategy so as to lead the reform of conventional industries with new technology, new industrial momentum and new mode. The GDP in the first half of 2017 increased by 6.9% on a period-on-period basis, indicating the stable movement in the economy on a whole.

In the beginning of 2017, since the agreement on reducing production of OPEC had been thoroughly fulfilled and executed, international crude oil price rebounded largely, reaching almost USD 60/barrel. Later, the yield of crude oil in America continued thriving, which made it difficult to change oversupply of crude oil worldwide. International crude oil price faced a lot of downward pressure, dropped several times, and remained at a low price less than USD 50/barrel.

In the first half of 2017, domestic fixed asset investment of petroleum and chemical industries decreased on a period-on-period basis, but investments in oil refining industry continued to increase. In the first half of 2017, the seven national petrochemical industrial bases commenced construction one by one. Sinopec Group proposed to create four world-class oil refining and petrochemical bases in Maozhan, Zhenhai, Shanghai and Nanjing, among which, relevant preliminary works of Maozhan Base in early stage had been carried out and the domestic market environment started to pick up step by step. In May 2017, *Several Advices on Deepening Reform of Petroleum and Natural Gas System* was officially issued, which confirms the guidelines, basic principles, general idea and major tasks for deepening the reform of petroleum and natural gas system. The reform of domestic petroleum and natural gas system has been accelerated.

In the first half of 2017, the geopolitical environment in the Middle East where the international business of the Group is located was complicated, and the regional situation was turbulent, not to mention the sluggish economy; since the problems arising from the reliance on energy and the simple economic structure in the Central Asia and Russia cannot be changed within a short time frame, the economy growth slowed down; the political situations in Southeast Asia were basically stable and the economy continued to grow steadily. The “Belt and Road” initiative will play a crucial role in the Middle Asia and Russia due to their lack of development funds. Besides, the social and economic development in Southeast Asia has great potential and the Group has kept track of many large projects in Malaysia, Thailand, Indonesia, etc. closely. Going forward, the Group will keep expanding the market layout alongside the “Belt and Road” and strive to make new breakthrough.

(2) Operation Overview

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				
	2017		2016		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB ’000)	(%)	(RMB ’000)	(%)	(%)
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	14,856,403	100.0	18,769,428	100.0	(20.8)
Total (after inter-segment elimination) [1]	13,764,426	N/A	17,734,811	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				
	2017		2016		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB '000)	(%)	(RMB '000)	(%)	(%)
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	13,764,426	100.0	17,734,811	100.0	(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				
	2017		2016		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB '000)	(%)	(RMB '000)	(%)	(%)
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	13,764,426	100.0	17,734,811	100.0	(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) Business Highlights

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.

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.

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.

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 CO_2 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.

Continuous promotion of innovation and technology advancement

All engineering technology R&D has been steadily promoted.

➢ Conventional fining 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.

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 CO_2 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.

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.

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.

2 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”.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

1 Consolidated Results of Operations

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

	Six-month periods ended 30 June				
	2017		2016		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB'000)	(%)	(RMB'000)	(%)	(%)
Revenue	13,764,426	100.0	17,734,811	100.0	(22.4)
Cost of sales	(11,551,042)	(83.9)	(15,526,048)	(87.5)	(25.6)
Gross profit	2,213,384	16.1	2,208,763	12.5	0.2
Other income	93,270	0.7	260,763	1.5	(64.2)
Selling and marketing expenses	(48,061)	(0.3)	(41,314)	(0.2)	16.3
Administrative expenses	(476,569)	(3.5)	(421,572)	(2.4)	13.0
Research and development costs	(376,819)	(2.7)	(398,853)	(2.2)	(5.5)
Other operating expenses	(562,011)	(4.1)	(448,618)	(2.5)	25.3
Other gains - net	411	0.0	185	0.0	122.2
Operating profit	843,605	6.1	1,159,354	6.5	(27.2)
Finance income	254,210	1.8	254,570	1.4	(0.1)
Finance expenses	(37,914)	(0.3)	(37,427)	(0.2)	1.3
Finance income - net	216,296	1.6	217,143	1.2	(0.4)
Share of losses of joint arrangements	(446)	(0.0)	(601)	(0.0)	(25.8)
Share of profits of associates	4,112	0.0	5,729	0.0	(28.2)
Profit before taxation	1,063,567	7.7	1,381,625	7.8	(23.0)
Income tax expense	(228,691)	(1.7)	(302,795)	(1.7)	(24.5)
Profit for the period	834,876	6.1	1,078,830	6.1	(22.6)
Gains on revaluation of retirement benefit plans obligations	95,350	0.7	20,707	0.1	360.5
Exchange differences arising on translation of foreign operations	(79,661)	(0.6)	(17,074)	(0.1)	366.6
Total comprehensive income for the period	850,565	6.2	1,082,463	6.1	(21.4)

(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.

(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.

(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) 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.

(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.

(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.

(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.

(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.

(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.

(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.

(11) Finance 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.

(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.

(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.

(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.

2 Discussion on the Results by Business Segments

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

	Segment revenue		Segment gross profit		Segment gross profit margin		Segment operating profit		Segment operating profit margin	
	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	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	(RMB'000)		(RMB'000)		(%)		(RMB'000)		(%)	
Engineering, consulting and licensing	1,098,525	795,630	441,220	151,319	40.2	19.0	193,395	(115,596)	17.6	(14.5)
EPC Contracting	7,440,155	9,285,236	1,313,384	1,606,641	17.7	17.3	479,351	1,027,185	6.4	11.1
Construction	6,033,732	8,515,410	447,723	442,874	7.4	5.2	137,850	205,775	2.3	2.4
Equipment manufacturing	283,991	173,152	11,057	7,929	3.9	4.6	2,554	(13,510)	0.9	(7.8)
Unallocated	N/A	N/A	N/A	N/A	N/A	N/A	30,455	55,500	N/A	N/A
Subtotal	14,856,403	18,769,428	2,213,384	2,208,763	N/A	N/A	843,605	1,159,354	N/A	N/A
Total after inter-segment elimination[(3)]	13,764,426	17,734,811	2,213,384	2,208,763	16.1[(1)]	12.5[(1)]	843,605	1,159,354	6.1[(2)]	6.5[(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 the segment is calculated based on the total operating profit of the segment 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 interim report.

Engineering, Consulting and Licensing

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

	Six-month periods ended 30 June			
	2017		2016	
	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue
	(RMB'000)	(%)	(RMB'000)	(%)
Revenue	1,098,525	100.0	795,630	100.0
Cost of sales	(657,305)	(59.8)	(644,311)	(81.0)
Gross profit	441,220	40.2	151,319	19.0
Selling and marketing expenses	(5,074)	(0.5)	(3,391)	(0.4)
Administrative expenses	(40,630)	(3.7)	(35,112)	(4.4)
Research and development costs	(195,259)	(17.8)	(223,676)	(28.1)
Other income and expenses	(6,862)	(0.6)	(4,736)	(0.6)
Operating profit/(losses)	193,395	17.6	(115,596)	(14.5)

(1) Revenue

The revenue generated from the Group's Engineering, Consulting and Licensing segment increased by 38.1% from RMB796 million for the six months ended 30 June 2016 to RMB1.099 billion for the six months ended 30 June 2017, mainly due to of the increase in design business volume.

(2) Cost of sales

The cost of sales of the Group's Engineering, Consulting and Licensing segment increased from RMB644 million for the six months ended 30 June 2016 to RMB657 million for the six months ended 30 June 2017, remaining broadly stable on a period-on-period basis.

(3) Gross profit

The gross profit of the Group's Engineering, Consulting and Licensing segment increased by 191.6% from RMB151 million for the six months ended 30 June 2016 to RMB441 million for the six months ended 30 June 2017, mainly due to the increase in design revenue. The gross profit margin increased from 19.0% for the six months ended 30 June 2016 to 40.2% for the six months ended 30 June 2017.

(4) Selling and marketing expenses

The selling and marketing expenses of the Group's Engineering, Consulting and Licensing segment increased by 49.6% from RMB3 million for the six months ended 30 June 2016 to RMB5 million for the six months ended 30 June 2017.

(5) Administrative expenses

The administrative expenses of the Group's Engineering, Consulting and Licensing segment increased by 15.7% from RMB35 million for the six months ended 30 June 2016 to RMB41 million for the six months ended 30 June 2017.

(6) Research and development costs

The research and development costs of the Group's Engineering, Consulting and Licensing segment decreased by 12.7% from RMB224 million for the six months ended 30 June 2016 to RMB195 million for the six months ended 30 June 2017.

(7) Operating profit/(losses)

Due to the above reasons, the operating profit of the Group's Engineering, Consulting and Licensing segment changed from a loss of RMB116 million for the six months ended 30 June 2016 to a gain of RMB193 million for the six months ended 30 June 2017.

EPC Contracting

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

	Six-month periods ended 30 June			
	2017		2016	
	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue
	(RMB'000)	(%)	(RMB'000)	(%)
Revenue	7,440,155	100.0	9,285,236	100.0
Cost of sales	(6,126,771)	(82.3)	(7,678,595)	(82.7)
Gross profit	1,313,384	17.7	1,606,641	17.3
Selling and marketing expenses	(24,099)	(0.3)	(22,482)	(0.2)
Administrative expenses	(234,297)	(3.1)	(199,246)	(2.1)
Research and development costs	(139,303)	(1.9)	(156,082)	(1.7)
Other income and expenses	(436,334)	(5.9)	(201,646)	(2.2)
Operating profit	479,351	6.4	1,027,185	11.1

(1) Revenue

The revenue generated from the Group's EPC Contracting segment decreased by 19.9% from RMB9.285 billion for the six months ended 30 June 2016 to RMB7.440 billion for the six months ended 30 June 2017, mainly due to the decrease in revenue on a period-on-period basis generated from EPC Contracting projects such as Zhongtian Hechuang Coal Chemical Project, FCC Project of Kazakhstan Atyrau Refinery, etc. which were almost completed; besides, some newly signed or newly resumed EPC Contracting did not generate much revenue.

(2) Cost of sales

The cost of sales of the Group's EPC Contracting segment decreased by 20.2% from RMB7.679 billion for the six months ended 30 June 2016 to RMB6.127 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.

(3) Gross profit

The gross profit of the Group's EPC Contracting segment decreased by 18.3% from RMB1.607 billion for the six months ended 30 June 2016 to RMB1.313 billion for the six months ended 30 June 2017, mainly due to the decrease in revenue of this segment. The gross profit margin increased from 17.3% for the six months ended 30 June 2016 to 17.7% for the six months ended 30 June 2017.

(4) Selling and marketing expenses

The selling and marketing expenses of the Group's EPC Contracting segment increased by 7.2% from RMB22 million for the six months ended 30 June 2016 to RMB24 million for the six months ended 30 June 2017.

(5) Administrative expenses

The administrative expenses of the Group's EPC Contracting segment increased by 17.6% from RMB199 million for the six months ended 30 June 2016 to RMB234 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.

(6) Research and development costs

The research and development costs of the Group's EPC Contracting segment decreased by 10.8% from RMB156 million for the six months ended 30 June 2016 to RMB139 million for the six months ended 30 June 2017.

(7) Operating profit

Due to the above reasons, and the impact of the exchange loss, the operating profit of the Group's EPC Contracting segment decreased from RMB1.027 billion for the six months ended 30 June 2016 to RMB479 million for the six months ended 30 June 2017.

Construction

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

	Six-month periods ended 30 June			
	2017		2016	
	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue
	(RMB'000)	(%)	(RMB'000)	(%)
Revenue	6,033,732	100.0	8,515,410	100.0
Cost of sales	(5,586,009)	(92.6)	(8,072,536)	(94.8)
Gross profit	447,723	7.4	442,874	5.2
Selling and marketing expenses	(17,068)	(0.3)	(13,508)	(0.2)
Administrative expenses	(195,473)	(3.2)	(178,455)	(2.1)
Research and development costs	(41,656)	(0.7)	(19,095)	(0.2)
Other income and expenses	(55,676)	(0.9)	(26,041)	(0.3)
Operating profit	137,850	2.3	205,775	2.4

(1) Revenue

The revenue generated from the Group's Construction segment decreased by 29.1% from RMB8.515 billion for the six months ended 30 June 2016 to RMB6.034 billion for the six months ended 30 June 2017, mainly due to the decrease in construction business volume.

(2) Cost of sales

The cost of sales of the Group's Construction segment decreased by 30.8% from RMB8.073 billion for the six months ended 30 June 2016 to RMB5.586 billion for the six months ended 30 June 2017, mainly due to the decrease in revenue leading to the decrease in material procurement and subcontracting cost.

(3) Gross profit

The gross profit of the Group's Construction segment increased from RMB443 million for the six months ended 30 June 2016 to RMB448 million for the six months ended 30 June 2017, and the gross profit margin increased from 5.2% for the six months ended 30 June 2016 to 7.4% for the six months ended 30 June 2017, mainly due to the increase in gross profit margin of some construction projects such as Guangxi LNG tank installation, etc. which were in completion and settlement stages.

(4) Selling and marketing expenses

The selling and marketing expenses of the Group's Construction segment increased by 26.4% from RMB14 million for the six months ended 30 June 2016 to RMB17 million for the six months ended 30 June 2017.

(5) Administrative expenses

The administrative expense of the Group's Construction segment increased by 9.5% from RMB178 million for the six months ended 30 June 2016 to RMB195 million for the six months ended 30 June 2017.

(6) Research and development costs

The research and development costs of the Group's Construction segment increased by 118.2% from RMB19 million for the six months ended 30 June 2016 to RMB42 million for the six months ended 30 June 2017. The increase was mainly due to the Group's intensified investment in research and development in the construction technology.

(7) Operating profit

Due to the above reasons, the operating profit of the Construction segment of the Group decreased by 33.0% from RMB206 million for the six months ended 30 June 2016 to RMB138 million for the six months ended 30 June 2017.

Equipment Manufacturing

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

	Six-month periods ended 30 June			
	2017		2016	
	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue
	(RMB'000)	(%)	(RMB'000)	(%)
Revenue	283,991	100.0	173,152	100.0
Cost of sales	(272,934)	(96.1)	(165,223)	(95.4)
Gross profit	11,057	3.9	7,929	4.6
Selling and marketing expenses	(1,820)	(0.6)	(1,933)	(1.1)
Administrative expenses	(6,169)	(2.2)	(8,759)	(5.1)
Research and development costs	(601)	(0.2)	—	—
Other income and expenses	87	0.0	(10,747)	(6.2)
Operating profit/(loss)	2,554	0.9	(13,510)	(7.8)

(1) Revenue

The revenue generated from the Group's Equipment Manufacturing segment increased by 64.0% from RMB173 million for the six months ended 30 June 2016 to RMB284 million for the six months ended 30 June 2017, mainly due to the increase in business volume.

(2) Cost of sales

The cost of sales of the Group's Equipment Manufacturing segment increased by 65.2% from RMB165 million for the six months ended 30 June 2016 to RMB273 million for the six months ended 30 June 2017, mainly due to the increase in business volume.

(3) Gross profit

The gross profit of the Group's Equipment Manufacturing segment increased by 39.5% from RMB8 million for the six months ended 30 June 2016 to RMB11 million for the six months ended 30 June 2017, the gross profit margin decreased from 4.6% for the six months ended 30 June 2016 to 3.9% for the six months ended 30 June 2017.

(4) Selling and marketing expenses

The selling and marketing expenses of the Group's Equipment Manufacturing segment were RMB2 million for the six months ended 30 June 2017, remaining broadly stable on a period-on-period basis.

(5) Administrative expenses

The administrative expenses of the Group's Equipment Manufacturing segment decreased from RMB9 million for the six months ended 30 June 2016 to RMB6 million for the six months ended 30 June 2017.

(6) Research and development costs

The research and development costs of the Group's Equipment Manufacturing segment were RMB601,400 for the six months ended 30 June 2017.

(7) Operating profit/(loss)

Due to the above reasons, the operating profit of the Group's Equipment Manufacturing segment changed from a loss of RMB14 million for the six months ended 30 June 2016 to a gain of RMB3 million for the six months ended 30 June 2017.

3 Discussion on the results by other classification

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

	Six-month periods ended 30 June				
	2017		2016		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB'000)	(%)	(RMB'000)	(%)	(%)
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	13,764,426	100.0	17,734,811	100.0	(22.4)

As illustrated by the above revenue generated from different industries, during the Reporting Period, some large EPC Contracting projects in the oil refining industry such as Malaysia RAPID Oil Refining Project and Kuwait Oil Refining Project, etc. 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; some 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 revenue generated from different regions where the Group's clients operate:

	Six-month periods ended 30 June				Change
	2017		2016		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB'000)	(%)	(RMB'000)	(%)	(%)
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	13,764,426	100.0	17,734,811	100.0	(22.4)

During the Reporting Period, the Group continued to expand its overseas business steadily, the proportion of revenue generated overseas increased on a period-on-period basis, 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 decreased significantly on a period-on-period basis, mainly due to the decrease in revenue generated from large coal chemical EPC Contracting projects such as Zhongtian Hechuang Coal Chemical which were almost completed.

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

	Six-month periods ended 30 June				Change
	2017		2016		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB'000)	(%)	(RMB'000)	(%)	(%)
Sinopec Group and its associates	4,564,714	33.2	6,977,386	39.3	(34.6)
Non-Sinopec Group and its associates	9,199,712	66.8	10,757,425	60.7	(14.5)
Subtotal	13,764,426	100.0	17,734,811	100.0	(22.4)

During the Reporting Period, the revenue generated from Sinopec Group and its associates and the revenue generated from non-Sinopec Group and its associates decreased on a period-on-period basis. Because Zhongtian Hechuang coal chemical industry project, Guangxi LNG project, etc. were in completion stage, the revenue generated from Sinopec Group and its associates was RMB4.565 billion, representing a decrease of 34.6% on a period-on-period basis; the revenue generated from non-Sinopec Group and its associates was RMB9.200 billion, representing a decrease of 14.5% on a period-on-period basis.

4 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	92,178,177	88,173,262	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	92,178,177	88,173,262	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	92,178,177	88,173,262	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 (RMB'000)	As at 31 December 2016 (RMB'000)	Change (%)
Sinopec Group and its associates	39,691,155	37,802,158	5.0
Non-Sinopec Group and its associates	52,487,022	50,371,104	4.2
Total	92,178,177	88,173,262	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)		(%)
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	296,495	72,074	311.4
Total	17,769,339	8,396,784	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 periods ended 30 June		Change
	2017	2016	
	(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	17,769,339	8,396,784	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 periods ended 30 June		Change
	2017	2016	
	(RMB'000)		(%)
PRC	16,486,397	8,138,700	102.6
Overseas	1,282,942	258,084	397.1
Total	17,769,339	8,396,784	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 periods ended 30 June		Change
	2017	2016	
	(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	17,769,339	8,396,784	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.

5 Assets, Liabilities, Equity and Cash Flows

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

(1) Assets, Liabilities and Equity

Units: RMB'000

	As at 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.

(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.

(3) Summary of Financial Ratios

The following table sets forth the Group's key financial ratios for/as at 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

Main financial ratios	As at 30 June 2017	As at 31 December 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 = $\dfrac{\text{Profit for the period}}{\text{(Opening balance of total assets + Closing balance of total assets)/2}}$

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

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

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

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

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

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

Return on assets

During the Reporting Period, the Group's return on assets decreased to 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.

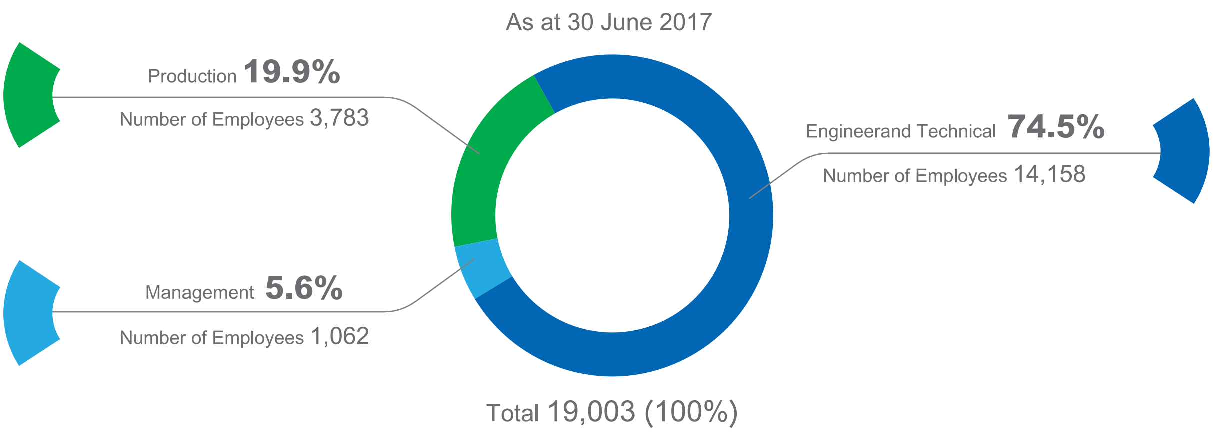
6 Foreign exchange risk

The Group 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 the Group were primarily U.S. dollars, Euros and Saudi riyals. In the future, changes in foreign exchange rates may affect the quotation of the Group's services and expenditure on the purchase of materials in foreign currency. Fluctuations in foreign exchange rates may influence the Group's results of operations and financial position.

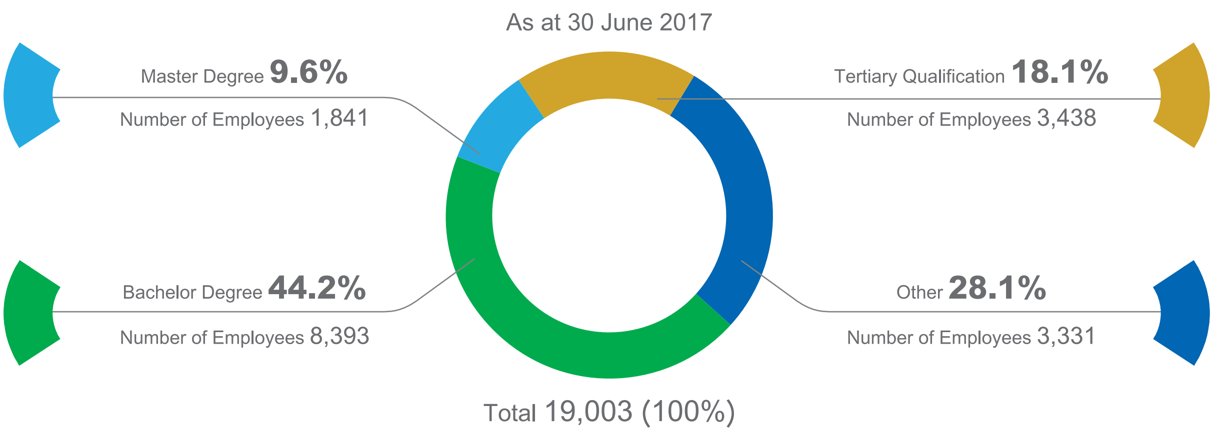
7 Employees and remuneration policy

As at the end of the Reporting Period, the Group had a total of 19,003 employees.

The following list is a categorisation of employee details in different business sectors as at 30 June 2017.

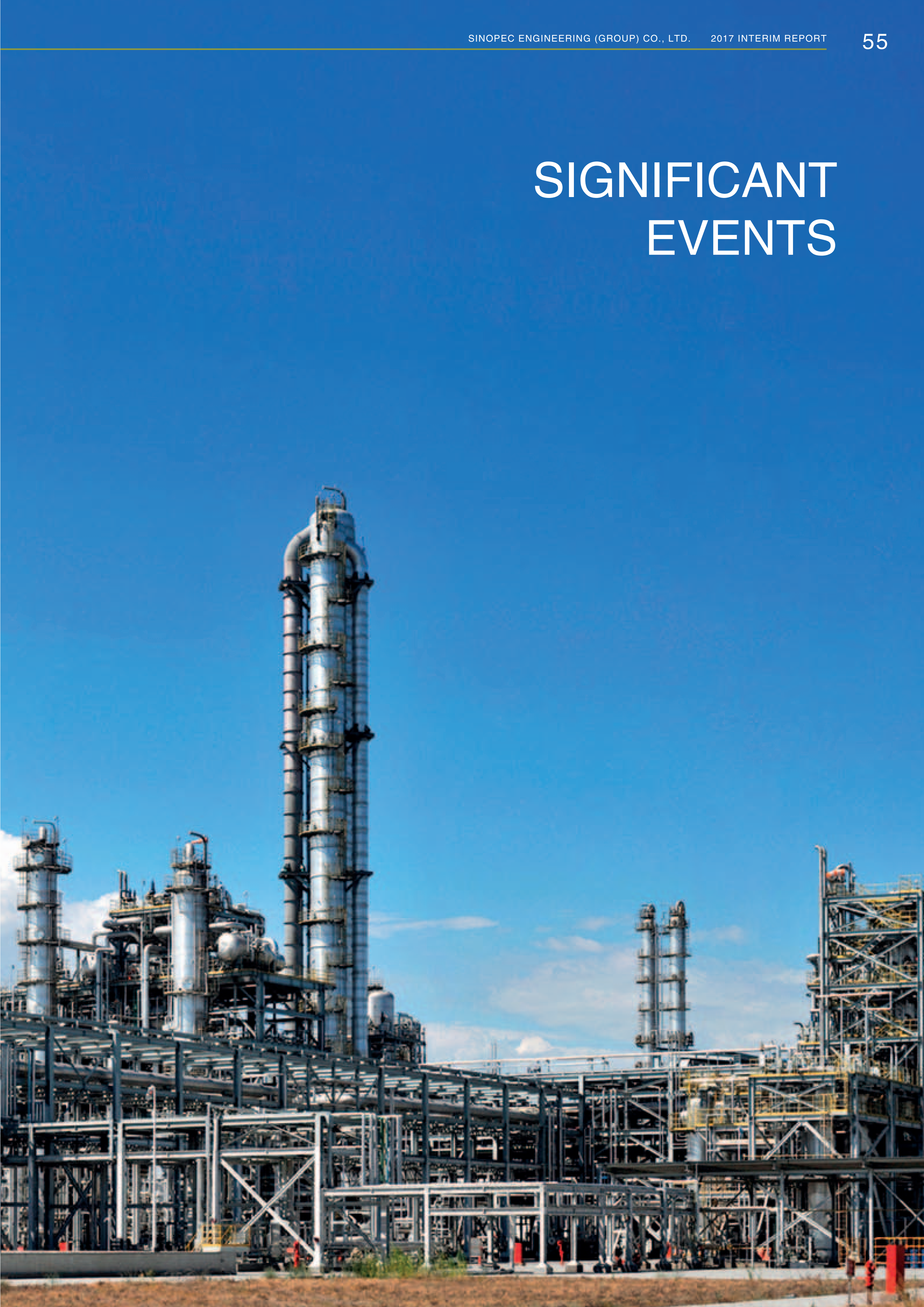


The following list is a categorisation of employee details in accordance with education level as at 30 June 2017.



During the Reporting Period, we maintained good labour relations. The remuneration of our employees mainly consists of salary, discretionary bonuses and contributions to the compulsory social security funds. In accordance with the laws of the PRC, the Group participates in different retirement pension related programmes for our employees, including the programmes organised by the provincial and municipal governments of the PRC and other complementary retirement pension related plans. Bonuses are usually determined in accordance with the overall performance of the Group's business. For the six months ended 30 June 2017 and the six months ended 30 June 2016, the employment costs of the Group were approximately RMB2.125 billion and RMB2.183 billion, respectively.

SIGNIFICANT EVENTS



1 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.

2 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 depositary and clearing system. The cash dividends for the investors of H Shares of Southbound Trading will be paid in Renminbi.

Pursuant to the relevant requirements under the “Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect” (Caishui [2014] No. 81) (《關於滬港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.

3 Connected Transactions

Continuing Connected Transactions between the Group and Sinopec Group

During the Reporting Period, the Group entered into a series of continuing connected transactions or agreements with Sinopec Group, including the following:

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

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

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

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

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

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

(7) the Safe Production Insurance Fund; and

(8) the Trademark Licensing Agreement.

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

The Group's Connected Transactions

During the Reporting Period, the aggregate value of the connected transactions entered into by the Group was RMB5.328 billion. In particular, the expenses amounted to RMB525 million and the revenue amounted to RMB4.803 billion (including RMB4.573 billion from the sale of products and services and RMB230 million from interest income), thus satisfying the exemption requirements specified by the Hong Kong Stock Exchange.

During the Reporting Period, the engineering and construction services (supply of equipment and materials, procurement services and equipment leasing, technology licensing and other engineering-related services) provided by Sinopec Group to the Group amounted to RMB519 million, which was within the annual cap. The engineering and construction services (engineering consulting, technology licensing, engineering design, EPC Contracting, construction and equipment manufacturing, etc.) provided by the Group to Sinopec Group amounted to RMB4.534 billion, which was within the annual cap.

During the Reporting Period, the fees in relation to the settlement and other financial services between the Group and Sinopec Finance Co., Ltd. and Sinopec Century Bright Capital Investment Limited were RMB1 million, which was within the annual cap. The maximum daily balance of deposits and interest income was RMB5.400 billion, which was within the annual cap. The maximum daily balance of entrustment loans was RMB15.600 billion, which was within the annual cap.

During the Reporting Period, the technology R&D services provided by the Group to Sinopec Group amounted to RMB36 million, which was within the annual cap.

During the Reporting Period, the counter-guarantees provided by Sinopec Group to the Group amounted to USD52 million, which was within the annual cap.

During the Reporting Period, the general services provided by Sinopec Group to the Group amounted to RMB4 million, which was within the annual cap.

During the Reporting Period, the land use right and property lease contracts provided by the Group to Sinopec Group amounted to RMB3 million, which was within the annual cap.

During the Reporting Period, the land use right and property lease contracts provided by Sinopec Group to the Group amounted to RMB2 million, which was within the annual cap.

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

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

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

(b) one of the following items was met:

- i the transactions were entered into on normal commercial terms;
- ii if there were not sufficient comparable transactions to judge whether the transactions were on normal commercial terms, the transactions under the relevant agreements were entered into on terms no less favourable to the Company than terms available to or from independent third parties (as the case may be); or
- iii if there were no appropriate assessments to determine whether the transactions met the conditions under (i) and (ii) above, the transactions were entered into on terms that were fair and reasonable to the shareholders of the Company; and

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

4 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 Other Material Contracts

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

6 Repurchase, Sale and Redemption of Shares

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

7 Reserves

During the Reporting Period, movements in the reserves of the Group were set out in the consolidated statement of changes in equity of the financial report, which was prepared in accordance with IFRS in this interim report.

8 Use of IPO Proceeds

During the Reporting Period, the Group's total amount of proceeds used was RMB11 million, mainly for the research and development centre for engineering technology, and construction of information system. As at the end of the Reporting Period, the Group's total amount of proceeds used was RMB3.175 billion, and the remaining net balance of proceeds was approximately HKD9.336 billion.

9 Assets Transactions

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

10 Insolvency and Restructuring

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

11 Significant Trusteeship, Contracting and Lease

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

12 Significant Acquisitions and Disposal

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

13 Financial Derivatives for Hedging Purposes

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

14 Pledged Assets

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

15 Debt

The Group had USD 36 million (about RMB244 million) loan to the ultimate holding company as at the end of the Reporting Period.

16 Review of Interim Report

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

17 Event after Reporting Period

After having been considered and approved at the tenth meeting of the Second Session of the Board held by the Company on 18 August 2017, the Company proposes to acquire 100% of the equity interests in Sinopec Energy-Saving Technology Service Co., Ltd. (中石化節能技術服務有限公司) ("Sinopec Energy-Saving Company") from Sinopec Consulting Co., Ltd. (中國石化諮詢公司) ("Consulting Company") by way of equity transfer. On 18 August 2017, the Company (as the purchaser) and Consulting Company (as the vendor) entered into an equity transfer agreement in relation to the transfer of 100% of the equity interests in Sinopec Energy Saving Company (the "Equity Transfer Agreement"), which will become effective upon satisfaction of the effective condition. Under the Equity Transfer Agreement, the consideration is RMB90 million and will be settled by cash by the Company by way of two instalments, each as to 51% and 49% of the consideration. Such transaction will constitute a connected transaction under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but is exempted from independent shareholders' approval requirement under Chapter 14A of the Listing Rules. For details, please refer to the connected transaction announcement issued by the Company on 18 August 2017.

18 Other Important Matters

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

DIRECTORS, SUPERVISORS AND OTHER MEMBERS OF SENIOR MANAGEMENT

As at 30 June 2017, members of the Company's Board of Directors and the Supervisory Committee and other members of the senior management are as follows:

1 Directors

Profile of the Directors of the Second Session of the Board

Name	Gender	Age	Position in the Company	Term of Office as Director
LING Yiqun	Male	54	Chairman of the Board and Non-executive Director	February 2017 - October 2018
LU Dong	Male	54	Vice Chairman of the Board and Executive Director	October 2015 - October 2018
XIANG Wenwu	Male	51	Executive Director and President	February 2017 - October 2018
LI Guoqing	Male	59	Non-executive Director	October 2015 - October 2018
SUN Lili	Female	55	Executive Director	October 2015 - October 2018
WU Derong	Male	56	Executive Director	October 2015 - October 2018
HUI Chiu Chung, Stephen	Male	70	Independent non-executive Director	October 2015 - October 2018
JIN Yong	Male	81	Independent non-executive Director	October 2015 - October 2018
YE Zheng	Male	52	Independent non-executive Director	October 2015 - October 2018

2 Supervisors

Profile of the Supervisors of the Second Session of the Supervisory Committee

Name	Gender	Age	Position in the Company	Term of Office as Supervisor
ZHU Fei	Male	52	Chairman, Supervisory Committee	October 2015 - October 2018
ZHOU Yingguan	Male	48	Supervisor	October 2015 - October 2018
WANG Guoliang	Male	57	Supervisor	October 2015 - October 2018
WANG Cunting	Male	50	Supervisor	October 2015 - October 2018
JIANG Dejun	Male	51	Employee Representative Supervisor	October 2015 - October 2018
XU Yijun	Male	53	Employee Representative Supervisor	October 2015 - October 2018

3 Other Members of the Senior Management

Profile of other members of the Senior Management

Name	Gender	Age	Position in the Company	Date of Taking Office
XIANG Wenwu	Male	51	President and Executive Director	January 2017
XIAO Gang	Male	58	Vice President	August 2012
GUAN Qingjie	Male	58	Chairman of Trade Union	August 2012
QI Guosheng	Male	56	Vice President	November 2014
JIA Yiqun	Male	49	Chief Financial Officer	August 2012
SANG Jinghua	Male	49	Vice President Secretary to the Board Company Secretary	May 2014 August 2012 December 2012
SUN Xiaobo	Male	56	Vice President	May 2014

4 Appointment and Resignation of Directors, Supervisors and Other Members of the Senior Management during the Reporting Period

Due to work adjustments, Mr. ZHANG Jianhua and Mr. YAN Shaochun have no longer served as Directors since 21 February 2017. On 21 February 2017, Mr. LING Yiqun and Mr. XIANG Wenwu were approved and appointed as Directors of the Second Session of the Board of the Company at the first extraordinary general meeting of the Company for the year 2017. On 21 February 2017, it was approved at the seventh meeting of the Second Session of the Board of the Company that Mr. LING Yiqun was elected as the Chairman of the Second Session of the Board of the Company.

Due to work adjustments, Ms. DENG Qunwei has no longer served as Supervisor and Chairman of Supervisory Committee of the Company since 16 May 2017. On 16 May 2017, it was approved at the fifth meeting of the Second Session of the Supervisory Committee of the Company that Mr. ZHU Fei (Supervisor of the Company) was appointed as the Chairman of the Second Session of the Supervisory Committee of the Company.

Due to work adjustments, Mr. YAN Shaochun has no longer served as the President of the Company since 5 January 2017. On 5 January 2017, it was approved at the Sixth Meeting of the Second Session of the Board of the Company that Mr. XIANG Wenwu was appointed as the President of the Company.

Equity Interest of Directors, Supervisors and Members of the Senior Management of the Company

During the Reporting Period, so far as was known to the Directors, none of the Directors, Supervisors and members of the Senior Management of the Company and their respective associates had any interest or short positions in any shares or debentures of the Company 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 into the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") under Appendix 10 to the Hong Kong Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange. After specific inquiries by the Company, all the directors and supervisors confirmed that they complied with the standards of the Model Code during the Reporting Period.

FINANCIAL STATEMENTS

Grant Thornton
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Independent Auditor's Report

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

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

OPINION

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 73 to 143, which comprise the consolidated statement of financial position as at 30 June 2017, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated interim financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2017, and of its consolidated financial performance and its consolidated cash flows for the six-month period then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Interim Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated interim financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follow:

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition of construction contracts	
Refer to notes 5(a) and 6 to the consolidated interim financial statements and notes 3.21 and 3.22 to the consolidated interim financial statements for the related accounting policies. The Group recognised revenue of RMB13,764,426,000 for the six months ended 30 June 2017, of which RMB12,512,469,000 is related to construction contracts. Revenue related to construction contracts is recognised according to the percentage of completion of the related contracts. The measurement of the revenue amount generated in each period is based on the percentage of work performed to date as a percentage of total contract value or the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for a contract. These transactions require individual consideration and involve management's estimates and judgement. We have identified the revenue recognition related to construction contracts as a key audit matter.	Our procedures in relation to the revenue recognition of construction contracts included: – assessing and testing the related internal control of the management's accounting estimates and judgement of construction contracts; – discussing with the management on the reasonableness of the basis and assumptions of the total budgeted revenue and total budgeted costs; – checking, on a sample basis, the principal terms set out in the relevant construction contracts and the implementation status; – performing variance analysis between the accumulated costs incurred up to the end of the reporting period and the budgeted costs, and checking, on a sample basis, significant costs incurred to date and assessing the reasonableness of the budgeted costs; and – testing, on a sample basis, the amount and timing of the construction contract revenue recognised having regard to the percentage of work performed to date as a percentage of total contract value or the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for a contract.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of trade receivables *Refer to notes 5(c) and 21 to the consolidated interim financial statements and note 3.11 to the consolidated interim financial statements for related accounting policy.* Assessing impairment of trade receivables is a subjective area as it requires the management's judgement and uses of estimates. We have identified impairment assessment of trade receivables as a key audit matter.	Our procedures in relation to management's impairment assessment on trade receivables included: – assessing and testing the related internal controls of impairment assessment of trade receivables established by the management; – assessing the accuracy and consistency of the methods, input data and assumptions used by the management for impairment assessment and whether the provision is sufficient; – reviewing the historical loss rate of trade receivables and comparing the assumptions used to estimate the provision for impairment with the available industry data; and – discussing with the management the estimates of the recoverable amounts for those significant trade receivables over 90 days after the reporting period, including customers' payment history.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the interim report of the Company, but does not include the consolidated interim financial statements and our auditor's report thereon.

Our opinion on the consolidated interim financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated interim financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated interim financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated interim financial statements that give a true and fair view in accordance with IFRSs 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.

In preparing the consolidated interim financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated interim financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue the auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated interim financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated interim financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated interim financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated interim financial statements, including the disclosures, and whether the consolidated interim financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated interim financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated interim financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton Hong Kong Limited

Certified Public Accountants

Level 12

28 Hennessy Road

Wanchai

Hong Kong

18 August 2017

Shaw Chi Kit

Practising Certificate No.: P04834

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Note	Six months ended 30 June	
		2017	2016
		RMB'000	RMB'000
Revenue	6	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	8	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	9	411	185
Operating profit		843,605	1,159,354
Finance income	10	254,210	254,570
Finance expenses	10	(37,914)	(37,427)
Finance income - net		216,296	217,143
Share of losses of joint arrangements	19(a)	(446)	(601)
Share of profits of associates	19(b)	4,112	5,729
Profit before taxation	11	1,063,567	1,381,625
Income tax expense	12	(228,691)	(302,795)
Profit for the period		834,876	1,078,830

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

For the six months ended 30 June 2017

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note	As at 30 June 2017	As at 31 December 2016
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	3,922,227	3,974,643
Land use rights	17	2,648,953	2,679,021
Intangible assets	18	236,515	271,594
Investment in joint arrangements	19(a)	4,147	4,593
Investment in associates	19(b)	114,188	137,876
Available-for-sale financial assets	20	2,750	2,750
Deferred income tax assets	35	776,324	775,695
Total non-current assets		7,705,104	7,846,172
Current assets			
Inventories	24	865,312	1,196,537
Notes and trade receivables	21	8,425,444	9,989,626
Prepayments and other receivables	22	6,070,750	5,746,361
Amounts due from customers for contract work	23	6,750,383	5,839,435
Loans due from the ultimate holding company	25	14,500,000	14,100,000
Restricted cash	26	25,600	16,188
Time deposits	27	3,582,841	2,222,055
Cash and cash equivalents	28	9,268,717	11,861,946
Total current assets		49,489,047	50,972,148
Total assets		57,194,151	58,818,320

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2017

	Note	As at 30 June 2017	As at 31 December 2016
		RMB'000	RMB'000
EQUITY			
Share capital	29	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		25,707,097	25,201,916
LIABILITIES			
Non-current liabilities			
Retirement and other supplemental benefit obligations	31	2,437,283	2,637,484
Provision for litigation claims	32	264,469	261,754
Total non-current liabilities		2,701,752	2,899,238
Current liabilities			
Notes and trade payables	33	11,834,868	14,217,183
Other payables	34	5,794,021	5,933,648
Amounts due to customers for contract work	23	10,755,005	10,219,486
Loans due to a fellow subsidiary	36	243,878	—
Current income tax liabilities		157,530	346,849
Total current liabilities		28,785,302	30,717,166
Total liabilities		31,487,054	33,616,404
Total equity and liabilities		57,194,151	58,818,320
Net current assets		20,703,745	20,254,982
Total assets less current liabilities		28,408,849	28,101,154

Chairman of the Board: **LING Yiqun** Director, President: **XIANG Wenwu** Chief Financial Officer: **JIA Yiqun**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to equity holders of the Company								
	Share capital	Capital reserve	Statutory surplus reserve	Specific reserve	Exchange translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000 (Note 29)	RMB'000 (Note 30(ii))	RMB'000 (Note 30(i))	RMB'000 (Note 30(iii))	RMB'000 (Note 30(iv))	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	4,428,000	10,119,313	729,018	159,846	73,022	9,688,809	25,198,008	3,908	25,201,916
Profit for the period	—	—	—	—	—	834,875	834,875	1	834,876
Other comprehensive income:									
Defined benefits obligation revaluation of actuarial gain and loss - gross	—	—	—	—	—	115,313	115,313	—	115,313
Defined benefits obligation revaluation of actuarial gain and loss - tax	—	—	—	—	—	(19,963)	(19,963)	—	(19,963)
Exchange differences arising on translation of foreign operations	—	—	—	—	(79,661)	—	(79,661)	—	(79,661)
Total comprehensive income	—	—	—	—	(79,661)	930,225	850,564	1	850,565
Transactions with owners:									
Final dividends for 2016	—	—	—	—	—	(345,384)	(345,384)	—	(345,384)
Appropriation of specific reserve	—	—	—	21,825	—	(21,825)	—	—	—
Utilisation of specific reserve	—	—	—	(14,937)	—	14,937	—	—	—
Total transactions with owners	—	—	—	6,888	—	(352,272)	(345,384)	—	(345,384)
At 30 June 2017	4,428,000	10,119,313	729,018	166,734	(6,639)	10,266,762	25,703,188	3,909	25,707,097

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30 June 2017

	Attributable to equity holders of the Company								
	Share capital	Capital reserve	Statutory surplus reserve	Specific reserve	Exchange translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000 (Note 29)	RMB'000 (Note 30(ii))	RMB'000 (Note 30(i))	RMB'000 (Note 30(iii))	RMB'000 (Note 30(iv))	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016	4,428,000	10,119,313	570,410	179,068	2,581	9,335,403	24,634,775	3,737	24,638,512
Profit for the period	—	—	—	—	—	1,079,124	1,079,124	(294)	1,078,830
Other comprehensive income:									
Defined benefits obligation revaluation of actuarial gain and loss - gross	—	—	—	—	—	25,281	25,281	—	25,281
Defined benefits obligation revaluation of actuarial gain and loss - tax	—	—	—	—	—	(4,574)	(4,574)	—	(4,574)
Exchange differences arising on translation of foreign operations	—	—	—	—	(17,074)	—	(17,074)	—	(17,074)
Total comprehensive income	—	—	—	—	(17,074)	1,099,831	1,082,757	(294)	1,082,463
Transactions with owners:									
Final dividends for 2015	—	—	—	—	—	(810,324)	(810,324)	—	(810,324)
Appropriation of specific reserve	—	—	—	30,344	—	(30,344)	—	—	—
Utilisation of specific reserve	—	—	—	(19,299)	—	19,299	—	—	—
Total transactions with owners	—	—	—	11,045	—	(821,369)	(810,324)	—	(810,324)
At 30 June 2016	4,428,000	10,119,313	570,410	190,113	(14,493)	9,613,865	24,907,208	3,443	24,910,651

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Note	Six months ended 30 June	
		2017	2016
		RMB'000	RMB'000
Cash flows from operating activities			
Cash used in operations	38	(346,296)	(783,571)
Income tax paid		(448,998)	(466,830)
Interest received		59,218	60,831
Net cash used in operating activities		(736,076)	(1,189,570)
Cash flows from investing activities			
Purchase of property, plant and equipment		(110,671)	(231,121)
Purchase of intangible assets		(3,917)	(7,057)
Purchase of land use rights		—	(177)
Interest income on the loans to the ultimate holding company		194,992	193,739
Proceeds from disposal of property, plant and equipment		2,000	1,739
Dividends received from an associate		27,800	—
Net increase in time deposits		(1,450,078)	—
Loans to the ultimate holding company		(4,000,000)	(5,600,000)
Repayments of loans from the ultimate holding company		3,600,000	4,600,000
Net cash used in investing activities		(1,739,874)	(1,042,877)
Cash flows from financing activities			
Borrowings from a fellow subsidiary		379,198	130,904
Repayments of borrowings from a fellow subsidiary		(135,320)	(130,904)
Interest paid		(237)	(156)
Dividends paid		—	(810,324)
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)
Cash and cash equivalents at beginning of period		11,861,946	11,405,560
Exchange (losses)/gains on cash and cash equivalents		(360,920)	168,558
Cash and cash equivalents at end of period	28	9,268,717	8,531,191

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1 Principal Activities, Organisation and Reorganisation

1.1 Principal activities

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

1.2 Organisation and reorganisation

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

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

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

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

These consolidated interim financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated interim financial statements have been approved for issue by the Board of Directors on 18 August 2017.

2 Basis of Preparation

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

The consolidated 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.

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

3 Summary of Significant Accounting Policies

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

3.1 New and revised IFRS

The IASB has issued a number of new and revised IFRS. The Group has adopted all these new and revised IFRSs, which are effective for the accounting period beginning on or after 1 January 2017:

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unreleased Losses

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

The revised accounting standards issued but not yet effective for the accounting period ended 30 June 2017 which are relevant to the Group but the Group has not early adopted are set out below:

Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
IFRS 9	Financial Instruments[1]
Amendments to IFRS 10 and IFRS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
IFRS 15	Revenue from Contracts with Customers[1]
Amendments to IFRS 15	Classifications to IRFS 15 Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
HK(IFRIC)-Int 22	Foreign Currency Transaction And Advance Consideration[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014-2016 Cycle[1]

[1] Effective for accounting periods beginning on or after 1 January 2018
[2] Effective for accounting periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or a date to be determined

The directors of the Company anticipate that, except as described below, the application of other new and revised IFRSs will have no material impact on the results and the financial position of the Group.

IFRS 9 Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 are described as follows:

- All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

3 Summary of Significant Accounting Policies (Continued)

3.1 New and revised IFRS (Continued)

IFRS 9 Financial Instruments (Continued)

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in IAS 39 for the recognition of credit losses. Under the impairment approach in IFRS 9 it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

- IFRS 9 introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle based approach, IFRS 9 looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under IAS 39, it is necessary to exhibit eligibility and compliance with the requirements in IAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for IAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

IFRS 9 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company anticipate that the adoption of IFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

3 Summary of Significant Accounting Policies (Continued)

3.1 New and revised IFRS (Continued)

IFRS 15 Revenue from Contracts with Customers

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, IFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

i) Identify the contract with the customer;

ii) Identify the performance obligations in the contract;

iii) Determine the transaction price;

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

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

IFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

IFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted. The directors of the Company anticipate that the application of IFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees. In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

3 Summary of Significant Accounting Policies (Continued)

3.1 New and revised IFRS (Continued)

IFRS 16 Leases (Continued)

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of IAS 16 *Property, Plant and Equipment*, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 will supersede the current lease standards including IAS 17 *Leases* and the related Interpretations when it becomes effective.

IFRS 16 will be effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied IFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of IFRS 16.

As disclosed on Note 37(b), total operating lease commitments for the Group as at 30 June 2017 amounted to RMB129,433,000, the director of the Company do not expect the application of IFRS 16 would result in significant impact on the Group's results but it is expected that these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

3.2 Consolidation

Subsidiaries

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

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

3 Summary of Significant Accounting Policies (Continued)

3.2 Consolidation (Continued)

Subsidiaries (Continued)

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

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

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

Transactions with non-controlling interests

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

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

Joint Arrangements

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

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

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

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 recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss (Note 3.8).

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

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

3.3 Segment reporting

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

3.4 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"). These consolidated interim financial statements are presented in RMB ("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 recognised in the consolidated statement of comprehensive income.

Foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within "other income" and "other operating expenses".

3 Summary of Significant Accounting Policies (Continued)

3.4 Foreign currency translation (Continued)

Group companies

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

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

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

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

3.5 Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as separate assets, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial 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	4-30 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 "net other gains" 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, and are expensed in the consolidated statement of comprehensive income on a straight-line basis over the terms of the leases. Whenever there is impairment, the impairment is recognised in the consolidated statement of comprehensive income.

3.7 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 5 years, and recorded in 'depreciation and amortisation' within operating expenses in the consolidated statement of comprehensive income.

Patent and proprietary technologies

Patents and proprietary technologies are initially recorded at cost. These intangibles assets are amortised on a straight-line basis over their estimated useful lives of 8 to 10 years.

3.8 Impairment of non-financial assets

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

3.9 Financial assets

Classification

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

(i) Loans and receivables

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

(ii) Available-for-sale financial assets

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

3 Summary of Significant Accounting Policies (Continued)

3.9 Financial assets (Continued)

Recognition and measurement

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

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

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

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

Offsetting financial instruments

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

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

3.12 Cash and cash equivalents

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

3.13 Share capital

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

3.14 Borrowings

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

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

3.15 Payables

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

3 Summary of Significant Accounting Policies (Continued)

3.16 Employee benefits

Pension obligations

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

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

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

Other post-employment obligations

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

Termination and early retirement benefits

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

3 Summary of Significant Accounting Policies (Continued)

3.16 Employee benefits(Continued)

Housing benefits

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

Bonus entitlements

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

3.17 Taxation

Current and deferred income tax

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

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

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

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

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

3 Summary of Significant Accounting Policies (Continued)

3.17 Taxation (Continued)

Current and deferred income tax (Continued)

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

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

Value-added taxation ("VAT") and business tax

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

Revenue resulting from providing construction services was subject to business tax at 3% of gross service income before 1 May 2016. Taxable revenue from construction services is subject to VAT at the rate of 11% after offsetting deductible input VAT of the period from 1 May 2016.

3.18 Contingencies

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

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

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

3.19 Provisions

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

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

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

3 Summary of Significant Accounting Policies (Continued)

3.20 Government grants

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

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

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

3.21 Contract work

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

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

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

The Group uses the "percentage of completion method" to determine the appropriate amount of profit to be recognised in a given period. Depending on the nature of the contract, the stage of completion is based on (a) percentage of work performed to date as a percentage of total contract value, or (b) the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the 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 recognised for expected losses on contract work-in-progress, as soon as they are foreseen, and deducted from the cost. The cost includes direct project costs, materials costs, costs of subcontracted work, other directly attributable costs, rental charges and maintenance costs for the equipment used. The project progress is determined on the basis according to the preceding paragraph. Profits are not recognised unless a reliable estimate can be made of the result on completion of the project. The balance of the value of contract work-in-progress and progress billings is determined on a project to project basis.

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

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

3 Summary of Significant Accounting Policies (Continued)

3.22 Revenue recognition

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

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

Revenue from construction and service contracts

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

Sales of products

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

Dividend income

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

Interest income

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

3 Summary of Significant Accounting Policies (Continued)

3.23 Research and development

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

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

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

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

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

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

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

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

3.24 Dividend distribution

Dividend distribution to the Group's equity holders is recognised as a liability in the consolidated 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 recognised initially at fair value, and subsequently measured (unless they are designated at fair value through profit or loss) at higher of (i) the amount determined in accordance with IAS 37, "Provision, Contingent Liabilities and Contingent Assets", and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised over the life of the guarantee on a straight-line basis.

3.26 Leases

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

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

3 Summary of Significant Accounting Policies (Continued)

3.27 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group.

(b) the party is an entity and if any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (o of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provided key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

4 Financial and Capital Risks Management

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

4.1 Financial risk management

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

(a) Market risk

Foreign exchange risk

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

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

The Group is exposed to currency risk primarily through provision of engineering contracting services which give rise to trade and other receivables, trade and other payables, restricted cash, time deposits and cash and cash equivalents that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies that give rise to this risk are primarily in USD and EUR as at 30 June 2017 and 31 December 2016.

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

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

At 30 June 2017	USD	EUR	Others
	RMB'000	RMB'000	RMB'000
Restricted cash, time deposits and cash and cash equivalents	10,251,481	159,171	688,406
Trade and other receivables	723,235	1,279	1,215,549
Trade and other payables	(339,080)	(25,190)	(1,089,131)
Net exposure in RMB	10,635,636	135,260	814,824

At 31 December 2016	USD	EUR	Others
	RMB'000	RMB'000	RMB'000
Restricted cash, time deposits and cash and cash equivalents	9,243,710	144,223	404,338
Trade and other receivables	684,938	1,209	998,155
Trade and other payables	(448,902)	(11,535)	(1,082,667)
Net exposure in RMB	9,479,746	133,897	319,826

4 Financial and Capital Risks Management (Continued)

4.1 Financial risk management (Continued)

(a) Market risk (Continued)

Foreign exchange risk (Continued)

A 5% strengthening of RMB against the USD and EUR as at 30 June 2017 and 31 December 2016 would have changed the equity and net profit by the amounts shown below:

	As at 30 June 2017	As at 31 December 2016
	RMB'000	RMB'000
Decrease in equity and net profit		
– USD	(398,836)	(355,490)
– EUR	(5,072)	(5,021)

A 5% weakening of RMB as at 30 June 2017 and 31 December 2016 would have had the equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remain constant.

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

Interest rate risk

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

Price risk

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

(b) Credit risk

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

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

The Group has policies in place to ensure that services are rendered and products are sold to customers with 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.

4 Financial and Capital Risks Management (Continued)

4.1 Financial risk management (Continued)

(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.

	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 30 June 2017							
Borrowings and other liabilities	**N/A**	**12,946,523**	**—**	**—**	**—**	**12,946,523**	**12,946,523**

	Weighted average effective interest rate	Within 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2016							
Borrowings and other liabilities	N/A	15,003,930	—	—	—	15,003,930	15,003,930

4.2 Capital risk management

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

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

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

	As at 30 June 2017	As at 31 December 2016
	RMB'000	RMB'000
Total borrowings and other liabilities	**12,946,523**	15,003,930
Less: Restricted cash, time deposits and cash and cash equivalents	**(12,877,158)**	(14,100,189)
Net debt	**69,365**	903,741
Total equity (excluding non-controlling interests)	**25,703,188**	25,198,008
Total capital	**25,772,553**	26,101,749
Gearing ratio	**0.3%**	3.5%

4 Financial and Capital Risks Management (Continued)

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 or indirectly (level 2).
- Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs) (level 3).

Fair value disclosures

The carrying amounts of the Group's financial assets and liabilities including restricted cash, time deposits, cash and cash equivalents, trade and other receivables and trade and other payables approximate their fair values due to their short maturities. There are no financial assets and liabilities that are measured at fair value as at 30 June 2017 and 31 December 2016.

5 Critical Accounting Estimates and Judgement

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

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

(a) Construction contracts

Revenue from individual contracts is recognised under the percentage of completion method which requires estimations by management. Anticipated losses are fully provided on contracts when identified. Because of the nature of the activity undertaken in construction and engineering business, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods. The Group reviews and revises the estimates of both contract revenue and contract costs (including material costs) in the budget prepared for each contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract. If circumstances arise that may change the original estimates of revenues, costs and extent of progress toward completion, estimates are revised. The revisions may result in increases or decreases in estimated revenues or costs and are reflected in the consolidated statement of comprehensive income in the year in which the circumstances that give rise to the revision become known by management. As at 30 June 2017, the amounts due from/(to) customers for contract work (Note 23) are RMB6,750,383,000 and RMB10,755,005,000 respectively (31 December 2016: RMB5,839,435,000 and 10,219,486,000 respectively).

(b) Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment (Note 16). 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. As at 30 June 2017, the net carrying amount of property, plant and equipment is RMB3,922,227,000 (31 December 2016: RMB3,974,643,000).

5 Critical Accounting Estimates and Judgement (Continued)

(c) Provision for impairment on trade receivables

The Group determines the provision for impairment on trade receivables (Note 21). 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. As at 30 June 2017, the provision for impairment on trade receivables is RMB1,075,777,000 (31 December 2016: RMB882,625,000).

(d) Current taxation and deferred taxation

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

The estimates of deferred income tax assets (Note 35) 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 recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation in the periods in which such estimates are changed. As at 30 June 2017, deferred tax assets of RMB776,324,000 (31 December 2016: 474,421,000) have been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of RMB474,016,000 (31 December 2016: 474,421,000) due to the unpredictability of future profits streams.

(e) Pension obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for provisions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of corporate securities which have maturity approximating to the terms of the related pension liability. Other key assumptions for pension obligations are based in part on current market conditions. As at 30 June 2017, the net liabilities of retirement and other supplemental benefit obligations is RMB2,437,283,000 (31 December 2016: RMB2,637,484,000). 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 (Note 32). If the management believes that the legal proceedings may result claims for compensation to third parties against the Group. The best estimate of provision for litigation claims will be recognised. If the management believes that the legal proceedings may be more likely not to result claims for compensation to third parties against the Group. No provision will be recognised under any potential litigation claims. Except to the extent that the situations and uncertainties involved, that will be disclosed as contingent liabilities. To access the outcome of legal proceedings and any potential amount of litigation claims, significant judgement is required. As at 30 June 2017, the provision for litigation claims is RMB264,469,000 (31 December 2016: RMB261,753,000).

6 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
	13,764,426	17,734,811

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 industries including oil refining and chemical industries;

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

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

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

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

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

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

Capital expenditure comprises additions to property, plant and equipment (Note 16), land use rights (Note 17), intangible assets (Note 18) and other non-current assets.

7 Segment Information (Continued)

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

(i) As at and for the six months ended 30 June 2017:

The segment results for the six months ended 30 June 2017 are as follows:

	Engineering, consulting and licensing	EPC Contracting	Construction	Equipment manufacturing	Unallocated	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue and results							
Revenue from external customers	1,098,525	7,440,155	5,072,314	153,432	—	—	13,764,426
Inter-segment revenue	—	—	961,418	130,559	—	(1,091,977)	—
Segment revenue	1,098,525	7,440,155	6,033,732	283,991	—	(1,091,977)	13,764,426
Segment result	193,395	479,351	137,850	2,554	30,455	—	843,605
Finance income							254,210
Finance expenses							(37,914)
Share of losses of joint arrangements	(446)	—	—	—	—	—	(446)
Share of profits of associates	2,579	—	1,533	—	—	—	4,112
Profit before income tax							1,063,567
Income tax expense							(228,691)
Profit for the period							834,876
Other segment items							
Depreciation	59,219	19,201	180,372	10,205	—	—	268,997
Amortisation	37,582	18,730	11,855	897	—	—	69,064
Capital expenditures							
– Property, plant and equipment	26,164	4,506	194,191	2,620	—	—	227,481
– Intangible assets	2,591	993	333	—	—	—	3,917
Provision for impairment on trade and other receivables	12,742	176,820	95,996	590	—	—	286,148

The segment assets and liabilities as at 30 June 2017 are as follows:

	Engineering, consulting and licensing	EPC Contracting	Construction	Equipment manufacturing	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets						
Segment assets	5,657,121	20,459,658	15,035,171	807,854	(2,530,537)	39,429,267
Investment in joint arrangements	4,147	—	—	—	—	4,147
Investment in associates	99,755	—	14,433	—	—	114,188
Other unallocated assets						17,646,549
Total assets						57,194,151
Liabilities						
Segment liabilities	2,978,979	17,730,607	12,881,329	269,146	(2,530,537)	31,329,524
Other unallocated liabilities						157,530
Total liabilities						31,487,054

7 Segment Information (Continued)

(ii) As at 31 December 2016 and six months ended 30 June 2016:

The segment results for the six months ended 30 June 2016 are as follows:

	Engineering, consulting and licensing	EPC Contracting	Construction	Equipment manufacturing	Unallocated	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue and results							
Revenue from external customers	795,630	9,285,236	7,587,978	65,967	—	—	17,734,811
Inter-segment revenue	—	—	927,432	107,185	—	(1,034,617)	—
Segment revenue	795,630	9,285,236	8,515,410	173,152	—	(1,034,617)	17,734,811
Segment result	(115,596)	1,027,185	205,775	(13,510)	55,500	—	1,159,354
Finance income							254,570
Finance expenses							(37,427)
Share of losses of joint arrangements	(601)	—	—	—	—	—	(601)
Share of profits of associates	4,176	—	1,553	—	—	—	5,729
Profit before income tax							1,381,625
Income tax expense							(302,795)
Profit for the period							1,078,830
Other segment items							
Depreciation	47,918	36,837	170,239	10,543	—	—	265,537
Amortisation	34,607	23,714	12,625	915	—	—	71,861
Capital expenditures							
– Property, plant and equipment	8,607	10,198	204,922	—	—	—	223,727
– Land use rights	—	—	177	—	—	—	177
– Intangible assets	4,225	2,374	458	—	—	—	7,057
Provision for impairment on trade and other receivables	11,584	164,137	37,249	10,259	—	—	223,229

The segment assets and liabilities as at 31 December 2016 are as follows:

	Engineering, consulting and licensing	EPC Contracting	Construction	Equipment manufacturing	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets						
Segment assets	7,075,479	20,695,219	18,234,296	722,417	(2,858,449)	43,868,962
Investment in joint arrangements	4,593	—	—	—	—	4,593
Investment in associates	109,376	—	28,500	—	—	137,876
Other unallocated assets						14,806,889
Total assets						58,818,320
Liabilities						
Segment liabilities	3,136,662	19,049,049	13,867,051	422,091	(2,858,449)	33,616,404
Other unallocated liabilities						—
Total liabilities						33,616,404

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 specific non-current assets include property, plant and equipment, land use rights, intangible assets, investment in joint arrangements and investment in associates, which the geographical regions are based on the places where the assets are located for property, plant and equipment and land use rights, the places where they are allocated to for intangible assets and the places where the business are conducted for joint arrangements and associates.

Revenue

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
The PRC	7,760,921	11,484,100
Malaysia	1,861,651	1,378,049
Kuwait	1,571,467	10,848
Saudi Arabia	1,306,541	2,850,033
Other countries	1,263,846	2,011,781
	13,764,426	17,734,811

The customers accounted for more than 10% of the total revenue of the Group and revenue from them for the six months ended 30 June 2017 and 2016, is as follows:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
A fellow subsidiary and its subsidiaries	2,779,888	3,500,311
An associate of fellow subsidiaries	N/A (1)	2,685,784

The revenue from the customers is derived from the segments of engineering, consulting and licensing, EPC contracting, construction and equipment manufacturing.

(1) The corresponding revenue did not individually contribute over 10% of the total revenue of the Group for the six months ended 30 June 2017.

Specified non-current assets

	As at 30 June 2017	As at 31 December 2016
	RMB'000	RMB'000
The PRC	6,310,960	6,517,186
Other countries	615,070	550,541
	6,926,030	7,067,727

8 Other Income

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Operating lease rental income on property, plant and equipment	24,330	20,174
Income from write-back long outstanding payables	4,609	848
Net foreign exchange gain	—	151,057
Government grants	13,864	58,155
Others	50,467	30,529
	93,270	260,763

9 Other Gains - Net

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Gains on write-off/disposal of property, plant and equipment	411	185

10 Finance Income and Finance Expenses

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Finance income		
Interest income from the ultimate holding company	214,772	181,177
Bank interest income	39,438	73,393
	254,210	254,570
Finance expenses		
Interest expenses to fellow subsidiaries on balances wholly repayable within 5 years	(237)	(156)
Interest expenses on retirement and other supplementary benefit obligation	(37,677)	(37,271)
	(37,914)	(37,427)
	216,296	217,143

11 Profit Before Taxation

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Staff costs, including directors and supervisors emoluments (Note 15)	2,124,650	2,182,697
Retirement benefit plan contribution (including in the above mentioned staff costs)	322,572	288,045
Cost of goods sold	3,484,952	5,676,125
Subcontracting costs	5,203,339	6,811,487
Depreciation and amortisation		
– Property, plant and equipment	268,997	265,537
– Land use rights	30,068	30,853
– Intangible assets	38,996	41,008
Operating lease rentals		
– Property, plant and equipment	134,024	149,887
Provision for impairment of trade and other receivables	286,148	223,229
Rental income from property, plant and equipment after relevant expenses	(16,617)	(28,101)
Research and development costs	376,819	398,853
Gains on write-off/disposal of property, plant and equipment	(411)	(185)
Exchange losses/(gains), net	265,418	(151,057)

12 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
	249,283	284,876
Deferred tax		
Origination and reversal of temporary differences (Note 35)	(20,592)	17,919
Income tax expense	228,691	302,795

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.

12 Income Tax Expense (Continued)

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	1,063,567	1,381,625
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	32,358	38,381
Income tax expense	228,691	302,795
Effective income tax rate	21.5%	21.9%

13 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)	0.19	0.24

(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.

14 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	2016
	RMB'000	RMB'000
Proposed interim dividends of RMB0.056 per ordinary share (2016: RMB0.072) (1)	247,968	318,816

(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.

15 Employment Benefits

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Salaries, wages and bonuses	1,299,123	1,276,168
Retirement benefits (1)	288,005	306,450
Early retirement and supplemental pension benefit (Note 31(b))		
– service cost	—	(55,676)
– interest cost	37,677	37,271
Immediate recognition of actuarial losses	(3,111)	(26)
Housing fund (2)	140,012	137,698
Welfare, medical and other expenses	362,944	480,786
	2,124,650	2,182,697

Note:

(1) Retirement benefits

The Group is required to make specific contributions to the state-managed retirement plan at a rate of 19% to 22% of the specified salaries of the PRC employees for the six months ended 30 June 2017 and 2016. The PRC government is responsible for the pension liability to the retired employees. The PRC employees of the Group are entitled to a monthly pension upon their retirements.

(2) Housing fund

In accordance with the PRC housing reform regulations, the Group is required to make contributions to the state-managed housing fund at rates 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 other equipment	Construction-in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016				
Cost	3,511,071	3,915,154	72,166	7,498,391
Accumulated depreciation and impairment	(1,108,050)	(2,376,463)	—	(3,484,513)
Net book amount	2,403,021	1,538,691	72,166	4,013,878
Six months ended 30 June 2016				
Opening net book amount	2,403,021	1,538,691	72,166	4,013,878
Transfers	1,594	155,789	(157,383)	—
Additions	—	23,547	200,180	223,727
Depreciation	(65,869)	(199,668)	—	(265,537)
Disposals/write-off	(1,632)	(515)	—	(2,147)
Closing net book amount	2,337,114	1,517,844	114,963	3,969,921
At 30 June 2016				
Cost	3,509,920	4,057,922	114,963	7,682,805
Accumulated depreciation and impairment	(1,172,806)	(2,540,078)	—	(3,712,884)
Net book amount	2,337,114	1,517,844	114,963	3,969,921
At 1 January 2017				
Cost	3,506,907	4,206,834	199,163	7,912,904
Accumulated depreciation and impairment	(1,236,488)	(2,701,773)	—	(3,938,261)
Net book amount	2,270,419	1,505,061	199,163	3,974,643
Six months ended 30 June 2017				
Opening net book amount	2,270,419	1,505,061	199,163	3,974,643
Transfers	6,320	24,129	(30,449)	—
Additions	—	31,401	196,080	227,481
Depreciation	(68,110)	(200,887)	—	(268,997)
Disposals/write-off	(3,545)	(7,355)	—	(10,900)
Closing net book amount	2,205,084	1,352,349	364,794	3,922,227
At 30 June 2017				
Cost	3,505,122	4,216,909	364,794	8,086,825
Accumulated depreciation and impairment	(1,300,038)	(2,864,560)	—	(4,164,598)
Net book amount	2,205,084	1,352,349	364,794	3,922,227

16 Property, Plant and Equipment (Continued)

Depreciation expense recognised is analysed as follows:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Cost of sales	225,777	226,129
Selling and marketing expenses	956	1,038
Administrative expenses	42,264	38,370
	268,997	265,537

17 Land Use Rights

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Beginning of the period	2,679,021	2,740,597
Additions	—	177
Amortisation	(30,068)	(30,853)
End of the period	2,648,953	2,709,921

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

Amortisation recognised is analysed as follows:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Cost of sales	15,630	15,877
Selling and marketing expenses	—	251
Administrative expenses	14,438	14,725
	30,068	30,853

18 Intangible Assets

	Patent	Computer software	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2016			
Cost	479,882	296,227	776,109
Accumulated amortisation	(219,721)	(229,284)	(449,005)
Net book amount	260,161	66,943	327,104
Six months ended 30 June 2016			
Opening net book amount	260,161	66,943	327,104
Additions	—	7,057	7,057
Amortisation	(26,490)	(14,518)	(41,008)
Closing net book amount	233,671	59,482	293,153
At 30 June 2016			
Cost	479,882	303,203	783,085
Accumulated amortisation	(246,211)	(243,721)	(489,932)
Net book amount	233,671	59,482	293,153
At 1 January 2017			
Cost	479,882	321,627	801,509
Accumulated amortisation	(272,701)	(257,214)	(529,915)
Net book amount	207,181	64,413	271,594
Six months ended 30 June 2017			
Opening net book amount	207,181	64,413	271,594
Additions	—	3,917	3,917
Amortisation	(26,490)	(12,506)	(38,996)
Closing net book amount	180,691	55,824	236,515
At 30 June 2017			
Cost	479,882	325,544	805,426
Accumulated amortisation	(299,191)	(269,720)	(568,911)
Net book amount	180,691	55,824	236,515

18 Intangible Assets (Continued)

Amortisation recognised is analysed as follows:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Cost of sales	24,719	19,065
Selling and marketing expenses	2	186
Administrative expenses	14,275	21,757
	38,996	41,008

19 Investment In Joint Arrangements and Associates

(a) Investment in joint arrangements

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Joint ventures		
Beginning of the period	4,593	8,131
Share of total comprehensive expenses	(446)	(601)
End of the period	4,147	7,530

As at 30 June 2017, the Group's joint ventures, all of which are unlisted and established in a form of limited company, are as follows:

Name	Establishment/ Place of incorporation	Registered and fully paid capital		Indirect effective interest held	Principal activities and place of operations
		RMB'000	USD'000		
Hualu Construction Co., Ltd. (1) (華魯工程有限公司)	The PRC	—	— (2016: 1,500)	0%	Engineering design contracting/The PRC
Hainan Great Wall Machinery Engineering Co., Ltd. (海南長城機械工程有限公司)	The PRC	3,000(2016: 3,000)	—	50%	Technical development, sales of equipments/ The PRC
Lanzhou Great Wall Touping Machinery Technology Development Co., Ltd. (蘭州長城透平機械技術開發成套公司)	The PRC	3,000(2016: 3,000)	—	50%	Technical development, equipment manufacturing/ The PRC

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

(1) Hualu Construction Co., Ltd (華魯工程有限公司) deregistered on 17 October 2016.

19 Investment In Joint Arrangements and Associates (Continued)

(a) Investment in joint arrangements (Continued)

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

	As at 30 June 2017	As at 31 December 2016
	RMB'000	RMB'000
Current assets	91,553	93,280
Non-current assets	2,772	2,909
Total assets	94,325	96,189
Current liabilities	(86,031)	(87,002)
Total liabilities	(86,031)	(87,002)
Equity	8,294	9,187
Share of equity by the Group (50%) (2016: 50%)	4,147	4,593

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Revenue	137	6,629
Loss and total comprehensive expense for the period	(892)	(1,202)
Share of total comprehensive expense (50%) (2016: 50%)	(446)	(601)

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.

19 Investment In Joint Arrangements and Associates (Continued)

(b) Investment in associates

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Beginning of the period	137,876	125,187
Share of total comprehensive income	4,112	5,729
Dividend distribution	(27,800)	—
End of the period	114,188	130,916

As at 30 June 2017, the Group's associates, all of which are unlisted and established in a form of limited company, are as follows:

Name	Establishment/ Place of incorporation	Registered and fully paid capital	Indirect effective interest held	Principal activities and place of operations
		RMB'000		
China Petrochemical Technology Company Ltd. (中國石油化工科技開發有限公司) [(1)]	The PRC	50,000 (2016: 50,000)	35.00%	Technical development, technical service/ The PRC
Huizhou Tianxin Petrochemical Engineering Co., Ltd. (惠州天鑫石化工程有限公司) [(2)]	The PRC	15,000 (2016: 15,000)	40.00%	Construction contracting/ The PRC
Shanghai KSD Bulk Solids Engineering Co., Ltd. (上海金申德粉體工程有限公司) [(3)]	The PRC	5,500 (2016: 5,500)	36.36%	Powder engineering services/ The PRC

The above associates are accounted for by using the equity method.

19 Investment In Joint Arrangements and Associates (Continued)

(b) Investment in associates (Continued)

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

	As at 30 June 2017	As at 31 December 2016
	RMB'000	RMB'000
Current assets	541,402	573,050
Non-current assets	30,924	19,797
Total assets	572,326	592,847
Current liabilities	(318,197)	(328,501)
Non-current liabilities	(21)	(21)
Total liabilities	(318,218)	(328,552)
Equity attributable to equity holders	240,633	254,564
Non-controlling interests	13,475	9,761
	254,108	264,325
Share of equity by the Group (35%) (2016: 35%)	84,222	89,097

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Revenue	53,366	169,316
Profit and total comprehensive income for the period attributable to equity holders	6,069	8,187
Share of total comprehensive income (35%) (2016: 35%)	2,124	2,865

19 Investment In Joint Arrangements and Associates (Continued)

(b) Investment in associates (Continued)

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

	As at 30 June 2017	As at 31 December 2016
	RMB'000	RMB'000
Current assets	75,847	74,349
Non-current assets	42,404	43,552
Total assets	118,251	117,901
Current liabilities	(70,141)	(22,901)
Total liabilities	(70,141)	(22,901)
Equity	48,110	95,000
Share of equity by the Group (40%) (2016: 40%)	19,244	38,000

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Revenue	44,640	40,868
Profit and total comprehensive income for the period	5,110	5,179
Share of total comprehensive income (40%) (2016: 40%)	2,044	2,072

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

	As at 30 June 2017	As at 31 December 2016
	RMB'000	RMB'000
Current assets	106,365	115,878
Non-current assets	712	799
Total assets	107,077	116,677
Current liabilities	(77,586)	(87,029)
Non-current liabilities	(3)	(3)
Total liabilities	(77,589)	(87,032)
Equity	29,488	29,645
Share of equity by the Group (36.36%) (2016: 36.36%)	10,722	10,779

19 Investment In Joint Arrangements and Associates (Continued)

(b) Investment in associates (Continued)

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Revenue	5,158	121,700
(Loss)/Profit and total comprehensive (expense)/income for the period	(155)	2,178
Share of total comprehensive (expense)/income (36.36%) (2016: 36.36%)	(56)	792

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 months ended 30 June	
	2017	2016
	RMB'000	RMB'000
The beginning and ending of the period	2,750	2,750

Available-for-sale financial assets include the following:

	As at 30 June 2017	As at 31 December 2016
	RMB'000	RMB'000
Unlisted securities:		
Equity securities – PRC	2,750	2,750

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

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

21 Notes and Trade Receivables

	As at 30 June 2017	As at 31 December 2016
	RMB'000	RMB'000
Trade receivables		
Fellow subsidiaries	1,473,950	2,165,409
Joint ventures of fellow subsidiaries	135,934	264,413
Associates of fellow subsidiaries	1,147,394	1,140,491
Joint ventures	1,280	1,280
Third parties	5,854,491	6,331,811
	8,613,049	9,903,404
Less: Provision for impairment	(1,075,777)	(882,625)
Trade receivables – net	7,537,272	9,020,779
Notes receivables	888,172	968,847
Notes and trade receivables – net	8,425,444	9,989,626

The carrying amounts of the Group's notes and trade receivables as at 30 June 2017 and 31 December 2016 approximate their fair values.

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

The Group usually 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 judgement and experience of the management. The Group and the Company do not hold any collateral as security.

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

	As at 30 June 2017	As at 31 December 2016
	RMB'000	RMB'000
Within 1 year	5,978,966	7,703,347
Between 1 and 2 years	1,524,368	1,549,673
Between 2 and 3 years	809,275	597,919
Between 3 and 4 years	69,234	50,735
Between 4 and 5 years	18,980	34,555
Over 5 years	24,621	53,397
	8,425,444	9,989,626

21 Notes and Trade Receivables (Continued)

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

	As at 30 June 2017	As at 31 December 2016
	RMB'000	RMB'000
Not yet due	2,132,979	4,003,218
Over due within 3 months	1,318,939	1,353,654
Over due 3 months but within 6 months	1,833,267	1,091,521
Over due 6 months but within 1 year	1,192,008	1,845,316
Over due 1 year but within 2 years	1,327,102	1,287,518
Over due over 2 years	621,149	408,399
	8,425,444	9,989,626

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Beginning of the year	882,625	466,561
Provisions	288,311	202,288
Receivables written off as uncollectible	(2,800)	—
Reversal	(92,359)	(46,444)
At the end of the period	1,075,777	622,405

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

	As at 30 June 2017	As at 31 December 2016
	RMB'000	RMB'000
RMB	6,545,638	8,424,511
USD	704,802	663,956
SAR	901,862	890,848
Others	273,142	10,311
	8,425,444	9,989,626

22 Prepayments and Other Receivables

	As at 30 June 2017	As at 31 December 2016
	RMB'000	RMB'000
Prepayments		
Prepayments for construction and materials:		
– Fellow subsidiaries	62,567	90,260
– Associates	2,422	2,422
– Associates of fellow subsidiaries	50	—
Prepayments for construction	491,639	398,618
Prepayments for materials and equipments	3,198,103	2,647,852
Prepayments for labour costs	160,750	136,291
Prepayments for rent	2,919	1,811
Others	90,538	96,893
	4,008,988	3,374,147
Other receivables		
Amounts due from fellow subsidiaries (1)	127,809	330,669
Amounts due from associates (1)	60	60
Amounts due from joint ventures of fellow subsidiaries (1)	14,887	18,246
Amounts due from associates of fellow subsidiaries (1)	41,252	24,701
Dividends receivable	24,200	750
Interest receivable	—	21,860
Petty cash funds	47,313	31,630
Retention deposits	1,824,073	1,886,506
Other guarantee deposits and deposits	154,068	122,716
Payment in advance	85,885	104,072
Maintenance funds	78,496	78,411
Tax recoverable	215,922	233,277
Others	157,715	139,038
	2,771,680	2,991,936
Less: Provision for impairment	(709,918)	(619,722)
Prepayments and other receivables – net	6,070,750	5,746,361

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

The carrying amounts of the Group's prepayments and other receivables as at 30 June 2017 and 31 December 2016 approximate their fair values.

22 Prepayments and Other Receivables (Continued)

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
At the beginning of the period	619,722	448,374
Provisions	253,322	189,708
Reversal	(163,126)	(122,323)
At the end of the period	709,918	515,759

23 Contract Work-in-Progress

	As at 30 June 2017	As at 31 December 2016
	RMB'000	RMB'000
Contract cost incurred plus recognised profit less recognised losses	179,585,191	174,833,495
Less: Progress billings	(183,589,813)	(179,213,546)
Contract work-in-progress	(4,004,622)	(4,380,051)
Representing:		
Amounts due from customers for contract work	6,750,383	5,839,435
Amounts due to customers for contract work	(10,755,005)	(10,219,486)
	(4,004,622)	(4,380,051)

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Contract revenue recognised as revenue in the period	12,512,469	16,873,214

24 Inventories

	As at 30 June 2017	As at 31 December 2016
	RMB'000	RMB'000
Raw materials	720,203	987,885
Turnover materials	73,720	69,400
Goods in transit	71,389	138,700
Finished goods	—	552
	865,312	1,196,537

As at 30 June 2017 and 31 December 2016, no provision for impairment on inventories of the Group has been made.

For the six months ended 30 June 2017 and 2016, the cost of inventories recognised as expense and included in "cost of sales" amounted to RMB3,484,952,000 and RMB5,676,125,000 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:

	As at 30 June 2017	As at 31 December 2016
	RMB'000	RMB'000
Loans due from the ultimate holding company	3.00% - 3.60%	2.50% - 3.00%

26 Restricted Cash

	As at 30 June 2017	As at 31 December 2016
	RMB'000	RMB'000
Restricted cash		
– RMB	24,402	15,148
– AED	93	94
– KZT	1,105	946
	25,600	16,188

Restricted cash mainly represented bank deposits for guarantees and deposit for farmers' salaries.

As at 30 June 2017 and 31 December 2016, 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

	As at 30 June 2017	As at 31 December 2016
	RMB'000	RMB'000
Time deposits with initial term over three months:		
Time deposits in banks	2,375,767	1,666,175
Time deposits in fellow subsidiaries	1,207,074	555,880
	3,582,841	2,222,055

	As at 30 June 2017	As at 31 December 2016
	RMB'000	RMB'000
Denominated in:		
– RMB	400,920	920
– USD	3,181,921	2,221,135
	3,582,841	2,222,055

The fellow subsidiaries are Sinopec Century Bright Capital Investment Limited and Sinopec Finance Co., Limited.

The effective interest rates per annum on time deposits, with maturities of half year to three years (2016: half year to three years), approximately 1.20% to 7.50% (2016: 1.00% to 3.28%) as at 30 June 2017.

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

	As at 30 June 2017	As at 31 December 2016
	RMB'000	RMB'000
Cash at bank and in hand		
– less than three months time deposits	5,052,301	4,661,630
– cash deposits	1,924,228	2,354,199
	6,976,529	7,015,829
Deposits in fellow subsidiaries		
– less than three months time deposits	409,390	589,055
– cash deposits	1,882,798	4,257,062
	2,292,188	4,846,117
	9,268,717	11,861,946

28 Cash and Cash Equivalents(Continued)

	As at 30 June 2017	As at 31 December 2016
	RMB'000	RMB'000
Denominated in:		
– RMB	1,352,778	4,291,850
– USD	7,069,560	7,022,575
– SAR	299,856	281,178
– EUR	159,171	144,223
– AED	—	1
– KZT	4,740	3,036
– GBP	5	5
– THB	7,646	70,195
– MYR	132,061	9,876
– Others	242,900	39,007
	9,268,717	11,861,946

The fellow subsidiaries are Sinopec Finance Co., Limited and Sinopec Century Bright Capital Investment Limited.

As at 30 June 2017 and 31 December 2016, the weighted average effective interest rates per annum on cash at bank are determined in accordance with the interest rate per annum of bank current account.

The effective interest rates per annum on deposits less than three months, with maturities of one to three months (2016: one to three months), are approximately 1.05% to 7.50% as at 30 June 2017 (2016: 0.50% to 4.60%).

The maximum exposure to credit risk approximates to carrying amounts of cash and cash equivalents at the end of the respective reporting periods.

29 Share Capital

	As at 30 June 2017		As at 31 December 2016	
	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	2,967,200,000	2,967,200
– H Shares of RMB1.00 each	1,460,800,000	1,460,800	1,460,800,000	1,460,800
	4,428,000,000	4,428,000	4,428,000,000	4,428,000

(i) The 2,967,200,000 domestic shares comprise as follows:
(a) 2,907,856,000 shares are held by Sinopec Group; and
(b) 59,344,000 shares are held by SAMC (a fellow subsidiary).

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 reserve must be made before distribution of dividends to shareholders.

The statutory surplus reserve can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing share holding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the reserve after such an issue is not less than 25% of registered capital. The statutory surplus reserve is non-distributable.

(ii) Capital reserve

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

(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, an equivalent amount is transferred from safety fund to retained earnings.

(iv) Exchange translation reserve

Exchange translation reserve represents exchange differences arising on the translation of financial statements of foreign operations and is treated according to accounting policies Note 3.4.

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 19% - 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(1)).

The total costs charged to the consolidated statement of comprehensive income:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Contributions to state-managed retirement plan	288,005	306,450

(b) Group employee retirement benefit plans

The Group has implemented a retirement benefit plan to employees in the PRC who were retired on or before 31 December 2012. Such supplementary pension subsidies are considered to be defined benefit plans as the Group is obligated to provide post-employment benefits to these employees.

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

The 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 30 June 2017 was performed by an independent qualified actuarial firm: Towers Watson. The present value, related current service cost and past service cost of the Group's retirement benefit plan obligation are prepared by qualified actuary using the projected unit credit actuarial cost method.

(i) Discount rates adopted (per annum):

	As at 30 June 2017	As at 31 December 2016
Retirement with honours benefit plan	3.50%	2.75%
Retirement benefit plan	3.50%	3.00%
Early retirement benefit plan	3.50%	2.75%

(ii) Benefit growth rates (per annum):

	As at 30 June 2017	As at 31 December 2016
Retirement with honours benefit plan	2.70%	2.70%
Retirement benefit plan	2.70%	2.70%
Early retirement benefit plan	2.00%	2.00%

31 Retirement and Other Supplemental Benefit Obligations (Continued)

(b) Group employee retirement benefit plans (Continued)

(iii) Duration:

	As at 30 June 2017	As at 31 December 2016
Retirement with honours benefit plan	6.0 years	6.0 years
Retirement benefit plan	14.0 years	14.0 years
Early retirement benefit plan	4.0 years	4.0 years

The below sensitivity analysis details how the Group's retirement benefit plan obligation as at the reporting date would have increased/(decreased) as a result of 0.25% reasonably possible increase or decrease assessed by management in each of the significant actuarial assumptions:

	As at 30 June 2017 Increase/(decrease) in retirement benefit plan obligation		As at 31 December 2016 Increase/(decrease) in retirement benefit plan obligation	
	Increase in assumption RMB'000	Decrease in assumption RMB'000	Increase in assumption RMB'000	Decrease in assumption RMB'000
	RMB'000	RMB'000	RMB'000	RMB'000
Discount rates	(54,029)	56,280	(58,467)	60,903
Benefit growth rates	56,311	(54,316)	60,937	(58,778)

The above sensitivity analysis is based on a change in an actuarial assumption while holding all other actuarial assumptions constant. Also, it is based on the assumption that changes in actuarial assumptions are not correlated.

(iv) Mortality: Average life expectancy of residents in the PRC.

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

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 honours benefit plan	Retirement benefit plan	Early retirement benefit plan	Total
	RMB'000	RMB'000	RMB'000	RMB'000
For the six months ended 30 June 2016				
Service cost:				
Past service cost	(4,928)	(50,748)	—	(55,676)
Net interest expenses	1,143	34,949	1,179	37,271
Immediate recognition of actuarial gains	—	—	(26)	(26)
Benefit cost recognised in profit or loss	(3,785)	(15,799)	1,153	(18,431)
Revaluation of net benefit obligation liabilities				
Actuarial revaluation of economic assumptions change	70	(25,351)	—	(25,281)
Benefit cost recognised in other comprehensive income	70	(25,351)	—	(25,281)
Total benefit cost recognised in the consolidated statement of comprehensive income	(3,715)	(41,150)	1,153	(43,712)
For the six months ended 30 June 2017				
Net interest expenses	**999**	**34,593**	**2,085**	**37,677**
Immediate recognition of actuarial gains	**—**	**—**	**(3,111)**	**(3,111)**
Benefit cost recognised in profit or loss	**999**	**34,593**	**(1,026)**	**34,566**
Revaluation of net benefit obligation liabilities				
Actuarial revaluation of economic assumptions change	**(2,250)**	**(112,953)**	**—**	**(115,203)**
Actuarial revaluation of other assumptions change	**(42)**	**(68)**	**—**	**(110)**
Benefit cost recognised in other comprehensive income	**(2,292)**	**(113,021)**	**—**	**(115,313)**
Total benefit cost recognised in the consolidated statement of comprehensive income	**(1,293)**	**(78,428)**	**(1,026)**	**(80,747)**

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 recognised in employment benefits, part of the administrative expenses and finance expenses of the consolidated statement of profit or loss and other comprehensive income. Revaluation of net liabilities of benefit obligation is recognised as other comprehensive income in the consolidated statement of profit or loss and other comprehensive income.

31 Retirement and Other Supplemental Benefit Obligations (Continued)

(b) Group employee retirement benefit plans (Continued)

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

	As at 30 June 2017	As at 31 December 2016
	RMB'000	RMB'000
Net liabilities of retirement benefit plan obligation	2,437,283	2,637,484

The movement of retirement benefit plan obligation as follows:

	Retirement with honours benefit plan	Retirement benefit plan	Early retirement benefit plan	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016	91,949	2,496,055	108,260	2,696,264
Past service cost	(4,928)	(50,748)	—	(55,676)
Net interest expenses	1,143	34,949	1,179	37,271
Immediate recognition of actuarial gains	—	—	(26)	(26)
Revaluation gain:				
Economic assumption change of actuarial revaluation	70	(25,351)	—	(25,281)
Direct benefit paid by the Group	(9,621)	(87,093)	(18,243)	(114,957)
At 30 June 2016	78,613	2,367,812	91,170	2,537,595
At 1 January 2017	78,666	2,385,419	173,399	2,637,484
Net interest expenses	999	34,593	2,085	37,677
Immediate recognition of actuarial gains	—	—	(3,111)	(3,111)
Revaluation gain:				
Actuarial revaluation of economic assumptions change	(2,250)	(112,953)	—	(115,203)
Actuarial revaluation of other assumptions change	(42)	(68)	—	(110)
Direct benefit paid by the Group	(9,077)	(83,743)	(26,634)	(119,454)
At 30 June 2017	68,296	2,223,248	145,739	2,437,283

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

32 Provision for Litigation Claims

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
At the beginning of the period	261,754	239,013
Exchange difference	3,742	22,499
Payment	(1,027)	(185)
At the end of the period	264,469	261,327

The amounts represented the provision provided by a subsidiary of the Group for litigation.

The subsidiary of the Group has been sued during Year 2007 to Year 2009 due to a construction contract disputes and the case is ongoing process. The management of the Group has calculated all provision for the expected compensation incurred in accordance with the progress and solutions of the case.

For the six months ended 30 June 2016, the arbitration case between Sinopec Ningbo Engineering Company Limited, a wholly-owned subsidiary of the Company, and INEOS USA LLC filed by INEOS USA LCC at the Arbitration Institute of the Stockholm Chamber of Commerce had reached a final settlement. INEOS USA LLC had withdrawn the arbitration.

For the six months ended 30 June 2017 and 2016, no additional provision for litigation claims has been provided.

33 Notes and Trade Payables

	As at 30 June 2017	As at 31 December 2016
	RMB'000	RMB'000
Trade payables		
– Fellow subsidiaries	87,005	155,995
– Associates of fellow subsidiaries	14	14
– Joint ventures of fellow subsidiaries	295	223
– Associates	305	84
– Third parties	11,113,463	13,393,147
	11,201,082	13,549,463
Notes payables	633,786	667,720
Notes and trade payables	11,834,868	14,217,183

The carrying amounts of the Group's notes and trade payables as at 30 June 2017 and 31 December 2016 approximate their fair values.

33 Notes and Trade Payables (Continued)

Ageing analysis of notes and trade payables is as follows:

	As at 30 June 2017	As at 31 December 2016
	RMB'000	RMB'000
Within 1 year	6,774,047	8,888,842
Between 1 and 2 years	2,494,265	2,966,824
Between 2 and 3 years	1,351,739	1,254,546
Over 3 years	1,214,817	1,106,971
	11,834,868	14,217,183

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

	As at 30 June 2017	As at 31 December 2016
	RMB'000	RMB'000
RMB	10,594,433	12,781,019
USD	280,131	334,564
EUR	13,058	11,535
KZT	24,513	27,952
SAR	806,207	1,030,293
Others	116,526	31,820
	11,834,868	14,217,183

34 Other Payables

	As at 30 June 2017	As at 31 December 2016
	RMB'000	RMB'000
Contract deposits advance:		
– Fellow subsidiaries	270,703	188,680
– Joint ventures of fellow subsidiaries	876,393	757,733
– Associates of fellow subsidiaries	288,010	1,205,365
– Third parties	3,236,403	2,532,121
Salaries payables	77,960	67,303
Other taxation payables	10,857	334,057
Dividend payable	333,230	—
Deposits and guarantee deposits payables	118,430	106,077
Advanced payables	279,825	348,356
Rent, property management and maintenance payables	68,031	67,392
Contracts payables	14,218	2,760
Amounts due to fellow subsidiaries (1)	45,239	46,512
Amounts due to joint ventures (1)	71	71
Amounts due to joint ventures of fellow subsidiaries (1)	282	282
Others	174,369	276,939
Total other payables	5,794,021	5,933,648

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

The carrying amounts of the Group's other payables as at 30 June 2017 and 31 December 2016 approximate their fair values.

35 Deferred Taxation

Deferred income tax assets and liabilities recognised:

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

	As at 30 June 2017	As at 31 December 2016
	RMB'000	RMB'000
Deferred income tax assets	776,324	775,695
Deferred income tax liabilities	—	—
Deferred income tax assets, net	776,324	775,695

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Beginning of the period	775,695	689,742
Charged to equity for retirement and other supplementary benefit actuarial revaluation	(19,963)	(4,574)
Tax credited/(charged) to the profit of the period (Note 12)	20,592	(17,919)
End of the period	776,324	667,249

The movement in deferred income tax assets/(liabilities) during the six months ended 30 June 2017 and 2016, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Provision for retirement and other supplemental benefit obligation	Provision for impairment on assets	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016	519,147	165,789	36,870	721,806
(Charged)/Credited to:				
Profit for the period	(55,551)	34,157	3,475	(17,919)
Equity	(4,574)	—	—	(4,574)
At 30 June 2016	459,022	199,946	40,345	699,313
At 1 January 2017	472,914	262,365	40,416	775,695
(Charged)/Credited to:				
Profit for the period	(37,912)	58,089	415	20,592
Equity	(19,963)	—	—	(19,963)
At 30 June 2017	415,039	320,454	40,831	776,324

35 Deferred Taxation (Continued)

Deferred income tax liabilities

	Excess of carrying value of assets over tax bases arising from business combination
	RMB'000
As 1 January 2016 and 30 June 2016	32,064
As 1 January 2017 and 30 June 2017	—

Deferred income tax assets not recognised

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

	As at 30 June 2017	As at 31 December 2016
	RMB'000	RMB'000
Tax losses for which no deferred income tax asset was recognised	**474,016**	474,421

The Group did not recognise 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 recognised mentioned would be expired in five years.

36 Loans Due to a Fellow Subsidiary

As at 30 June 2017, loans due to a fellow subsidiary are unsecured, repayable within one year and interest bearings as follows:

	As at 30 June 2017	As at 31 December 2016
Loans due to a fellow subsidiary	**2.72%-3.00%**	—

The fellow subsidiary is Sinopec Century Bright Capital Investment Limited.

37 Commitments

(a) Capital commitments

Capital commitments for the purchase of property, plant and equipment outstanding as at 30 June 2017 and 31 December 2016 not provided for in the consolidated interim financial statements are as follows:

	As at 30 June 2017	As at 31 December 2016
	RMB'000	RMB'000
Contracted but not provided for		
– Property, plant and equipment	14,688	21,845

(b) Operating leasing commitments

The Group leases various residential properties, office and equipments under non-cancellable operating lease agreements. The leases run for an initial period of one to twenty years, with an option to renew the lease and renegotiate the terms at the expiry date or at dates mutually agreed between the Group and respective landlords/lessors. None of the leases include contingent rentals. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 30 June 2017	As at 31 December 2016
	RMB'000	RMB'000
Less than 1 year	38,436	50,923
1 year to 5 years	55,058	25,271
Over 5 years	35,939	32,949
Total	129,433	109,143

38 Cash Used in Operations

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Profit before taxation	1,063,567	1,381,625
Adjustments for:		
Provision for impairment on trade and other receivables	286,148	223,229
Depreciation of property, plant and equipment	268,997	265,537
Amortisation of intangible assets	38,996	41,008
Amortisation of land use rights	30,068	30,853
Net gains on disposal/write-off of property, plant and equipment	(411)	(185)
Interest income	(254,210)	(254,570)
Interest expense	37,914	37,427
Net foreign exchange gains/(losses)	374,294	(197,401)
Share of losses of joint ventures	446	601
Share of profits of associates	(4,112)	(5,729)
Cash flows from operating activities before changes in working capital	1,841,697	1,522,395
Changes in working capital:		
– Inventories	331,225	313,992
– Contract work-in-progress	(375,429)	(141,061)
– Trade and other receivables	953,645	1,197,651
– Trade and other payables	(3,088,022)	(3,667,408)
– Restricted cash	(9,412)	(9,140)
Cash used in operations	(346,296)	(783,571)

39 Contingencies

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

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

40 Significant Related Party Transactions and Balances

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

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

In addition to the related party information shown elsewhere in this interim 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 2017 and 2016 and balances as at 30 June 2017 and 31 December 2016.

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

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Construction and services provided to		
– Ultimate holding company	3,972	115
– Joint ventures of fellow subsidiaries	167,740	472,870
– Associates of fellow subsidiaries	1,095,078	2,685,784
– Fellow subsidiaries	3,239,129	3,784,486
– Associates	28,258	258
	4,534,177	6,943,513
Construction and services received from		
– Ultimate holding company	5,433	78
– Joint ventures of fellow subsidiaries	124	223
– Fellow subsidiaries	511,929	646,806
– Associates	1,193	1,237
	518,679	648,344
Technology research and development provided to		
– Ultimate holding company	—	9,434
– Fellow subsidiaries	35,813	29,151
	35,813	38,585
Interest income on loans		
– Ultimate holding company	214,772	181,177
Interest expense on borrowings		
– Fellow subsidiaries	237	156

40 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 an associate of fellow subsidiaries: (Continued)

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Expenses in relation to settlement and other financial services		
– Fellow subsidiaries	660	315
Deposit interest income from fellow subsidiaries	14,645	19,748

	As at 30 June 2017	As at 31 December 2016
	RMB'000	RMB'000
Deposits and time deposits placed in fellow subsidiaries	3,499,262	5,401,997

	As at 30 June 2017	As at 31 December 2016
	USD'000	USD'000
Guarantee received		
– Ultimate holding company	52,000	52,000

Besides, in respect of the Project RAPID (total contract value of approximately USD1.329 billion) between the Group and PETRONAS company, Sinopec Group provided guarantee to PETRONAS company. The Group provided counter guarantee to Sinopec Group.

The majority of these significant related party transactions with Sinopec Group and fellow subsidiaries also constitute continuing connected transactions as defined under Chapter 14A of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

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

– Sales and purchases of goods and services;

– Purchases of assets;

– Lease of assets; and

– Bank deposits and borrowings.

40 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 an associate of fellow subsidiaries: (Continued)

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 disclosures of loans due from the ultimate holding company in Note 25 and loans due to a fellow subsidiary in Note 36, trade receivables, prepayments and other receivables are unsecured, interest free and repayable on demand.

(b) Key management personnel remuneration

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Basic salaries, other allowances and benefits-in-kind	**1,998**	2,050
Discretionary bonus	**4,678**	4,651
Contributions to pension plans	**564**	630
	7,240	7,331

41 Particulars of Principal Subsidiaries

As at 30 June 2017, the Company has direct and indirect interests in the following principal subsidiaries:

Name	Establishment/ Place of incorporation and type of legal entity	Registered and fully paid capital	Effective interest held		Principal activities and place of operation
			Directly held	Indirectly held	
		RMB'000			
SEI (中國石化工程建設有限公司)	The PRC/Limited liability company	500,000	100%	—	Engineering contracting, engineering and consulting/The PRC
LPEC (中石化洛陽工程有限公司)	The PRC/Limited liability company	500,000	100%	—	Engineering contracting, engineering and consulting/The PRC
SSEC (中石化上海工程有限公司)	The PRC/Limited liability company	200,000	100%	—	Engineering contracting, engineering and consulting/The PRC
SNEC (中石化寧波工程有限公司)	The PRC/Limited liability company	300,000	100%	—	Engineering contracting, design, equipment manufacturing/The PRC
SNEI (中石化南京工程有限公司)	The PRC/Limited liability company	556,005	100%	—	Engineering contracting, design/The PRC
FCC (中石化第四建設有限公司)	The PRC/Limited liability company	350,000	100%	—	Engineering contracting/The PRC
SFCC (中石化第五建設有限公司)	The PRC/Limited liability company	350,000	100%	—	Engineering contracting/The PRC
TCC (中石化第十建設有限公司)	The PRC/Limited liability company	350,000	100%	—	Engineering contracting/The PRC
Sinopec Guangzhou Engineering Co., Ltd. (中石化廣州工程有限公司)	The PRC/Limited liability company	50,000	100%	—	Engineering contracting/The PRC
Ningbo Institute (中石化寧波技術研究院有限公司)	The PRC/Limited liability company	10,000	100%	—	Technical services/The PRC
Sinopec Heavy Lifting and Transportation Co., Ltd. (中石化重型起重運輸工程有限責任公司)	The PRC/Limited liability company	500,000	100%	—	Engineering contracting technical service, equipment selling and leasing/The PRC
Sinopec Engineering Group Saudi Arabia Co., Ltd. (中石化煉化工程 (集團) 股份有限公司沙特公司))	Saudi Arabia/Limited liability company	3,356 (SAR18,000,000)	100%	—	Engineering contracting/Saudi Arabia
Sinopec Engineering & Construction (Singapore) Pte. Ltd. (中石化煉化工程 (集團) 股份有限公司新加坡公司)	Singapore/Limited liability company	2,560 (SGD500,000)	100%	—	Engineering contracting/Singapore

41 Particulars of Principal Subsidiaries (Continued)

As at 30 June 2017, the Company has direct and indirect interests in the following principal subsidiaries: (Continued)

Name	Establishment/ Place of incorporation and type of legal entity	Registered and fully paid capital	Effective interest held		Principal activities and place of operation
			Directly held	Indirectly held	
		RMB'000			
Sinopec Engineering Group America, L.L.C (中石化煉化工程(集團)股份有限公司美國公司)	United States/Limited liability company	3,075 (USD 500,000)	100%	—	Engineering contracting, engineering and consulting/United States
Sinopec Shanghai Pharmaceutical Industry Designing Institute Co., Ltd. (中石化上海醫藥工業設計研究院有限公司)	The PRC/Limited liability company	8,046	—	100%	Medicine, pesticide, chemical research/The PRC
Shanghai Petrochemical Machine Manufacturing Co., Ltd. (上海石化機械製造有限公司)	The PRC/Limited liability company	133,640	—	100%	Petrochemical equipment manufacturing/The PRC
Ningbo Tianyi Equipment Technology Co., Ltd. (寧波天翼裝備技術有限公司)	The PRC/Limited liability company	60,000	—	100%	Petrochemical equipment design, manufacturing and installation/The PRC
Ningbo Tianyi Petrochemical Heavy Equipment Manufacturing Co., Ltd. (寧波天翼石化重型設備製造有限公司)	The PRC/Limited liability company	60,000	—	97%	Petrochemical equipment manufacturing and installation/The PRC
SINOPEC Engineering Group Malaysia SDN BHD (中石化煉化工程(集團)股份有限公司馬來西亞公司)	Malaysia/Limited liability company	5,157 (MYR360,700)	100%	—	Engineering contracting/Malaysia
SINOPEC Engineering Group (Thailand) Co., Ltd. (中石化煉化工程(集團)股份有限公司泰國公司)	Thailand/Limited liability company	6,228 (THB3,300,000)	100%	—	Engineering contracting/Thailand

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the period or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, results in particulars of excessive length.

42 Event After the Reporting Period

On 18 August 2017, the Company, as the purchaser and Sinopec Consulting Co., Ltd., as the vendor and a fellow subsidiary of the Company, entered into an equity transfer agreement in relation to the transfer of 100% of the equity interests in Sinopec Energy-Saving Technology Service Co., Ltd. (the "Equity Transfer Agreement"), which will become effective upon satisfaction of the effective condition. The consideration agreed in the Equity Transfer Agreement is RMB90,000,000. A reasonable estimate of that financial impact cannot be provided until a detailed review has been completed.

Documents for Inspection

The following documents shall be available for inspection during normal business hours after 21 August 2017 (Monday) at the registered address of the Company upon request by the relevant regulatory authorities and shareholders in accordance with the laws and regulations of the PRC and the articles of association of the Company:

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

b) the original audited consolidated interim financial statements for the six months ended 30 June 2017 prepared in accordance with IFRS and signed by the Chairman of the Board, the President, the Chief Financial Officer and the Head of the Finance Department; and

c) the original auditor's report in respect of the above financial statements signed by Grant Thornton Hong Kong Limited.

By Order of the Board

LING Yiqun

Chairman of the Board

Beijing, the PRC

18 August 2017

This interim report is printed in both Chinese and English languages. Should there be any discrepancy between the English language and the Chinese language, the Chinese language shall prevail.

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