中石化炼化工程(集团)股份有限公司
SINOPEC ENGINEERING (GROUP) CO., LTD.

Stock Code: 2386

中国石化
SINOPEC

2018 INTERIM REPORT

Engineering a better world

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. The Directors, Mr. LI Guoqing, Ms. SUN Lili and Mr. WU Derong could not attend the Thirteenth Meeting of the Second Session of the Board (the "Meeting") due to official duties. The Director, Mr. LI Guoqing authorised the other Director, Mr. LU Dong; the Director, Ms. SUN Lili authorised the other Director, Mr. XIANG Wenwu; and the Director, Mr. WU Derong authorised the other Director, Mr. LU Dong 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 2018 (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 not within the control of the Group. The forward-looking statements referred to herein as at 21 August 2018 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.

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Refining
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COMPANY PROFILE

The Group is an international engineering corporation, with the leading edge in the PRC. The Group provides engineering services for a broad range of industries including oil refining, petrochemicals, new coal chemicals, inorganic chemicals, pharmaceutical chemicals, clean energy, storage and transportation engineering, environmental protection and energy saving, with a complete service chain involving technology research and development and licensing, preliminary consultation, financing assistance, engineering, 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 projects, 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

PLACE WHERE THIS INTERIM REPORT IS AVAILABLE FOR INSPECTION

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Building 8, Shengujiayuan, Shenggu Middle Road,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

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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 2018	As at 31 December 2017	Changes from the end of 2017 (%)
Total assets	61,155,035	59,405,621	2.9
Consolidated equity attributable to equity holders of the Company	25,936,402	25,586,839	1.4
Net assets per share of equity holders of the Company (RMB)	5.86	5.78	1.4

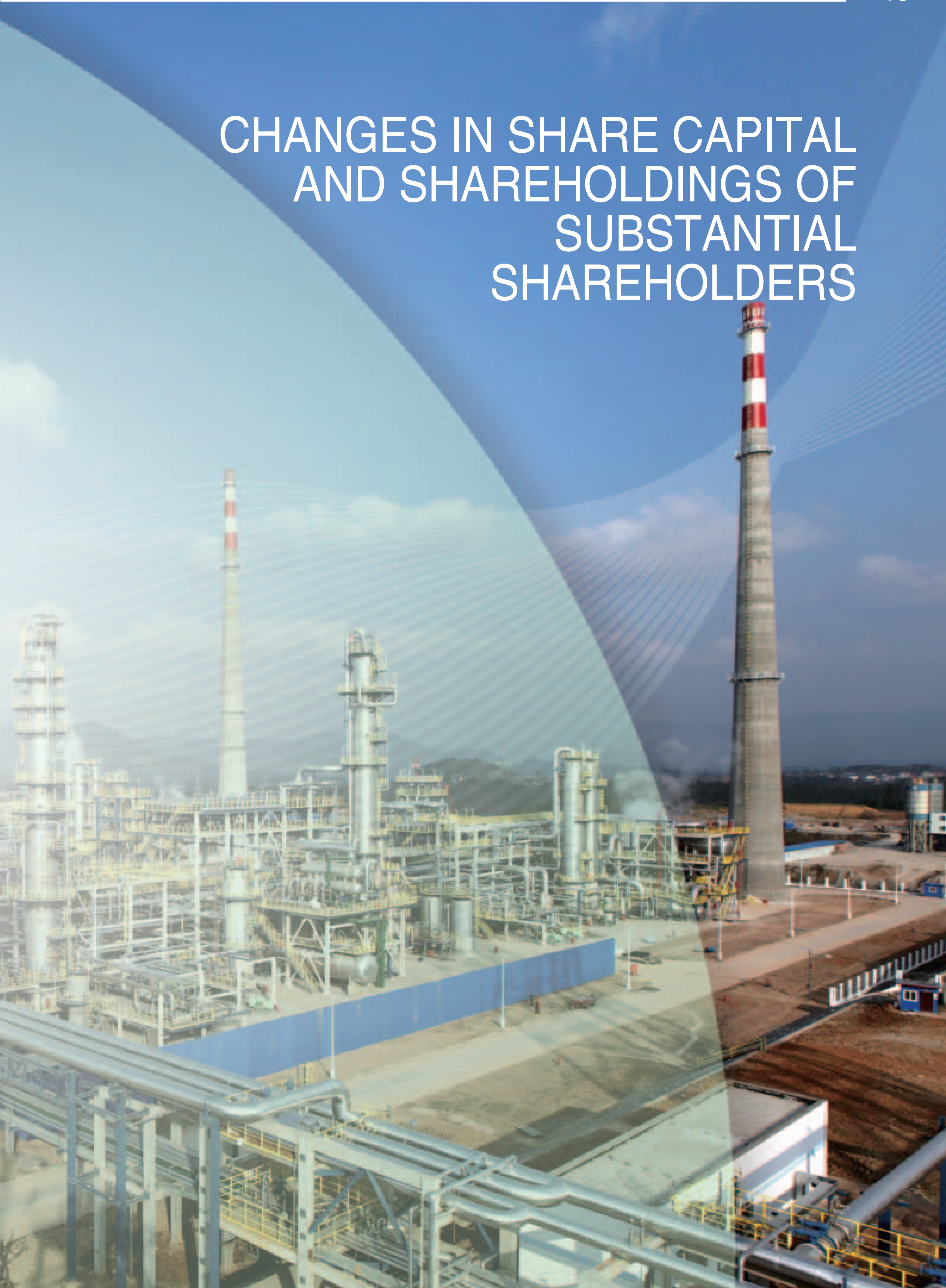
Unit: RMB’000

Items	Six-month periods ended 30 June		Changes over the same period of 2017 (%)
	2018	2017	
Revenue	18,335,880	13,764,426	33.2
Gross profit	1,921,486	2,213,384	(13.2)
Operating profit	997,847	843,605	18.3
Profit before taxation	1,335,904	1,063,567	25.6
Profit attributable to equity holders of the Company	1,107,565	834,875	32.7
Basic earnings per share (RMB)	0.25	0.19	32.7
Net cash flow used in operating activities	(1,032,823)	(736,076)	40.3
Net cash flow used in operating activities per share (RMB)	(0.23)	(0.17)	40.3

Items	Six-month periods ended 30 June	
	2018	2017
Gross profit margin (%)	10.5	16.1
Net profit margin (%)	6.0	6.1
Return on assets (%)	1.8	1.4
Return on equity (%)	4.3	3.2
Return on invested capital (%)	4.3	3.3

Items	As at 30 June 2018	As at 31 December 2017
Asset-liability ratio (%)	57.6	56.9

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 2017		Increase/Decrease during the Reporting Period (+, -)			As at 30 June 2018	
	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 1,037 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	+495,500	—	1,458,440,400	32.94	99.84
WONG CHUI CHUNG	0	—	295,000	0.01	0.02
CHAN LAI KUEN SELINA	0	—	195,500	0.00	0.01
WONG CHUI CHUNG	0	—	195,500	0.00	0.01
CHOI LAI MING	0	—	130,000	0.00	0.01
LUK LAN	0	—	60,000	0.00	0.00
PANG KWOK WAI	0	—	60,000	0.00	0.00
DUN YUK SIM	0	—	23,000	0.00	0.00
CHOI SAU KUEN	0	—	20,000	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 (%) (6)	Percentage in the total share capital of the Company (%) (7)
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)	6.99(L)	2.31(L)
JPMorgan Chase & Co. (3)	H Share	Trustee/Interests of controlled corporation	191,851,008 (L) 1,090,000 (S) 129,314,415 (P)	13.13(L) 0.07(S) 8.85(P)	4.33(L) 0.02(S) 2.92(P)
Prudential plc (4)	H Share	Interests of controlled corporation	117,459,500 (L)	8.04(L)	2.65(L)
FIL Limited (5)	H Share	Interests of controlled corporation	87,471,500 (L)	5.99(L)	1.98(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 13 June 2018 and filed by the National Council for Social Security Fund of the PRC with the Hong Kong Stock Exchange.
(3) The information is based on the Corporate Substantial Shareholders Notice dated 5 June 2018 and filed by JPMorgan Chase & Co. with the Hong Kong Stock Exchange.
(4) 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.
(5) The information is based on the Corporate Substantial Shareholders Notice dated 20 June 2018 and filed by FIL Limited with the Hong Kong Stock Exchange.
(6) It is calculated on the basis that the Company has issued 2,967,200,000 Domestic Shares and 1,460,800,000 H Shares.
(7) It is calculated on the basis that the Company has issued 4,428,000,000 shares in total.

BUSINESS REVIEW AND PROSPECTS

In the first half of 2018, the Group has obtained better operation performance by making energetic efforts to develop domestic and foreign markets, strengthening its management and control of projects and improving the level of elaborate management. During the Reporting Period, the Group recognised a revenue of RMB18.336 billion, representing an increase of 33.2% on a period-on-period basis, with the Group's profits attributable to equity holders being RMB1.108 billion, representing an increase of 32.7% 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. In the first half of 2018, a portion of the seven national major petrochemical industrial bases projects has started in succession; projects such as Sinopec-KNPC joint venture Guangdong oil refining and chemical complex project (hereinafter referred to as the "Sinopec-KNPC Project") which is one of "four world-class oil refining and chemical bases" of Sinopec Group have entered construction phase, and domestic market environment is taking a continuously favorable turn. During the Reporting Period, the total value of new contracts entered into by the Group was RMB35.484 billion, representing an increase of 99.7% on a period-on-period basis; and by the end of the Reporting Period, the Group's backlog was RMB108.176 billion, representing an increase of 18.8% as compared to the end of 2017.

In the second half of 2018, 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 consolidate the existing overseas markets, deploy the favorable policies associated with the "Belt and Road"construction, actively expand the markets in the countries along 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 2018, the world economy recovers slowly, and global trade friction is escalated. Facing the abnormally complicated and severe external environment, the national economy of China is maintaining a development trend featuring continuous general stability and favorable turn in the process of stabilization; structural adjustment is propelled profoundly, new propulsion force continues to supersede old propulsion force, quality and effectiveness have been stably enhanced. In the first half of 2018, the growth rate of GDP reached 6.8%. In the first half of 2018, subject to the influence from the decrease of output by major oil producing countries and geopolitics risks, the international oil price fluctuated, rose and once exceeded USD80/barrel. Then due to the influence of factors such as expected increase of output by major oil producing countries, the international oil price dropped to a certain extent, and maintained above USD70/barrel.

In the first half of 2018, the petroleum and chemical industry of China continues to make a favorable turn while maintaining stabilization; the supply and demand of oil, gas and main chemicals of China are basically balanced; the rising trend of the general price level continues to speed up; industrial efficiency has been further improved; and profit continues to grow substantially. Endogenous power has been enhanced, bringing acceleration of engineering industry investment, multiple projects among "seven major petrochemical industrial bases" have continuously entered construction peak. C2/C3 conversion utilization has become a new market hot point, multiple projects of ethane cracking for production of ethylene have started initial planning or engineering, and oil price rise has enhanced the investment intention of owners of new coal chemical industry project. New energy and energy saving environmental protection industry is continuously granted with policy incentive. National Development and Reform Commission has issued policy comments such as the Notice regarding Overall Planning and Optimization of Gas Storage Facility Construction and Operation, and will accelerate and propel the construction of underground gas storage, coastal LNG receiving station and intensive and large scale LNG storage tank in key regions. The State Council has issued Comments of Central Committee of the Communist Party of China and State Council regarding Comprehensive Strengthening of Ecological Environment Protection and Firmly Surmounting Difficulties for Pollution Prevention and Control, so as to make every effort to defend blue sky, green water and clean soil, and bring sustainable development power for energy saving and environmental protection industry.

In the first half of 2018, under the precondition of a general stable trend of oil price in the Middle East region, the oil refining chemical engineering marked has obtained certain extent of recovery, Gulf countries such as United Arab Emirates and Kuwait have issued new project plans of oil refining chemical market to the outside world. United Arab Emirates has issued development plan for the future 5 to 10 years. With the rise of oil price, Russia is planning to restart a batch of oil refining plant upgrade and reconstruction projects, and is planning to further enhance LNG outputs. In regions such as Middle Asia, Southeast Asia, South Asia and Africa, the Group is also closely following up multiple projects.

(2) Operation Overview

During the Reporting Period, the Group's total revenue and net profits attributable to the equity holders of the Company were RMB18.336 billion and RMB1.108 billion, respectively. As at the end of the Reporting Period, the Group's backlog was RMB108.176 billion. The value of new contracts entered into by the Group during the Reporting Period was RMB35.484 billion.

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

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

	Six-month periods ended 30 June				
	2018		2017		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB '000)	(%)	(RMB '000)	(%)	(%)
Engineering, consulting and licensing	1,402,857	7.1	1,098,525	7.4	27.7
EPC Contracting	10,185,271	51.5	7,440,155	50.1	36.9
Construction	7,874,211	39.8	6,033,732	40.6	30.5
Equipment Manufacturing	307,259	1.6	283,991	1.9	8.2
Subtotal	19,769,598	100.0	14,856,403	100.0	33.1
Total (after inter-segment elimination) (1)	18,335,880	N/A	13,764,426	N/A	33.2

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. Inters-segment elimination mainly arises from the inters-segment sales to the EPC Contracting segment made by the engineering construction and equipment manufacturing segments.

During the Reporting Period, the total revenue of the Group was RMB18.336 billion, representing an increase of 33.2% on a period-on-period basis, mainly due to several large engineering, procurement and construction contracting ("EPC Contracting") projects of such as Kuwait Oil Refining Project, Sinopec Group and Anhui Province Joint Codification Complex Project, and Sinopec-KNPC Project, the work volume completed in the Reporting Period is large.

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				
	2018		2017		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB '000)	(%)	(RMB '000)	(%)	(%)
Oil refining	6,931,713	37.8	5,666,804	41.2	22.3
Petrochemicals	5,202,464	28.4	3,745,907	27.2	38.9
New coal chemicals	4,159,805	22.7	2,243,797	16.3	85.4
Other industries	2,041,898	11.1	2,107,918	15.3	(3.1)
Subtotal	18,335,880	100.0	13,764,426	100.0	33.2

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, large EPC Contracting projects such as Kuwait Oil Refining Project and Sinopec Group and Anhui Province Joint Coalification Complex Project have entered peak execution period, Sinopec-KNPC Project has been started, oil refining, chemical industry and coal chemical income has grown substantially, revenue generated from the oil refining industry was RMB6.932 billion, representing an increase of 22.3% on a period-on-period basis; revenue generated from the petrochemical industry was RMB5.202 billion, representing an increase of 38.9% on a period-on-period basis; revenue generated from the new coal chemicals industry was RMB4.160 billion, representing an increase of 85.4% on a period-on-period basis; revenue generated from other industries was RMB2.042 billion, remaining broadly stable 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				
	2018		2017		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB '000)	(%)	(RMB '000)	(%)	(%)
PRC	**12,101,546**	**66.0**	7,760,921	56.4	55.9
Overseas	**6,234,334**	**34.0**	6,003,505	43.6	3.8
Subtotal	**18,335,880**	**100.0**	13,764,426	100.0	33.2

During the Reporting Period, the revenue of the Group generated in the PRC was RMB12.102 billion, representing an increase of 55.9% on a period-on-period basis, mainly because certain large EPC contracting projects, such as Sinopec Group and Anhui Province Joint Coalification Complex Project and Sinopec-KNPC Project, generated more revenue; the Group continued to expand its overseas business steadily, the revenue of the Group generated overseas was RMB6.234 billion, remaining broadly stable on a period-on-period basis.

As at the end of the Reporting Period, the backlog of the Group amounted to RMB108.176 billion, representing an increase of 18.8% as compared with that as at 31 December 2017, and 2.99 times of the total revenue of RMB36.209 billion in 2017. During the Reporting Period, the value of new contracts amounted to RMB35.484 billion, representing an increase of 99.7% on a period-on-period basis.

During the Reporting Period, representative domestic projects that the Group signed include: Sinopec-KNPC Project (oil refining, chemical industry and power station part), Sinopec-SABIC Petrochemical 260 Ktpa polycarbonate project (hereunder abbreviated as "Sinopec-SABIC Project") and Sinopec Group Yanshan Branch continuous reforming combination unit oil product upgrade and reconstruction project, etc.. Representative overseas projects that were signed by the Group include: Saudi SABIC GAS Phase-9 Air Separation Project, Kuwait New Collection Center (GC-32) Project, etc..

During the Reporting Period, our capital expenditure was RMB125 million, which was mainly for the Company information construction, construction equipment and machinery purchase.

(3) Business Highlights

Successful implementation of major projects

Sinopec Group and Anhui Province 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. As at the end of the Reporting Period, the project has fully entered installation peak period, the general progress has exceeded 70%, and overall quality and safety are under control.

Sinopec-KNPC Project (oil refining, chemical industry and power station part): Please refer to the announcement dated 18 January 2018 and 19 March 2018 published by the Company for further details. As at the end of the Reporting Period, the project is at detailed design and onsite pile foundation construction phase, the general progress has exceeded 10%, and the overall progress is under control.

Sinopec-SABIC Project: Please refer to the announcement dated 11 June 2018 published by the Company for further details. As at the end of the Reporting Period, the project is at startup phase, detailed design is in the process and construction preparation is being made on site.

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 project is at detailed design phase, underground pipe and civil work construction are in the process onsite, and the overall progress is under control.

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, the project is at installation phase onsite, the progress has exceeded 60%, overall quality and safety are under control.

Kuwait Oil Refining Project: Please refer to the announcement dated 14 October 2015 published by the Company for further details. As at the end of the Reporting Period, the general progress of project has exceeded 70%, in which: design work has been completed, and main equipment, material delivery to site and onsite construction have been completed by over 50%.

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 nine tenths of the overall progress of the project was completed, in which, design, purchase and construction machinery installation works have been completed, onsite pre-commissioning and commissioning are being performed as per plan, and all contract works of the project will be completed in the second half of 2018.

FCC Project of Kazakhstan Atyrau Refinery: The scope of work under the contract for this project mainly covers the engineering, procurement, construction & commissioning of 13 processing units including 2.43 Mtpa FCC units and 47 utilities units. As at the end of the Reporting Period, the project successfully completed all aspects of project engineering, procurement and construction, and is now at the stage of commissioning.

Continuous enhancement of project assurance capability being strengthened continuously

During the Reporting Period, the Group has established "double early warning" mechanism, so as to give early warning and formulate correction measures for projects of which progress deviation and income confirmation deviation are large, make continuous improvement, promote project implementation progress and income confirmation progress, and ensure realization of efficiency target. The Group has also has issued a new version of the international project management manual and further optimized the project management method and procedure, so as to effectively guide implementation of overseas projects of the Group. During the Reporting Period, in order to ensure effective implementation of subcontracting management and system policy of the Group, the Group organizes relevant subcontractor managing personnel, main management personnel of the project department and key personnel of subcontractors to participate in introduction and implementation training level by level, and the accumulative number of trainees has exceeded 16,000 persons; establishes subcontractor resources database and continuously deepens management, establishes and continuously optimizes level A subcontractor resources status database, cultivates strategic subcontractors, and absorbs outstanding subcontractors to stably serve in the Company's engineering construction in the long run.

Fruitful market development

During the Reporting Period, the Group grasped market recovery opportunity, 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 RMB35.484 billion, among which, the value of newly signed domestic contracts amounted to RMB32.241 billion, and the value of newly signed overseas contracts amounted to approximately USD483 million.

In the PRC, during the Reporting Period, the Group entered into new contracts for a number of large projects, such as Sinopec-KNPC Project (oil refining, chemical industry and power station part) with a total contract value of approximately RMB19.644 billion; Sinopec Sabic Project with a total contract value of approximately RMB4.586 billion; Sinopec Group Yanshan Branch continuous reforming combination unit oil product upgrade and reconstruction project with a total contract value of approximately RMB640 million.

Overseas, during the Reporting Period, the Group entered into new contracts for a number of large projects, such as Saudi SABIC GAS Phase-9 Air Separation Project with a total contract value of approximately RMB1.756 billion; Kuwait New Collection Center (GC-32) Project with a total contract value of approximately RMB867 million, etc..

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

Wide cooperation, pursue win-win

In the Reporting Period, the Group has continued to carry out wide cooperation with research and development institutions and universities in China and foreign countries in fields such as new coal chemical, energy saving and environmental protection and new energy, in which the new generation of coal (synthetic gas) to glycol technology pilot plant carried out in cooperation with Chinese Academy of Sciences has been completed and full flow procedure has been initiated; has propelled demonstration of direct coal liquefaction technology in a company in Xingjiang; has signed agreement for implementation of industrial unit design on the basis of construction of demonstration unit for biomass raw material-to-gasoline/diesel technology developed by Henan Shenrun Group; in response to national policy for promotion of ethanol gasoline, has collaborated and carried out research of cellulose ethanol industrial pilot plant program research, and has communicated with potential investor; has cooperated with China University of Petroleum (Beijing) to participate in development of "beautiful countryside" in Beijing and provide initial engineering service.

Continuous promotion of innovation and technological advancement

Steady progress of the R&D of major technologies developed along with the key projects.

A batch of key development technologies have been completed, and have reached the development target: All 5 projects such as large size liquefied natural gas (LNG) receiving station engineering complete set technology, development of complete set technology of producing 100 Ktpa propyleneoxide by hydrogen peroxide solution, coal chemical sewage comprehensive treatment and near-zero emission technology development have been brought into industrial application; and key technical problem tackling projects such as new type sulfuric acid alkylation technology development and industrial application, the 2nd efficient environmental protection arene technology development and industrial application of Sinopec, 20 Ktpa slurry bed stredford process hydrogen peroxide production complete set technology and SE coal (coke) water slurry gasification complete set technology development have entered onsite construction phase.

Research and development work of a batch of key projects have been progressed stably: Key technical problem tackling targets of different phases have been completed for projects such as 200 Ktpa ZCA-1 solid acid alkylation complete set new technology development and industrial application, gas phase polypropylene product VOC deprivation technique complete set technology development, heavy feed stock for increasing production of low-carbon alkene and BTX key technology, solid super acid C5/C6 isomerization technology development and industrial test, 2,000t level SE coal gasification large-scale industrial demonstration and application, etc..

Technology licensing was conducted effectively. During the Reporting Period, the value of newly signed technology licensing contract amounted to RMB180.00 million.

Good momentum persisted in patent applications. During the Reporting Period, the Group completed 256 new patent applications, including 166 invention patents, accounting for 64.8%; licensing of 202 patents, of which 62 invention patents, accounting for 30.7%.

Continuing to Achieve Numerous Fruitful Results in Technology Innovation. During the Reporting Period, the Group was awarded with 65 prizes for scientific and technological advancement above provincial/ministerial levels, including two projects of the “coal-based oil/olefin large-scale modern coal chemical industry complete technology development and application” and the “high efficiency methanol to olefins whole process technology” that the Group has participated in research and development and taken the lead in design were awarded the first prize of national science and technology progress in 2017; and the “deep delayed coking technology to improve the yield of light oil” won second prize of national science and technology progress in 2017. 19 projects obtained the 2017 Sinopec Group Science and Technology Progress Award. 6 projects won the annual Outstanding Engineering Design Award of Sinopec Group, 21 projects won the award of quality engineering.

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 RMB726 million, including joint sewage treatment plant and alkali waste incinerator EPC general contract of Sinopec Group and Anhui Province, boiler and combustion engine flue gas denitration reconstruction project of Fujian Refining & Petrochemical Company Limited and boiler flue gas denitration reconstruction project of Yangzi Petrochemical Company, etc..

In the field of energy saving, the Group has actively propelled the progress of 56 existing contract energy management projects of Sinopec Group and signed contract for 4 projects, and is performing contract negotiation for 11 projects, and the Group promoted progress of several contract energy management projects in Anqing, etc.. The Group is actively organizing and implementing communications on energy saving technology to enrich energy saving technology resources.

In the field of environmental protection, the Group has won the bid for EPC project for site pollution restoration, abatement and control project of Dongli plant of Polyether Department of Sinopec Tianjin Petrochemical, and is implementing contract negotiation at present; The Group has actively propelled the progress of a large size polluted soil abatement and control project of China. In collaboration with advanced technologies of China and foreign countries, has implemented CO_2 trap, conversion demonstration device program research and initial stage work of project.

Continuous promotion of digital factory construction

During the Reporting Period, the Group has comprehensively propelled integration design and digital delivery application and basically completed digital factory construction platform based on INTERGRAPH/AVEVA production line, innovation of engineering design mode of the Group has supported intelligent factory operation of owners of China and foreign countries. The Group has strengthened full range, full module, full process and full elements cost collectivized management and control of large scale engineering software, in-depth application of intelligent technique design, comprehensive promotion of integration engineering design, quality and efficiency enhancement of visualized 3D design, breakthrough in digital delivery pilot, concentrated management and control of standardized engineering master data, cloud resources sharing of virtual engineering, first-class platform, outstanding design and high quality service have effectively ensured high level, high quality and high efficiency completion of master contract of different owners of China and foreign countries, meanwhile, have enhanced enterprise engineering design capability and project implementation capability in an overall manner, and have injected new energy into creation of intelligent engineering company.

Safe production remained stable

During the Reporting Period, regarding QHSE (quality, health, safety and environment) management, with long-term mechanism construction as the aim, and tamping “three-base management” and strengthening risk prevention and control as the main line, The Group adhered to the spirit of people-oriented, paid attention to continuous improvement, focused on QHSE system management and the implementation of quality safety responsibility mechanism, pushed forward quality and safety standardization construction and essential security capacity building, initiated multi-level trainings to highlight the essence-safety management, strengthened supervision and inspection, carried out in-depth implementation of quality promotion activities and other measures, and constantly strengthened QHSE control, thus laid a more solid foundation for better governance and ensure the quality, safety and overseas public security generally under control.

As at the end of the Reporting Period, the Group achieved the goal of no reporting accidents in safety, quality, environment, occupational health and overseas public security for on-going projects as a result of all employees’ dedication and strict management. As a result, an aggregate of 108.3 million labour safe hours were realised during the Reporting Period.

2 Business Prospects

Looking forward to the second half of 2018, the uncertainty of the global economy increases, the uncertainty of international oil price trend increases, and the influence of trade friction requires further observation. Domestic oil refining industry will accelerate industrial park arrangement and product structure adjustment, the current international oil price will enable integrated energy company to realize full industrial chain benefit creation, the domestic natural gas demand is strong and is facing a tremendous development opportunity, the Group will correctly face the situations, sufficiently grasp opportunities, actively exert the advantages of collectivization, integration and large scale, continuously enhance core competition force of enterprise, propel sustainable and healthy development of enterprise, and make effort to create a "national name card" of oil refining and chemical engineering of China.

Regarding market development, the Group will exert one-stop overall solution advantages, strengthen overall development of large size energy chemical engineering project, solidify and enhance share of traditional engineering market, so as to ensure realization of the whole-year task target; accelerate promotion of market development in new field, take energy saving and environmental protection as breakthrough point, accelerate promotion of contract energy management and land restoration business as benefit growth point, grasp market opportunities to drive development of engineering markets such as natural gas utilization, biomass new energy and CO_2 trap utilization, etc. Taking realization of sustainable development as target, actively integrate external advantageous resources, establish strategic cooperation partnership relation with leading enterprises in relevant industries such as electricity, shipping and capital construction, innovate cooperation mode, and enhance the competition force of entire factory EPC Contracting; exert overall advantages, propel development of strategic customers, focus on enhancement of customer value, make effort to cultivate strategic customer relation featuring long-term stability and recognition of high price for high quality.

Regarding project management, the Group will continue to focus on effectiveness, propel effectiveness-oriented project management mode, and give prominence to the principle of effectiveness first in large project coordination and resources configuration management under the precondition of assurance of safety, quality and progress. In terms of overseas project management, regarding the complicated international situations at present, strengthen research of overseas project risk, and formulate effective and feasible program, so as to ensure the Company benefit to the maximum degree. Pay attention to establishment of foundation of overseas project implementation management, sufficiently exert integration advantages, gradually realize resources sharing, and enhance the overall capability of company project implementation.

Regarding technology R&D, the Group will focus on overall development strategy, liberate the mind, actively implement technology source survey, especially actively look for technical cooperation in innovative looking and cutting edge technologies and certain common technologies, and expand technology sources. Regarding projects of which technical basis is good, conditions are goods and industrialization prospect is clear, it is necessary to further strengthen support, so as to speed out obtainment of achievement and benefit.

In terms of resources optimization, the Group will exert the existing mature resources advantages of subsidiary companies, utilize the Group integration management mechanism, enhance subsidiary companies resources configuration efficiency, and realize resources optimization configuration. In accordance with the principle of resources optimization and mutual compensation of advantages, strengthening of business cooperation as well as establishment and execution of mutual compensation mechanism of work, accelerate promotion of progress and depth of resources optimization integration work in regions where conditions are available, enhance regional resources configuration efficiency, enhance regional comprehensive competition force, enhance overall composition of forces, reduce marginal cost and enhance overall efficiency.

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 profit or loss and comprehensive income of the Group for the indicated periods:

	Six-month periods ended 30 June				
	2018		2017		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB'000)	(%)	(RMB'000)	(%)	(%)
Revenue	18,335,880	100.0	13,764,426	100.0	33.2
Cost of sales	(16,414,394)	(89.5)	(11,551,042)	(83.9)	42.1
Gross profit	1,921,486	10.5	2,213,384	16.1	(13.2)
Other income	135,723	0.7	93,270	0.7	45.5
Selling and marketing expenses	(44,658)	(0.2)	(48,061)	(0.3)	(7.1)
Administrative expenses	(471,455)	(2.6)	(476,569)	(3.5)	(1.1)
Research and development costs	(452,868)	(2.5)	(376,819)	(2.7)	20.2
Other operating income/ (expenses)	64,691	0.4	(562,011)	(4.1)	N/A
Other (losses)/gains - net	(155,072)	(0.8)	411	0.0	N/A
Operating profit	997,847	5.4	843,605	6.1	18.3
Finance income	368,009	2.0	254,210	1.8	44.8
Finance expenses	(51,758)	(0.3)	(37,914)	(0.3)	36.5
Finance income - net	316,251	1.7	216,296	1.6	46.2
Share of losses of joint arrangements	(215)	(0.0)	(446)	(0.0)	(51.8)
Share of profits of associates	22,021	0.1	4,112	0.0	435.5
Profit before taxation	1,335,904	7.3	1,063,567	7.7	25.6
Income tax expense	(228,194)	(1.2)	(228,691)	(1.7)	(0.2)
Profit for the period	1,107,710	6.0	834,876	6.1	32.7
(Losses)/profits on revaluation of retirement benefit plans obligations	(90,690)	(0.5)	95,350	0.7	N/A
Exchange differences arising on translation of foreign operations	(29,680)	(0.2)	(79,661)	(0.6)	(62.7)
Total comprehensive income for the period	987,340	5.4	850,565	6.2	16.1

(1) Revenue

The revenue of the Group increased by 33.2% from RMB13.764 billion for the six months ended 30 June 2017 to RMB18.336 billion for the six months ended 30 June 2018. This is mainly due to the increase of income as a result that large EPC Contracting projects such as Kuwait Oil Refining Project and Sinopec Group and Anhui Province Joint Coalification Complex Project have entered peak execution period and Sinopec-KNPC Project has entered startup period.

(2) Cost of sales

The cost of sales of the Group increased by 42.1% from RMB11.551 billion for the six months ended 30 June 2017 to RMB16.414 billion for the six months ended 30 June 2018. This is mainly due to the increase in the sub-contracting cost and outsourcing costs of equipment and materials.

(3) Gross profit

The gross profit of the Group decreased by 13.2% from RMB2.213 billion for the six months ended 30 June 2017 to RMB1.921 billion for the six months ended 30 June 2018, gross profit margin decreased from 16.1% for the six months ended 30 June 2017 to 10.5% for the six months ended 30 June 2018. This is mainly due to the fact that large EPC Contracting projects of the Reporting Period are mainly at startup phase or execution peak period, while there were more accounting period projects in the same period of the last year.

(4) Other income

The other income of the Group increased by 45.5% from RMB93 million for the six months ended 30 June 2017 to RMB136 million for the six months ended 30 June 2018. This is mainly because of the exchange gain caused by the increase in the US dollar against RMB exchange rate during the Reporting Period.

(5) Selling and marketing expenses

The selling and marketing expenses of the Group were RMB45 million, remaining broadly stable on a period-on-period basis.

(6) Administrative expenses

The administrative expenses of the Group were RMB471 million, remaining broadly stable on a period-on-period basis.

(7) Research and development costs

The research and development costs of the Group increased by 20.2% from RMB377 million for the six months ended 30 June 2017 to RMB453 million for the six months ended 30 June 2018. The increase was mainly due to the Group's intensified investment in research and development.

(8) Other operating income/(expenses)

The other operating income of the Group increased from expenses of RMB562 million for the six months ended 30 June 2017 to income of RMB65 million for the six months ended 30 June 2018. This is mainly due to the facts that: First, the income was formed due to carry-back of withdrawal of reserve for depreciation in the Reporting Period. Second, the exchange loss was formed due to the depreciation of US dollar in the previous period.

(9) Other (losses)/gains - net

The net other (losses)/gains of the Group decreased from a gain of RMB411,000 for the six months ended 30 June 2017 to a loss of RMB155 million for the six months ended 30 June 2018. This is mainly caused by fair value loss formed due to future settlement of exchange in the Reporting Period.

(10) Operating profit

Due to the foregoing reasons, the operating profit of the Group increased by 18.3% from RMB844 million for the six months ended 30 June 2017 to RMB998 million for the six months ended 30 June 2018.

(11) Finance income - net

The net finance income of the Group increased by 46.2% from RMB216 million for the six months ended 30 June 2017 to RMB316 million for the six months ended 30 June 2018. This is mainly due to the increase of deposits and interest rates on a period-to-period basis.

(12) Income tax expense

The Group's income tax expense was RMB228 million, remaining broadly stable on a period-on-period basis. Effective income tax rate decreased from 21.5% to 17.1% on a period-on-period basis. Change of effective income tax rate is mainly due to the profit fluctuation of several domestic and overseas subsidiaries of the Company with different applicable effective income tax rates.

(13) Profit for the period

As a result of the reasons above, the profit of the Group increased by 32.7% from RMB835 million for the six months ended 30 June 2017 to RMB1.108 billion for the six months ended 30 June 2018.

(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 increased by 16.1% from RMB851 million for the six months ended 30 June 2017 to RMB987 million for the six months ended 30 June 2018.

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	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	(RMB'000)		(RMB'000)		(%)		(RMB'000)		(%)	
Engineering, consulting and licensing	1,402,857	1,098,525	462,903	441,220	33.0	40.2	221,565	193,395	15.8	17.6
EPC Contracting	10,185,271	7,440,155	894,712	1,313,384	8.8	17.7	529,925	479,351	5.2	6.4
Construction	7,874,211	6,033,732	542,757	447,723	6.9	7.4	208,309	137,850	2.6	2.3
Equipment manufacturing	307,259	283,991	21,114	11,057	6.9	3.9	8,158	2,554	2.7	0.9
Unallocated	N/A	N/A	N/A	N/A	N/A	N/A	29,890	30,455	N/A	N/A
Subtotal	19,769,598	14,856,403	1,921,486	2,213,384	N/A	N/A	997,847	843,605	N/A	N/A
Total after inter-segment elimination (3)	18,335,880	13,764,426	1,921,486	2,213,384	10.5(1)	16.1(1)	997,847	843,605	5.4(2)	6.1(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 Engineering Construction and Equipment Manufacturing segments to the EPC Contracting segment. Other information on inter-segment sales is set out in Note 7 to the financial statements contained in this report.

Engineering, Consulting and Licensing

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

	Six-month periods ended 30 June			
	2018		2017	
	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue
	(RMB'000)	(%)	(RMB'000)	(%)
Revenue	1,402,857	100.0	1,098,525	100.0
Cost of sales	(939,954)	(67.0)	(657,305)	(59.8)
Gross profit	462,903	33.0	441,220	40.2
Selling and marketing expenses	(5,288)	(0.4)	(5,074)	(0.5)
Administrative expenses	(36,890)	(2.6)	(40,630)	(3.7)
Research and development costs	(197,665)	(14.1)	(195,259)	(17.8)
Other income and expenses	(1,495)	(0.1)	(6,862)	(0.6)
Operating profit	221,565	15.8	193,395	17.6

(1) Revenue

The revenue generated from the Group's Engineering, Consulting and Licensing segment increased by 27.7% from RMB1.099 billion for the six months ended 30 June 2017 to RMB1.403 billion for the six months ended 30 June 2018. This is mainly due to of the increase in engineering business volume.

(2) Cost of sales

The cost of sales of the Group's Engineering, Consulting and Licensing segment increased by 43.0% from RMB657 million for the six months ended 30 June 2017 to RMB940 million for the six months ended 30 June 2018. This is mainly due to the increase in engineering business volume.

(3) Gross profit

The gross profit of the Group's Engineering, Consulting and Licensing segment increased by 4.9% from RMB441 million for the six months ended 30 June 2017 to RMB463 million for the six months ended 30 June 2018. This is mainly due to the increase in the revenue. The gross profit margin of the Group's Engineering, Consulting and Licensing segment decreased from 40.2% for the six months ended 30 June 2017 to 33.0% for the six months ended 30 June 2018, This is mainly because the increase of the cost of the Group's Engineering, Consulting and Licensing segment is higher than the increase of the revenue. The gross profit margin of the Group's Engineering Consulting and Licensing segment, on the other hand, maintained a relatively high level.

(4) Selling and marketing expenses

The selling and marketing expenses of the Group's Engineering, Consulting and Licensing segment were RMB5 million, remaining broadly stable on a period-on-period basis.

(5) Administrative expenses

The administrative expenses of the Group's Engineering, Consulting and Licensing segment decreased by 9.2% from RMB41 million for the six months ended 30 June 2017 to RMB37 million for the six months ended 30 June 2018.

(6) Research and development costs

The research and development costs of the Group's Engineering, Consulting and Licensing segment were RMB198 million, remaining broadly stable on a period-on-period basis.

(7) Operating profit

Due to the above reasons, the operating profit of the Group's Engineering, Consulting and Licensing segment increased by 14.6% from RMB193 million for the six months ended 30 June 2017 to RMB222 million for the six months ended 30 June 2018.

EPC Contracting

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

	Six-month periods ended 30 June			
	2018		2017	
	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue
	(RMB'000)	(%)	(RMB'000)	(%)
Revenue	10,185,271	100.0	7,440,155	100.0
Cost of sales	(9,290,559)	(91.2)	(6,126,771)	(82.3)
Gross profit	894,712	8.8	1,313,384	17.7
Selling and marketing expenses	(22,052)	(0.2)	(24,099)	(0.3)
Administrative expenses	(233,219)	(2.3)	(234,297)	(3.1)
Research and development costs	(141,216)	(1.4)	(139,303)	(1.9)
Other income and expenses	31,701	0.3	(436,334)	(5.9)
Operating profit	529,925	5.2	479,351	6.4

(1) Revenue

The revenue generated from the Group's EPC Contracting segment increased by 36.9% from RMB7.440 billion for the six months ended 30 June 2017 to RMB10.185 billion for the six months ended 30 June 2018. This is mainly due to the period-on-period increase of income as a result that large EPC Contracting projects such as Kuwait Oil Refining Project and Sinopec Group and Anhui Province Joint Coalification Complex Project have entered peak execution period and Sinopec-KNPC Project has entered startup period.

(2) Cost of sales

The cost of sales of the Group's EPC Contracting segment increased by 51.6% from RMB6.127 billion for the six months ended 30 June 2017 to RMB9.291 billion for the six months ended 30 June 2018. This is mainly due to the increase in the sub-contracting costs and outsourcing costs of equipment and materials.

(3) Gross profit

The gross profit of the Group's EPC Contracting segment decreased by 31.9% from RMB1.313 billion for the six months ended 30 June 2017 to RMB895 million for the six months ended 30 June 2018, the gross profit margin decreased from 17.7% for the six months ended 30 June 2017 to 8.8% for the six months ended 30 June 2018. This is mainly due to the fact that large EPC Contracting projects of the Reporting Period are mainly at startup phase or execution peak period, while there were more accounting period projects in the previous period.

(4) Selling and marketing expenses

The selling and marketing expenses of the Group's EPC Contracting segment were RMB22 million, remaining broadly stable on a period-on-period basis.

(5) Administrative expenses

The administrative expenses of the Group's EPC Contracting segment were RMB233 million, remaining broadly stable on a period-on-period basis.

(6) Research and development costs

The research and development costs of the Group's EPC Contracting segment were RMB141 million, remaining broadly stable on a period-on-period basis.

(7) Operating profit

Due to the above reasons, and taking into account of the impact of the exchange gain, carry-back of withdrawal of reserve for depreciation and etc., the operating profit of the Group' EPC Contracting segment increased by 10.6% from RMB479 million for the six months ended 30 June 2017 to RMB530 million for the six months ended 30 June 2018.

Construction

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

	Six-month periods ended 30 June			
	2018		2017	
	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue
	(RMB'000)	(%)	(RMB'000)	(%)
Revenue	7,874,211	100.0	6,033,732	100.0
Cost of sales	(7,331,454)	(93.1)	(5,586,009)	(92.6)
Gross profit	542,757	6.9	447,723	7.4
Selling and marketing expenses	(15,614)	(0.2)	(17,068)	(0.3)
Administrative expenses	(195,318)	(2.5)	(195,473)	(3.2)
Research and development costs	(113,986)	(1.4)	(41,656)	(0.7)
Other income and expenses	(9,530)	(0.1)	(55,676)	(0.9)
Operating profit	208,309	2.6	137,850	2.3

(1) Revenue

The revenue generated from the Group's Construction segment increased by 30.5% from RMB6.034 billion for the six months ended 30 June 2017 to RMB7.874 billion for the six months ended 30 June 2018. This is mainly due to the increase in construction business volume.

(2) Cost of sales

The cost of sales of the Group's Construction segment increased by 31.2% from RMB5.586 billion for the six months ended 30 June 2017 to RMB7.331 billion for the six months ended 30 June 2018. This is mainly due to the increase in construction business volume.

(3) Gross profit

The gross profit of the Group's Construction segment increased by 21.2% from RMB448 million for the six months ended 30 June 2017 to RMB543 million for the six months ended 30 June 2018. This was mainly due to the increase in revenue. The gross profit margin decreased from 7.4% for the six months ended 30 June 2017 to 6.9% for the six months ended 30 June 2018. This is mainly because some construction projects entered into the end period of settlement and they had a higher gross profit margin in the previous period.

(4) Selling and marketing expenses

The selling and marketing expenses of the Group's Construction segment were RMB16 million, remaining broadly stable on a period-on-period basis.

(5) Administrative expenses

The administrative expense of the Group's Construction segment was RMB195 million, remaining broadly stable on a period-on-period basis.

(6) Research and development costs

The research and development costs of the Group's Construction segment increased by 173.6% from RMB42 million for the six months ended 30 June 2017 to RMB114 million for the six months ended 30 June 2018. The increase was mainly due to the Group's intensified investment in research and development on construction technologies.

(7) Operating profit

Due to the above reasons, the operating profit of the Construction segment of the Group increased by 51.1% from RMB138 million for the six months ended 30 June 2017 to RMB208 million for the six months ended 30 June 2018.

Equipment Manufacturing

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

	Six-month periods ended 30 June			
	2018		2017	
	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue
	(RMB'000)	(%)	(RMB'000)	(%)
Revenue	307,259	100.0	283,991	100.0
Cost of sales	(286,145)	(93.1)	(272,934)	(96.1)
Gross profit	21,114	6.9	11,057	3.9
Selling and marketing expenses	(1,704)	(0.6)	(1,820)	(0.6)
Administrative expenses	(6,028)	(2.0)	(6,169)	(2.2)
Research and development costs	0	0.0	(601)	(0.2)
Other income and expenses	(5,224)	(1.7)	87	0.0
Operating profit	8,158	2.7	2,554	0.9

(1) Revenue

The revenue generated from the Group's Equipment Manufacturing segment increased by 8.2% from RMB284 million for the six months ended 30 June 2017 to RMB307 million for the six months ended 30 June 2018. This is mainly due to the increase in equipment manufacturing business volume.

(2) Cost of sales

The cost of sales of the Group's Equipment Manufacturing segment increased by 4.8% from RMB273 million for the six months ended 30 June 2017 to RMB286 million for the six months ended 30 June 2018. This is mainly due to the increase in equipment manufacturing business volume.

(3) Gross profit

The gross profit of the Group's Equipment Manufacturing segment increased by 91.0% from RMB11 million for the six months ended 30 June 2017 to RMB21 million for the six months ended 30 June 2018, mainly due to the increase in revenue. The gross profit margin increased from 3.9% for the six months ended 30 June 2017 to 6.9% for the six months ended 30 June 2018, mainly due to the increase of margin profit as a result of the increase of income.

(4) Selling and marketing expenses

The selling and marketing expenses of the Group's Equipment Manufacturing segment were RMB2 million, remaining broadly stable on a period-on-period basis.

(5) Administrative expenses

The administrative expenses of the Group's Equipment Manufacturing segment were RMB6 million, remaining broadly stable on a period-on-period basis.

(6) Operating profit

Due to the above reasons, the operating profit of the Group's Equipment Manufacturing segment increased by 219.4% from RMB3 million for the six months ended 30 June 2017 to RMB8 million for the six months ended 30 June 2018.

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				
	2018		2017		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB'000)	(%)	(RMB'000)	(%)	(%)
Oil refining	6,931,713	37.8	5,666,804	41.2	22.3
Petrochemicals	5,202,464	28.4	3,745,907	27.2	38.9
New coal chemicals	4,159,805	22.7	2,243,797	16.3	85.4
Other industries	2,041,898	11.1	2,107,918	15.3	(3.1)
Subtotal	18,335,880	100.0	13,764,426	100.0	33.2

As illustrated by the above revenue generated from different industries, during the Reporting Period, since large EPC Contracting projects such as Kuwait Oil Refining Project and Sinopec Group and Anhui Province Joint Coalification Complex Project have entered peak execution period, and Sinopec-KNPC Project has been started, the income generated from oil refining, chemical and coal chemical industries have grown substantially. The revenue generated from the oil refining industry was RMB6.932 billion, representing an increase of 22.3% on a period-on-period basis. The revenue generated from the petrochemical industry was RMB5.202 billion, representing an increase of 38.9% on a period-on-period basis. The revenue generated from new coal chemical industry was RMB4.160 billion, representing an increase of 85.4% on a period-on-period basis. The revenue generated from other industries was RMB2.042 billion, remaining broadly stable 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				
	2018		2017		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB'000)	(%)	(RMB'000)	(%)	(%)
PRC	12,101,546	66.0	7,760,921	56.4	55.9
Overseas	6,234,334	34.0	6,003,505	43.6	3.8
Subtotal	18,335,880	100.0	13,764,426	100.0	33.2

During the Reporting Period, the revenue of the Group generated in the PRC was RMB12.102 billion, representing an increase of 55.9% on a period-on-period basis. The revenue of the Group generated overseas was RMB6.234 billion, remaining broadly stable on a period-on-period basis.

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

	Six-month periods ended 30 June				
	2018		2017		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB'000)	(%)	(RMB'000)	(%)	(%)
Sinopec Group and its associates	6,980,315	38.1	4,564,714	33.2	52.9
Non-Sinopec Group and its associates	11,355,565	61.9	9,199,712	66.8	23.4
Subtotal	18,335,880	100.0	13,764,426	100.0	33.2

During the Reporting Period, the revenue generated from Sinopec Group and its associates and the revenue generated from non-Sinopec Group and its associates increased significantly on a period-on-period basis. Among which, the revenue generated from Sinopec Group and its associates was RMB6.980 billion, representing an increase of 52.9% on a period-on-period basis; the revenue generated from non-Sinopec Group and its associates was RMB11.356 billion, representing an increase of 23.4% 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 2018	As at 31 December 2017	Change
	(RMB'000)	(RMB'000)	(%)
Engineering, consulting and licensing	8,463,133	7,838,104	8.0
EPC Contracting	85,012,968	67,712,961	25.5
Construction	13,950,198	14,896,489	(6.4)
Equipment manufacturing	749,583	580,390	29.2
Total	108,175,882	91,027,944	18.8

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 2018	As at 31 December 2017	Change
	(RMB'000)	(RMB'000)	(%)
Oil refining	37,170,527	32,541,555	14.2
Petrochemicals	35,447,897	24,224,871	46.3
New coal chemicals	14,865,092	15,386,301	(3.4)
Other industries	20,692,366	18,875,217	9.6
Total	108,175,882	91,027,944	18.8

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

	As at 30 June 2018	As at 31 December 2017	Change
	(RMB'000)	(RMB'000)	(%)
PRC	82,867,861	62,728,624	32.1
Overseas	25,308,021	28,299,320	(10.6)
Total	108,175,882	91,027,944	18.8

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 2018	As at 31 December 2017	Change
	(RMB'000)	(RMB'000)	(%)
Sinopec Group and its associates	56,990,460	37,667,990	51.3
Non-Sinopec Group and its associates	51,185,422	53,359,954	(4.1)
Total	108,175,882	91,027,944	18.8

As at the end of the Reporting Period, the Group's backlog was RMB108.176 billion, representing an increase of 18.8% from that as at 31 December 2017, and 2.99 times of the total revenue of RMB36.209 billion in 2017.

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
	2018	2017	
	(RMB'000)		(%)
Engineering, consulting and licensing	2,027,886	2,554,893	(20.6)
EPC Contracting	27,485,278	8,979,109	206.1
Construction	5,511,131	5,938,842	(7.2)
Equipment manufacturing	459,523	296,495	55.0
Total	35,483,818	17,769,339	99.7

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
	2018	2017	
	(RMB'000)		(%)
Oil refining	11,560,684	3,977,285	190.7
Petrochemicals	16,425,490	9,901,618	65.9
New coal chemicals	3,638,597	988,737	268.0
Other industries	3,859,047	2,901,699	33.0
Total	35,483,818	17,769,339	99.7

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
	2018	2017	
	(RMB'000)		(%)
PRC	32,240,784	16,486,397	95.6
Overseas	3,243,034	1,282,942	152.8
Total	35,483,818	17,769,339	99.7

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
	2018	2017	
	(RMB'000)		(%)
Sinopec Group and its associates	25,729,283	6,453,711	298.7
Non-Sinopec Group and its associates	9,754,535	11,315,628	(13.8)
Total	35,483,818	17,769,339	99.7

During the Reporting Period, the value of the Group's new contracts was RMB35.484 billion, representing an increase of 99.7% from RMB17.769 billion in the same period in 2017, mainly because Sinopec Group started to build "four world-class refining bases" and the signing of Sinopec-KNPC Project and Sinopec Sabic Project during the Reporting Period.

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 2018	As at 31 December 2017	Changes
Total assets	61,155,035	59,405,621	1,749,414
Current assets	53,859,793	51,864,822	1,994,971
Non-current assets	7,295,242	7,540,799	(245,557)
Total liabilities	35,214,322	33,814,616	1,399,706
Current liabilities	32,384,591	31,015,076	1,369,515
Non-current liabilities	2,829,731	2,799,540	30,191
Net assets	25,940,713	25,591,005	349,708
Consolidated equity attributable to equity holders of the Company	25,936,402	25,586,839	349,563
Share capital	4,428,000	4,428,000	0
Reserves	21,508,402	21,158,839	349,563
Non-controlling interests	4,311	4,166	145

As at the end of the Reporting Period, the total assets of the Group were RMB61.155 billion, the total liabilities were RMB35.214 billion, the minority interests were RMB4 million, and the equity attributable to the equity holders of the Company was RMB25.936 billion. The changes in the assets and liabilities as compared with those as at the end of 2017 and the main reasons are as follows:

As at the end of the Reporting Period, the total assets were RMB61.155 billion, increased by RMB1.749 billion as compared with that as at the end of 2017. In particular, the current assets were RMB53.860 billion, increased by RMB1.995 billion as compared with that as at the end of 2017, mainly attributable to an increase of RMB1.655 billion for prepayments and other receivables, an increase of RMB1.000 billion for loans due from the ultimate holding company receivables, an increase of RMB455 million for contractual assets, an increase of RMB394 million for notes and trade receivables, and a decrease of RMB311 million for cash and cash equivalents, the fixed deposits with financial institutions decreased by RMB1.294 billion; the non-current assets were RMB7.295 billion, decreased by RMB246 million as compared with that as at the end of 2017, 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 RMB35.214 billion, increased by RMB1.400 billion as compared with that as at the end of 2017. In particular, the current liabilities were RMB32.385 billion, increased by RMB1.370 billion as compared with that as at the end of 2017, mainly due to the contractual liabilities and other payables increased by RMB1.506 billion, dividends payable increased by RMB638 million, loans due to the fellow subsidiaries increased by RMB138 million, derivative financial liabilities increased by RMB157 million, notes and trade payables decreased by RMB1.002 billion. The non-current liabilities were RMB2.830 billion, increased by RMB30 million as compared with that as at the end of 2017, mainly due to the increase of RMB41 million in retirement and other supplemental benefit obligations.

The total equity attributable to equity holders of the Company was RMB25.936 billion, increased by RMB350 million as compared with that as at the end of 2017, 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 RMB435 million and net cash used in operating activities was RMB1.033 billion. 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 2018 and for the six months ended 30 June 2017.

Units: RMB'000

Major items of cash flow	Six-month periods ended 30 June	
	2018	2017
Net cash used in operating activities	(1,032,823)	(736,076)
Net cash generated from/(used in) investing activities	470,865	(1,739,874)
Net cash generated from financing activities	127,235	243,641
Net increase in cash and cash equivalents	(434,723)	(2,232,309)

During the Reporting Period, the profit before taxation was RMB1.336 billion, and the profit was RMB1.276 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 RMB365 million, exchange gains amounted to RMB156 million, carry-back of withdrawal of reserve for depreciation of trade and other receivables was RMB85 million, net interest income and expenditure was RMB316 million, loss from fair value changes of RMB157 million. The changes in working capital, which caused a cash outflow of RMB2.153 billion in operating activities, were mainly shown in: increased inventory balance, causing the cash outflow from operating activities of RMB97 million; increased trade and other receivables balance, causing the cash outflow from operating activities of RMB1.943 million; trade and other payables balance was decreased, causing the cash outflow from operating activities of RMB1.437 billion; contractual assets was increased, causing the cash outflow from operating activities of RMB455 million; and contractual liabilities was increased, causing cash inflow to operating activities of RMB1.777 billion.

After adjusting non-cash items, receivables and payables for the profit before taxation, and decrease in outflow of paid income tax by RMB274 million in cash, increase in inflow of received interest by RMB118 million in cash, the net cash used in operating activities was RMB1.033 billion.

Net cash generated from investing activities was RMB471 million, mainly because the fixed deposits collected from the holding company increased by RMB1.294 billion, the borrowings to the holding company decreased by RMB1.000 billion, and the interests generated from the borrowings from the Company increased by RMB265 million.

Net cash generated from financing activities was RMB127 million, mainly attributable to the increase in borrowing.

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 control the use of working capital in operating activities; the Group will also continue to effectively manage the investment risk, expand the scale of investment and increase the return on investment.

(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	
	2018	2017
Net profit margin (%)	6.0	6.1
Return on assets (%) [1]	1.8	1.4
Return on equity (%) [2]	4.3	3.2
Return on invested capital (%) [3]	4.3	3.3

Main financial ratios	As at 30 June 2018	As at 31 December 2017
Gearing ratio (%) [4]	2.1	1.7
Net debt to equity ratio (%) [5]	Net cash	Net cash
Current ratio (%) [6]	1.7	1.7
Quick ratio (%) [7]	1.6	1.7

(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 increased to 1.8% from 1.4% in the same period of the previous year, mainly due to the increase in net profit during the Reporting Period.

Return on equity

The Group's return on equity increased to 4.3% from 3.2% for the same period in 2017, mainly due to the increase in net profit during the Reporting Period.

Return on invested capital

The Group's return on invested capital decreased to 4.3% from 3.3% for the same period in 2017 for the same reasons as the increase in return on equity.

Gearing ratio

The Group's gearing ratio increased from 1.7% at the end of 2017 to 2.1%, mainly due to the increase in interest-bearing borrowings at the end of the Reporting Period.

Net debt to equity ratio

The Group maintained positive net cash as at 30 June 2018 and as at 31 December 2017.

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 1.6, remaining stable on a period-on-period basis.

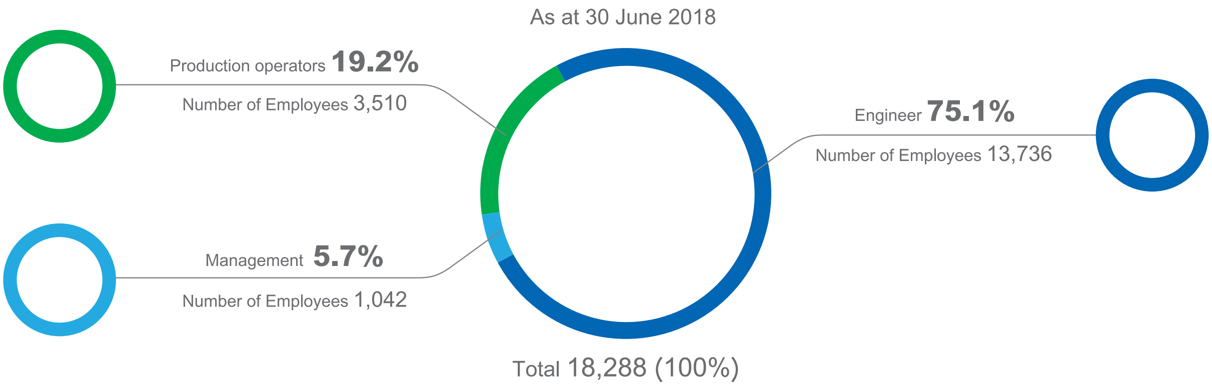
6 Foreign exchange risk

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.

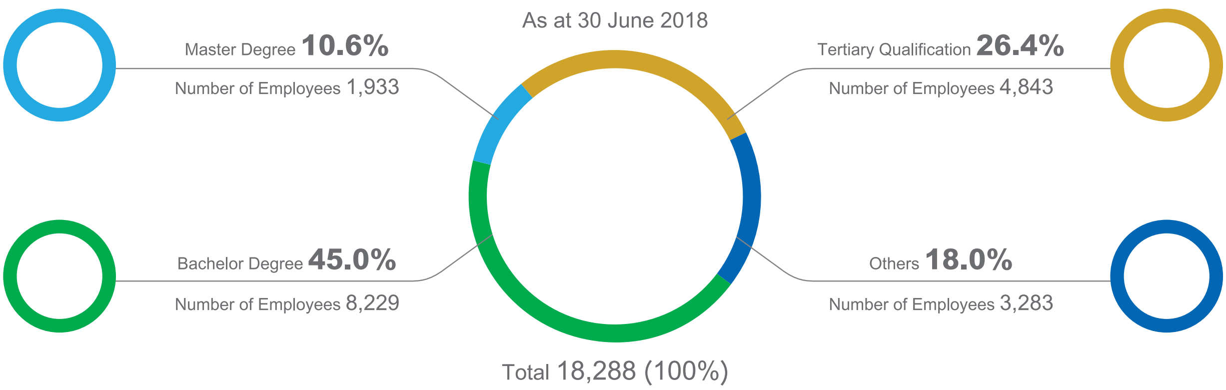
7 Employees and remuneration policy

As at the end of the Reporting Period, the Group had a total of 18,288 employees.

The following list is a categorisation of employee details in different business sectors as at 30 June 2018.



The following list is a categorisation of employee details in accordance with education level as at 30 June 2018.



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 2018 and the six months ended 30 June 2017, the employment costs of the Group were approximately RMB2.312 billion and RMB2.125 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 H Shares appreciation rights incentive scheme

For the details of H Shares appreciation rights scheme of the Company, please refer to the announcement entitled "The Proposed Initial Terms of H Share Appreciation Rights Scheme" published by the Company on 21 August 2017, the circular of the second extraordinary general meeting of the Company for the year 2017 published on 3 November 2017, the "Announcement in Relation to the Approval of the Proposed Initial Terms of H-Share Appreciation Rights Scheme by State-owned Assets Supervision and Administration Commission of the State Council ("SASAC")" published on 12 December 2017, and the "Announcement of Resolutions Passed at the Second Extraordinary General Meeting for the Year 2017" and the announcement entitled "Grant of H Share Appreciation Rights" published on 20 December 2017.

On 20 December 2017, the Company granted 13,143,000 units H Shares appreciation rights (representing 0.30% of the total issued shares of the Company and 0.90% of the total issued H shares of the Company as at the date of the announcement) to 89 incentive recipients, accounting for approximately 0.5% of the total number of contracted employees as at the date of the announcement, including the Directors (other than the independent non-executive Directors), the Company's senior management members (including presidents, vice presidents and chief financial officer) and the core management, technical and highly skilled personnel of the Company's subsidiaries. The exercise price of each H Shares appreciation right granted under the initial grant is HK$6.35.

As reviewed and approved at the 2017 annual general meeting convened on 8 May 2018, the final cash dividend of RMB0.144 (inclusive of applicable tax) per share was paid by the Company. As at the date of this interim report, the distribution of the final dividends of 2017 has been completed. According to Article 28 of "The H Share Appreciation Rights Scheme and the Initial Grant" in Appendix 1 to the circular of the second extraordinary general meeting of the Company for the year 2017 published on 3 November 2017, the Company may adjust the exercise price of the stock appreciate rights in the event of distribution of dividends, then the exercise price of after adjustment will be equal to the exercise price before adjustment minus the amount of dividends distributed per share. In this regard, the exercise price of each stock appreciation rights granted by the Company for the first time will be adjusted to HKD6.178 per share.

During the Reporting Period, save as the above adjustment to the exercise price, there is no other cases that involve the adjustments to the effectiveness, number of shares and the exercise price of the H Shares appreciation rights scheme. For the details of the Company's H Shares appreciation rights scheme, please refer to Note 38 of the consolidated financial statements in this interim report.

3 The dividend distribution plan for the six-month period ended 30 June 2018

The tenth meeting of the second session of the Board approved the dividend distribution plan for the six months ended 30 June 2018. An interim cash dividend of RMB0.100 (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 2018. Since shareholders of the Company have authorised the Board to decide the interim profit distribution plan of 2018 by ordinary resolution in 2017 annual general meeting held on 8 May 2018, 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 week prior to the date of declaration of the dividend.

In accordance with the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) 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 and Shenzhen 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 China Securities Depository and Clearing Corporation Limited, pursuant to which, 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)) and the "Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect" (Caishui [2016] No. 127) (《關於深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》([2016]127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 and Shenzhen-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 and Shenzhen-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.

4 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 RMB7.859 billion. In particular, the expenses amounted to RMB562 million and the revenue amounted to RMB7.297 billion (including RMB7.011 billion from the sale of products and services and RMB286 million from interest income).

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 RMB557 million, which was within the annual cap. The engineering and construction services (preliminary consulting, technology licensing, engineering design, EPC Contracting, construction and equipment manufacturing, etc.) provided by the Group to Sinopec Group amounted to RMB6.928 billion, which was within the annual cap.

During the Reporting Period, the service 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 RMB5.958 billion, which was within the annual cap. The maximum daily balance of entrustment loans was RMB17.000 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 RMB80 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 RMB3 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 RMB1 million, which was within the annual cap.

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

For more information on the transactions related to the major related parties (including the connected transactions above) during the Reporting Period, please refer to Note 42 of the consolidated financial statements prepared in accordance with the IFRS in this interim report.

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 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 and the shareholders of the Company as a whole.

5 Material Litigation or Arbitration Events

The Company is currently involved in legal proceedings 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.

6 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.

7 Repurchase, Sale and Redemption of Shares

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

8 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.

9 Use of IPO Proceeds

During the Reporting Period, the Group's total amount of proceeds used was RMB44 million, mainly for equity acquisitions, which is in consistent with the use of proceeds previously disclosed. For the details of the use of IPO proceeds, please refer to the Company's announcement dated 13 December 2013. During the Reporting Period, there was no change to the use of IPO proceeds. As at the end of the Reporting Period, the Group's total amount of proceeds used was RMB3.298 billion, and the remaining net balance of IPO proceeds was approximately HKD9.257 billion.

10 Assets Transactions

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

11 Insolvency and Restructuring

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

12 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.

13 Significant Acquisitions and Disposal

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

14 Financial Derivatives for Hedging Purposes

On 8 February 2018, the Eleventh Meeting of the Second Session of the Board reviewed and approved the resolution in relation to the 2018 annual business plan for financial derivatives. For more details, please refer to the announcement published by the Company on 8 February 2018. In accordance with the 2018 annual business plan for financial derivatives, the group carried out foreign exchange derivative trading business during the Reporting Period, and the total amount of unsettled future contracts as at 30 June 2018 amounted to USD590 million (about RMB3.904 billion) approximately.

15 Pledged Assets

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

16 Debt

The Group had USD86 million (about RMB569 million) loans to the fellow subsidiaries as at the end of the Reporting Period.

17 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 22 years of experience in auditing, internal control and consultancy.

18 Other Important Matters

During the Reporting Period, none of the Company, the Board and the Directors was subject to any administrative means or sanctions 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 2018, 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	55	Chairman of the Board and Non-executive Director	February 2017 - October 2018
LU Dong	Male	55	Vice Chairman of the Board and Executive Director	October 2015 - October 2018
XIANG Wenwu	Male	52	Executive Director and President	February 2017 - October 2018
LI Guoqing	Male	60	Non-executive Director	October 2015 - October 2018
SUN Lili	Female	56	Executive Director	October 2015 - October 2018
WU Derong	Male	57	Executive Director	October 2015 - October 2018
HUI Chiu Chung, Stephen	Male	71	Independent non-executive Director	October 2015 - October 2018
JIN Yong	Male	82	Independent non-executive Director	October 2015 - October 2018
YE Zheng	Male	53	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	53	Chairman, Supervisory Committee	October 2015 - October 2018
ZHOU Yingguan	Male	49	Supervisor	October 2015 - October 2018
WANG Guoliang	Male	58	Supervisor	October 2015 - October 2018
WANG Cunting	Male	51	Supervisor	October 2015 - October 2018
JIANG Dejun	Male	52	Employee Representative Supervisor	October 2015 - October 2018
XU Yijun	Male	54	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	52	President and Executive Director	January 2017
XIAO Gang	Male	59	Vice President	August 2012
GUAN Qingjie	Male	59	Chairman of Staff Union	August 2012
QI Guosheng	Male	57	Vice President	November 2014
JIA Yiqun	Male	50	Chief Financial Officer	August 2012
SANG Jinghua	Male	50	Vice President Secretary to the Board Company Secretary	May 2014 August 2012 December 2012
SUN Xiaobo	Male	57	Vice President	May 2014

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

During the Reporting Period, to the best knowledge of 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 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 71 to 151, which comprise the consolidated statement of financial position as at 30 June 2018, 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 2018, 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 3.23 and 3.24 to the consolidated interim financial statements for the related accounting policies. The Group recognised revenue of RMB18,335,880,000 for the six months ended 30 June 2018, of which RMB16,642,693,000 is related to construction contracts and RMB6,508,226,000 is related to contract assets. 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 measured based on direct measurements of surveys of work performed. 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 work performed to date as a percentage of completion of the related contracts.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of financial assets	
Refer to notes 5(c) and 21 to the consolidated interim financial statements and note 3.11 and note 4.1 to the consolidated interim financial statements for related accounting policy. Assessing expected credit losses of financial assets is a subjective area as it requires the management's judgement and uses of estimates. We have identified impairment assessment of financial assets as a key audit matter.	Our procedures in relation to management's impairment assessment on financial assets included: – assessing and testing the related internal controls and credit risk grading frame work of impairment assessment of financial assets 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 financial assets 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 180 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 skepticism 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

21 August 2018

Shaw Chi Kit

Practising Certificate No.: P04834

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Six months ended 30 June	
		2018	2017
		RMB'000	RMB'000
Revenue	6	18,335,880	13,764,426
Cost of sales		(16,414,394)	(11,551,042)
Gross profit		1,921,486	2,213,384
Other income	8	135,723	93,270
Selling and marketing expenses		(44,658)	(48,061)
Administrative expenses		(471,455)	(476,569)
Research and development costs		(452,868)	(376,819)
Other operating income/(expenses)		64,691	(562,011)
Other (losses)/gains - net	9	(155,072)	411
Operating profit		997,847	843,605
Finance income	10	368,009	254,210
Finance expenses	10	(51,758)	(37,914)
Finance income - net		316,251	216,296
Share of losses of joint arrangements	19(a)	(215)	(446)
Share of profits of associates	19(b)	22,021	4,112
Profit before taxation	11	1,335,904	1,063,567
Income tax expense	12	(228,194)	(228,691)
Profit for the period		1,107,710	834,876

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

	Note	Six months ended 30 June	
		2018	2017
		RMB'000	RMB'000
Other comprehensive (expense)/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		(29,680)	(79,661)
Item that will not be reclassified subsequently to profit or loss:			
(Losses)/profits on revaluation of retirement benefit plans obligations		(90,690)	95,350
Other comprehensive (expense)/income for the period, net of tax		(120,370)	15,689
Total comprehensive income for the period		987,340	850,565
Profit attributable to:			
Equity holders of the Company		1,107,565	834,875
Non-controlling interests		145	1
Profit for the period		1,107,710	834,876
Total comprehensive income attributable to:			
Equity holders of the Company		987,195	850,564
Non-controlling interests		145	1
Total comprehensive income for the period		987,340	850,565
		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	0.25	0.19

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2018	As at 31 December 2017
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	3,661,733	3,855,852
Land use rights	17	2,550,167	2,580,781
Intangible assets	18	187,710	223,440
Investment in joint arrangements	19(a)	1,697	3,221
Investment in associates	19(b)	145,809	123,788
Available-for-sale financial assets	20	—	2,750
Financial assets at fair value through other comprehensive income	20	680	—
Deferred income tax assets	35	747,446	750,967
Total non-current assets		7,295,242	7,540,799
Current assets			
Inventories	24	679,346	582,257
Notes and trade receivables	21	10,070,855	9,676,444
Prepayments and other receivables	22	5,625,668	3,970,334
Amount due from customers for contract work	23	—	6,053,340
Contract assets	23	6,508,226	—
Loans due from the ultimate holding company	25	16,500,000	15,500,000
Restricted cash	26	14,860	16,087
Time deposits	27	3,111,470	4,405,700
Cash and cash equivalents	28	11,349,368	11,660,660
Total current assets		53,859,793	51,864,822
Total assets		61,155,035	59,405,621

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Note	As at 30 June 2018	As at 31 December 2017
		RMB'000	RMB'000
EQUITY			
Share capital	29	4,428,000	4,428,000
Reserves	30	21,508,402	21,158,839
Consolidated equity attributable to equity holders of the Company		25,936,402	25,586,839
Non-controlling interests		4,311	4,166
Total equity		25,940,713	25,591,005
LIABILITIES			
Non-current liabilities			
Retirement and other supplemental benefit obligations	31	2,577,604	2,536,615
Provision for litigation claims	32	252,127	262,925
Total non-current liabilities		2,829,731	2,799,540
Current liabilities			
Notes and trade payables	33	13,018,264	14,020,233
Other payables	34	937,791	6,860,590
Dividend payables		637,632	—
Amount due to customers for contract work	23	—	9,493,684
Contract liabilities	23	16,922,984	—
Loans due to a fellow subsidiary	36	569,028	431,257
Derivative financial liabilities	37	157,195	—
Current income tax liabilities		141,769	209,312
Total current liabilities		32,384,591	31,015,076
Total liabilities		35,214,322	33,814,616
Total equity and liabilities		61,155,035	59,405,621
Net current assets		21,475,202	20,849,746
Total assets less current liabilities		28,770,444	28,390,545

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company								
	Share capital	Capital reserve	Statutory surplus reserve	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 2018	4,428,000	10,092,369	872,994	164,393	(46,088)	10,075,171	25,586,839	4,166	25,291,005
Profit for the period	—	—	—	—	—	1,107,565	1,107,565	145	1,107,710
Other comprehensive income:									
Defined benefits obligation revaluation of actuarial gain and loss - gross	—	—	—	—	—	(108,606)	(108,606)	—	(108,606)
Defined benefits obligation revaluation of actuarial gain and loss - tax	—	—	—	—	—	17,916	17,916	—	17,916
Exchange differences arising on translation of foreign operations	—	—	—	—	(29,680)	—	(29,680)	—	(29,680)
Total comprehensive income	—	—	—	—	(29,680)	1,016,875	987,195	—	987,340
Transactions with owners:									
Final dividends for 2017	—	—	—	—	—	(637,632)	(637,632)	—	(637,632)
Appropriation of specific reserve	—	—	—	30,958	—	(30,958)	—	—	—
Utilisation of specific reserve	—	—	—	(27,912)	—	27,912	—	—	—
Total transactions with owners	—	—	—	3,046	—	(640,678)	(637,632)	—	(637,632)
At 30 June 2018	4,428,000	10,092,369	872,994	167,439	(75,768)	10,451,368	25,936,402	4,311	25,940,713

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

	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
Balance at 1 January 2017 (as previously reported)	4,428,000	10,119,313	729,018	159,846	73,022	9,688,809	25,198,008	3,908	25,201,916
Business combination under common control (Note 2)	—	50,055	1,133	—	—	12,005	63,193	—	63,193
Balance at 1 January 2017 (restated)	4,428,000	10,169,368	730,151	159,846	73,022	9,700,814	25,261,201	3,908	25,265,109
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	10,169,368	730,151	166,734	(6,639)	10,278,767	25,766,381	3,909	25,770,290

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended 30 June	
		2018	2017
		RMB'000	RMB'000
Cash flows from operating activities			
Cash used in operations	40	(876,841)	(346,296)
Income tax paid		(273,884)	(448,998)
Interest received		117,902	59,218
Net cash used in operating activities		(1,032,823)	(736,076)
Cash flows from investing activities			
Purchase of property, plant and equipment		(44,049)	(110,671)
Purchase of intangible assets		(3,213)	(3,917)
Acquisition of a subsidiary		(44,100)	—
Interest income on the loans to the ultimate holding company		265,113	194,992
Proceeds from disposal of property, plant and equipment		938	2,000
Proceeds from disposal of financial assets at fair value through other comprehensive income		1,946	—
Dividends received from an associate		—	27,800
Net decrease/(increase) in time deposits		1,294,230	(1,450,078)
Loans to the ultimate holding company		(5,000,000)	(4,000,000)
Repayments of loans from the ultimate holding company		4,000,000	3,600,000
Net cash generated from/(used in) investing activities		470,865	(1,739,874)
Cash flows from financing activities			
Borrowings from a fellow subsidiary		130,684	379,198
Repayments of borrowings from a fellow subsidiary		—	(135,320)
Interest paid		(3,449)	(237)
Net cash generated from financing activities		127,235	243,641
Net decrease in cash and cash equivalents		(434,723)	(2,232,309)
Cash and cash equivalents at beginning of period		11,660,660	11,861,946
Exchange gains/(losses) on cash and cash equivalents		123,431	(360,920)
Cash and cash equivalents at end of period	28	11,349,368	9,268,717

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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 No. 8 Building, Shenggujiayuan, Shenggu Middled Road, 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 21 August 2018.

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 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 financial assets at fair value through other comprehensive income and derivative financial liabilities, 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.

2. Basis of Preparation (Continued)

On 18 August 2017, the Group entered into an equity transfer agreement (the "Agreement") with a fellow subsidiary of the Group, China Petrochemical Consulting Company Limited (previously named as Sinopec Consulting Co., Ltd.). Pursuant to the Agreement, the Group agreed to purchase, and China Petrochemical Consulting Company Limited agreed to sell, the entire equity interest in Sinopec Energy-Saving Technology Service Co., Ltd. ("Sinopec Energy-Saving Company") for a cash consideration of RMB90,000,000, of which RMB45,900,000 has been paid in 2017 and the remaining consideration RMB44,100,000 is included in the amounts due to fellow subsidiaries as at 31 December 2017 and it has been settled in January 2018. The acquisition was completed on 30 September 2017, and Sinopec Energy-Saving Company, which its principal activities are energy-saving technical service, contractual energy management and engineering research, has become a wholly owned subsidiary of the Group since then. As Sinopec Energy-Saving Company and the Group are ultimately controlled by Sinopec Group, the acquisition of Sinopec Energy-Saving Company was regarded as business combination under common control. The consolidation financial statements of the Group have been prepared using the merger basis of accounting as if the current group structure had been in existence throughout the period presented. As the financial statements of Sinopec Energy-Saving Company as at 30 June 2017 does not have material impact to the consolidated interim financial statements, the comparative information in these consolidated interim financial statements has not been restated.

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 2018:

Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
Amendments to IFRS 15	Classifications to IFRS 15 Revenue from Contracts with Customers
Amendments to IAS 40	Transfers of Investment Property
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRSs	Annual Improvements to IFRSs 2014 – 2016 Cycle

Other than as noted below, the adoption of the new and amended IFRS had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

IFRS 9 Financial Instruments

In the current period, the Group has applied IFRS 9 Financial instruments and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for the classification, measurement and derecognition of financial assets and financial liabilities, new rules for hedge accounting and a new impairment model for financial assets.

The Group has applied IFRS 9 in accordance with the transition provision set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) with the cumulative effect of initial application recognised at the date of initial application and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 Financial Instruments: Recognition and Measurement.

3. Summary of Significant Accounting Policies (Continued)

3.1 New and revised IFRS (Continued)

IFRS 9 Financial Instruments (Continued)

Key changes in accounting policies resulting from application of IFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with IFRS 15.

All recognised financial assets that are within the scope of IFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under IAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the 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.

Financial assets designated as at fair value through other comprehensive income

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at fair value through other comprehensive income ("FVTOCI").

The main effects resulting from this reclassification are as follows:

Balance sheet (extract)	Carrying amount as at 31 December 2017 under IAS 39	Reclassification	Carrying amount as at 1 January 2018 under IFRS 9
	RMB'000	RMB'000	RMB'000
Non-current assets			
Financial assets at FVTOCI	—	2,750	2,750
Available-for-sale financial assets	2,750	(2,750)	—
Total	2,750	—	2,750

Investments in equity instruments at FVTOCI are initial measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income; and are not subject to impairment assessment. The cumulative gain or loss accumulated in fair value through other comprehensive income reserve will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

3. Summary of Significant Accounting Policies (Continued)

3.1 New and revised IFRS (Continued)

IFRS 9 Financial Instruments (Continued)

Key changes in accounting policies resulting from application of IFRS 9 (Continued)

Classification and measurement of financial assets (Continued)

Financial assets designated as at fair value through other comprehensive income (Continued)

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

The Group elected to present in other comprehensive income for the fair value changes of all equity investments previously classified as available-for-sale. The investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of IFRS 9, RMB2,750,000 were reclassified from available-for-sale financial assets to financial assets at FVTOCI.

There is no effect resulting from this reclassification on the Group's equity as both IAS 39 and IFRS 9 require any changes in the fair value of the non-trading unlisted equity securities to be recognised as other comprehensive income/(expense) in equity.

There is no impact on the Group's accounting for financial liabilities. The Group accounts for the derivative financial instruments as financial liabilities that are designated at fair value through profit or loss. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed. The Group's financial liabilities previously carried at amortised costs remained to measure at amortised costs under IFRS 9.

Impairment under expected credit losses model

The Group recognises a loss allowance for expected credit losses ("ECLs") on financial assets which are subject to impairment under IFRS 9 (including notes and trade receivables and other receivables) and contract assets. The amount of ECLs is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECLs represents the ECLs that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECLs represents the portion of lifetime ECLs that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit losses experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECLs for trade receivables and contract assets. The ECLs on these assets are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12-month ECLs, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises ECLs. The assessment of whether lifetime ECLs should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. Summary of Significant Accounting Policies (Continued)

3.1 New and revised IFRS (Continued)

IFRS 9 Financial Instruments (Continued)

Key changes in accounting policies resulting from application of IFRS 9 (Continued)

Impairment under expected credit losses model (Continued)

(a) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indication of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

(b) Measurement and recognition of expected credit losses

The measurement of expected credit losses ("ECLs") is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECLs is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss by adjusting their carrying amount, which the exception of notes and trade receivables, other receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account.

As at 30 June 2018, the Group has applied simplified approach and recorded lifetime ECLs on trade receivables and contract assets, and general approach and 12-month ECLs on amounts due from fellow subsidiaries, joint arrangements and associates, deposits, loan due from ultimate holding company and other receivables. The Group determined that there are no significant financial impact arising from these changes. The results of the assessment and the impact thereof are detailed in Note 4.3.

3. Summary of Significant Accounting Policies (Continued)

3.1 New and revised IFRS (Continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 18 "Revenue", which covered revenue arising from sale of goods and rendering of services, and IAS 11 "Construction contracts", which specified the accounting for construction contracts. Previously, revenue arising from construction contracts and provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers. Under IFRS 15, revenue is recognised when the customer obtains control of the promised goods or service in the contract. This may be at a single point in time or over time.

Time of revenue recognition

The revenue recognition policy of the Group is disclosed in Note 3.24. Currently, the revenue from sale of goods is recognised when the risk and rewards of ownership are transferred to customer.

IFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time.

(a) when the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(b) when the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(c) when the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these three situations, then under IFRS 15 the entity recognises revenue for the sale of that good or render of services at a single point of time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate technique such that the transaction price ultimately allocates to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The progress towards complete satisfaction of a performance obligation in the EPC Contracting, Construction, Equipment manufacturing and Engineering, consulting and licensing is measured based on percentage of completion, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depicts the Group's performance in transferring control of service.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

3. Summary of Significant Accounting Policies (Continued)

3.1 New and revised IFRS (Continued)

IFRS 15 Revenue from Contracts with Customers (Continued)

The adoption of IFRS 15 does not have a significant impact to the Group's results and financial position for the current or prior periods except the presentation of contract assets and contract liabilities. To follow the terminology used under IFRS 15, the Group has made the following adjustments at 1 January 2018:

(1) "Amounts due from/to customers for contract work" has been reclassified as "Contract assets/liabilities"; and

(2) "Receipt in advance from customers" in relation to deposits or payment received in advance for sale of goods not yet delivered to customers, which was previously included in "Other payables" has been reclassified as "Contract liabilities".

The impact on the Group's financial position by the application of IFRS 15 as compared to IAS 18 and IAS 11 that was previously in effect before the adoption of IFRS 15 is as follows:

Consolidation financial position (extract)	Carrying amounts as at 31 December 2017 under IAS 18	Reclassification	Carrying amounts as at 1 January 2018 under IFRS 15
	RMB'000	RMB'000	RMB'000
Current assets			
Amount due from customers for contract work	6,053,340	(6,053,340)	—
Contract assets	—	6,053,340	6,053,340
Current liabilities			
Amount due to customers for contract work	9,493,684	(9,493,684)	—
Contract liabilities	—	15,145,599	15,145,599
Other payables	6,860,590	(5,651,915)	1,208,675

The revised accounting standards issued but not yet effective for the accounting period ended 30 June 2018 which are relevant to the Group but the Group has not early adopted are set out below:

Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[2]
Amendments to IAS 28	Long-term Interest in Associated and Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2015 – 2017 Cycle[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]

[1] Effective for accounting periods beginning on or after 1 January 2019
[2] Effective for accounting periods beginning on or after 1 January 2021
[3] Effective for annual periods beginning on or a date to be determined

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group has identified some aspects of the new and revised IFRSs which may have impact on the consolidated financial statements. Further details of the expected impacts are discussed below. Other new and revised IFRSs will have no material impact on the results and the financial position of the Group.

3. Summary of Significant Accounting Policies (Continued)

3.1 New and revised IFRS (Continued)

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.

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 39(b), total operating lease commitments for the Group as at 30 June 2018 amounted to RMB198,754,000, 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. Summary of Significant Accounting Policies (Continued)

3.2 Consolidation

Subsidiaries

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

Merger accounting for common control combinations

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.

Acquisition method of accounting for non-common control combinations

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

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

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

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

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.

3. Summary of Significant Accounting Policies (Continued)

3.2 Consolidation (Continued)

Joint Arrangements

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

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

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

Associates

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

The Group's shares of its associates' post-acquisition profits or losses is recognised in the consolidated statement of comprehensive income and its share of post acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amounts of the investments. When the Group's share of losses in an associate equals or exceeds its interest in 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. Summary of Significant Accounting Policies (Continued)

3.4 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the entities within the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). 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".

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 "other (losses)/gains - net" in the consolidated statement of comprehensive income.

3. Summary of Significant Accounting Policies (Continued)

3. 6 Land use rights

Land use rights represent upfront prepayments made for the land use rights at historical cost, 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 instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provision of the instrument. Financial assets and financial liabilities are initially measured at fair value.

A financial asset or financial liability (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(a) Classification and measurement of financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVTOCI") – debt investment; FVTOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Group changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

(i) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

(ii) the 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.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVTOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

3. Summary of Significant Accounting Policies (Continued)

3.9 Financial instruments (Continued)

(a) Classification and measurement of financial assets (Continued)

Financial assets: Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

(i) contingent events that would change the amount or timing of cash flows;

(ii) terms that may adjust the contractual coupon rate, including variable rate features;

(iii) prepayment and extension features; and

(iv) terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets: Subsequent measurement and gains and losses

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the profit or loss. Any gain or loss on derecognition is recognised in the profit or loss.

(b) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In such cases, the transferred assets are not derecognised.

3. Summary of Significant Accounting Policies (Continued)

3.9 Financial instruments (Continued)

(c) Impairment of financial assets

The Group recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost.

The Group measures loss allowances at an amount equal to lifetime ECLs. For note and trade receivables, contract assets and retention deposits, the Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected losses provision for all trade receivables. The Group determines the ECLs on these items by using a provision matrix, estimated based on historical credit losses experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that results from default events on a financial instrument that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

In all cases, the maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. Expected credit losses are a probability-weighted estimation of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

The Group has the following types of assets that are subject to IFRS 9's new expected credit losses model:

- notes and trade receivables
- contract assets
- cash and cash equivalents
- restricted cash
- loans due from the ultimate holding company
- other receivables

While cash and cash equivalents, restricted cash, loans due from the ultimate holding company and other receivables are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

For trade receivables and contract assets with no significant financing component, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables and contract assets with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Impairment on other receivables and loans due from the ultimate holding company are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the combined statements of comprehensive income.

Credit-impaired financial assets

At each reporting date, the Group assesses on a forward-looking basis whether financial assets carried at amortised cost are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

3. Summary of Significant Accounting Policies (Continued)

3.9 Financial instruments (Continued)

(c) Impairment of financial assets (Continued)

Credit-impaired financial assets (Continued)

Evidence that a financial asset is credit-impaired includes the following observable data:

(i) significant financial difficulty of the borrower or issuer;

(ii) a breach of contract such as a default or past due event;

(iii) the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

(iv) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(v) the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the consolidated statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(d) Classification and measurement of financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in the profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gain or loss on derecognition is also recognised in the profit or loss.

(e) Derecognition of financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in the profit or loss.

(f) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions.

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. Summary of Significant Accounting Policies (Continued)

3.11 Trade and other receivables

Trade and other receivables are measured at amortised cost. Regarding the Group's accounting policies on trade and other receivables and the Group's policy on impairment review, please refer to Note 3.9.

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 Share-based payment transactions

Cash-settled share-based payment transactions

The Group operates a cash-settled H share appreciation rights plan. The related cost of services received from the employees and the liability to pay for such services are measures at fair value of the liability. Fair value is established at the grant date and re-measured at each reporting date until the liability settled. The fair value of the liability at each reporting date is expenses on a straight-line basis over the vesting period, based on the Group's estimate of the cash-settled share appreciation rights that will eventually vest. At the end of each reporting period, the Group revises its estimation of the number of the cash-settled share appreciation rights expected to vest. The impact of the revision and remeasurement, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimation. After the vesting date, changes in fair value of the liability is recognised in profit or loss until the liability is settled.

3.15 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.

3.16 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.

3.17 Derivative financial instruments

The Group enters into derivative financial instruments such as foreign currency forward contracts to manage its exposure to foreign currency risks.

Derivatives are initially recognised at fair value at the date the derivative contract is entered and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

3. Summary of Significant Accounting Policies (Continued)

3.18 Employee benefits

Pension obligations

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

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

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

Other post-employment obligations

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

Termination and early retirement benefits

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

Housing benefits

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

Bonus entitlements

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

3. Summary of Significant Accounting Policies (Continued)

3.19 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.

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 16% 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 10% after offsetting deductible input VAT of the period from 1 May 2018. Certain revenue resulting from providing construction services was taxed by using applicable simple tax method, paying VAT at 3%.

3.20 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. Summary of Significant Accounting Policies (Continued)

3.21 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.

3.22 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.

3.23 Contract assets and contract liabilities

The contract asset is the Group's right to consideration in the exchange for services that the Group has transferred to customer. The contract assets transferred to trade and retention receivables when receipt of the consideration is conditional only on the passage of time.

The Group expects that contract assets have the same risk characteristics as trade receivables. The impairment of contract assets does not have significant impact on the Group. The impairment of contract assets is disclosed in Note 4.1.

The contract liabilities above are due to the non-refundable advance payment made by customers. Such liabilities fluctuated as a result of the terms of different projects. A contract liability is the Group's obligation to render to services to a customer for which the Group has received consideration from the customer. A contract liability is recognised by the Group when the customer pay consideration but before the Group renders the service to the customer.

3.24 Revenue recognition

Revenue are recognised when or as the control of the goods or services is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time.

When control of goods or services is transferred over time, the progress towards complete satisfaction of performance obligation is measured based on one of the following methods that best depicts the Group's performance in satisfying the performance obligation:

(a) direct measurements of the value of individual services transferred by the Group to the customer, such as units produced or delivered, contract milestones, or surveys of work performed; or

(b) the Group's efforts or inputs to the satisfaction of the performance obligation.

A contract asset is the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer, and it should be presented separately. Incremental costs incurred to obtain a contract, if recoverable, are capitalised and presented as contract assets and subsequently amortised when the related revenue is recognised. A contract asset becomes a receivable when receipt of the consideration is conditional only on the passage of time.

Contract assets are assessed for impairment under the same approach adopted for impairment assessment of financial assets carried at amortised cost.

A contract liability is the Group's obligation to render the services to a customer for which the Group has received consideration from the customer.

The following is a description of accounting policy for the revenue streams of the Group.

3. Summary of Significant Accounting Policies (Continued)

3.24 Revenue recognition (Continued)

Revenue from construction and service contracts

The progress towards complete satisfaction of performance obligation is measured based on direct measurements of the value of units delivered or surveys of work performed. The payment terms differed for different customers due to the variety of projects. Most of the payment is payable according to the stage of construction with credit term of 15 to 180 days, while partial payments will be payable upon the completion of the construction such portion of payment is recognised as contract assets before the completion of the projects and transfer to trade receivables when the Group has the right to bill the customers which is usually upon completion of construction; 5% to 10% of the contract price are recognised as retention money receivable, which would be paid after the warranty period expires. The payments are commensurate with the Group's performance and the contracts require certain amounts to be retained until completion of construction or expiry of warranty period which are intended for protection against non-performance. The Group does not intend to give a financing to customers and the Group make efforts to collect the receivables and timely monitor the credit risk.

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

Revenue from sales of products is recognised when i) control of the products has transferred, being when the products are delivered to the customers and there is no unfulfilled obligation that could affect the customer's acceptance of the products; and ii) collectability of the related receivables is reasonably assured. No contract liability and right to the returned goods are recognised as insignificant amount of returns are expected based on previous experience.

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.

3.25 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. Summary of Significant Accounting Policies (Continued)

3.26 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.

3.27 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.

3.28 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.

3.29 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:

- (iv) the entity and the Group are members of the same group;
- (v) 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);
- (vi) the entity and the Group are joint ventures of the same third party;
- (vii) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (viii) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (ix) the entity is controlled or jointly controlled by a person identified in (a);
- (x) 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
- (xi) 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 2018 and 31 December 2017.

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 2018	USD	EUR	Others
	RMB’000	RMB’000	RMB’000
Restricted cash, time deposits and cash and cash equivalents	8,961,566	417,304	1,666,478
Trade and other receivables	860,288	1,112	1,660,218
Trade and other payables	(1,062,200)	(30,526)	(1,393,252)
Net exposure in RMB	8,759,654	387,890	1,933,444

At 31 December 2017	USD	EUR	Others
	RMB’000	RMB’000	RMB’000
Restricted cash, time deposits and cash and cash equivalents	10,285,747	238,388	1,191,711
Trade and other receivables	384,025	3,916	1,058,216
Trade and other payables	(243,700)	(39,396)	(1,460,549)
Net exposure in RMB	10,426,072	202,908	789,378

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 2018 and 31 December 2017 would have changed the equity and net profit by the amounts shown below:

	As at 30 June 2018	As at 31 December 2017
	RMB'000	RMB'000
Decrease in equity and net profit		
– USD	(328,487)	(390,978)
– EUR	(14,546)	(7,609)

A 5% weakening of RMB as at 30 June 2018 and 31 December 2017 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 financial assets at FVTOCI which are stated at fair value.

(b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from restricted cash, time deposit, cash and cash equivalent, trade and other receivables and other current assets.

In order to minimise credit risk, the Group has developed and maintains the Group's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is based on the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECLs
Doubtful	Amount is > 60 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECLs – not credit-impaired
In default	Amount is > 120 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECLs – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

Cash and bank balances are placed at financial institutions that have sound credit rating and the Group considers the credit risk to be insignificant.

For trade and other receivables, the exposures to credit risk are monitored such that any outstanding debtors are reviewed and followed up on an ongoing basis. In the opinion of the Directors, the Group has no significant concentration of credit risk arising from its ordinary course of business due to its large customer base. The Group does not hold any collateral from its debtors.

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 2018							
Trade and other liabilities	**N/A**	**13,940,784**	**—**	**—**	**—**	**13,940,784**	**13,940,784**
Loans due to a fellow subsidiary	**3.77%**	**574,650**	**—**	**—**	**—**	**574,650**	**574,650**
Borrowings and other liabilities		**14,515,434**	**—**	**—**	**—**	**14,515,434**	**14,515,434**

	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 2017							
Trade and other liabilities	N/A	15,022,903	—	—	—	15,022,903	15,022,903
Loans due to a fellow subsidiary	2.75%	443,109	—	—	—	443,109	431,257
Borrowings and other liabilities		15,466,012	—	—	—	15,466,012	15,454,160

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 2018	As at 31 December 2017
	RMB'000	RMB'000
Total borrowings and other liabilities	**14,515,434**	15,454,160
Less: Restricted cash, time deposits and cash and cash equivalents	**(14,475,698)**	(16,082,447)
Net debt	**39,736**	(628,287)
Total equity (excluding non-controlling interests)	**25,936,402**	25,586,839
Total capital	**25,976,138**	24,958,552
Gearing ratio	**0.04%**	N/A

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 2018 and 31 December 2017.

Disclosure of levels 2 and 3 in fair value hierarchy at 30 June 2018 as follows:

	Fair value measurements as at 30 June 2018	
	Level 2	Level 3
Description	RMB'000	RMB'000
Financial assets at FVTOCI		
– Unlisted equity securities	–	680
Financial liabilities at FVTOCI		
– Foreign currency forward contracts	(157,195)	–

Reconciliation of assets measured at fair value based on level 3:

	Financial assets at FVTOCI At 30 June 2018
	RMB'000
At 1 January	–
Adjustment on initial application of IFRS 9 (Note 3.1)	2,750
Disposal	(2,070)
At 30 June	680

The derivative financial assets/liabilities arising from the fair value changes on the foreign currency forward contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the current contract using a risk-free interest rate.

The fair value of the unlisted equity securities is measured using valuation techniques with reference to the net asset value. The Directors believe that the change in fair value (which is included in other comprehensive income) derived from the valuation technique is reasonable and is the most appropriate value at the end of the reporting period.

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 according to progress of the project. The determination of the progress of the construction service involves judgements. The Group recognises revenue based on progress forwards complete satisfaction of performance obligation, which is measured based on direct measurements of the value of units delivered or surveys of work performed. The customers will provide final statement when the whole project is completed and may have adjustments on accumulated confirmation according to the actual engineering quantity till the day of completion. Based on historical experience with similar projects, the difference is immaterial. In addition, when determining the transaction price, the Group consider factors such as whether there is any financing component. The Group considers whether the payment schedule is commensurate with the Group's performance and whether the delayed payment is for finance purpose. The Group does not consider the arrangement with customers have significant financing component. The Group has, therefore, recognised revenue on progress confirmation over the period during which the services are rendered and transferred to customers. As at 30 June 2018, the contract assets and contract liabilities (Note 23) are RMB6,508,226,000 and RMB9,378,096,000 respectively (31 December 2017: N/A).

(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 2018, the net carrying amount of property, plant and equipment is RMB3,661,733,000 (31 December 2017: RMB3,855,852,000).

(c) Provision for impairment on trade receivables

The Group's management determines the provision for impairment of trade receivables (Note 21) on a forward-looking basis. The provision matrix is determined based on the Group's historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. Other receivables is considered 12-month expected credit losses. Contract assets will not be transferred to trade receivables unless the construction work are completed, which is the time when the Group has unconditional right to receive to conditions. The Group assesses that the contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. In making the judgement, management considers available reasonable and supportive forward-looking information such as actual or expected significant changes in the operating results of customers, actual or expected significant adverse changes in business and customers' financial position. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed by the Group's management. As at 30 June 2018, the provision for impairment on trade receivables is RMB1,077,894,000 (31 December 2017: RMB1,171,218,000).

5. Critical Accounting Estimates and Judgement (Continued)

(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 2018, deferred tax assets of RMB747,446,000 (31 December 2017: RMB750,967,000) have been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of RMB534,752,000 (31 December 2017: RMB538,350,000) 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 2018, the net liabilities of retirement and other supplemental benefit obligations is RMB2,577,604,000 (31 December 2017: RMB2,536,615,000). 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 2018, the provision for litigation claims is RMB252,127,000 (31 December 2017: RMB262,925,000).

6. Revenue

The Group's revenue is set out below:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Engineering, consulting and licensing	1,402,857	1,098,525
EPC Contracting	10,185,271	7,440,155
Construction	6,457,422	5,072,314
Equipment manufacturing	290,330	153,432
	18,335,880	13,764,426

Remaining performance obligations

As at 30 June 2018, amount of remaining performance obligations is RMB108,175,882,000, which is expected to be completed in the coming 60 months.

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, notes and trade receivables, prepayments and other receivables, contract assets, 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 2018:

The segment results for the six months ended 30 June 2018 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	1,402,857	10,185,271	6,457,422	290,330	—	—	18,335,880
Inter-segment revenue	—	—	1,416,789	16,929	—	(1,433,718)	—
Segment revenue	1,402,857	10,185,271	7,874,211	307,259	—	(1,433,718)	18,335,880
Segment result	221,565	529,925	208,309	8,158	29,890	—	997,847
Finance income							368,009
Finance expenses							(51,758)
Share of losses of joint arrangements	(215)	—	—	—	—	—	(215)
Share of profits of associates	9,268	10,694	2,059	—	—	—	22,021
Profit before income tax							1,335,904
Income tax expense							(228,194)
Profit for the period							1,107,710
Other segment items							
Depreciation	64,821	23,953	200,276	6,231	—	—	295,281
Amortisation	38,266	18,649	12,583	59	—	—	69,498
Capital expenditures							
– Property, plant and equipment	24,031	8,665	88,888	231	—	—	121,815
– Intangible assets	3,213	—	—	—	—	—	3,213
Loss on fair value change of derivative financial instrument	—	157,195	—	—	—	—	157,195
(Reversal of provision)/ Provision for impairment on trade and other receivables	14,074	(122,944)	19,403	4,564	—	—	(84,903)

7. Segment Information (Continued)

(i) As at and for the six months ended 30 June 2018: (Continued)

The segment assets and liabilities as at 30 June 2018 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	5,656,682	23,262,108	15,735,718	944,231	(3,865,522)	41,733,217
Investment in joint arrangements	1,697	—	—	—	—	1,697
Investment in associates	72,458	—	73,351	—	—	145,809
Other unallocated assets						19,274,312
Total assets						61,155,035
Liabilities						
Segment liabilities	4,422,363	19,880,372	14,290,142	486,967	(3,865,522)	35,214,322
Other unallocated liabilities						—
Total liabilities						35,214,322

7. Segment Information (Continued)

(ii) As at 31 December 2017 and 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 31 December 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	6,311,409	22,191,356	15,217,033	943,927	(3,960,017)	40,703,708
Investment in joint arrangements	3,221	—	—	—	—	3,221
Investment in associates	108,490	—	15,298	—	—	123,788
Other unallocated assets						18,574,904
Total assets						59,405,621
Liabilities						
Segment liabilities	3,726,552	18,495,889	15,027,305	524,887	(3,960,017)	33,814,616
Other unallocated liabilities						—
Total liabilities						33,814,616

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	
	2018	2017
	RMB'000	RMB'000
The PRC	12,101,546	7,760,921
Malaysia	421,297	1,861,651
Kuwait	3,384,551	1,571,467
Saudi Arabia	1,233,048	1,306,541
Other countries	1,195,438	1,263,846
	18,335,880	13,764,426

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 2018 and 2017, is as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
A fellow subsidiary and its subsidiaries	3,916,642	2,779,888

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

Specified non-current assets

	As at 30 June 2018	As at 31 December 2017
	RMB'000	RMB'000
The PRC	6,119,271	6,246,415
Other countries	427,844	540,667
	6,547,115	6,787,082

8. Other Income

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Operating lease rental income on property, plant and equipment	21,854	24,330
(Expenses)/Income from write-back long outstanding payables	(2,243)	4,609
Net foreign exchange gain	58,850	—
Government grants	29,868	13,864
Others	27,294	50,467
	135,723	93,270

9. Other (Losses)/Gains - Net

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Gains on write-off/disposal of property, plant and equipment	2,247	411
Loss on disposal of financial assets at FVTOCI	(124)	—
Loss on fair value change of derivative financial instrument	(157,195)	—
	(155,072)	411

10. Finance Income and Finance Expenses

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Finance income		
Interest income from the ultimate holding company	250,107	214,772
Bank interest income	117,902	39,438
	368,009	254,210
Finance expenses		
Interest expenses to fellow subsidiaries on balances wholly repayable within 5 years	(3,449)	(237)
Interest expenses on retirement and other supplementary benefit obligation	(48,309)	(37,677)
	(51,758)	(37,914)
	316,251	216,296

11. Profit Before Taxation

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Staff costs, including directors and supervisors emoluments (Note 15)	2,312,151	2,124,650
Retirement benefit plan contribution (including in the above mentioned staff costs)	348,072	322,572
Cost of goods sold	3,930,364	3,484,952
Subcontracting costs	7,945,779	5,203,339
Depreciation and amortisation		
– Property, plant and equipment	295,281	268,997
– Land use rights	30,614	30,068
– Intangible assets	38,943	38,996
Operating lease rentals		
– Property, plant and equipment	200,964	134,024
(Reversal of provision)/Provision for impairment of trade and other receivables	(84,903)	286,148
Rental income from property, plant and equipment after relevant expenses	(9,283)	(16,617)
Research and development costs	452,868	376,819
Gains on write-off/disposal of property, plant and equipment	(2,247)	(411)
Exchange (gains)/losses, net	(58,850)	265,418
Loss on disposal of financial assets at FVTOCI	124	—
Fair value loss on derivative financial instrument	157,195	—
Cash-settled share-based payment (Note 38)	8,087	—

12. Income Tax Expense

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Current tax		
PRC enterprise income tax	180,718	209,090
Overseas enterprise income tax	31,823	7,835
(Over)/Under-provision for income tax in prior years	(5,784)	32,358
	206,757	249,283
Deferred tax		
Origination and reversal of temporary differences (Note 35)	21,437	(20,592)
Income tax expense	228,194	228,691

According to the Corporate Income Tax Law of the PRC, the applicable income tax of the six months ended 30 June 2018 and 2017 is 25%.

According to the normal statutory PRC corporate income tax and relevant rules, for the six months ended 30 June 2018 and 2017, certain subsidiaries of the Company have been qualified as new high-tech enterprises which can enjoy 15% preferential tax rate in the related period. Other members of the Group is subject to 25% income tax rate.

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

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Profit before taxation	1,335,904	1,063,567
Taxation calculated at the statutory tax rate	333,976	265,892
Income tax effects of:		
Preferential income tax treatments of certain companies	(126,567)	(100,917)
Difference in overseas profits tax rates	111	(1,966)
Non-deductible expenses	31,890	34,436
Income not subject to tax	(3,270)	(707)
Unrecognised tax losses	1,948	66
Utilisation of previously unrecognised tax losses	(4,109)	(471)
(Over)/Under-provision for income tax in prior years	(5,785)	32,358
Income tax expense	228,194	228,691
Effective income tax rate	17.1%	21.5%

13. Earnings Per Share

(a) Basic

The basic earnings per share for each of the six months ended 30 June 2018 and 2017 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	
	2018	2017
Profit attributable to equity holders of the Company (RMB'000)	**1,107,565**	834,875
Weighted average number of ordinary shares in issue	**4,428,000,000**	4,428,000,000
Basic earnings per share (RMB)	**0.25**	0.19

(b) Diluted

As the Company had no dilutive shares for the each of the six months ended 30 June 2018 and 2017, diluted earnings per share for the six months ended 30 June 2018 and 2017 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 2018 and 2017.

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Proposed interim dividends of RMB0.1 per ordinary share (2017: RMB0.056) (1)	**442,800**	247,968

Note:
(1) Pursuant to the Directors' meeting on 21 August 2018, the Directors recommended to declare the interim dividends for the year ending 30 June 2018 of RMB0.1 (2017: RMB0.056) per share totalling RMB442,800,000 (2017: RMB247,968,000). 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	
	2018	2017
	RMB'000	RMB'000
Salaries, wages and bonuses	1,424,055	1,299,123
Retirement benefits (1)	297,935	288,005
Early retirement and supplemental pension benefit (Note 31(b))		
– interest cost	48,308	37,677
Immediate recognition of actuarial gains/(losses)	1,829	(3,111)
Housing fund (2)	146,292	140,012
Welfare, medical and other expenses	385,645	362,944
Cash-settled share-based payment (Note 38)	8,087	—
	2,312,151	2,124,650

Note:

(1) Retirement benefits

The Group is required to make specific contributions to the state-managed retirement plan at a rate of 19% to 25% of the specified salaries of the PRC employees for the six months ended 30 June 2018 and 2017. 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 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
At 1 January 2018				
Cost	3,570,953	4,494,076	190,046	8,255,075
Accumulated depreciation and impairment	(1,365,069)	(3,034,154)	—	(4,399,223)
Net book amount	2,205,884	1,459,922	190,046	3,855,852
Six months ended 30 June 2018				
Opening net book amount	2,205,884	1,459,922	190,046	3,855,852
Transfers	32,545	10,540	(43,085)	—
Additions	—	33,432	88,383	121,815
Depreciation	(72,912)	(222,369)	—	(295,281)
Disposals/write-off	(12,260)	(8,393)	—	(20,653)
Closing net book amount	2,153,257	1,273,132	235,344	3,661,733
At 30 June 20178				
Cost	3,582,676	4,484,180	235,344	8,302,200
Accumulated depreciation and impairment	(1,429,419)	(3,211,048)	—	(4,640,467)
Net book amount	2,153,257	1,273,132	235,433	3,661,733

16. Property, Plant and Equipment (Continued)

Depreciation expense recognised is analysed as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Cost of sales	254,153	225,777
Selling and marketing expenses	967	956
Administrative expenses	40,161	42,264
	295,181	268,997

17. Land Use Rights

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Beginning of the period	2,580,781	2,679,021
Amortisation	(30,614)	(30,068)
End of the period	2,550,167	2,648,953

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	
	2018	2017
	RMB'000	RMB'000
Cost of sales	19,334	15,630
Administrative expenses	11,280	14,438
	30,614	30,068

18. Intangible Assets

	Patent	Computer software	Total
	RMB'000	RMB'000	RMB'000
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
At 1 January 2018			
Cost	479,882	351,790	831,672
Accumulated amortisation	(325,681)	(282,551)	(608,323)
Net book amount	154,201	69,239	223,440
Six months ended 30 June 2018			
Opening net book amount	154,201	69,239	233,440
Additions	—	3,213	3,213
Amortisation	(26,490)	(12,453)	(38,943)
Closing net book amount	127,711	59,999	187,710
At 30 June 2018			
Cost	479,882	355,003	834,885
Accumulated amortisation	(352,171)	(295,004)	(647,175)
Net book amount	127,711	59,999	187,710

Amortisation recognised is analysed as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Cost of sales	**12,050**	24,719
Selling and marketing expenses	**1**	2
Administrative expenses	**26,892**	14,275
	38,943	38,996

19. Investment In Joint Arrangements And Associates

(a) Investment in joint arrangements

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Joint ventures		
Beginning of the period	**3,221**	4,593
Disposal of joint arrangements	**(1,309)**	—
Share of total comprehensive expenses	**(215)**	(446)
End of the period	**1,697**	4,147

As at 30 June 2018, 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		
Hainan Great Wall Machinery Engineering Co., Ltd. (海南長城機械工程有限公司)	The PRC	3,000(2017: 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)[1]	The PRC	—(2017: 3,000)	50%	Technical development, equipment manufacturing/ The PRC

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

(1) 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) deregistered on 16 March 2018.

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 2018	As at 31 December 2017
	RMB'000	RMB'000
Current assets	30,003	64,057
Non-current assets	2,391	2,597
Total assets	32,394	66,654
Current liabilities	(29,000)	(60,211)
Total liabilities	(29,000)	(60,211)
Equity	3,394	6,443
Share of equity by the Group (50%) (2017: 50%)	1,697	3,221

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Revenue	—	137
Loss and total comprehensive expense for the period	(431)	(892)
Share of total comprehensive expense (50%) (2017:50%)	(215)	(446)

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	
	2018	2017
	RMB'000	RMB'000
Beginning of the period	123,788	137,876
Share of total comprehensive income	22,021	4,112
Dividend distribution	—	(27,800)
End of the period	145,809	114,188

As at 30 June 2018, 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 (2017: 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 (2017: 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 (2017: 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 2018	As at 31 December 2017
	RMB'000	RMB'000
Current assets	826,323	603,891
Non-current assets	29,495	30,379
Total assets	855,818	634,270
Current liabilities	(545,546)	(360,774)
Non-current liabilities	(9)	(16)
Total liabilities	(545,555)	(360,790)
Equity attributable to equity holders	293,207	256,424
Non-controlling interests	17,056	17,056
	310,263	273,480
Share of equity by the Group (35%) (2017: 35%)	102,623	89,748

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Revenue	274,047	53,366
Profit and total comprehensive income for the period attributable to equity holders	36,782	6,069
Share of total comprehensive income (35%) (2017: 35%)	12,874	2,124

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 2018	As at 31 December 2017
	RMB'000	RMB'000
Current assets	82,037	87,719
Non-current assets	41,440	42,135
Total assets	123,477	129,854
Current liabilities	(65,621)	(78,862)
Total liabilities	(65,621)	(78,862)
Equity	57,856	50,992
Share of equity by the Group (40%) (2017: 40%)	23,142	20,397

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Revenue	66,809	44,640
Profit and total comprehensive income for the period	6,864	5,110
Share of total comprehensive income (40%) (2017: 40%)	2,746	2,044

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:

	As at 30 June 2018	As at 31 December 2017
	RMB'000	RMB'000
Current assets	142,757	149,042
Non-current assets	631	715
Total assets	143,388	149,757
Current liabilities	(88,258)	(112,231)
Non-current liabilities	(4)	(4)
Total liabilities	(88,262)	(112,235)
Equity	(55,126)	37,522
Share of equity by the Group (36.36%) (2017: 36.36%)	20,044	13,643

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Revenue	33,886	5,158
Profit/(Loss) and total comprehensive income/(expense) for the period	17,605	(155)
Share of total comprehensive income/(expense) (36.36%) (2017: 36.36%)	6,401	(56)

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/Financial Assets At Fair Value Through Other Comprehensive Income

Available-for-sale financial assets

	As at 30 June 2018	As at 31 December 2017
	RMB'000	RMB'000
Beginning of the period	2,750	2,750
Reclassified to financial assets at FVTOCI	(2,750)	—
At the end of the period	—	2,750

Financial assets at fair value through other comprehensive income

	As at 30 June 2018	As at 31 December 2017
	RMB'000	RMB'000
Beginning of the period	—	—
Reclassified from available-for-sale financial assets	2,750	—
Disposal	(2,070)	—
At the end of the period	680	—

Available-for-sale financial assets/financial assets at FVTOCI include the following:

	As at 30 June 2018	As at 31 December 2017
	RMB'000	RMB'000
Unlisted securities:		
Equity securities – PRC	680	2,750

Unlisted equity securities are valued at fair value based on their asset values. Please refer to Note 4.3 for further explanation.

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

21. Notes And Trade Receivables

	As at 30 June 2018	As at 31 December 2017
	RMB'000	RMB'000
Trade receivables		
Fellow subsidiaries	1,499,799	2,285,142
Joint ventures of fellow subsidiaries	1,532,634	629,559
Associates of fellow subsidiaries	884,754	1,161,406
Joint ventures	2,589	1,280
Associates	480	—
Third parties	6,209,804	5,755,232
	10,130,060	9,832,619
Less: Provision for impairment	(1,077,894)	(1,171,218)
Trade receivables – net	9,052,166	8,661,401
Notes receivables	1,018,689	1,015,043
Notes and trade receivables – net	10,070,855	9,676,444

The carrying amounts of the Group's notes and trade receivables as at 30 June 2018 and 31 December 2017 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 180 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 2018	As at 31 December 2017
	RMB'000	RMB'000
Within 1 year	8,792,377	7,592,168
Between 1 and 2 years	911,709	1,336,029
Between 2 and 3 years	249,937	520,404
Between 3 and 4 years	77,374	180,232
Between 4 and 5 years	24,020	35,881
Over 5 years	15,438	11,730
	10,070,855	9,676,444

21. Notes And Trade Receivables (Continued)

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Beginning of the year	1,171,218	882,625
Provisions	208,011	288,311
Receivables written off as uncollectible	—	(2,800)
Reversal	(301,335)	(92,359)
At the end of the period	1,077,894	1,075,777

As per described in Note 3.9, the Group applied the simplified approach according to IFRS 9 to assess the expected credit losses. Provision for/(reversal of) impairment on trade receivables is included in "Administrative expenses" in consolidated statement of profit or loss and other comprehensive income.

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

	As at 30 June 2018	As at 31 December 2017
	RMB'000	RMB'000
RMB	7,598,732	8,287,319
USD	848,611	372,691
SAR	1,108,801	1,006,002
Others	514,708	10,432
	10,070,855	9,676,444

22. Prepayments And Other Receivables

	As at 30 June 2018	As at 31 December 2017
	RMB'000	RMB'000
Prepayments		
Prepayments for construction and materials:		
– Fellow subsidiaries	762,978	117,339
– Associates	2,422	2,422
– Associates of fellow subsidiaries	385	385
Prepayments for construction	439,585	426,949
Prepayments for materials and equipments	1,706,970	1,061,757
Prepayments for labour costs	250,837	90,916
Prepayments for rent	866	766
Others	54,533	31,352
	3,218,576	1,731,886
Other receivables		
Amounts due from fellow subsidiaries (1)	159,302	119,405
Amounts due from joint ventures of fellow subsidiaries (1)	21,539	22,588
Amounts due from associates of fellow subsidiaries (1)	79,705	21,014
Dividends receivable	17,200	17,200
Interest receivable	42,525	46,273
Petty cash funds	32,551	22,865
Retention deposits	1,578,835	1,823,187
Other guarantee deposits and deposits	152,552	115,553
Payment in advance	339,020	156,984
Maintenance funds	79,134	79,024
Value-added tax credit	139,035	102,768
Prepaid income tax	18,072	8,089
Value-added tax to be certified	3,834	14,708
Prepaid value-added tax	1,415	—
Others	172,116	110,112
	2,836,835	2,659,770
Less: Provision for impairment	(429,743)	(421,322)
Prepayments and other receivables – net	5,625,668	3,970,334

(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 2018 and 31 December 2017 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	
	2018	2017
	RMB'000	RMB'000
At the beginning of the period	421,322	619,722
Provisions	177,258	253,322
Reversal	(168,837)	(163,126)
At the end of the period	429,743	709,918

23. Contract Assets/Contract Liabilities

	As at 30 June 2018	As at 31 December 2017
	RMB'000	RMB'000
Contract cost incurred plus recognised profit less recognised losses	191,799,349	181,125,887
Less: Progress billings	(202,214,107)	(184,566,221)
Contract work-in-progress	(10,414,758)	(3,440,344)
Contract assets	6,508,226	6,053,340
Contract liabilities	(16,922,984)	(9,493,684)
	(10,414,758)	(3,440,344)

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Contract revenue recognised as revenue in the period	16,642,693	12,512,469

The contract assets primarily related to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. The contract liabilities primarily relate to the advanced consideration received from customers, for which revenue is recognised based on the progress of the provision of related services.

Movements in the contract assets and the contract liabilities balance during the periods are as follows:

	For the six months ended 30 June	
	2018	
	Contract assets	Contract liabilities
		RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	—	(2,118,211)
Transfers from contract assets recognised at the beginning of the year to receivables	(2,332,873)	—

24. Inventories

	As at 30 June 2018	As at 31 December 2017
	RMB'000	RMB'000
Raw materials	473,276	352,410
Turnover materials	183,436	190,879
Goods in transit	22,634	38,968
	679,346	582,257

As at 30 June 2018 and 31 December 2017, no provision for impairment on inventories of the Group has been made.

For the six months ended 30 June 2018 and 2017, the cost of inventories recognised as expense and included in "cost of sales" amounted to RMB3,109,927,000 and RMB3,484,952,000 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 2018	As at 31 December 2017
Loans due from the ultimate holding company	3.00% - 3.60%	3.00% - 3.60%

According to past experience, no loans due from the ultimate holding company was past due. The management believes that no impairment on loans due from the ultimate holding company.

There is no material change in estimation method or major assumption in assessing the expected losses on loans due from the ultimate holding company.

26. Restricted Cash

	As at 30 June 2018	As at 31 December 2017
	RMB'000	RMB'000
Restricted cash		
– RMB	14,013	15,228
– AED	90	89
– KZT	757	770
	14,860	16,087

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

As at 30 June 2018 and 31 December 2017, 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 2018 RMB'000	As at 31 December 2017 RMB'000
Time deposits with initial term over three months:		
Time deposits in banks	**1,738,439**	3,063,855
Time deposits in fellow subsidiaries	**1,373,031**	1,341,845
	3,111,470	4,405,700

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Denominated in:		
– RMB	**770,920**	400,920
– USD	**2,011,446**	3,844,070
– MYR	**329,104**	160,710
	3,111,470	4,405,700

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 (2017: half year to three years), approximately 1.85% to 4.30% (2017: 1.20% to 7.50%) as at 30 June 2018.

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 2018 RMB'000	As at 31 December 2017 RMB'000
Cash at bank and in hand		
– less than three months time deposits	5,554,555	4,395,468
– cash deposits	2,901,152	3,009,067
	8,455,707	7,404,535
Deposits in fellow subsidiaries		
– less than three months time deposits	623,962	320,788
– cash deposits	2,269,699	3,935,337
	2,893,661	4,256,125
	11,349,368	11,660,660

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Denominated in:		
– RMB	2,645,417	3,790,742
– USD	6,950,120	6,441,667
– SAR	240,434	255,748
– EUR	417,304	238,388
– KZT	2,706	11,959
– THB	98,717	13,952
– MYR	336,216	484,735
– Others	658,454	423,459
	11,349,368	11,660,660

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

As at 30 June 2018 and 31 December 2017, 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 (2017: one to three months), are approximately 0.50% to 3.90% as at 30 June 2018 (2017: 1.05% to 7.50%).

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 2018		As at 31 December 2017	
	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% - 25%, 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	
	2018	2017
	RMB'000	RMB'000
Contributions to state-managed retirement plan	297,935	288,005

(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 2018 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 2017
Retirement with honours benefit plan	3.50%	3.75%
Retirement benefit plan	3.50%	4.00%
Early retirement benefit plan	3.25%	3.75%

(ii) Benefit growth rates (per annum):

	As at 30 June 2018	As at 31 December 2017
Retirement with honours benefit plan	2.60%	2.60%
Retirement benefit plan	2.40%	2.40%
Early retirement benefit plan	1.70%	1.70%

31. Retirement and Other Supplemental Benefit Obligations (Continued)

(b) Group employee retirement benefit plans (Continued)

(iii) Duration:

	As at 30 June 2018	As at 31 December 2017
Retirement with honours benefit plan	8.0 years	8.0 years
Retirement benefit plan	16.0 years	16.0 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 2018 Increase/(decrease) in retirement benefit plan obligation		As at 31 December 2017 Increase/(decrease) in retirement benefit plan obligation	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
	RMB'000	RMB'000	RMB'000	RMB'000
Discount rates	(56,506)	59,661	(55,608)	58,713
Benefit growth rates	58,869	(57,510)	57,933	(56,595)

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 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)
For the six months ended 30 June 2018				
Net interest expenses	1,330	44,145	2,833	48,308
Immediate recognition of actuarial gains	—	—	1,829	1,829
Benefit cost recognised in profit or loss	1,330	44,145	4,662	50,137
Revaluation of net benefit obligation liabilities				
Actuarial revaluation of economic assumptions change	791	107,914	—	108,705
Actuarial revaluation of other assumptions change	(36)	(63)	—	(99)
Benefit cost recognised in other comprehensive income	755	107,851	—	108,606
Total benefit cost recognised in the consolidated statement of comprehensive income	2,085	151,996	4,662	158,743

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 2018	As at 31 December 2017
	RMB'000	RMB'000
Net liabilities of retirement benefit plan obligation	2,577,604	2,536,615

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 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 loss:				
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 2018	68,296	2,223,248	145,739	2,437,283
At 1 January 2018	76,441	2,286,502	173,672	2,536,615
Net interest expenses	1,330	44,145	2,833	48,308
Immediate recognition of actuarial gains	—	—	1,829	1,829
Revaluation gain/(loss):				
Actuarial revaluation of economic assumptions change	791	107,914	—	108,705
Actuarial revaluation of other assumptions change	(36)	(63)	—	(99)
Direct benefit paid by the Group	(7,422)	(82,386)	(27,946)	(117,754)
At 30 June 2018	71,104	2,356,112	150,388	2,577,604

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

	As at 30 June 2018	As at 31 December 2017
	RMB'000	RMB'000
At the beginning of the period	262,925	261,754
Exchange difference	(10,471)	3,053
Payment	(327)	(1,882)
At the end of the period	252,127	262,925

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

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

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

For the six months ended 30 June 2018 and 2017, no additional provision for litigation claims has been provided.

33. Notes and Trade Payables

	As at 30 June 2018	As at 31 December 2017
	RMB'000	RMB'000
Trade payables		
Ultimate holding company	9	—
Fellow subsidiaries	256,451	224,681
Associates of fellow subsidiaries	14	93
Joint ventures of fellow subsidiaries	1	264
Associates	3,540	3,540
Third parties	11,869,204	13,241,160
	12,129,219	13,469,738
Notes payables	889,045	550,495
Notes and trade payables	13,018,264	14,020,233

The carrying amounts of the Group's notes and trade payables as at 30 June 2018 and 31 December 2017 approximate their fair values.

33. Notes and Trade Payables (Continued)

Ageing analysis of notes and trade payables is as follows:

	As at 30 June 2018	As at 31 December 2017
	RMB'000	RMB'000
Within 1 year	8,022,839	8,475,498
Between 1 and 2 years	2,397,287	2,718,020
Between 2 and 3 years	1,265,304	1,470,005
Over 3 years	1,332,834	1,356,710
	13,018,264	14,020,233

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

	As at 30 June 2018	As at 31 December 2017
	RMB'000	RMB'000
RMB	10,920,913	12,412,865
USD	780,300	185,463
EUR	4,892	13,265
KZT	22,160	24,279
SAR	1,123,286	1,226,420
Others	166,713	157,941
	13,018,264	14,020,233

34. Other Payables

	As at 30 June 2018	As at 31 December 2017
	RMB'000	RMB'000
Contract deposits advance:		
Fellow subsidiaries	—	570,790
Joint ventures of fellow subsidiaries	—	866,676
Associates of fellow subsidiaries	—	60,957
Third parties	—	4,153,492
Salaries payables	93,738	142,820
Other taxation payables	—	192,120
Output value-added tax to be recognised	15,199	13,885
Deposits and guarantee deposits payables	153,514	133,968
Advanced payables	279,030	262,211
Rent, property management and maintenance payables	68,717	74,141
Contracts payables	14,806	12,955
Amounts due to ultimate holding company (1)	100	—
Amounts due to fellow subsidiaries (1)	90,401	77,476
Amounts due to joint ventures (1)	71	71
Amounts due to joint ventures of fellow subsidiaries (1)	1,717	282
Amounts due to associates of fellow subsidiaries (1)	—	111
Others	229,426	298,635
Total other payables	937,719	6,8600,590

(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 2018 and 31 December 2017 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 2018	As at 31 December 2017
	RMB'000	RMB'000
Deferred income tax assets	747,446	750,967

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Beginning of the period	750,967	775,695
Credited/(charged) to equity for retirement and other supplementary benefit actuarial revaluation	17,916	(19,963)
Tax (charged)/credited to the profit of the period (Note 12)	(21,437)	20,592
End of the period	747,446	776,324

The movement in deferred income tax assets/(liabilities) during the six months ended 30 June 2018 and 2017, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Tax losses	Provision for retirement and other supplemental benefit obligation	Provision for impairment on assets	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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
At 1 January 2018	36,497	426,836	255,799	31,835	750,967
(Charged)/Credited to:					
Profit for the period	—	(21,704)	(9,182)	9,449	(21,437)
Equity	—	17,916	—	—	17,916
At 30 June 2018	36,497	423,048	246,617	41,284	747,446

35. Deferred Taxation (Continued)

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 2018	As at 31 December 2017
	RMB'000	RMB'000
Tax losses for which no deferred income tax asset was recognised	534,752	538,350

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 2018, loans due to a fellow subsidiary are unsecured, repayable within one year and interest bearings as follows:

	As at 30 June 2018	As at 31 December 2017
Loans due to a fellow subsidiary	3.29% - 3.88%	2.73% - 3.63%

The fellow subsidiary is Sinopec Century Bright Capital Investment Limited.

37. Derivative Financial Liabilities

The Group enters into foreign currency forward contracts to manage its exposure to sales and purchases transactions that are denominated in foreign currencies. Foreign currency forward contracts are recognised as derivatives, categorised as fair value through profit or loss and are measured at their fair values with gains or losses recognised in the profit or loss. The foreign currency forward contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure. Such derivatives do not qualify for hedge accounting. The fair value of these contracts has been measured as described in note 4.3.

	As at 30 June 2018	As at 31 December 2017
	RMB'000	RMB'000
Derivatives at fair value through profit or loss		
–Foreign currency forward contracts	157,195	—
Liabilities		
Notional value of contracts	3,773,650	—

38. Cash-Settled Share-Based Payment

Pursuant to the announcement in relation to the approval of the proposed initial terms of H share appreciation rights scheme by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (the "SASAC") on 12 December 2017 and the resolution passed at the second extraordinary general meeting for the year 2017 dated 20 December 2017, the proposed adoption of the H share appreciation rights scheme and the proposed initial grant have been approved at the second extraordinary general meeting.

According to the Company's H Share appreciation rights scheme, the Company granted 13,143,000 units of cash settled H share appreciation rights to a total of 89 incentive recipients on 20 December 2017. The H Share appreciation rights are valid for 10 years from the date of grant. Subject to a lock-up period of two years following the date of grant, H share appreciation rights should be exercised from the second anniversary of the date of grant in 3 years on equal proportion, subject to the following conditions:

Conditions based on the Group's performance:

Effective Phases	Performance Evaluation Targets
First Effective Phase	• the ROE of the financial year immediately before the year of the effective date shall not be lower than 10.0% and shall not be lower than 75 percentile of such growth rate of revenue of benchmark companies;
	• the growth rate of revenue of the financial year immediately before the effective date as compared with that of the financial year immediately before the grant shall not be lower than 14.2% and shall not be lower than 75 percentile of such growth rate of revenue of benchmark companies;
	• the EVA of the financial year immediately before the year of the effective date shall not be less than RMB2.099 billion.
Second Effective Phase	• the ROE of the financial year immediately before the year of the effective date shall not be lower than 10.0% and shall not be lower than 75 percentile of such growth rate of revenue of benchmark companies;
	• the growth rate of revenue of the financial year immediately before the effective date as compared with that of the financial year immediately before the grant shall not be lower than 21.6% and shall not be lower than 75 percentile of such growth rate of revenue of benchmark companies;
	• the EVA of the financial year immediately before the effective date shall not be less than RMB2.233 billion.
Third Effective Phase	• the ROE of the financial year immediately before the year of the effective date shall not be lower than 10.0% and shall not be lower than 75 percentile of such growth rate of revenue of benchmark companies;
	• the growth rate of revenue of the financial year immediately before the effective date as compared with that of the financial year immediately before the grant shall not be lower than 29.3% and shall not be lower than 75 percentile of such growth rate of revenue of benchmark companies;
	• the EVA of the financial year immediately before the effective date shall not be less than RMB2.373 billion.

38. Cash-Settled Share-Based Payment (Continued)

If the aforementioned conditions based on the Group's performance are satisfied, the H share appreciation rights granted to the incentive recipients shall become effective as determined based on the following:

- If the incentive recipient's performance evaluation rating for the previous year is "A", then 100% of the share appreciation rights in the relevant phase shall become effective;
- If the incentive recipient's performance evaluation rating for the previous year is "B", then 90% of the share appreciation rights in the relevant phase shall become effective;
- If the incentive recipient's performance evaluation rating for the previous year is "C", then 30% of the share appreciation rights in the relevant phase shall become effective;
- If the incentive recipient's performance evaluation rating for the previous year is "D", irrespective of whether the Company has satisfied the performance conditions or not, all the share appreciation rights in the relevant phase shall lapse; or
- If the incentive recipient does not satisfy the condition precedent set out above, then the share appreciation rights granted to such incentive recipient for the corresponding effective phase shall lapse.

As at 30 June 2018, the details of the H share appreciation rights were as follows:

Date of grant	Exercise price HKD	Vesting period	Exercisable period	Number of underlying H share appreciation rights		
				Outstanding At 1 January 2018	Grant during the year	Outstanding At 30 June 2018
Directors						
20 December 2017	6.35	20 December 2017 to 19 December 2027	20 December 2020 to 20 December 2023	80,000	—	80,000
Employees						
20 December 2017	6.35	20 December 2017 to 19 December 2027	20 December 2020 to 20 December 2023	13,063,000	—	13,063,000
				13,143,000	—	13,143,000

The total fair value of share options as at 30 June 2018 has been valued using Black-Scholes valuation model.

The significant inputs into the model were as follows:

	As at 30 June 2018	As at 31 December 2017
Exercise price (i)	**HKD 6.17**	HKD 6.35
Expected volatility	**31.45%**	32.29%
Maturity (years)	**6.5 years**	6.5 years
Risk-free interest rate	**2.159%**	1.655%
Expected dividend yield	**0%**	0%

(i) If the Company distributes dividends, the exercise price of the H Share appreciation rights will be adjusted accordingly. The adjusted exercise price equals to the exercise price before adjustment minus dividend per share. Therefore, the exercise price of each H Share appreciation right granted by the Company is adjusted to HK$6.17 per share.

At 30 June 2018, the Group has recorded liabilities of HK$8,840,000, which RMB8,087,000 was included in accrued charges.

39. Commitments

(a) Capital commitments

Capital commitments for the purchase of property, plant and equipment outstanding as at 30 June 2018 and 31 December 2017 not provided for in the consolidated interim financial statements are as follows:

	As at 30 June 2018	As at 31 December 2017
	RMB'000	RMB'000
Contracted but not provided for		
– Property, plant and equipment	**9,723**	18,974

(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 2018	As at 31 December 2017
	RMB'000	RMB'000
Less than 1 year	**42,806**	44,598
1 year to 5 years	**110,408**	48,359
Over 5 years	**45,540**	30,105
Total	**198,754**	123,062

40. Cash Used in Operations

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Profit before taxation	1,335,904	1,063,567
Adjustments for:		
(Reversal of)/Provision for impairment on trade and other receivables	(84,903)	286,148
Depreciation of property, plant and equipment	295,181	268,997
Amortisation of intangible assets	38,943	38,996
Amortisation of land use rights	30,614	30,068
Net gains on disposal/write-off of property, plant and equipment	(2,247)	(411)
Loss on disposal of financial assets at FVTOCI	124	—
Interest income	(368,009)	(254,210)
Interest expense	51,758	37,914
Net foreign exchange (gains)/losses	(156,486)	374,294
Fair value change losses	157,195	—
Share of losses of joint ventures	215	446
Share of profits of associates	(22,021)	(4,112)
Cash flows from operating activities before changes in working capital	1,276,368	1,841,697
Changes in working capital:		
– Inventories	(97,089)	331,225
– Contract work-in-progress	—	(375,429)
– Contract assets	(454,886)	—
– Contract liabilities	1,777,385	—
– Trade and other receivables	(1,942,880)	953,645
– Trade and other payables	(1,436,966)	(3,088,022)
– Restricted cash	1,227	(9,412)
Cash used in operations	(876,841)	(346,296)

41. 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).

42. 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 2018 and 2017 and balances as at 30 June 2018 and 31 December 2017.

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	
	2018	2017
	RMB'000	RMB'000
Construction and services provided to		
– Ultimate holding company	3,887	3,972
– Joint ventures of fellow subsidiaries	2,614,272	167,740
– Associates of fellow subsidiaries	122,673	1,095,078
– Fellow subsidiaries	4,186,653	3,239,129
– Associates	915	28,258
	6,928,400	4,534,177
Construction and services received from		
– Ultimate holding company	10,437	5,433
– Joint ventures of fellow subsidiaries	258	124
– Associates of fellow subsidiaries	5	—
– Fellow subsidiaries	546,000	511,929
– Associates	34	1,193
	556,734	518,679
Technology research and development provided to		
– Fellow subsidiaries	79,826	35,813
Interest income on loans		
– Ultimate holding company	250,107	214,772
Interest expense on borrowings		
– Fellow subsidiaries	3,449	237

42. 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	
	2018	2017
	RMB'000	RMB'000
Expenses in relation to settlement and other financial services		
– Fellow subsidiaries	663	660
Deposit interest income from fellow subsidiaries	36,339	14,645

	As at 30 June 2018	As at 31 December 2017
	RMB'000	RMB'000
Deposits and time deposits placed in fellow subsidiaries	4,266,692	5,597,970

	As at 30 June 2018	As at 31 December 2017
	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.

42. 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, supervisors and other key management personnel to the Board of Directors. The compensation paid or payable to key management form employee services is shown below:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Fee	270	270
Basic salaries, other allowances and benefits-in-kind	2,727	1,728
Discretionary bonus	5,487	4,678
Contributions to pension plans	599	564
Cash-settled share-based payment	1,157	—
	10,240	7,240

43. Reconciliations of Liabilities Arising From Financing Activities

Reconciliations of liabilities arising from financing activities for the periods ended 30 June 2018 and 31 December 2017 are as follows:

	At 1 January 2018	Cash flows Proceeds	Non-cash changes Exchange adjustment	At 31 December 2018
	RMB'000	RMB'000	RMB'000	RMB'000
Loans due to a fellow subsidiary	431,257	130,684	7,087	569,028
Total liabilities from financing activities	431,257	130,684	7,087	569,028

	At 1 January 2017	Cash flows Proceeds	Non-cash changes Repayment	At 31 December 2017
	RMB'000	RMB'000	RMB'000	RMB'000
Loans due to a fellow subsidiary	—	379,198	(135,320)	243,878
Total liabilities from financing activities	—	379,198	(135,320)	243,878

44. Particulars of Principal Subsidiaries

As at 30 June 2018, 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

44. Particulars of Principal Subsidiaries (Continued)

As at 30 June 2018, 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 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 (SGD 500,000)	100%	—	Engineering contracting/Singapore
Sinopec Engineering Group America, L.L.C (中石化煉化工程（集團）股份有限公司美國公司)	United States/Limited liability company	3,075(USD 500,000)	100%	—	Engineering contracting, engineering and consulting/United States
Sinopec Energy-Saving Technology Service Co., Ltd (中石化節能技術服務有限公司)	The PRC/Limited liability company	50,000	100%	—	Technical service, contractual energy management and engineering research/ The PRC
Sinopec Shanghai Pharmaceutical Industry Designing Institute Co., Ltd. (中石化上海醫藥工業設計研究院有限公司)	The PRC/Limited liability company	8,046	—	100%	Medicine, pesticide, chemical research/ The PRC
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 (THB 3,300,000)	—	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.

Documents for Inspection

The following documents shall be available for inspection during normal business hours after 21 August 2018 (Tuesday) 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 financial report and consolidated financial report for the six months ended 30 June 2018 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 report signed by Grant Thornton Hong Kong Limited.

By Order of the Board

LING Yiqun

Chairman of the Board

Beijing, the PRC

21 August 2018

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.

中石化炼化工程(集团)股份有限公司
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