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

ENGINEERING A BETTER WORLD

2021 INTERIM REPORT

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. Mdm. SUN Lili (Chairwoman of the Board), Mr. JIANG Dejun (Director and President), Mr. JIA Yiqun (Chief Financial Officer and Company Secretary) and Mr. WANG Yi (head of the finance department) of SINOPEC SEG 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 2021 (the "**Reporting Period**") of SINOPEC SEG and its subsidiaries (the "**Group**"), prepared in accordance with the International Financial Reporting Standards, were audited by BDO 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 Company expects or anticipates will or may occur in the future (including but not limited to projections, goals, estimates and business plans) are forward-looking statements. The future actual results or development trends may differ materially from those indicated by the forward-looking statements due to various factors. The forward-looking statements contained in this interim report were made by the Company as at 23 August 2021 and, unless otherwise required by the relevant regulatory authorities, the Company undertakes no obligation or responsibility to update these statements.

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COMPANY PROFILE

The Group is a leading energy and chemical engineering company in the PRC with strong international competitiveness and can provide domestic and overseas clients with overall solutions for petrol refining, petrochemicals, aromatics, coal chemicals, inorganic chemicals, pharmaceutical chemicals, clean energy, storage and transportation facilities, environmental protection and energy saving, and other industry sectors. The Group is an integrated service provider for the whole industry chain and the whole life cycle in energy and chemical industry and can provide overall industry chain services including engineering consulting, technology licensing, project management contracting, financing assistance, EPC (engineering, procurement and construction) contracting, as well as design, procurement, construction and installation, lifting and transportation of large equipment, pre-commissioning and start-up, etc.

Over the last 70 years of continuous development, the Group currently has an academician of the Chinese Academy of Sciences, three academicians of the Chinese Academy of Engineering and more than 10,000 professionals. The Group has rich project management and implementation experience, and owns and cooperatively owns patents and know-how in core business areas. The Group has delivered

on schedule hundreds of modern factories with enormous investment, complicated process, advanced technology and high quality to clients in more than 20 countries and regions around the world, established long-term and steady cooperative relationships with large energy and chemical enterprises at home and abroad, maintained an extensive and stable client base, and enjoys remarkable industrial influence and social reputation.

In the future, adhering to the development orientation of "Integrated Service Provider with Whole Industry Chain and Whole Life Cycle in Energy and Chemical Industry", the Group will base itself on the energy and chemical engineering construction industry, continuously broaden its business scope and extend its value chain, comprehensively improve the level of safe, efficient, green and low-carbon service in the business chain through "value-oriented, innovation-driven, green and clean, talent-based, globalization-targeted, fusion and harmony", and create a new momentum in achieving the corporate vision of "building the world's leading technology-oriented 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
Mdm. SUN Lili

AUTHORISED REPRESENTATIVES
Mr. JIANG Dejun

Mr. JIA Yiqun

COMPANY SECRETARY
Mr. JIA Yiqun

REGISTERED ADDRESS
Building 8, Shenggujiayuan, Shenggu Middle Road, Chaoyang District, Beijing, the PRC

CORRESPONDENCE ADDRESS
Building 8, Shenggujiayuan, Shenggu Middle Road, Chaoyang District, Beijing, the PRC

Postcode: 100029

Tel: +8610-5673-0522

Website: www.segroup.cn

E-mail: seg.ir@sinopec.com

WEBSITES ON WHICH THIS INTERIM REPORT IS PUBLISHED
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
Company Office (Office of the Board)

SINOPEC ENGINEERING (GROUP) CO., LTD.

Building 8, Shenggujiayuan, Shenggu Middle Road, Chaoyang District, Beijing, the PRC

PLACE OF LISTING OF SHARES, STOCK NAME AND STOCK CODE

H Shares: Hong Kong Stock Exchange

Stock name: SINOPEC SEG

Stock code: 2386

UNIFORM SOCIAL CREDIT CODE

911100007109349087

NAMES AND ADDRESSES OF AUDITORS

PRC:

BDO China Shu Lun Pan Certified Public Accountants LLP

Room 1410, Fanli Building, 22 Chaoyangmen Wai Avenue, Chaoyang District, Beijing, the PRC

Overseas:

BDO Limited

25th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong

NAME AND ADDRESS OF LEGAL ADVISORS

PRC:

Beijing King & Wood Mallesons

17th-18th Floor, East Tower, World Financial Center, 1 Dongsanhuan Zhonglu, Chaoyang District, Beijing

Hong Kong:

Herbert Smith Freehills

23th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong

PRINCIPAL FINANCIAL DATA AND INDICATORS


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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 2021	As at 31 December 2020	Changes from the end of 2020 (%)
Total assets	72,210,511	71,465,327	1.0
Consolidated equity attributable to equity holders of the Company	28,770,273	28,251,172	1.8
Net assets per share of equity holders of the Company (RMB)	6.50	6.38	1.8

Unit: RMB'000

Items	Six-month periods ended 30 June		Changes over the same period of 2020 (%)
	2021	2020	
Revenue	26,851,392	23,797,156	12.8
Gross profit	2,524,351	2,191,775	15.2
Operating profit	1,161,083	1,150,453	0.9
Profit before taxation	1,611,209	1,562,823	3.1
Profit attributable to equity holders of the Company	1,347,127	1,260,191	6.9
Basic earnings per share (RMB)	0.30	0.28	6.9
Net cash flow used in operating activities	(1,978,359)	(1,962,757)	0.8
Net cash flow used in operating activities per share (RMB)	(0.45)	(0.44)	0.8

Items	Six-month periods ended 30 June	
	2021	2020
Gross profit margin (%)	9.4	9.2
Net profit margin (%)	5.0	5.3
Return on assets (%)	1.9	1.9
Return on equity (%)	4.7	4.6
Return on invested capital (%)	4.8	4.7

Items	As at 30 June 2021	As at 31 December 2020
Asset-liability ratio (%)	60.2	60.5

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 2020		Increase/Decrease of this change (+, -)			As at 30 June 2021	
	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 962 shareholders of the Company. As of 20 August, 2021, 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**") according to the information publicly available to the Company and to the knowledge of the Directors.

(1) Shareholdings of the top ten shareholders

Unit: Share

Name of Shareholders	Increase/Decrease during the Reporting Period (+, -)	Number of Domestic Shares held as at the end of the Reporting Period	Number of H Shares held as at the end of the Reporting Period	Percentage as 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	+21,239,500	–	1,454,574,789	32.85	99.57
ZHANG SAIYU	-1,600,000	–	2,000,000	0.05	0.14
HUI MO CHEE	+370,000	–	870,000	0.02	0.06
HUI SIU SHUN WAN	+140,000	–	340,000	0.01	0.02
WONG CHOK SHUN	0	–	300,000	0.01	0.02
WONG CHUI CHUNG	0	–	295,000	0.01	0.02
CHAN LAI KUEN SELINA	+500	–	195,500	0.00	0.01
WONG CHUI CHUNG	0	–	195,500	0.00	0.01
CHOI LAI MING	+130,000	–	130,000	0.00	0.01
Statement on the connected relationship or acting in concert among or between the aforementioned shareholders	The Company is not aware of any connection or acting in concert among or between the aforementioned top ten shareholders				

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

In accordance with the archiving notice submitted through Disclosure of Interests Online System, save as the information disclosed below, as at the end of the Reporting Period, to the knowledge of the Board, no person(s) (other than 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 Divisions 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 the Company:

Name of Shareholders	Class of share	Capacity	Number of shares with interests held or regarded as being held (Share)	Percentage in shares of the Company of the same class (%) [8]	Percentage in the total share capital of the Company (%)[9]
China Petrochemical Corporation[1]	Domestic Share	Beneficial owner/Interests of controlled corporation	2,967,200,000(L)	100.00(L)	67.01(L)
Prudential plc[2]	H Share	Interests of controlled corporation	114,774,000(L)	7.85(L)	2.59 (L)
Brown Brothers Harriman & Co.[3]	H Share	Agent	101,871,342(L)	6.97(L)	2.30 (L)
			101,871,342(P)	6.97(P)	2.30 (P)
FMR LLC[4]		Beneficial owner	90,338,771(L)	6.18(L)	2.04 (L)
Eastspring Investments[5]	H Share	Beneficial owner	87,256,500(L)	5.97(L)	1.97 (L)
JPMorgan Chase & Co.[6]	H Share	Interests of controlled corporation/ Investment manager/Persons having a security interest in shares/ Approved lending agent	82,089,034(L)	5.61(L)	1.85 (L)
			5,259,328(S)	0.36(S)	0.12 (S)
			76,455,247(P)	5.23(P)	1.73 (P)
Pandanus Associate Inc.[7]	H Share	Interests of controlled corporation	76,193,353(L)	5.22(L)	1.72 (L)
Pandanus Partners L.P.[7]	H Share	Interests of controlled corporation	76,193,353(L)	5.22(L)	1.72 (L)
FIL Limited[7]	H Share	Interests of controlled corporation	76,193,353(L)	5.22(L)	1.72 (L)

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

Notes:

(1) China Petrochemical Corporation ("**Sinopec Group**") directly and/or 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 2 December 2020 and filed by Prudential plc with the Hong Kong Stock Exchange.

(3) The information is based on the Corporate Substantial Shareholders Notice dated 14 July 2021 and filed by Brown Brothers Harriman & Co. with the Hong Kong Stock Exchange.

(4) The information is based on the Corporate Substantial Shareholders Notice dated 13 July 2021 and filed by FMR LLC with the Hong Kong Stock Exchange.

(5) The information is based on the Corporate Substantial Shareholders Notice dated 8 July 2021 and filed by Eastspring Investments with the Hong Kong Stock Exchange.

(6) The information is based on the Corporate Substantial Shareholders Notice dated 8 July 2021 and filed by JPMorgan Chase & Co. with the Hong Kong Stock Exchange.

(7) The information is based on the Corporate Substantial Shareholders Notices dated 22 July 2021 and filed by Pandanus Associates Inc., Pandanus Partners L.P. and FIL Limited with the Hong Kong Stock Exchange. According to these notices, Pandanus Associates Inc. holds 100% interest in Pandanus Partners L.P. and Pandanus Partners L.P. holds 36.86% interest in FIL Limited.

(8) It is calculated on the basis that the Company has issued 2,967,200,000 Domestic Shares and 1,460,800,000 H Shares.

(9) It is calculated on the basis that the Company has issued 4,428,000,000 shares in total.

BUSINESS REVIEW AND PROSPECTS

Looking back on the first half of 2021, the international environment was complex, and the epidemic was still spreading overseas, adversely affecting the endogenous power of world economic growth; the "Carbon Peaking and Neutrality" targets proposed by the Chinese government put forward new requirements for the energy and chemical industry, oil refining and chemical industry entered a clean and high-end development stage, and the development of the new coal chemicals faced greater challenges. Directly facing the challenges, the Group fully grasped the development opportunity of the industrial pattern of SINOPEC of One Foundation of energy and resources, Two Wings of clean fuels and advanced chemicals, and Three Growth Drivers in new energy, new material and new economy, fully promoted the upgrading and transformation of the refining and chemical industry, consolidated the revenue base, and made efforts to achieve innovation and breakthrough in fields such as hydrogen energy industry chain, new material, new energy and digital engineering; explored the new mode of "Large troop formation" to improve the efficiency of integration, did a good job in epidemic prevention and control, continued to tackle key problems and enhance efficiency, and fully embarked a new journey of "building the world's leading technology-oriented engineering company".

In the first half of 2021, the Group has strengthened overall planning of resources, efficiently promoted the construction of large-scale refining and chemical integration and crude oil storage facility project cluster, realized high-quality handover of Zhenhai Refining and Chemical Ethylene Expansion Project and crude oil storage facility project in several locations, nearly completed Fujian Gulei Refining and Chemical Integration Project, and made smooth progress of Hainan Refining & Chemical Ethylene and Refinery Expansion Project, laying a foundation for the Company to realize good benefits.

During the Reporting Period, the Group recognized the total revenue of RMB26.851 billion, an increase of 12.8% compared with the same period of last year (hereinafter referred to as "**period-on-period**"), and the net profit was RMB1.347 billion, with a period-on-period increase of 6.9%.

In the first half of 2021, the Group adhered to engineering innovation and value creation, and fully exerted the advantages of integrated engineering service: taking engineering technology as the leading advantage, the Group made the MTO plant process package design contract signed for natural gas chemical complex of Uzbekistan, achieving SMTO technology went abroad for the first time; taking engineering consultation as the link and engineering design as the main body, the Group signed engineering design contract of refined chemical project of North Huajin and melamine foundation design contract of Malaysia, laying a foundation for expansion of market share in the next step; taking engineering construction as the support, the Group signed the engineering, procurement and construction ("EPC") contract of ethylene facilities of Hainan Refining & Chemical Ethylene and Refinery Expansion Project, the EPC contract of Wenzhou LNG receiving terminal project, and construction contract of ethylene facilities of AGCC project in Russia, etc.

During the Reporting Period, the value of new contracts entered into by the Group was RMB36.663 billion, which remained stable on a period-on-period basis, in which, the value of newly signed domestic contracts amounted to RMB30.131 billion, and the value of newly signed overseas contracts amounted to approximately RMB6.532 billion. As at the end of the Reporting Period, the Group's backlog was RMB115.466 billion, representing an increase of 9.3% compared to that as at 31 December 2020, and was 2.2 times of the total revenue of RMB52.353 billion in 2020.

1 Business Review

(1) Market Environment

In the first half of 2021, the global epidemic continued to evolve, rebounded many times in many countries and regions, and there were still many external unstable and uncertain factors. Domestic epidemic pressure of “defense against external input and defense against internal reoccurrence” is extremely huge, China’s economy continues the trend of stable recovery, stable reinforcement and stable improvement, but it is still necessary to make efforts to consolidate the foundation of stable recovery and development.

In the first half of 2021, after experiencing the severe impact of the novel coronavirus epidemic on the global energy industry, with the rise of novel coronavirus pneumonia vaccination rate in major countries of the world, oil market demand is expected to improve, the international oil prices continued to rise in the first half of the year, up by more than 50% in comparison with the beginning of the year.

At the same time, centering on the new development pattern of “dual circulation”, China has promoted a number of industrial restructuring projects to speed up construction, expanded effective investment, and supported economic recovery. Guided by the targets of “Carbon Peaking and Neutrality”, China has promoted the transformation and upgrading of the energy industry during the “14th five-year plan” period and accelerated the establishment of a clean, low-carbon, efficient and safe energy production and consumption system. The scale, self-sufficiency rate, energy saving and environmental protection level of the domestic petrochemical industry chain have continued to improve; high-end chemical new materials industry has entered a period of rapid development, a number of demonstration projects have been making rapid progress; the demand for clean energy represented by natural gas has been growing steadily, natural gas-related industries have shown great potential; and new energy, represented by hydrogen energy, solar energy, wind energy and other fields, is growing rapidly and becoming a new proposition to realize the integrated development with traditional energy.

(2) Operation Overview

The business of the Group mainly comprises four segments: (1) engineering, consulting and licensing; (2) engineering, procurement and construction contracting ("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:

	For the six months ended 30 June				
	2021		2020		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB'000)	(%)	(RMB'000)	(%)	(%)
Engineering, consulting and licensing	1,613,595	5.2	1,230,173	4.6	31.2
EPC Contracting	16,265,498	51.9	15,528,332	58.3	4.7
Construction	12,969,125	41.4	9,612,750	36.1	34.9
Equipment manufacturing	479,753	1.5	264,320	1.0	81.5
Subtotal	31,327,971	100.0	26,635,575	100.0	17.6
Total (after inter-segment elimination)(1)	26,851,392	N/A	23,797,156	N/A	12.8

Note:

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

During the Reporting Period, thanks to the group's business strategy of "taking engineering technology as the leading advantage, engineering consultation as the link, engineering design as the main body and engineering construction as the support", the revenue of the engineering, consulting and licensing segment continued to grow, and the revenue from the engineering, consulting and licensing business was RMB1.614 billion, representing an increase of 31.2% on a period-on-period basis. Thanks to the large projects such as Zhenhai Refining and Chemical Ethylene Expansion Project, Fujian Gulei Refining and Chemical Integration Project, Zhejiang Petrochemical Zhoushan Refining and Chemical Integration Project Phase II, Hainan Refining & Chemical Ethylene and Refinery Expansion Project and Crude Oil Storage Facility Project cluster have entered into peak construction periods during the Reporting Period, the revenue of the EPC contracting business was RMB16.265 billion, representing an increase of 4.7% on a period-on-period basis. Thanks to the large projects have entered into peak construction periods during the Reporting Period, the increased business volume in construction, the revenue of the construction business was RMB12.969 billion, representing an increase of 34.9% on a period-on-period basis. Thanks to the increased business volume in equipment manufacturing, the revenue of the equipment manufacturing business was RMB480 million, representing an increase of 81.5% on a period-on-period basis.

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				
	2021		2020		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB'000)	(%)	(RMB'000)	(%)	(%)
Oil refining	**5,354,175**	**19.9**	5,524,808	23.2	(3.1)
Petrochemicals	**15,050,970**	**56.1**	14,428,401	60.6	4.3
New coal chemicals	**528,703**	**2.0**	2,204,020	9.3	(76.0)
Storage, transportation and others[(1)]	**5,917,544**	**22.0**	1,639,927	6.9	260.8
Subtotal	**26,851,392**	**100.0**	23,797,156	100.0	12.8

Notes:

(1) In order to more accurately and effectively reflect the industry in which the Group's clients operate, the name has been changed from "Other Industries" to "Storage, Transportation and Others", basis of the amounts remains unchanged.

The Group derived its revenue mainly from services provided to clients in oil refining, petrochemicals, new coal chemicals, storage, transportation and other industries. During the Reporting Period, due to the large amount of revenue contribution of the large projects such as Zhenhai Refining and Chemical Ethylene Expansion Project, Fujian Gulei Refining and Chemical Integration Project, Zhejiang Petrochemical Zhoushan Refining and Chemical Integration Project Phase II, Hainan Refining & Chemical Ethylene and Refinery Expansion Project, revenue generated from petrochemicals industry was RMB15.051 billion, representing an increase of 4.3% on a period-on-period basis; due to the contribution of crude oil storage facility project cluster and natural gas pipeline network as well as gas storage facilities project, revenue generated from storage, transportation and others was RMB5.918 billion, representing an increase of 260.8% on a period-on-period basis. Revenue generated from oil refining industry was RMB5.354 billion, representing a decrease of 3.1% on a period-on-period basis, which was affected by the completion for the large refining projects such as Kuwait Oil Refining Project; revenue generated from new coal chemicals industry was RMB529 million, representing a decrease of 76.0% on a period-on-period basis, which was affected by the completion of coal chemicals projects such as Zhong'An Joint Coalification Integration Project.

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				
	2021		2020		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB'000)	(%)	(RMB'000)	(%)	(%)
PRC	24,749,885	92.2	21,040,916	88.4	17.6
Overseas	2,101,507	7.8	2,756,240	11.6	(23.8)
Subtotal	26,851,392	100.0	23,797,156	100.0	12.8

During the Reporting Period, thanks to the industry investment trend of "shifting from oil product to chemicals" and increasing investment in refining & chemical base from SINOPEC, the accelerated promotion of large EPC contracting projects such as Zhenhai Refining and Chemical Ethylene Expansion Project, Fujian Gulei Refining and Chemical Integration Project, Zhejiang Petrochemical Zhoushan Refining and Chemical Integration Project Phase II, Hainan Refining & Chemical Ethylene and Refinery Expansion Project, revenue generated in the PRC was RMB24.750 billion, representing an increase of 17.6% on a period-on-period basis. Due to the global outbreak of the COVID-19 epidemic, the slow-down of the construction of the overseas project, the completion of large-scale projects such as Kuwait's Oil Refining Project, the revenue contribution from newly-entered projects was limited in the last two years. As a result, revenue generated from overseas was RMB2.102 billion, representing a decrease of 23.8% on a period-on-period basis.

The following table sets forth the certain details of the Group's new contracts and backlog for the periods indicated:

	Six-month periods ended 30 June 2021	Six-month periods ended 30 June 2020	Change
	(RMB'000)	(RMB'000)	(%)
New contracts	36,662,979	36,638,023	0.1

	As at 30 June 2021	As at 31 December 2020	Change
	(RMB'000)	(RMB'000)	(%)
Backlog	115,466,194	105,654,607	9.3

As at the end of the Reporting Period, the backlog of the Group amounted to RMB115.466 billion, representing an increase of 9.3% as compared to that as at 31 December 2020, and was 2.2 times of the total revenue of RMB52.353 billion in 2020. During the Reporting Period, the value of new contracts amounted to RMB36.663 billion, which remained stable on a period-on-period basis.

The following table sets forth the certain details of the Group's capital expenditure for the periods indicated:

	Six-month periods ended 30 June 2021	Six-month periods ended 30 June 2020	Change
	(RMB'000)	(RMB'000)	(%)
Capital expenditure	381,324	190,170	100.5

During the Reporting Period, the Group's capital expenditure was approximately RMB381 million, representing an increase of 100.5% on a period-on-period basis. Due to the Group's increased investment in lifting and transportation equipment during the Reporting Period, as well as the influence of the epidemic in the first half of the last year, the progress of investment projects has slowed down. During the Reporting Period, the Group's capital expenditure was mainly used for the purchase and renewal of engineering facilities and equipment, the construction of temporary facilities for engineering projects, office facilities and other supporting auxiliary construction, contract energy management investment, lease of use right assets, informatization construction, etc.

(3) Business Highlights

Rapid and stable development of major projects

Zhenhai Refining and Chemical Ethylene Expansion Project: please refer to the announcements dated 28 February 2020 and 16 April 2020 published by the Company for further details. During the Reporting Period, by strengthening overall planning, coordination and resource investment, the Group has promoted the construction of the project in a high quality and efficient manner and that the project has achieved high-standard intermediate handover ahead of schedule.

Fujian Gulei Refining and Petrochemical Integration Project: please refer to the announcement dated 15 April 2019 published by the Company for further details. As at the end of the Reporting Period, the project has entered the final sprint stage of construction, and has realized the intermediate handover of the ethylene devices and other devices.

Hainan Refining & Chemical Ethylene and Refinery Expansion Project: please refer to the 2020 annual report dated 21 March 2021 and the announcement dated 16 April 2021 published by the Company for further details. As at the end of the Reporting Period, the Group has strengthened services to ensure that the project enters a rapid construction phase, with an overall progress of about 30%.

SINOPEC SABIC Polycarbonate 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 in the final stage of construction, and close to intermediate handover standard. The Group will ensure the smooth startup of operation of the project by the end of the year by providing better and better service.

Zhejiang Petrochemical Zhoushan Refining and Chemical Integration Project (Phase II): please refer to the announcements dated 28 February 2020 published by the Company for further details. As at the end of the Reporting Period, the project is at the final stage of construction, with an overall progress exceeding 90%.

AGCC Polyolefin Project in Russia: please refer to the 2020 Interim Report dated 23 August 2020 published by the Company for further details. As at the end of the Reporting Period, the project is at the stage of design and procurement, with an overall progress of about 40%.

Forge ahead in market development

During the Reporting Period, the Group continued the intensive work in the domestic market. The Group entered into new contracts for a number of large projects, including the expansion project of Hainan Refining & Chemical with a total contract value of approximately RMB9.506 billion, the EPC contract of Wenzhou LNG receiving station project with a total contract value of approximately RMB3.364 billion, engineering design contract of refined chemical project of North Huajin with a total contract value of approximately RMB626 million, construction contract of Ningbo PTA project of Formosa Chemicals Industries with a total contract value of approximately RMB778 million.

During the Reporting Period, the Group has made a major breakthrough in the Russian market. The Group entered into new contracts for construction of ethylene facilities of AGCC project in Russia with a total contract value of approximately USD942 million; the Group made the MTO plant process package design contract signed for natural gas chemical complex of Uzbekistan, achieving SMTO technology went abroad for the first time; and signed melamine basic design contract of Malaysia, laying a foundation for expansion of market share in the next step.

Strong support for engineering service

During the Reporting Period, the Group overcame the impact of the epidemic, strengthen the overall planning of project resources and ensure the smooth operation of the projects; strengthened the coordination of key projects construction, ensured the continuous advancement of all work by relying on the remote collaborative work system; focusing on profitability and progress, the Group implemented the “triple warning” for progress deviation, revenue deviation and budget deviation, rectified the deviation in a timely manner, and strengthened closed-loop management; through optimising the design workflow and professional division interface, the Group strengthened standardization, integration, modular design and modular construction to improve the efficiency of design and construction.

During the Reporting Period, the Group continued to strengthen the construction of subcontracting management system, and dynamically evaluated the operational effectiveness of the QHSE (Quality, Health, Safety and Environment) system of strategic subcontractors; continued to strengthen the cultivation of strategic subcontractors, optimized the allocation of subcontracting resources, and ensured the quality, safety, progress and cost control of project construction; improved the subcontracting resources and information sharing platform, realized the integrated management of subcontractor resource pool and subcontractor evaluation, and optimized the subcontracting management cost. While ensuring the supply of materials for various construction projects, the Group has actively explored ways and means to improve procurement management, procurement efficiency, cost reduction and efficiency promotion, improved management regulations, continued to promote the practice of framework agreement procurement and centralized procurement, and strengthened procurement management for overseas projects, areas of which witnessed remarkable progress.

The quality and safety responsibility system is consistently implemented

During the Reporting Period, the Group always adhered to the core value of QHSE as People-oriented and Quality First, constantly improved QHSE management system and effectively implemented corporate responsibility, realized double-victory of epidemic prevention and control as well as safe production, was free from safety accidents, quality accidents and environmental protection accidents, and free from death which is not related to production and public safety incidents. The Group has been maintaining a “zero infection” record in China, and has kept the overall risk of public safety and epidemic for overseas projects under control. As at the end of the Reporting Period, a total of 141 million hours of safe work have been realized accumulatively; the staff vaccination rate is 88.2%, overfulfilling the vaccination rate target. During this Reporting Period, inspection of 671,021 pipeline weld junctions has been completed accumulatively, 3,164,066 inspection photos have been taken, one-time pass rate of weld junction is 96.21%, and one-time pass rate of inspection photo is 98.57%, all exceeding the established target.

During the Reporting Period, the Company has initiated construction and certification work of management system which is based on risk, takes procedure standard as basis and strengthens process management and control, it is planned to complete the work and obtain ISO9001, ISO45001 and ISO14001 certification by the end of this year.

Hydrogen energy, low-carbon, energy-saving and environmental protection business has continued to expand

During the Reporting Period, making active response to "Carbon Peaking and Neutrality" objectives, the Group has made active arrangement and efforts to cultivate hydrogen energy, low carbon and environmental protection businesses. Firstly, undertake the compilation work of 2 national standards and 1 SINOPEC standard related to hydrogenation stations, and undertake the construction of the first batch of hydrogenation stations of SINOPEC; secondly, promote the construction of photovoltaic-to-hydrogen projects in Kuqa and Erdos, the two projects will become the world's largest green hydrogen production projects after completion of construction; thirdly, in collaboration with SINOPEC Dalian Research Institute and SINOPEC Gaoqiao Petrochemical, complete a demonstration unit for high-purity hydrogen production, so as to refine by-product hydrogen to 99.999%; fourthly, sign a number of contracts for energy management projects, actively promote carbon footprint evaluation service, and undertake research work for a number of energy-saving subjects; fifthly, in the field of soil restoration, closely follow up pollution site restoration projects of multiple regions of China, and strive to expand new business areas; sixthly, in fields such as VOC prevention and control, CO_2 collection and wastewater treatment, improve technical reserves to provide high quality solutions for owners; and seventhly, in collaboration with Institute of Process Engineering of Chinese Academy of Sciences and Yanshan Petrochemical, establish Carbon Neutrality Green Technology Joint Research and Development Center, so as to sufficiently utilize experience and advantages to promote the transformation of related scientific and technological achievements.

New breakthroughs have been made in digital engineering

During the Reporting Period, centering on establishment of digital engineering system, the Group makes overall plan for top-level design and action plan of digital transformation, continuously improves *Detailed Rules for the Implementation on Digital Delivery of Petrochemical Project* and data library and data structure, optimizes and enhances the integration platform of project digital delivery and acceptance, and deepens the optimization, fusion and application of project digital twins and intelligent factory operation, maintenance and production, so as to build digital factory construction benchmark demonstration of key projects such as Zhongke Refining and Chemical Integration Project and Gulei Refining and Chemical Integration Project from the design source.

In terms of digital engineering platform construction, integrate and enhance integrated-design seed files, promote the engineering main data project application such as the unified engineering documents library, legend library, template files and others, sort and optimize project management program documents such as integrated design operation instruction manual, workflow and others, vigorously promote the development of three-dimensional collaborative design platform and intelligent design tools of all disciplines, refine and solidify integrated design typical project scenario navigation, and comprehensively improve design efficiency and factory design quality.

In terms of industrial digital intelligent application, focus research and development on tackling key problems for key technologies for desktop hydrogenation unit process model of refining and chemical factory, take the lead in implementation of projects such as "Chinese Central State-owned Enterprises Industrial Internet Platform Collaborative Promotion Mechanism Pilot Project of State-owned Assets Supervision and Administration Commission", "Design Simulation Industrial Software Adaptation Verification Center of Ministry of Industry and Information Technology" and "Construction of Equipment Integration Application of SINOPEC", explore the establishment of a collaborative consortium featuring data flow fusion throughout all procedures of full life cycle of project, jointly build a new industrial mode of cooperation in which the service needs of the entire industry chain are coupled with the interests of relevant parties, and promote customer digital enabling, intelligent operation and integrated mode reproduction.

The advantages of engineering technology innovation domain

Steady progress in research and development of engineering technologies and major progress in key scientific research projects

During the Reporting Period, the Group has newly signed 202 technology development contracts of various types; relevant scientific research projects closely focused on the development trend and demand of engineering market technologies, key research and development projects have steadily moved forward, and the research progress was under overall control.

In the field of petrochemical industry, the technology development for "Development of high isotactic polybutene-1 package" and "Oil-to-Ethylene commercial test" has been completed, and intermediate handover of the test plants have been delivered, and they are now entering the startup preparation stage; the development for "Development of low-cost ethane-to-styrene package" and "Development of epoxy propane package" has been completed, and the test plants are now entering the construction stage at the present.

In the field of new energy, the technology development for a series of development projects such as "development and application of high-purity hydrogen production, storage and transportation and filling for fuel cell package" has been completed, and the test unit has fully entered the construction stage; SINOPEC has carried out design and construction of fuel-hydrogen combination station in multiple regions for "Fuel-hydrogen Combination Station Specifications and Supply Chain Construction and Application Project".

In the field of new materials, "Coal-based Polyglycolide Acid (PGA) Engineering Technology Development Project" is in the process of research, development and testing of key technologies, "Complete Set Industrial Technology Development Test Project for Hydrogenated Nitrile-Butadiene Rubber package" is in the process of basic engineering design, and "Pilot-scale Research for Preparation of Battery-level Lithium Carbonate through Extraction of Lithium from Brine" has completed the construction drawing design.

In the field of energy saving and emission reduction, "CO_2 Chemical Chain Mineralization Utilization Pilot-scale Experiment Technology Development" is in the process of compilation of scientific research report; the technology development for "development and application of complete sets of technology for hydrogenation cracking device large-scale development and energy saving optimization" has completed, and the core equipment design and overall program optimization for the project test plants have been completed.

Increasing number of patent applications and numerous fruitful results in technological innovation

During the Reporting Period, the Group completed 315 new patent applications, among which, 219 or 69.5% applications were invention patents applications. The Group also had 227 newly licensed patents, 82 of which were invention patents.

During the Reporting Period, the Group received a total of 44 scientific advancement awards in scientific innovation and engineering construction fields at the provincial and above level. Among these awards, 4 first prizes, 7 second prizes and 5 third prizes of scientific and technological progress award of SINOPEC; 1 special prize, 1 first prize and 2 second prizes of other provincial and ministerial level scientific and technological progress award; 1 gold medal, 1 silver medal and 1 bronze medal of national outstanding design award.

Strategically guide and strengthen sustainable development

The Group has fully analyzed the development environment, opportunity and challenge of the company, planned the work ideas and strategic priorities during the "14th five-year plan" period, organized and formulated the development plan during the "14th five-year plan" period, defined the development vision of "building the world's leading technology-oriented engineering company", taking "becoming an integrated service provider with whole industry chain and whole life cycle in energy and chemical industry" as its development orientation, "engineering innovation and value creation" as its development priority, and "value-led, innovation-driven, green and clean, talent-based global development, fusion and co-existence" as development strategy. At present, the Group is profoundly promoting corporate reform and improve management effectiveness, coordinate the development of all business segments, form the advantages of collectivization scale, exert the integration synergy effect, improve and extend the business chain on the basis of consolidating the traditional and core business areas, and make the high-end business bigger and stronger.

2 Business Prospects

Looking forward to the second half of 2021, although China has been subjected to the impact of the COVID-19 epidemic and the influence of severe and complex international situations, China's economy has remained stable recovery, new driving force has grown rapidly, and economic development has shown a steady reinforcement and steady development trend; at the same time, aiming for the target of "Carbon Peaking and Neutrality", the domestic refining and chemical industry gradually develop towards high-end, intensive and differentiation trend, and promote the extension of the industry toward the high end of value chain.

In respect of the market development, in the second half of 2021, the Group will continue to promote the overall development of key markets, In the advantageous fields such as refining and petrochemical integration, comprehensive utilization of light hydrocarbons, chemical new materials and natural gas utilization, exert the advantages of "large-forces combat", and consolidate and enhance market share; accelerate the promotion of the fields such as new energy, new materials, energy saving and environmental protection, seize the market opportunities of renewable energy, carbon resources and hydrogen resources, promote the building of demonstration devices; extend the service chain in the fields of digital delivery, modular design and construction, high-end manufacturing, and new inspection and maintenance services, etc. In terms of overseas market development, although the Group made a major breakthrough in Russian market in the first half of this year, signing a construction project contract of USD 940 million, due to the continuing influence of the epidemic, most of the biddings in the Middle East market have been postponed, and generally speaking, the competition has become more intense, bringing greater uncertainty to the completion of overseas market targets of this year. In overseas market, the Group will work hardly in traditional markets and steadily explore new markets under the precondition of assurance of efficiency as well as prevention and control of risks, and strive to realize steady recovery and development after the epidemic.

In respect of project management, in the second half of 2021, epidemic prevention and control will become a new normal in domestic, the risk of overseas epidemic spread is still huge, uncertainty of overseas production and business activities will rise. The Group will focus on both epidemic prevention and control as well as production and business operation, ensure to steadily propel key projects as planned, and take strong measures to explore the potential of efficiency; strengthen the overall coordination and key monitoring of major domestic projects to prevent a rebound of the epidemic, and stress the early planning and assurance of implementation process of key projects; strengthen project process control, solve problems existing in the project implementation process in time, reduce project management risks, and ensure the smooth implementation of key projects; coordinate and optimize the resource allocation of the project under the conditions of ensuring safety, quality and controllable schedule, and taking the maximization of the company's benefits as the guideline. The Group will continue to do a good job in epidemic prevention and control based on the concept of "life first" and an attitude of being highly responsible towards all employees, and at the same time, strengthen humanistic care to ensure the life safety and mental health of employees.

In respect of technology research and development, in the second half of 2021, while strengthening and optimizing traditional refining and chemical businesses, the Group will closely center on the development vision of "building a world-leading technology-oriented engineering company", focus on promotion of scientific research and development in engineering and technical fields such as key core technologies and key core equipment, further strengthen technology source-seeking and cooperation, and actively expand the engineering development of energy saving technology, carbon capture technology and CO_2-to-olefin technology related to "carbon emission reduction", while strengthening the technological innovation capabilities in the field of clean energy and new materials, give full play to the integration advantages of the Group in technology, improve the quality of engineering services through technological innovation, building a technical brand reputation with high quality service, exerting the excellent genes of technology-based enterprise and innovation for development, and enhancing the new momentum for innovation and development of the Group.

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. The relevant financial data below, unless otherwise stated, are extracted from the Group's audited consolidated financial statements prepared according to the IFRS.


CONNECTION
ANALYSIS
DATA
SEARCHING
VERIFICATION
CODING
SENDING

1 Consolidated Results of Operations

The following table sets forth the consolidated statement of comprehensive profit or loss and comprehensive income of the Group for the indicated periods:

	Six-month periods ended 30 June				
	2021		2020		
	Amount	Percentage of total revenue	Amount	Percentage of total revenue	Change
	(RMB'000)	(%)	(RMB'000)	(%)	(%)
Revenue	26,851,392	100.0	23,797,156	100.0	12.8
Cost of sales	(24,327,041)	(90.6)	(21,605,381)	(90.8)	12.6
Gross profit	2,524,351	9.4	2,191,775	9.2	15.2
Other income	46,685	0.2	210,475	0.9	(77.8)
Selling and marketing expenses	(50,754)	(0.2)	(50,426)	(0.2)	0.7
Administrative expenses	(491,040)	(1.8)	(494,146)	(2.1)	(0.6)
Research and development costs	(892,152)	(3.3)	(796,316)	(3.3)	12.0
Other operating income	17,953	0.1	89,177	0.4	(79.9)
Other gains/(losses) – net	6,040	0.0	(86)	(0.0)	–
Operating profit	1,161,083	4.3	1,150,453	4.8	0.9
Finance income	479,292	1.8	446,324	1.9	7.4
Finance expenses	(40,479)	(0.2)	(43,958)	(0.2)	(7.9)
Finance income – net	438,813	1.6	402,366	1.7	9.1
Share of (loss)/profit of a joint arrangement	(99)	(0.0)	7	0.0	–
Share of profit of associates	11,412	0.0	9,997	0.0	14.2
Profit before taxation	1,611,209	6.0	1,562,823	6.6	3.1
Income tax expense	(263,926)	(1.0)	(302,470)	(1.3)	(12.7)
Profit for the period	1,347,283	5.0	1,260,353	5.3	6.9
Gains/(losses) on revaluation of retirement benefit plans obligations, net of income tax effect	101	0.0	(45,491)	(0.2)	–
Exchange differences arising on translation of foreign operations	(91)	(0.0)	942	0.0	–
Total comprehensive income for the period	1,347,293	5.0	1,215,804	5.1	10.8

(1) Revenue

The revenue of the Group increased by 12.8% from RMB23.797 billion for the six months ended 30 June 2020 to RMB26.851 billion for the six months ended 30 June 2021, which was mainly due to the fact that several large EPC contracting projects such as Zhenhai Refining and Chemical Ethylene Expansion Project, Fujian Gulei Refining and Chemical Integration Project, Zhejiang Petrochemical Zhoushan Refining and Chemical Integration Project Phase II, Hainan Refining & Chemical Ethylene and Refinery Expansion Project and Crude Oil Storage Facility Project cluster have entered into peak execution periods, representing an increase on a period-on-period basis.

(2) Cost of sales

The cost of sales of the Group increased by 12.6% from RMB21.605 billion for the six months ended 30 June 2020 to RMB24.327 billion for the six months ended 30 June 2021, which was mainly due to the corresponding increase of the cost together with income growth, and during the Reporting Period, the influence of rise of procurement costs of equipment & materials and labor price. During the Reporting Period, the prices of certain raw materials rose by more than 15%, and the labor costs of various types of work rose by an average of approximately 7%.

(3) Gross profit

The gross profit of the Group increased by 15.2% from RMB2.192 billion for the six months ended 30 June 2020 to RMB2.524 billion for the six months ended 30 June 2021, the gross profit margin increased from 9.2% for the six months ended 30 June 2020 to 9.4% for the six months ended 30 June 2021.

(4) Other income

The other income of the Group mainly included operating lease rental income of fixed assets, income from write back of long outstanding payables, government grant, exchange gain, etc. The other income of the Group decreased by 77.8% from RMB210 million for the six months ended 30 June 2020 to RMB47 million for the six months ended 30 June 2021, the main reasons were (i) the impact of exchange rate changes, during the Reporting Period, there was exchange loss, while in the same period of last year, there was exchange gain of RMB61 million; (ii) government subsidies for enterprise's electricity supply, water supply, heat supply and property management cost of RMB49 million in the same period of last year, whilst no such gains during this Reporting Period; (iii) income from write back of long outstanding payables during the Reporting Period decreased by RMB10 million on a period-on-period basis..

(5) Selling and marketing expenses

The selling and marketing expenses of the Group were RMB51 million, which remained broadly stable on a period-on-period basis.

(6) Administrative expenses

The administrative expenses of the Group were RMB491 million, which remained broadly stable on a period-on-period basis.

(7) Research and development costs

The research and development costs of the Group increased by 12.0% from RMB796 million for the six months ended 30 June 2020 to RMB892 million for the six months ended 30 June 2021, which were mainly due to the Group's increased R&D investment in "oil-to-chemical" technology, new materials, new energy, energy saving and emission reduction, digitization and construction automation, etc.

(8) Other operating income

The other operating incomes of the Group decreased by 79.9% from RMB89 million for the six months ended 30 June 2020 to RMB18 million for the six months ended 30 June 2021, the main reasons were that first, the reversal of impairment allowance during the Reporting Period decreased by RMB52 million on a period-on-period basis, and the second was affected by exchange rate changes, during the Reporting Period, there was an exchange loss of RMB25 million, while the same period of last year was the exchange gain.

(9) Other gains/(losses) – net

The net other gains/(losses) of the Group increased from a loss of RMB85,800 for the six months ended 30 June 2020 to a gain of RMB6,039,800 for the six months ended 30 June 2021, which were mainly due to the reversal of RMB5,948,600 million in the previous year's "electricity supply, water supply, heat supply and property management" separation and transfer expenditure during the Reporting Period.

(10) Operating profit

Due to the above reasons, during the Reporting Period, the operating profit of the Group was RMB1.161 billion, representing an increase of 0.9% on a period-on-period basis.

(11) Finance income – net

The net finance income of the Group increased by 9.1% from RMB402 million for the six months ended 30 June 2020 to RMB439 million for the six months ended 30 June 2021, which was mainly due to the increase in interest income from entrusted loans.

(12) Income tax expense

The income tax expense of the Group decreased by 12.7% from RMB302 million for the six months ended 30 June 2020 to RMB264 million for the six months ended 30 June 2021, the effective income tax rate decreased from 19.4% to 16.4% on a year-on-year basis. The change in the effective income tax rate was mainly due to the profit fluctuation of certain subsidiaries with different tax rates.

(13) Profit for the period

Due to the above reasons, the profit in the Reporting Period of the Group increased by 6.9% from RMB1.260 billion for the six months ended 30 June 2020 to RMB1.347 billion for the six months ended 30 June 2021.

(14) Total comprehensive income for the period

As a combined result of the reasons above and the effect of other comprehensive income of the Group, the total amount of the comprehensive income in the Reporting Period of the Group increased by 10.8% from RMB1.216 billion for the six months ended 30 June 2020 to RMB1.347 billion for the six months ended 30 June 2021.

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	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
	(RMB'000)		(RMB'000)		(%)		(RMB'000)		(%)	
Engineering, consulting and licensing	**1,613,595**	1,230,173	**525,305**	396,096	**32.6**	32.2	**71,303**	72,846	**4.4**	5.9
EPC Contracting	**16,265,498**	15,528,332	**1,113,478**	1,140,707	**6.8**	7.3	**623,640**	797,595	**3.8**	5.1
Construction	**12,969,125**	9,612,750	**858,581**	641,681	**6.6**	6.7	**405,689**	253,027	**3.1**	2.6
Equipment manufacturing	**479,753**	264,320	**26,987**	13,291	**5.6**	5.0	**7,783**	4,677	**1.6**	1.8
Unallocated	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**52,668**	22,308	**N/A**	N/A
Subtotal	**31,327,971**	26,635,575	**2,524,351**	2,191,775	**N/A**	N/A	**1,161,083**	1,150,453	**N/A**	N/A
Total after inter-segment elimination[3]	**26,851,392**	23,797,156	**2,524,351**	2,191,775	**9.4**[1]	9.2[1]	**1,161,083**	1,150,453	**4.3**[2]	4.8[2]

Notes:

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

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

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

Engineering, Consulting and Licensing

The operating results of the Group's engineering, consulting and licensing business are as follows:

	For the six months ended 30 June			
	2021		2020	
	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue
	(RMB'000)	(%)	(RMB'000)	(%)
Revenue	1,613,595	100.0	1,230,173	100.0
Cost of sales	(1,088,290)	(67.4)	(834,077)	(67.8)
Gross profit	525,305	32.6	396,096	32.2
Selling and marketing expenses	(5,536)	(0.3)	(5,329)	(0.4)
Administrative expenses	(37,019)	(2.3)	(35,589)	(2.9)
Research and development costs	(355,834)	(22.1)	(304,122)	(24.7)
Other income and expenses	(55,613)	(3.4)	21,790	1.8
Operating profit	71,303	4.4	72,846	5.9

(1) Revenue

The revenue generated from the Group's engineering, consulting and licensing segment increased by 31.2% from RMB1.230 billion for the six months ended 30 June 2020 to RMB1.614 billion for the six months ended 30 June 2021, which was mainly due to 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 30.5% from RMB834 million for the six months ended 30 June 2020 to RMB1.088 billion for the six months ended 30 June 2021, which was mainly due to the cost increase corresponding to the increase of business volume.

(3) Gross profit

The gross profit of the Group's engineering, consulting and licensing segment increased by 32.6% from RMB396 million for the six months ended 30 June 2020 to RMB525 million for the six months ended 30 June 2021, which was mainly due to the increase in engineering business volume. The gross profit margin of the Group's engineering, consulting and licensing segment was 32.6%, which remained broadly stable on a period-on-period basis.

(4) Selling and marketing expenses

The selling and marketing expenses of the Group's engineering, consulting and licensing segment were RMB6 million, which remained broadly stable on a period-on-period basis.

(5) Administrative expenses

The administrative expenses of the Group's engineering, consulting and licensing segment were RMB37 million, which remained broadly stable on a period-on-period basis.

(6) Research and development costs

The research and development costs of the Group's engineering, consulting and licensing segment increased by 17.0% from RMB304 million for the six months ended 30 June 2020 to RMB356 million for the six months ended 30 June 2021, which were mainly due to the increase in R&D investment in the fields of new materials, new energy, energy saving and emission reduction, etc.

(7) Operating profit

Due to the above reasons, the operating profit of the Group's engineering, consulting and licensing segment decreased by 2.1% from RMB73 million for the six months ended 30 June 2020 to RMB71 million for the six months ended 30 June 2021.

EPC Contracting

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

	For the six months ended 30 June			
	2021		2020	
	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue
	(RMB'000)	(%)	(RMB'000)	(%)
Revenue	16,265,498	100.0	15,528,332	100.0
Cost of sales	(15,152,020)	(93.2)	(14,387,625)	(92.7)
Gross profit	1,113,478	6.8	1,140,707	7.3
Selling and marketing expenses	(26,163)	(0.2)	(26,351)	(0.2)
Administrative expenses	(251,924)	(1.5)	(256,951)	(1.7)
Research and development costs	(315,742)	(1.9)	(296,708)	(1.9)
Other income and expenses	103,991	0.6	236,898	1.5
Operating profit	623,640	3.8	797,595	5.1

(1) Revenue

The revenue generated from the Group's EPC contracting segment increased by 4.7% from RMB15.528 billion for the six months ended 30 June 2020 to RMB16.265 billion for the six months ended 30 June 2021, which was mainly due to the fact that projects such as Zhenhai Refining and Chemical Ethylene Expansion Project, Fujian Gulei Refining and Chemical Integration Project, Zhejiang Petrochemical Zhoushan Refining and Chemical Integration Project Phase II, Hainan Refining & Chemical Ethylene and Refinery Expansion Project and Crude Oil Storage Facility Project cluster have entered into peak construction periods during the Reporting Period and have contributed a lot to the revenue.

(2) Cost of sales

The cost of sales of the Group's EPC contracting segment increased by 5.3% from RMB14.388 billion for the six months ended 30 June 2020 to RMB15.152 billion for the six months ended 30 June 2021, which was mainly due to the cost increase corresponding to the increase of business volume.

(3) Gross profit

The gross profit of the Group's EPC contracting segment decreased by 2.4% from RMB1.141 billion for the six months ended 30 June 2020 to RMB1.113 million for the six months ended 30 June 2021, the gross profit margin decreased from 7.3% for the six months ended 30 June 2020 to 6.8% for the six months ended 30 June 2021, which was mainly due to the increased market competition due to the COVID-19 epidemic, the rising cost of equipment and materials procurement due to the rising bulk commodity prices, and the rigid rise in domestic labor prices, etc.

(4) Selling and marketing expenses

The selling and marketing expenses of the Group's EPC contracting segment were RMB26 million, which remained broadly stable on a period-on-period basis.

(5) Administrative expenses

The administrative expenses of the Group's EPC contracting segment were RMB252 million, which remained 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 increased by 6.4% from RMB297 million for the six months ended 30 June 2020 to RMB316 million for the six months ended 30 June 2021, which were mainly due to the increase in R&D investment in engineering technology and digitization by the Group.

(7) Operating profit

Due to the above reasons, the operating profit of the Group's EPC contracting segment decreased by 21.8% from RMB798 million for the six months ended 30 June 2020 to RMB624 million for the six months ended 30 June 2021.

Construction

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

	Six-month periods ended 30 June			
	2021		2020	
	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue
	(RMB'000)	(%)	(RMB'000)	(%)
Revenue	12,969,125	100.0	9,612,750	100.0
Cost of sales	(12,110,544)	(93.4)	(8,971,069)	(93.3)
Gross profit	858,581	6.6	641,681	6.7
Selling and marketing expenses	(17,225)	(0.1)	(17,199)	(0.2)
Administrative expenses	(196,105)	(1.5)	(195,125)	(2.0)
Research and development costs	(214,482)	(1.7)	(194,641)	(2.0)
Other income and expenses	(25,080)	(0.2)	18,311	0.2
Operating profit	405,689	3.1	253,027	2.6

(1) Revenue

The revenue generated from the Group's construction segment increased by 34.9% from RMB9.613 billion for the six months ended 30 June 2020 to RMB12.969 billion for the six months ended 30 June 2021, which was mainly due to the increased business volume in construction.

(2) Cost of sales

The cost of sales of the Group's construction segment increased by 35.0% from RMB8.971 billion for the six months ended 30 June 2020 to RMB12.111 billion for the six months ended 30 June 2021, which was mainly due to the increase of corresponding cost with the increase of construction business volume.

(3) Gross profit

The gross profit of the Group's construction segment increased by 33.8% from RMB642 million for the six months ended 30 June 2020 to RMB859 million for the six months ended 30 June 2021, which were mainly due to the increase of total gross profit caused by the increase of construction revenue. The gross profit margin was 6.6%, which remained broadly stable on a period-on-period basis.

(4) Selling and marketing expenses

The selling and marketing expenses of the Group's construction segment were RMB17 million, which remained broadly stable on a period-on-period basis.

(5) Administrative expenses

The administrative expenses of the Group's construction segment were RMB196 million, which remained 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 10.2% from RMB195 million for the six months ended 30 June 2020 to RMB214 million for the six months ended 30 June 2021, which were mainly due to the Group's increased research and development investments in construction technology and construction automation.

(7) Operating profit

Due to the above reasons, the operating profits of the construction segment of the Group increased by 60.3% from RMB253 million for the six months ended 30 June 2020 to RMB406 million for the six months ended 30 June 2021.

Equipment Manufacturing

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

	Six-month periods ended 30 June			
	2021		2020	
	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue
	(RMB'000)	(%)	(RMB'000)	(%)
Revenue	479,753	100.0	264,320	100.0
Cost of sales	(452,766)	(94.4)	(251,029)	(95.0)
Gross profit	26,987	5.6	13,291	5.0
Selling and marketing expenses	(1,830)	(0.4)	(1,547)	(0.6)
Administrative expenses	(5,992)	(1.2)	(6,481)	(2.5)
Research and development costs	(6,094)	(1.3)	(845)	(0.3)
Other income and expenses	(5,288)	(1.1)	259	0.1
Operating profits	7,783	1.6	4,677	1.8

(1) Revenue

The revenue generated from the Group's equipment manufacturing segment increased by 81.5% from RMB264 million for the six months ended 30 June 2020 to RMB480 million for the six months ended 30 June 2021, which was mainly due to the increased business volume in equipment manufacturing.

(2) Cost of sales

The cost of sales of the Group's equipment manufacturing segment increased by 80.4% from RMB251 million for the six months ended 30 June 2020 to RMB453 million for the six months ended 30 June 2021, which was mainly due to the cost increase with the increase of business volume.

(3) Gross profit

The gross profit of the Group's equipment manufacturing segment increased by 103.0% from RMB13 million for the six months ended 30 June 2020 to RMB27 million for the six months ended 30 June 2021, and gross profit margin increased from 5.0% for the six months ended 30 June 2020 to 5.6% for the six months ended 30 June 2021.

(4) Selling and marketing expenses

The selling and marketing expenses of the Group's equipment manufacturing segment were RMB2 million, which remained broadly stable on a period-on-period basis.

(5) Administrative expenses

The administrative expenses of the Group's equipment manufacturing segment were RMB6 million, which remained broadly stable on a period-on-period basis.

(6) Research and development costs

The research and development costs of the Group's equipment manufacturing segment were RMB6 million, which remained broadly stable on a period-on-period basis.

(7) Operating profits

Due to the above reasons, the operating profit of the Group's equipment manufacturing segment was RMB8 million.

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				
	2021		2020		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB'000)	(%)	(RMB'000)	(%)	(%)
Oil refining	5,354,175	19.9	5,524,808	23.2	(3.1)
Petrochemicals	15,050,970	56.1	14,428,401	60.6	4.3
New coal chemicals	528,703	2.0	2,204,020	9.3	(76.0)
Storage, transportation and others(1)	5,917,544	22.0	1,639,927	6.9	260.8
Subtotal	26,851,392	100.0	23,797,156	100.0	12.8

Notes:

(1) In order to more accurately and effectively reflect the industry in which the Group's clients operate, the name has been changed from "Other Industries" to "Storage, Transportation and Others", basis of the amounts remains unchanged.

During the Reporting Period, due to the large amount of revenue contribution of the large EPC contracting projects such as Zhenhai Refining and Chemical Ethylene Expansion Project, Fujian Gulei Refining and Chemical Integration Project, Zhejiang Petrochemical Zhoushan Refining and Chemical Integration Project Phase II, Hainan Refining & Chemical Ethylene and Oil Refining Reconstruction and Expansion Project, revenue generated from petrochemicals industry was RMB15.051 billion, representing an increase of 4.3% on a period-on-period basis; due to the contribution of crude oil storage facility project cluster and natural gas pipeline network as well as gas storage facilities project, revenue generated from storage, transportation and others was RMB5.918 billion, representing an increase of 260.8% on a period-on-period basis. Revenue generated from oil refining industry was RMB5.354 billion, representing a decrease of 3.1% on a period-on-period basis, which was affected by the settlement and completion for refining projects such as Kuwait Oil Refining Project and Luoyang Oil Refining Structure Adjustment Project; revenue generated from new coal chemicals industry was RMB529 million, representing a decrease of 70.6% on a year-on-year basis, which was affected by the settlement and completion of coal chemicals projects such as Zhong'An Joint Coalification Integration Project.

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

	Six-month periods ended 30 June				
	2021		2020		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB'000)	(%)	(RMB'000)	(%)	(%)
PRC	**24,749,885**	**92.2**	21,040,916	88.4	17.6
Overseas	**2,101,507**	**7.8**	2,756,240	11.6	(23.8)
Subtotal	**26,851,392**	**100.0**	23,797,156	100.0	12.8

During the Reporting Period, thanks to the industry investment trend of "oil-to-chemical" and Sinopec continues to increase investment in refining & chemical base, the accelerated promotion of large EPC contracting projects such as the domestic Zhenhai Refining and Chemical Ethylene Expansion Project, Fujian Gulei Refining and Chemical Integration Project, Zhejiang Petrochemical Zhoushan Refining and Chemical Integration Project Phase II, Hainan Refining & Chemical Ethylene and Refinery Expansion Project, revenue generated in the PRC was RMB24.750 billion, representing an increase of 17.6% on a period-on-period basis; which was affected by the global outbreak of the COVID-19 epidemic, and the progress of the construction of overseas projects has generally slowed down, with the completion of large-scale projects such as Kuwait's Oil Refining Project, the revenue contribution of new projects signed in the last two years is limited, revenue generated from overseas was RMB2.102 billion, representing a decrease of 23.8% 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				
	2021		2020		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB'000)	(%)	(RMB'000)	(%)	(%)
Sinopec Group and its associates	**18,116,343**	**67.5**	13,723,631	57.7	32.0
Non-Sinopec Group and its associates	**8,735,049**	**32.5**	10,073,525	42.3	(13.3)
Subtotal	**26,851,392**	**100.0**	23,797,156	100.0	12.8

During the Reporting Period, the revenue generated from Sinopec Group and its associates increased significantly on a year-on-year basis, it was RMB18.116 billion, representing an increase of 32.0% on a period-on-period basis, and affected by the decline in income from out-of-system projects such as new coal chemical project and overseas projects, the revenue generated from non-Sinopec Group and its associates was RMB8.735 billion, representing a decrease of 13.3% 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. Projects may also remain in the Group's backlog for an extended period of time beyond what was initially anticipated due to various factors beyond the Group's control.

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 2021 (RMB'000)	As at 31 December 2020 (RMB'000)	Change (%)
Engineering, consulting and licensing	9,754,498	8,636,102	13.0
EPC Contracting	77,839,370	76,223,009	2.1
Construction	26,880,684	20,003,498	34.4
Equipment manufacturing	991,642	791,998	25.2
Total	115,466,194	105,654,607	9.3

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 2021 (RMB'000)	As at 31 December 2020 (RMB'000)	Change (%)
Oil refining	30,938,318	30,826,320	0.4
Petrochemicals	30,975,387	27,071,948	14.4
New coal chemicals	11,484,502	11,582,761	(0.8)
Storage, transportation and others	42,067,987	36,173,578	16.3
Total	115,466,194	105,654,607	9.3

Notes:

(1) In order to more accurately and effectively reflect the industry in which the Group's clients operate, the name has been changed from "Other Industries" to "Storage, Transportation and Others", basis of the amounts remains unchanged.

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

	As at 30 June 2021	As at 31 December 2020	Change
	(RMB'000)	(RMB'000)	(%)
PRC	85,358,349	79,977,151	6.7
Overseas	30,107,845	25,677,456	17.3
Total	115,466,194	105,654,607	9.3

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 2021	As at 31 December 2020	Change
	(RMB'000)	(RMB'000)	(%)
Sinopec Group and its associates	61,562,192	58,420,185	5.4
Non-Sinopec Group and its associates	53,904,002	47,234,422	14.1
Total	115,466,194	105,654,607	9.3

As at the end of the Reporting Period, the Group's backlog was RMB115.466 billion, representing an increase of 9.3% compared to that as at 31 December 2020, and was 2.2 times of the total revenue of RMB52.353 billion in 2020.

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

	For the six months ended 30 June		
	2021	2020	Change
	(RMB'000)		(%)
Engineering, consulting and licensing	2,698,911	2,988,407	(9.7)
EPC Contracting	17,869,221	23,771,460	(24.8)
Construction	15,586,655	9,509,700	63.9
Equipment manufacturing	508,192	368,456	37.9
Total	36,662,979	36,638,023	0.1

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:

	For the six months ended 30 June		
	2021	2020	Change
	(RMB'000)		(%)
Oil refining	5,466,173	8,785,676	(37.8)
Petrochemicals	18,954,409	14,864,270	27.5
New coal chemicals	430,444	320,885	34.1
Storage, transportation and others[(1)]	11,811,953	12,667,192	(6.8)
Total	36,662,979	36,638,023	0.1

Notes:

(1) In order to more accurately and effectively reflect the industry in which the Group's clients operate, the name has been changed from "Other Industries" to "Storage, Transportation and Others", basis of the amounts remains unchanged.

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

	For the six months ended 30 June		Change
	2021	2020	
	(RMB'000)		(%)
PRC	**30,131,083**	30,094,187	0.1
Overseas	**6,531,896**	6,543,836	(0.2)
Total	**36,662,979**	36,638,023	0.1

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:

	For the six months ended 30 June		Change
	2021	2020	
	(RMB'000)		(%)
Sinopec Group and its associates	**21,258,350**	24,349,418	(12.7)
Non-Sinopec Group and its associates	**15,404,629**	12,288,605	25.4
Total	**36,662,979**	36,638,023	0.1

During the Reporting Period, the value of the Group's new contracts was RMB36.663 billion, representing a broadly stable compared to RMB36.638 billion for the six months ended 30 June 2020.

5 Assets, Liabilities, Equity and Cash Flows

(1) Assets, Liabilities and Equity

Unit: RMB'000

	As at 30 June 2021	As at 31 December 2020	Changes
Total assets	**72,210,511**	71,465,327	745,184
Current assets	**64,807,831**	64,055,416	752,415
Non-current assets	**7,402,680**	7,409,911	(7,231)
Total liabilities	**43,435,216**	43,209,289	225,927
Current liabilities	**40,976,764**	40,672,278	304,486
Non-current liabilities	**2,458,452**	2,537,011	(78,559)
Net assets	**28,775,295**	28,256,038	519,257
Equity attributable to equity holders of the Company	**28,770,273**	28,251,172	519,101
Share capital	**4,428,000**	4,428,000	–
Reserves	**24,342,273**	23,823,172	519,101
Non-controlling interests	**5,022**	4,866	156

As at the end of the Reporting Period, the total assets of the Group were RMB72.211 billion, the total liabilities were RMB43.435 billion, and the equity attributable to the equity holders of the Company was RMB28.770 billion. The changes in the assets and liabilities as compared with those as at the end of 2020 and the main reasons are as follows:

As at the end of the Reporting Period, the total assets were RMB72.211 billion, increased by RMB745 million as compared with that as at the end of 2020. In particular, the current assets were RMB64.808 billion, increased by RMB752 million as compared with that as at the end of 2020, which was mainly due to the increase of RMB2 billion in contract assets as compared with the beginning of the year, an increase of RMB813 million in prepayments and other receivables as compared with the beginning of the year, an increase of RMB419 million in time deposits as compared with the beginning of the year, an increase of RMB306 million in inventory as compared with the beginning of the year, a decrease of RMB1.871 billion in cash and cash equivalents as compared with the beginning of the year, a decrease of RMB422 million in notes and trade receivables as compared with the beginning of the year, a decrease of RMB500 million in loans due from the ultimate holding company as compared with the beginning of the year; non-current assets amounted to RMB7.403 billion, a decrease of RMB7 million over the end of 2020.

As at the end of the Reporting Period, the total liabilities were RMB43.435 billion, increased by RMB226 million as compared with that as at the end of 2020. In particular, the current liabilities were RMB40.977 billion, increased by RMB304 million as compared with that as at the end of 2020, which was mainly due to the increase of contract liabilities by RMB1.137 billion as compared with the beginning of the year, the increase of dividend payables by RMB799 million as compared with the beginning of the year, the decrease of notes and trade payables by RMB933 million as compared with the beginning of the year and the decrease of other payables by RMB718 million as compared with the beginning of the year. The non-current liabilities were RMB2.458 billion, decreased by RMB79 million as compared with that as at the end of 2020, which was mainly due to a decrease of RMB80 million in retirement and other supplementary benefit obligations.

The equity attributable to equity holders of the Company was RMB28.770 billion, increased by RMB519 million as compared with that as at the end of 2020, which was mainly due to the increase in retained earnings.

(2) Cash Flows

During the Reporting Period, the net decrease in cash and cash equivalents was RMB1.823 billion and net cash used in operating activities was RMB1.978 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 2021 and for the six months ended 30 June 2020.

Unit: RMB'000

Major items of cash flow	Six-month periods ended 30 June	
	2021	2020
Net cash used in operating activities	(1,978,359)	(1,962,757)
Net cash generated from investing activities	187,071	461,574
Net cash used in financing activities	(31,547)	(32,397)
Net decrease in cash and cash equivalents	(1,822,835)	(1,533,580)

During the Reporting Period, the profit before taxation was RMB1.611 billion, and the profit was RMB1.483 billion after adjusting the items in expenses that did not affect the cash flow in operating activities, major non-cash expense items included depreciation and amortisation of RMB370 million; exchange losses of RMB25 million, net interest income and expenditure of RMB439 million, the reversal of impairment allowance of RMB66 million. Increased cash outflow of operational receivables and payables is RMB3.339 billion, were mainly shown in: trade and other receivables balance was increased, causing the cash outflow from operating activities of RMB371 million; contract assets was increased, causing the cash outflow from operating activities of RMB2.081 billion; increased inventory balance, causing the cash outflow from operating activities of RMB306 million; decreased trade and other payables balance, causing the cash outflow from operating activities of RMB1.775 billion; and contractual liabilities was decreased, causing cash inflow to operating activities of RMB1.137 billion.

After adjusting non-cash items, receivables and payables for the profit before taxation, deducting the income tax paid amounting to RMB236 million, and increasing inflow of received interest by RMB112 million, the net cash used in operating activities was RMB1.978 billion.

Net cash generated from investing activities was RMB187 million, which was mainly due to the decrease in loans to the ultimate holding company.

Net cash used in financing activities was RMB32 million, which was mainly due to the rental expenses of the leased right-of-use assets and borrowing from the fellow subsidiaries.

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, as well as to expand the scale of investment and increase the return on capital.

(3) Summary of Financial Ratios

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

Main financial ratios	Six-month periods ended 30 June	
	2021	2020
Net profit margin (%)	5.0	5.3
Return on assets (%) (1)	1.9	1.9
Return on equity (%) (2)	4.7	4.6
Return on invested capital (%) (3)	4.8	4.7

Main financial ratios	As at 30 June 2021	As at 31 December 2020
Gearing ratio (%) (4)	1.2	1.1
Net debt to equity ratio (%) (5)	Net cash	Net cash
Current ratio (6)	1.6	1.6
Quick ratio (7)	1.5	1.5

(1) $$\text{Return on assets} = \frac{\text{Profit for the period}}{\text{(The opening total assets + The closing total assets)/2}}$$

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

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

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

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

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

(7) $$\text{Quick ratio} = \frac{\text{Current assets – Inventories}}{\text{Current liabilities}}$$

Return on assets

During the Reporting Period, the Group's return on assets was 1.9%, which remained broadly stable on a period-on-period basis.

Return on equity

The Group's return on equity increased to 4.7% from 4.6% for the same period in 2020, mainly due to the increase in the net profit during the Reporting Period.

Return on invested capital

The Group's return on invested capital increased to 4.8% from 4.7% for the same period in 2020 for the same reasons as the increase in return on equity.

Gearing ratio

The Group's gearing ratio increased to 1.2% from 1.1% at the end of 2020, 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 2021 and as at 31 December 2020.

Current ratio

The Group's current ratio was 1.6, which remained broadly stable on a period-on-period basis.

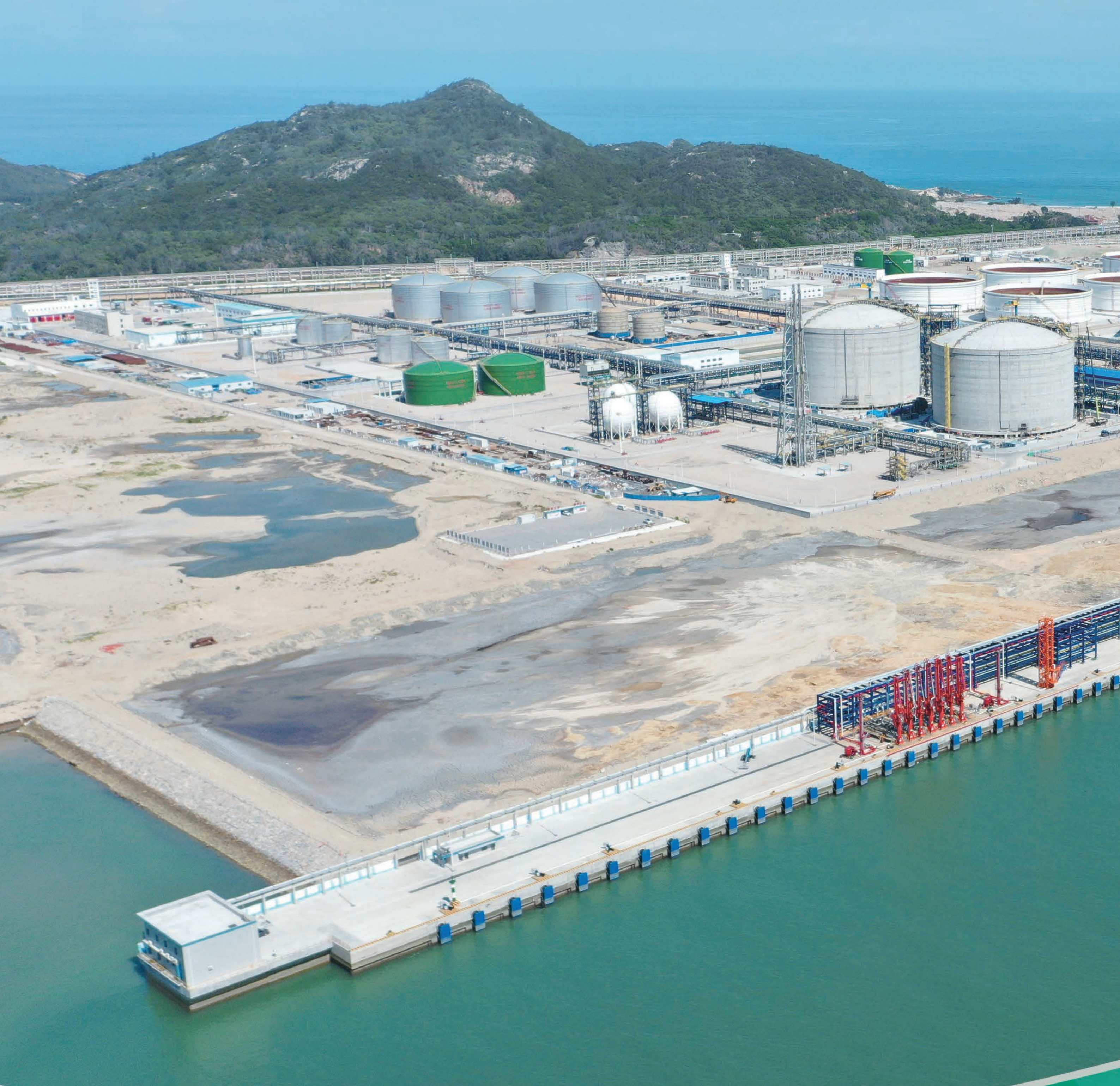
Quick ratio

The Group's quick ratio was 1.5, which remained broadly stable on a period-on-period basis.

6 Foreign Exchange Risk

The Group continued to operate 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, Russian rubles and Kuwaiti dinars. 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. During the Reporting Period, the Group did not carry out hedging transactions related to foreign exchange fluctuations.

SIGNIFICANT EVENTS



1 Corporate Governance

During the Reporting Period, the Company was in compliance with the code provisions of the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules and did not deviate from any code provision.

2 The Dividend Distribution Plan for six months period ended 30 June 2021

The sixteenth meeting of the third session of the Board approved the dividend distribution plan for six months ended 30 June 2021. An interim cash dividend of RMB0.091 (inclusive of applicable taxes) per share would be distributed based on 4,428,000,000 shares (including 1,460,800,000 H shares and 2,967,200,000 domestic shares), being the total share capital of the Company as at 30 June 2021. Since shareholders of the Company have authorised the Board to decide the interim profit distribution plan of 2021 by ordinary resolution in 2020 annual general meeting held on 10 May 2021, it is unnecessary to submit the above dividend distribution plan to the general meeting of shareholders for review and approval.

The interim dividend will be paid on or before Friday, 29 October 2021 to all Shareholders whose names appear on the register of members of the Company at the close of business on Monday, 20 September 2021. In order to qualify for the interim dividend, the holders of H Shares must lodge all share certificates accompanied by the transfer documents with Computershare Hong Kong Investor Services Ltd. (address: Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong) before 4:30 p.m. on Tuesday, 14 September 2021 for registration. For the purpose of ascertaining Shareholders who qualify for the dividend, the register of members for H Shares will be closed from Wednesday, 15 September 2021 to Monday, 20 September 2021 (both days inclusive).

The dividend will be denominated and declared in Renminbi. The holders of Domestic Shares will be paid in Renminbi 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 (i.e., Friday, 20 August 2021) of declaration of the dividend of the Board. Five working days before the date of declaration of the dividend of the Board (i.e. Friday, 20 August 2021), the mean of the exchange rates of Hong Kong dollars to Renminbi as announced by the People's Bank of China is RMB0.83227 to HKD1.00. Therefore, the interim dividend per H share of the company is HKD0.1093 (inclusive of applicable taxes).

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, 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 and 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 Monday, 20 September 2021.

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 given to them under the relevant tax agreement with the PRC, 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% under the relevant tax agreement with the PRC, 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 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 registrar of the Company. The Company will assist with the tax refund of the extra amount withheld 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% under the tax agreement with the PRC, 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% under the relevant tax agreement with the PRC, or which has not entered into any tax agreement with 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 or 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)《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[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)《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[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 or 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 or 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.

3 Connected Transactions

Continuing Connected Transactions between the Group and Sinopec Group

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

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

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

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

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

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

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

(7) the Safe Production Insurance Fund; and

(8) the Trademark Licensing Agreement.

For further details, please refer to the section headed "Connected Transactions" in the Company's prospectus published on 10 May 2013, the Company's announcement entitled "Continuing Connected Transactions – Financial Services Framework Agreement" published on 19 August 2013, the contents related to the Financial Services Framework Agreement in the Company's circular to its shareholders published on 10 September 2013, 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, 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 Company's announcement entitled "Renewal of the General Services Framework Agreement, the Technology R&D Framework Agreement, the Financial Services Framework Agreement and Engineering and Construction Services Framework Agreement and the Annual Caps and Major Transactions and the Continuing Connected Transactions under the Financial Services Framework Agreement and the Engineering and Construction Services Framework Agreement" published on 21 August 2018 and 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 19 September 2018.

The Group's Connected Transactions

During the Reporting Period, the aggregate value of the connected transactions entered into by the Group was RMB21.188 billion. In particular, the expenses amounted to RMB2.537 billion and the revenue amounted to RMB18.651 billion (including RMB18.266 billion from the sale of products and services and RMB385 million from interest income), thus satisfying the exemption requirements specified by the Hong Kong Stock Exchange.

During the Reporting Period, the engineering and construction services (supply of equipment and materials, procurement of services and equipment leasing, technology licensing and other engineering-related services) provided by Sinopec Group to the Group amounted to RMB2.502 billion, which was within the annual cap. The engineering and construction services (engineering consulting, technology licensing, engineering design, EPC contracting, construction and equipment manufacturing, etc.) provided by the Group to Sinopec Group amounted to RMB18.195 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 RMB8.283 billion, which was within the annual cap. The maximum daily balance of entrustment loans was RMB22.000 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 RMB63 million, which was within the annual cap.

During the Reporting Period, the general services provided by the Group to Sinopec Group amounted to RMB2 million, which was within the annual cap.

During the Reporting Period, the general services provided by Sinopec Group to the Group amounted to RMB30 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 RMB5 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 RMB4 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 major related parties transactions (including the above-mentioned connected transactions) during the Reporting Period, please refer to Note 41 of the consolidated financial statements prepared in accordance with the IFRS in this interim report.

Opinions 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, 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 decipher 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) The transactions were conducted in accordance with the relevant agreements and the terms are fair and reasonable and in the interests of the shareholders of the Company as a whole.

4 Material Litigation or Arbitration Events

The Company was involved in claims which arose in connection with the collapse of a partially completed oil storage tank of the oil and gas storage tank project in Alberta, Canada on 24 April 2007, which resulted in the deaths of two workers and injuries of four others. The case has not progressed for a long time. At present, the Company has submitted an application for formal withdrawal to the court, waiting for the court to hear the application.

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

5 Other Material Contracts

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

6 Repurchase, Sale and Redemption of Shares

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

7 Reserves

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

8 Use of IPO Proceeds

During the Reporting Period, the Group used a total of RMB23 million net proceeds from the global offering, which was mainly used for the purchase of large-scale lifting and transportation equipment and specialized construction equipment amounted to RMB15 million, and the construction of information system amounted to RMB8 million. As at the end of the Reporting Period, the total amount of net proceeds from the global offering used by the Group amounted to RMB4.589 billion, and the remaining balance of the net proceeds from the global offering was approximately RMB6.568 billion (approximately RMB580 million of the unused net proceeds for establishing an engineering and technological R&D center, modular construction base, machinery manufacturing and other projects; approximately RMB300 million of the unused net proceeds for improving and developing overseas marketing networks; approximately RMB444 million of the unused net proceeds for information technology development projects; approximately RMB350 million of the unused net proceeds for purchasing large lifting and transport equipment and specialised construction equipment; approximately RMB1.035 billion of the unused net proceeds for newly added long-term equity investment; and approximately RMB3.859 billion of the unused net proceeds for mergers and acquisitions of engineering companies, purchase of patents and proprietary technologies and other items). The expected timeline for the use of net proceeds will be subject to the business development of the Company. The use of proceeds from the global offering by the Company is in consistence with that previously disclosed in the announcement. For details of the use of proceeds, please refer to the announcements of the Company entitled “Adjustment in Use of Proceeds from the Global Offering” dated 13 December 2013 and the “Adjustment in the Allocations of the Use of Proceeds from the Global Offering” dated 26 October 2018. During the Reporting Period, there was no material change to the use of proceeds from the global offering of the Group.

9 Assets Transactions

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

10 Insolvency and Restructuring

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

11 Material Trusteeship, Contracting and Lease

During the Reporting Period, the Group was not involved in any material trusteeship, contracting or lease of any asset of other companies, nor placing its assets to or under any other companies’ trusteeship, contracting or lease which were required to be disclosed.

12 Material Acquisitions and Disposal

During the Reporting Period, the Group has not made any material acquisition or disposal of subsidiaries, associates and joint ventures.

13 Financial Derivatives for Hedging Purposes

During the Reporting Period, the Group did not use any financial derivative for hedging purposes.

14 Pledged Assets

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

15 Debt

The Group had about RMB175 million loans to the fellow subsidiaries as at the end of the Reporting Period.

16 Contingent Liabilities

For details of the contingent liabilities of the Group, please refer to Note 40 to the financial statements contained in this interim report.

17 Review of Interim Report

The audit committee of the Company has reviewed this interim report. The audit committee did not have any disagreement concerning the financial statements contained 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 25 years of experience in auditing, internal control and consultancy.

18 Significant Events Affecting the Group After the Reporting Periods

From 30 June 2021 and up to the date of this interim report, the Group has no other significant events.

19 Other Important Matters

During the Reporting Period, none of the Company, the Board, any Director or any Supervisor was punished by administrative means or public sanctioned by Hong Kong Securities and Futures Commission, or publicly condemned by the Hong Kong Stock Exchange.

DIRECTORS, SUPERVISORS, OTHER MEMBERS OF SENIOR MANAGEMENT AND EMPLOYEES

1 Directors, Supervisors and Other Members of Senior Management

As at 30 June 2021, 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 Third Session of the Board as at the end of the Reporting Period

Name	Gender	Age	Position in the Company	Term of Office as Director
SUN Lili	Female	59	Chairwoman of the Board	October 2018 – October 2021
XIANG Wenwu	Male	55	Vice Chairman of the Board	October 2018 – October 2021
JIANG Dejun	Male	55	Director and President	February 2021 – October 2021
WU Wenxin	Male	57	Director	October 2018 – October 2021
HUI Chiu Chung, Stephen	Male	74	Independent Director	October 2018 – October 2021
JIN Yong	Male	85	Independent Director	October 2018 – October 2021
YE Zheng	Male	56	Independent Director	October 2018 – October 2021

(2) Supervisors

Profile of the Supervisors of the Third Session of the Supervisory Committee as at the end of the Reporting Period

Name	Gender	Age	Position in the Company	Term of Office as Supervisor
ZHU Fei	Male	56	Chairman of the Supervisory Committee and Chairman of the Trade Union	October 2018 – October 2021
ZHOU Yingguan	Male	52	Supervisor	February 2021 – October 2021
ZHANG Xinming	Male	54	Supervisor	May 2021 – October 2021
XU Yijun	Male	57	Employee Representative Supervisor	October 2018 – October 2021
WU Zhongxian	Male	58	Employee Representative Supervisor	October 2018 – October 2021

(3) Other Senior Management

Profile of other members of the Senior Management as at the end of the Reporting Period

Name	Gender	Age	Position in the Company	Date of Appointment as Senior Management
JIANG Dejun	Male	55	Director and President	December 2020
WANG Guohua	Male	52	Vice President	April 2019
JIA Yiqun	Male	53	Chief Financial Officer Company Secretary	August 2012 July 2019
ZHENG Lijun	Male	53	Vice President	November 2019

2 Relationship among Directors, Supervisors and Other Members of the Senior Management

There is no financial, business, family or other material relationship between Directors, Supervisors and other members of the Senior Management except for the working relationship.

3 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.

4 Positions Held by the Directors and Supervisors in Shareholders and Their Competition Interests during the Reporting Period

During the Reporting Period, Mr. WU Wenxin served as the general manager of the engineering department of Sinopec Group, and the general manager of the engineering department of Sinopec Corp. Save for the above, to the knowledge of the Board, none of the Directors and Supervisors is a director or employee of a company which has an interest in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance, or owns interest in any other business which competes or is likely to compete, directly or indirectly, with the business of the Group.

5 Contract Benefits of Directors and Supervisors

As at 30 June 2021 or any time during the year, there is no any transaction, arrangement or contract of significance to which the Company, a parent company of the Company, a subsidiary of the Company or a subsidiary of the Company's parent company is a party, and in which the Directors or Supervisors or any entity connected with any of the Directors or Supervisors is or was materially interested, either directly or indirectly.

All executive Directors and non-executive Directors have entered into service agreements with the Company. Such service agreements are effective from the date of approval by the shareholders to the expiry of the term of the Third Session of the Board. The service agreements can be renewed in accordance with the Articles of Association and applicable laws and regulations. There is no service contract signed between the Directors and the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

All Supervisors have entered into agreements with the Company concerning the compliance with relevant laws and regulations, the Articles of Association and arbitration regulations. The term of office for Supervisors starts from the date of their respective appointment to the expiry of the Third Session of the Supervisory Committee. The service agreements can be renewed in accordance with the Articles of Association and applicable laws and regulations. There is no service contract signed between the Supervisors and the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

6 Employees and Remuneration Policy

As at the end of the Reporting Period, there were in total 16,896 employees working in the Group.

The following list is a categorization of employee details in different business sectors as at 30 June 2021.

	As at 30 June 2021	
	Number of Employees	Percentage of the Total Employees (%)
Engineering and Technical Personnel	13,121	77.7
Management Personnel	1,073	6.3
Production Personnel	2,702	16.0
Total	16,896	100.0

The following table lists the information of employees classified based on education background as at 30 June 2021.

	As at 30 June 2021	
	Number of Employees	Percentage of the Total Employees (%)
Master Degree	2,791	16.5
Bachelor Degree	7,762	45.9
Tertiary Qualification	2,862	16.9
Others	3,481	20.6
Total	16,896	100.0

During the Reporting Period, we maintained good labour relationship. 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 organized 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. As of the six-month period ended 30 June 2021 and the six-month period ended 30 June 2020, the employment costs of the Group were approximately RMB2.308 billion and RMB2.113 billion, respectively.

FINANCIAL STATEMENTS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Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

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 financial statements of SINOPEC Engineering (Group) Co., Ltd. (the "Company") and its subsidiaries (together the "Group") set out on pages 73 to 139, which comprise the consolidated statement of financial position as at 30 June 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months period then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2021, and its consolidated financial performance and its consolidated cash flows for the six months period then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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 Financial Statements" section of our report. We are independent of the Group in accordance with Hong Kong Institute of Certified Public Accountants' "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the 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 judgment, were of most significance in our audit of the consolidated 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.

Revenue recognition of construction contracts

(Refer to notes 3.23, 5(a) and 6 to the consolidated financial statements)

The Group recognised revenue of RMB26,851,392,000 for the six months period ended 30 June 2021.

Revenue from construction contracts is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation, depending on the nature of the contract, is measured by reference to the proportion of contract costs incurred for work performed to date to estimated total contract costs for each contract. Management estimates the total contract revenue and total contract costs at the inception of each contract. As the contract progresses, management regularly reviews and revises the estimates of contract revenue and contract costs if circumstances change, such as variations in contract work, claims and incentive payments. The increases or decreases in estimated total contract revenue or total contract costs resulted in the adjustments to the extent of progress toward completion and revenue recognised in the period in which the circumstances that give rise to the revision becomes known by management.

These transactions require individual consideration and involve management's estimates and judgment. We have identified the revenue recognition related to construction contracts as a key audit matter.

Our responses:

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 judgment of construction contracts;

– obtaining material construction contracts to review key contract terms and verify the total contract revenues;

KEY AUDIT MATTERS (CONTINUED)

Revenue recognition of construction contracts (Continued)

– checking, on a sample basis, the principal terms set out in the relevant construction contracts and the implementation status and testing on the accuracy of the calculation of the extent of progress toward completion and revenue and costs recognised during the period;

– testing, on a sample basis, the amount and timing of the construction contract cost recognised and performing cut-off testing procedures to check that cost had been recognised in the appropriate accounting period; and

– performing analytical review procedures on the gross margins of material construction contracts of the Group.

Provision for expected credit losses ("ECL") of trade receivables and contract assets

(Refer to notes 3.8(c), 20 and 22(a) to the consolidated financial statements)

ECL for trade receivables and contract assets are based on management's estimate of the lifetime ECL to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgment.

We have identified ECL assessment of trade receivables and contract assets as a key audit matter because their assessment is a subjective area as it requires the management's judgment and uses of estimates.

Our responses:

Our procedures in relation to management's ECL assessment on trade receivables and contract assets included:

– reviewing and assessing the application of the Group's policy for calculating the ECL;

– evaluating techniques and methodology in the ECL model against the requirements of IFRS 9;

– assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgments, including testing the accuracy of the historical default data, evaluating whether the expected credit loss rates are appropriately adjusted based on current economic conditions and forward-looking information and examining the actual losses recorded during the current financial period and assessing whether there was an indication of management bias when recognising loss allowances;

– evaluating the design, implementation and operating effectiveness of key internal controls which govern credit control, debt collection and estimation of ECL; and

– discussing with management the estimates of the recoverable amounts for those material trade receivables balances which are past due over 180 days, including customers' payment history and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

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 financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 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 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.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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. The report is made solely to you, as a body, in accordance with the terms of our engagement, 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 financial statements.

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

- identify and assess the risks of material misstatement of the consolidated 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 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 financial statements, including the disclosures, and whether the consolidated 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 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 directors, we determine those matters that were of most significance in the audit of the consolidated 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.

BDO Limited

Certified Public Accountants

Ng Wai Man

Practising Certificate number P05309

Hong Kong, 20 August 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Notes	Six months ended 30 June	
		2021	2020
		RMB'000	RMB'000
Revenue	6	**26,851,392**	23,797,156
Cost of sales		**(24,327,041)**	(21,605,381)
Gross profit		**2,524,351**	2,191,775
Other income	8	**46,685**	210,475
Selling and marketing expenses		**(50,754)**	(50,426)
Administrative expenses		**(491,040)**	(494,146)
Research and development costs		**(892,152)**	(796,316)
Other operating income		**17,953**	89,177
Other gains/(losses) – net	9	**6,040**	(86)
Operating profit		**1,161,083**	1,150,453
Finance income	10	**479,292**	446,324
Finance expenses	10	**(40,479)**	(43,958)
Finance income – net		**438,813**	402,366
Share of (loss)/profit of a joint arrangement	19 (a)	**(99)**	7
Share of profit of associates	19 (b)	**11,412**	9,997
Profit before taxation	11	**1,611,209**	1,562,823
Income tax expense	12	**(263,926)**	(302,470)
Profit for the period		**1,347,283**	1,260,353

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

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Notes	Six months ended 30 June	
		2021	2020
		RMB'000	RMB'000
Other comprehensive income/(expense) for the period, net of tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(91)	942
Item that will not be reclassified subsequently to profit or loss:			
Gains/(losses) on revaluation of retirement benefit plans obligations, net of income tax effect		101	(45,491)
Other comprehensive income/(expense) for the period, net of tax		10	(44,549)
Total comprehensive income for the period		1,347,293	1,215,804
Profit attributable to:			
Equity holders of the Company		1,347,127	1,260,191
Non-controlling interests		156	162
Profit for the period		1,347,283	1,260,353
Total comprehensive income attributable to:			
Equity holders of the Company		1,347,137	1,215,642
Non-controlling interests		156	162
Total comprehensive income for the period		1,347,293	1,215,804
		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	0.30	0.28

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Notes	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	3,941,161	3,881,466
Right-of-use assets	17	2,408,264	2,448,301
Intangible assets	18	205,015	218,959
Investment in a joint arrangement	19(a)	2,376	2,475
Investments in associates	19(b)	161,092	149,680
Deferred income tax assets	35	684,772	709,030
Total non-current assets		7,402,680	7,409,911
Current assets			
Inventories	23	1,653,854	1,348,122
Notes and trade receivables	20	8,002,054	8,424,388
Prepayments and other receivables	21	8,519,103	7,705,785
Contract assets	22(a)	10,826,662	8,826,268
Loans due from the ultimate holding company	24	20,500,000	21,000,000
Restricted cash	25	43,404	36,661
Time deposits	26	8,692,752	8,273,435
Cash and cash equivalents	27	6,570,002	8,440,757
Total current assets		64,807,831	64,055,416
Total assets		72,210,511	71,465,327

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 JUNE 2021

	Notes	As at 30 June 2021	As at 31 December 2020
		RMB'000	RMB'000
EQUITY			
Share capital	28	4,428,000	4,428,000
Reserves		24,342,273	23,823,172
Equity attributable to equity holders of the Company		28,770,273	28,251,172
Non-controlling interests		5,022	4,866
Total equity		28,775,295	28,256,038
LIABILITIES			
Non-current liabilities			
Lease liabilities	30	95,694	97,629
Retirement and other supplemental benefit obligations	31	2,173,197	2,252,789
Provision for litigation claims	32	189,561	186,593
Total non-current liabilities		2,458,452	2,537,011
Current liabilities			
Notes and trade payables	33	20,742,763	21,675,887
Other payables	34	2,979,332	2,897,093
Loan due to a fellow subsidiary	36	174,569	163,123
Contract liabilities	22(b)	16,648,622	15,511,149
Lease liabilities	30	76,040	66,314
Current income tax liabilities		355,438	358,712
Total current liabilities		40,976,764	40,672,278
Total liabilities		43,435,216	43,209,289
Total equity and liabilities		72,210,511	71,465,327
Net current assets		23,831,067	23,383,138
Total assets less current liabilities		31,233,747	30,793,049

On behalf of the directors

SUN Lili	**JIANG Dejun**	**JIA Yiqun**
Chairwoman of the Board	Director, President	Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Attributable to equity shareholders 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 (Note28)	RMB'000 (Note29(ii))	RMB'000 (Note29(i))	RMB'000 (Note29(iii))	RMB'000 (Note29(iv))	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	4,428,000	10,098,729	1,470,998	175,048	(54,233)	12,132,630	28,251,172	4,866	28,256,038
Profit for the period	–	–	–	–	–	1,347,127	1,347,127	156	1,347,283
Other comprehensive income:									
Defined benefits obligation revaluation of actuarial gain and loss – gross	–	–	–	–	–	122	122	–	122
Defined benefits obligation revaluation of actuarial gain and loss – tax	–	–	–	–	–	(21)	(21)	–	(21)
Exchange differences arising on translation of foreign operations	–	–	–	–	(91)	–	(91)	–	(91)
Total comprehensive income	–	–	–	–	(91)	1,347,228	1,347,137	156	1,347,293
Transactions with owners:									
Final dividends for 2020	–	–	–	–	–	(828,036)	(828,036)	–	(828,036)
Appropriation of specific reserve	–	–	–	79,018	–	(79,018)	–	–	–
Utilisation of specific reserve	–	–	–	(88,557)	–	88,557	–	–	–
Total transactions with owners	–	–	–	(9,539)	–	(818,497)	(828,036)	–	(828,036)
At 30 June 2021	4,428,000	10,098,729	1,470,998	165,509	(54,324)	12,661,361	28,770,273	5,022	28,775,295

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Attributable to equity shareholders 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 (Note28)	RMB'000 (Note29(ii))	RMB'000 (Note29(i))	RMB'000 (Note29(iii))	RMB'000 (Note29(iv))	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	4,428,000	10,092,369	1,357,583	191,889	14	11,196,121	27,265,976	4,565	27,270,541
Profit for the period	–	–	–	–	–	1,260,191	1,260,191	162	1,260,353
Other comprehensive income:									
Defined benefits obligation revaluation of actuarial gain and loss – gross	–	–	–	–	–	(54,931)	(54,931)	–	(54,931)
Defined benefits obligation revaluation of actuarial gain and loss – tax	–	–	–	–	–	9,440	9,440	–	9,440
Exchange differences arising on translation of foreign operations	–	–	–	–	942	–	942	–	942
Total comprehensive income	–	–	–	–	942	1,214,700	1,215,642	162	1,215,804
Transactions with owners:									
Final dividends for 2019	–	–	–	–	–	(938,736)	(938,736)	–	(938,736)
Appropriation of specific reserve	–	–	–	53,958	–	(53,958)	–	–	–
Utilisation of specific reserve	–	–	–	(48,722)	–	48,722	–	–	–
Others	–	6,361	–	–	–	–	6,361	–	6,361
Total transactions with owners	–	6,361	–	5,236	–	(943,972)	(932,375)	–	(932,375)
At 30 June 2020	4,428,000	10,098,730	1,357,583	197,125	956	11,466,849	27,549,243	4,727	27,553,970

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MOTNHS ENDED 30 JUNE 2021

	Notes	Six months ended 30 June	
		2021	2020
		RMB'000	RMB'000
Cash flows from operating activities			
Cash used in operations	39	(1,855,065)	(1,945,546)
Income tax paid		(235,541)	(218,704)
Interest received		112,247	201,493
Net cash used in operating activities		(1,978,359)	(1,962,757)
Cash flows from investing activities			
Purchase of property, plant and equipment		(274,275)	(187,951)
Purchase of intangible assets		(1,084)	(3,925)
Interest income on the loans to the ultimate holding company		378,191	304,654
Proceeds from disposal of property, plant and equipment		2,156	936
Dividends received from associates		1,400	–
Net increase in time deposits		(419,317)	(152,140)
Loans to the ultimate holding company		(5,000,000)	(5,500,000)
Loans repaid by the ultimate holding company		5,500,000	6,000,000
Net cash generated from investing activities		187,071	461,574
Cash flows from financing activities	42		
Drawdown of borrowings from a fellow subsidiary		110,084	–
Repayment of borrowings from a fellow subsidiary		(97,064)	–
Interest paid		(797)	(500)
Payments of lease liabilities		(43,770)	(31,897)
Net cash used in financing activities		(31,547)	(32,397)
Net decrease in cash and cash equivalents		(1,822,835)	(1,533,580)
Cash and cash equivalents at beginning of period		8,440,757	9,935,338
Exchange (losses)/gains on cash and cash equivalents		(47,920)	68,506
Cash and cash equivalents at end of period	27	6,570,002	8,470,264

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2021

1. General Information

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 etc.

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, Middle Shenggu Road, Chaoyang District, Beijing, PRC.

The directors of the Company (the "Directors") regard China Petrochemical Corporation (中國石油化工集團有限公司, "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 financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

The consolidated financial statements have been approved for issue by the Board of Directors on 20 August 2021.

2. Basis of Preparation

The consolidated financial statements have been prepared in accordance with all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations (hereinafter collectively referred to as the "IFRSs") issued by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated 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 financial statements have been prepared under the historical cost basis except for certain financial instruments that are measured at fair values as explained in the accounting policies set out below.

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

3. Summary of Significant Accounting Policies

3.1 New or amended IFRS

The IASB has issued a number of new or amended IFRSs that are first effective for the current accounting period of the Group:

Amendments to IFRS 16	COVID-19 Related Rent Concessions
Amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

Other than as noted below, the adoption of the new or amended IFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented. The Group has not early applied any new or amended IFRSs that is not yet effective for the current accounting period.

Amendments to IFRS 16 – "COVID-19 Related Rent Concessions"

The amendment exempts lessees from having to consider individual lease contract to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before 30 June 2021. The amendment does not affect lessors.

Amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16 – "Interest Rate Benchmark Reform – Phase 2"

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "Reform"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

The following new or amended IFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to IAS 16	Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Annual Improvements to IFRSs 2018-2020	Amendments to IFRS 9 – Financial Instruments and Amendments to IFRS 16 – Leases[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
IFRS 17	Insurance Contracts[3]
Amendments to IAS 8	Definition of Accounting Estimate[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting policies[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [4]

1 Effective for annual periods beginning on or after 1 April 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of other new or amended IFRSs will have no material impact on the results and the financial position of the Group.

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 harmonies 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 reflect both entities' full year's results, even though the business combinations may have occurred part of the way throughout the period. In addition, the corresponding amounts for the previous period also reflect the combined results of both entities, even though the transaction did not occur until the current period.

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 profit or loss and other comprehensive income.

Inter-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. 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 as the fair value on initial recognition for subsequent accounting under IFRS 9 "Financial Instruments". 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 or transferred directly to retained earnings.

3. Summary of Significant Accounting Policies (Continued)

3.2 Consolidation (Continued)

Joint Arrangement

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 as below. The unrealised gains and losses will be eliminated in accordance with the Group's share of the interests in a 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 profit or loss and its share of post acquisition movements in other comprehensive income is recognised in the consolidated statement of profit or loss and 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 that associate (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 legal or constructive obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Where unrealised losses on assets sales between the Group and its associate are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's prospective. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group discontinues the use of equity method from the date when it ceases to have significant influence over an associate. If the retained interest in that former associate is a financial asset, the retained interest is measured at fair value, which is regarded as its fair value on initial recognition as a financial asset in accordance with IFRS 9. The difference between (i) the fair value of any retained interest and any proceeds from disposing of a part interest in the associate; and (ii) the carrying amount of the investment at the date the equity method was discontinued, is recognised in the profit or loss. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would have been required if the associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by the investee would be reclassified to profit or loss on the disposal of the related assets or liabilities, the entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

3.3 Segment reporting

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

3.4 Foreign currency translation

Functional currency and presentation currency

Items included in the individual financial statements of each of the entities within the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Group's functional currency.

3. Summary of Significant Accounting Policies (Continued)

3.4 Foreign currency translation (Continued)

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 reporting date retranslation of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents and all other foreign exchange gains and losses are presented in the consolidated statement of profit or loss and other comprehensive income within "other gains/(losses) – net" and "other operating income".

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated (i.e. only translated using the exchange rates at the transaction date).

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 statement of profit or loss and other comprehensive income 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 and accumulated separately in the exchange translation reserve.

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.

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
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 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 estimates of 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 3.7).

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

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 profit or loss and other comprehensive income during the financial period in which they are incurred.

3. Summary of Significant Accounting Policies (Continued)

3.6 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. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. These costs are amortised over their estimated useful lives of 5 years, and recorded in "depreciation and amortisation" within administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

Patent and proprietary technologies

Patents and proprietary technologies are initially recorded at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. These intangibles assets are amortised on a straight-line basis over their estimated useful lives of 8 to 10 years, and recorded in "depreciation and amortisation" within administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

Amortisation methods and useful lives on computer software, patent and proprietary technologies are reviewed and adjusted if appropriates, at each reporting period.

3.7 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. Property, plant and equipment, intangible assets and interest in associate and joint venture 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). Corporate assets are allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised at each reporting date.

3.8 Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when the Group becomes a party to the contractual provision of the financial 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. Transaction costs of financial assets carried at FVTPL are expensed in the consolidated statement of profit or loss and other comprehensive income. 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.

3. Summary of Significant Accounting Policies (Continued)

3.8 Financial instruments (Continued)

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

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.

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

Notes and trade receivables, other receivables, loans due from the ultimate holding company, restricted cash, time deposits and cash and cash equivalents 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.

Financial assets at FVTOCI

They are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the fair value reserve (non-recycling); and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the fair value reserve (non-recycling).

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.

3. Summary of Significant Accounting Policies (Continued)

3.8 Financial instruments (Continued)

(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.

(c) Impairment of financial assets

The Group recognises loss allowances for ECL on financial assets measured at amortised cost.

The Group measures loss allowances at an amount equal to lifetime ECL. For trade receivables and contract assets, the Group applies the simplified approach to providing for ECL prescribed by IFRS 9, which requires the use of the lifetime expected losses provision for all trade receivables. The Group determines the ECL 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 ECL, 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 ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL 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 ECL is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECL

The Group assesses on a forward-looking basis the ECL associated with its debt instruments carried at amortised cost. ECL 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 ECL model:

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

While cash and cash equivalents, restricted cash, time deposits, 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.

3. Summary of Significant Accounting Policies (Continued)

3.8 Financial instruments (Continued)

(c) Impairment of financial assets (Continued)

Measurement of ECL (Continued)

Impairment on other financial assets measured at amortised cost are measured as either 12-month ECL or lifetime ECL, 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 ECL.

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.

The Group assesses on 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.

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 profit or loss.

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.

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.

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

3. Summary of Significant Accounting Policies (Continued)

3.8 Financial instruments (Continued)

(c) Impairment of financial assets (Continued)

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, taking into account legal advice where appropriate.

A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(d) Classification and measurement of financial liabilities

The Group's financial liabilities include notes and trade payables, other payables, dividend payables and lease liabilities. Financial liabilities (other than lease 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 (other than lease liabilities) are subsequently measured at amortised cost using the effective interest method, in the case of loans and borrowings, net of directly attributable transaction costs. 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. Accounting policies of lease liabilities are set out in note 3.27.

(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.

3.9 Derivative financial instruments

Derivative financial instruments are recognised at fair value at the end of each reporting period with gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for hedged accounting under IFRS 9.

3.10 Inventories

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

3.11 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. Summary of Significant Accounting Policies (Continued)

3.12 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.

3.13 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 measured 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 expensed 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.

3.14 Borrowings

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

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

3.15 Payables

Payables primarily include notes and trade payables and other payables, and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.16 Employee benefits

Pension obligations

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

The Group also provides supplementary pension subsidies to certain employees in the PRC. Such supplementary pension subsidies are considered to be defined benefit plans as the Group is obligated to provide post-employment benefits to these employees. The liability 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.

3. Summary of Significant Accounting Policies (Continued)

3.16 Employee benefits (Continued)

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 profit or loss and other comprehensive income as incurred. Apart from those described above, the Group does not have other legal or constructive obligations over such benefits.

Bonus entitlements

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

3.17 Borrowing costs

Borrowing costs incurred, net of any investment income earned on the temporary investment of the specific borrowings, for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are completed.

3.18 Taxation

Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Income tax is recognised in profit or loss, 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 rates and 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.

3. Summary of Significant Accounting Policies (Continued)

3.18 Taxation (Continued)

Current and deferred income tax (Continued)

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

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, a joint arrangement 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”)

Sales of goods and provision of engineering, consulting and licensing services of the Group are subjected to VAT. VAT payable is determined by applying 13% 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.

Taxable revenue from construction services is subject to VAT at the rate of 9% after offsetting deductible input VAT. Certain revenue resulting from providing construction services was taxed by using applicable simple tax method, paying VAT at 3%.

3.19 Contingent liabilities and contingent assets

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.

3.20 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.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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.

3.21 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 purchase of assets are deferred and recognised in the consolidated statement of profit or loss and other comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to income is presented in gross under “other income” in the consolidated statement of profit or loss and other comprehensive income.

3. Summary of Significant Accounting Policies (Continued)

3.22 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 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 ECL assessment of contract assets in accordance with the accounting policy set out in Note 3.8.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

3.23 Revenue recognition

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

To determine whether to recognise revenue, the Group follows a 5-step process:

(1) Identifying the contract with a customer;

(2) Identifying the performance obligations;

(3) Determining the transaction price;

(4) Allocating the transaction price to the performance obligations; and

(5) Recognising revenue when/as performance obligation(s) are satisfied.

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method.

Further details of the Group's revenue and other income recognition policies are as follows:

Revenue from construction and service contracts

According to the nature of the contracts, the stage of contract completion is based on that the customer is able to control goods in progress during the Group's performance, revenue on construction contracts is recognised based on the Group's efforts or input to the satisfaction of the performance obligation over time. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services. Variations in contract work are recognised as contract revenue to the extent that the modification has been approved by the parties to the contracts and it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

3. Summary of Significant Accounting Policies (Continued)

3.23 Revenue recognition (Continued)

Services rendered

Revenue for services rendered mainly includes technological development, engineering, consultation and supervision is recognised at a point in time when services are rendered.

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.

3.24 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) the Group's an ability to use or sell the intangible asset is demonstrated;

(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.

3.25 Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the Company's equity holders or directors, where appropriate.

3.26 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- The amount determined in accordance with the ECL model under IFRS 9 "Financial Instruments"; and
- The amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instruments and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

3. Summary of Significant Accounting Policies (Continued)

3.27 Leases

(a) Definition of a lease and the Group as a lessee

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contracts contain an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

For contracts that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, the Group elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the condensed consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

The Group remeasures lease liabilities whenever:

- there are changes in lease term, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments changes due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

For lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 month or less.

Refundable rental deposits paid are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

3. Summary of Significant Accounting Policies (Continued)

3.27 Leases (Continued)

(b) The Group as a lessor

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

The Group also earns rental income from operating leases. Rental income is recognised on a straight-line basis over the term of the lease.

3.28 Related parties

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group, or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group.

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

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provided key management personnel services to the Group or to the parent of the Group.

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

4. Financial and Capital Risks Management

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

4.1 Financial risk management

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

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and financial liabilities:

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
Financial assets		
Financial assets at amortised cost		
Notes, trade and other receivables	9,102,763	9,629,241
Restricted cash	43,404	36,661
Time deposits	8,692,752	8,273,435
Cash and cash equivalents	6,570,002	8,440,757
Loans due from the ultimate holding company	20,500,000	21,000,000
Total financial assets	44,908,921	47,380,094
Financial liabilities		
Financial liabilities measured at amortised cost		
Notes, trade and other payables	23,464,781	23,940,359
Loan due to a fellow subsidiary	174,569	163,123
Lease liabilities	171,734	163,943
Total financial liabilities	23,811,084	24,267,425

4. Financial and Capital Risks Management (Continued)

4.1 Financial risk management (Continued)

(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") 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 notes, trade and other receivables, notes, trade and other payables, restricted cash, time deposits and cash and cash equivalents that are denominated in a foreign currency. The currency that gives rise to this risk is primarily in USD as at 30 June 2021 and 31 December 2020.

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 2021	USD	Others
	RMB'000	RMB'000
Restricted cash, time deposits and cash and cash equivalents	3,043,191	2,383,835
Notes, trade and other receivables	58,183	653,909
Notes, trade and other payables	(302,282)	(1,323,103)
Loan due to a fellow subsidiary	(161,503)	(13,066)
Lease liabilities	(1,634)	(15,417)
Net exposure in RMB	2,635,955	1,686,158

At 31 December 2020	USD	Others
	RMB'000	RMB'000
Restricted cash, time deposits and cash and cash equivalents	2,954,607	1,824,105
Notes, trade and other receivables	66,386	731,626
Notes, trade and other payables	(440,165)	(1,306,556)
Loan due to a fellow subsidiary	(163,123)	–
Lease liabilities	(300)	(19,649)
Net exposure in RMB	2,417,405	1,229,526

A 5% strengthening of RMB against the USD as at 30 June 2021 and 31 December 2020 would have changed the equity and net profit by the amounts shown below:

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
Decrease in equity and net profit		
– USD	(131,766)	(96,770)

A 5% weakening of RMB as at 30 June 2021 and 31 December 2020 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.

4. Financial and Capital Risks Management (Continued)

4.1 Financial risk management (Continued)

(a) Market risk (Continued)

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, notes, trade and other receivables, contract assets and loans due from the ultimate holding company.

In order to minimise credit risk, the Group has developed and maintained the Group's credit risk grading 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.

For financial assets measured at amortised cost and contract assets, 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.

Impairment assessment under ECL model

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

Category	Description	Basis for recognising ECL
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit-impaired
In default	There is evidence indicating the asset is credit-impaired	Lifetime ECL – 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

Trade receivables and contract assets

As set out in Note 3.8, the Group assesses ECL under IFRS 9 on trade receivables and contract assets based on provision matrix, the expected loss rates are based on the payment profile for sales in the past 5 years as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. At each reporting date, the historical default rates are updated and changes in the forward-looking estimates are analysed.

Based on the Group's assessment of historical credit loss experience of the existing debtors and all available forward looking information, for trade receivables and contract assets, the Group used estimated loss rates based on aging for classes with different credit risk characteristics and exposures.

4. Financial and Capital Risks Management (Continued)

4.1 Financial risk management (Continued)

(b) Credit risk (Continued)

Impairment assessment under ECL model (Continued)

Other receivables

The Group measures the loss allowance equal to 12-month ECL of other receivables. For those balances expected to have significant increase in credit risk since initial recognition, the Group apply lifetime ECL based on aging for classes with different credit risk characteristics and exposures.

Restricted cash, time deposits and cash and cash equivalents

Restricted cash, time deposits and cash and cash equivalents are placed at financial institutions that have sound credit ratings assigned by international credit-rating agencies and the Group considers the credit risk to be insignificant.

Loans due from the ultimate holding company

The 12-month ECL calculated by the Group is not significant and there has been no significant increase in credit risk since initial recognition.

(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 2021							
Notes, trade and other payables	N/A	23,464,781	–	–	–	23,464,781	23,464,781
Loan due to a fellow subsidiary	1.88%	174,569	–	–	–	174,569	174,569
Lease liabilities	4.76%	80,307	43,888	35,625	31,950	191,770	171,734
Total other liabilities		23,719,657	43,888	35,625	31,950	23,831,120	23,811,084

	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 2020							
Notes, trade and other payables	N/A	23,940,359	–	–	–	23,940,359	23,940,359
Loan due to a fellow subsidiary	1.74%	163,123	–	–	–	163,123	163,123
Lease liabilities	4.83%	70,354	44,317	37,857	32,922	185,450	163,943
Total other liabilities		24,173,836	44,317	37,857	32,922	24,288,932	24,267,425

4. Financial and Capital Risks Management (Continued)

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 other liabilities (including notes and trade payables, other payables, and lease liabilities, 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 2021	As at 31 December 2020
	RMB'000	RMB'000
Total other liabilities	23,811,084	24,267,425
Less: Restricted cash, time deposits and cash and cash equivalents	(15,306,158)	(16,750,853)
Net debt	8,504,926	7,516,572
Total equity (excluding non-controlling interests)	28,770,273	28,251,172
Total capital	37,275,199	35,767,744
Gearing ratio	23%	21%

4.3 Fair value measurement of financial instruments

Fair value measurements

Apart from the below mentioned, the carrying amounts of the Group's financial assets and financial liabilities as re-elected in the consolidated statement of financial position approximate their respective fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Group 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).

5. Critical Accounting Estimates and Judgments

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

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

(a) Construction contracts

Revenue from individual contracts is recognised according to progress of the project. The determination of the progress of the construction service involves judgments. According to the nature of contract, the Group recognises revenue by reference to the stage of completion of the contract activity at the end of the reporting period as measured by the proportion that the actual costs incurred relative to the estimated total costs for satisfaction of the construction services. 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 2021, the contract assets (Note 22(a)) and contract liabilities (Note 22(b)) are RMB10,826,662,000 (31 December 2020: RMB8,826,268,000) and RMB16,648,622,000 (31 December 2020: RMB15,511,149,000) respectively.

(b) Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment (Note 16). This estimate is based on projected wear and tear incurred during the useful life of property, plant and equipment. This could change significantly as a result of technical renovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives or residual values vary with previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. As at 30 June 2021, the net carrying amount of property, plant and equipment is RMB3,941,161,000 (31 December 2020: RMB3,881,466,000).

(c) Provision for ECL of trade receivables and contract assets

The Group determines the provision for ECL on trade receivables (Note 20) and contract assets (Note 22(a)). This estimate is based on the credit history of the customers and the current market condition and forward-looking information. Management reassesses the adequacy of provision on a regular basis by reviewing the individual account based on past credit history and any prior knowledge of debtor insolvency or other credit risk which might not be easily accessible public information and market volatility might bear a significant impact which might not be easily ascertained. As at 30 June 2021, the provision for impairment on trade receivables and contract assets are RMB1,485,873,000 (31 December 2020: RMB1,541,497,000) and RMB231,934,000 (31 December 2020: RMB214,459,000) respectively.

(d) Deferred taxes

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 2021, deferred tax assets recognised in the consolidated statement of financial position is RMB684,772,000 (31 December 2020: RMB709,030,000).

5. Critical Accounting Estimates and Judgments (Continued)

(e) Pension obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for provisions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The Group determines the appropriate discount rate at the end of each period. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of corporate securities which have maturity approximating to the terms of the related pension liability. Other key assumptions for pension obligations are based on current market conditions. As at 30 June 2021, the net liabilities of retirement benefit plan obligations (Note 31(b)) is RMB2,173,197,000 (31 December 2020: RMB2,252,789,000).

(f) Provision for litigation claims

The Group are from time to time involved in legal proceedings arising in the ordinary course of our business. If the management believes that the legal proceedings may result claims for compensation to third parties against the Group, the best estimate of provision for litigation claims will be 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 judgment is required. As at 30 June 2021, provision for litigation claims (Note 32) is RMB189,561,000 (31 December 2020: RMB186,593,000).

6. Revenue

The Group's revenue is set out below:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Engineering, consulting and licensing	**1,580,515**	1,210,131
EPC Contracting	**16,252,860**	15,528,332
Construction	**8,709,469**	6,901,301
Equipment manufacturing	**308,548**	157,392
	26,851,392	23,797,156

Remaining performance obligations

As at 30 June 2021, amount of remaining performance obligations is RMB115,466,194,000 (2020: RMB107,834,427,000), which is expected to be completed in the coming 60 months (2020: 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 oil refining and chemical etc industries;

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

(iii) Construction – providing infrastructure for oil refining and chemical etc 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 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, rights of use assets, construction in progress, intangible assets, investment in a joint arrangement and investment in associates, other non-current assets, inventories, notes and trade receivables, prepayments and other receivables, restricted cash and cash and cash equivalents. Unallocated assets comprise items such as some of the time deposits, cash and cash equivalents, loans due from the ultimate holding company, deferred income tax assets and other unallocated assets.

Segment liabilities comprise operating liabilities.

Capital expenditure comprises additions to property, plant and equipment (Note 16), right-of-use assets (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 2021:

The segment results for the six months ended 30 June 2021 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	1,580,515	16,252,860	8,709,469	308,548	–	–	26,851,392
Inter-segment revenue	33,080	12,638	4,259,656	171,205	–	(4,476,579)	–
Segment revenue	1,613,595	16,265,498	12,969,125	479,753	–	(4,476,579)	26,851,392
Segment results	71,303	623,640	405,689	7,783	52,668	–	1,161,083
Finance income							479,292
Finance expenses							(40,479)
Share of loss of a joint arrangement	(99)	–	–	–	–	–	(99)
Share of profit of associates	9,643	–	1,769	–	–	–	11,412
Profit before taxation							1,611,209
Income tax expense							(263,926)
Profit for the period							1,347,283
Other segment items							
Depreciation	130,135	39,133	142,660	8,096	18,327	–	338,351
Amortisation	21,667	575	1,228	–	7,821	–	31,291
Capital expenditures							
– Property, plant and equipment	82,280	32,999	208,736	-	2,000	–	326,015
– Right-of-use assets	12,460	7,205	15,962	2,335	–	–	37,962
– Intangible assets	–	–	–	–	17,347	–	17,347
Provision/(Reversal of provision) for ECL on trade and other receivables and contract assets, net	23,017	(71,474)	(24,945)	4,322	3,168	–	(65,912)

The segment assets and liabilities as at 30 June 2021 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	6,377,548	21,811,666	18,099,887	936,104	(15,118,825)	32,106,380
Investment in a joint arrangement	2,376	–	–	–	–	2,376
Investment in associates	134,912	26,180	–	–	–	161,092
Unallocated assets						39,940,663
Total assets						72,210,511
Liabilities						
Segment liabilities	9,007,102	12,965,756	14,442,759	602,242	(14,903,906)	22,113,953
Unallocated liabilities						21,321,263
Total liabilities						43,435,216

7. Segment Information (Continued)

(ii) For the six months ended 30 June 2020 and as at 31 December 2020:

The segment results for the six months ended 30 June 2020 were 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	1,210,131	15,528,332	6,901,301	157,392	–	–	23,797,156
Inter-segment revenue	20,042	–	2,711,449	106,928	–	(2,838,419)	–
Segment revenue	1,230,173	15,528,332	9,612,750	264,320	–	(2,838,419)	23,797,156
Segment results	72,846	797,595	253,027	4,677	22,308	–	1,150,453
Finance income							446,324
Finance expenses							(43,958)
Share of profit of a joint arrangement	7	–	–	–	–	–	7
Share of profit of associates	8,605	–	1,392	–	–	–	9,997
Profit before taxation							1,562,823
Income tax expense							(302,470)
Profit for the period							1,260,353
Other segment items							
Depreciation	42,164	75,872	149,127	9,294	–	–	276,457
Amortisation	8,027	19,837	1,545	–	–	–	29,409
Capital expenditures							
– Property, plant and equipment	31,917	4,262	114,156	–	–	–	150,335
– Right-of-use assets	3,436	26,921	5,553	–	–	–	35,910
– Intangible assets	–	3,147	778	–	–	–	3,925
Provision/(Reversal of provision) for ECL on trade and other receivables and contract assets, net	3,598	(135,563)	14,773	57	–	–	(117,135)

The segment assets and liabilities as at 31 December 2020 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	8,154,079	23,789,296	16,042,430	1,028,556	(11,106,981)	37,907,380
Investment in a joint arrangement	2,475	–	–	–	–	2,475
Investment in associates	48,822	100,858	–	–	–	149,680
Unallocated assets						33,405,792
Total assets						71,465,327
Liabilities						
Segment liabilities	1,935,053	17,156,567	12,078,301	702,871	(11,204,287)	20,668,505
Unallocated liabilities						22,540,784
Total liabilities						43,209,289

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, right-of-use assets, intangible assets, investment in a joint arrangement 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 a joint arrangement and associates.

Revenue

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
The PRC	**24,749,885**	21,040,916
Saudi Arabia	**943,166**	1,539,108
Kuwait	**430,252**	919,438
Malaysia	**377,458**	2,296
Other countries	**350,631**	295,398
	26,851,392	23,797,156

Information about major customers

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 2021 and 2020, the details are as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Fellow subsidiary and its subsidiaries		
– Customer group A	**12,192,266**	7,038,693

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

Specified non-current assets

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
The PRC	**6,679,227**	6,430,568
Other countries	**38,681**	270,313
	6,717,908	6,700,881

7. Segment Information (Continued)

Disaggregation of revenue from contracts with customer

The Group derives revenue from the transfer of goods and service at a point in time and over time in the following customers' segment for engineering, consulting and licensing, EPC contracting, construction and equipment manufacturing:

	Engineering, consulting and licensing	EPC contracting	Construction	Equipment manufacturing	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Timing of revenue recognition					
For the six months ended 30 June 2021					
– At a point in time	**–**	**–**	**–**	**308,548**	**308,548**
– Over time	**1,580,515**	**16,252,860**	**8,709,469**	**–**	**26,542,844**
Total revenue	**1,580,515**	**16,252,860**	**8,709,469**	**308,548**	**26,851,392**
For the six months ended 30 June 2020					
– At a point in time	–	–	–	157,392	157,392
– Over time	1,210,131	15,528,332	6,901,301	–	23,639,764
Total revenue	1,210,131	15,528,332	6,901,301	157,392	23,797,156
For the six months ended 30 June 2021					
– Oil refining	**505,472**	**2,450,101**	**2,335,578**	**63,024**	**5,354,175**
– Petrochemicals	**735,030**	**9,705,299**	**4,365,160**	**245,481**	**15,050,970**
– New coal chemicals	**64,122**	**302,288**	**162,293**	**–**	**528,703**
– Storage, transportation and others	**275,891**	**3,795,172**	**1,846,438**	**43**	**5,917,544**
Total revenue	**1,580,515**	**16,252,860**	**8,709,469**	**308,548**	**26,851,392**
For the six months ended 30 June 2020					
– Oil refining	466,668	3,279,544	1,773,122	5,474	5,524,808
– Petrochemicals	523,915	9,681,126	4,072,070	151,290	14,428,401
– New coal chemicals	26,983	1,904,991	271,418	628	2,204,020
– Storage, transportation and others	192,565	662,671	784,691	–	1,639,927
Total revenue	1,210,131	15,528,332	6,901,301	157,392	23,797,156

8. Other Income

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Operating lease rental income on property, plant and equipment	**26,685**	29,454
Income from write back long outstanding payables	**1,271**	11,708
Government grants (note)	**13,874**	99,329
Net foreign exchange gain	**–**	61,089
Others	**4,855**	8,895
	46,685	210,475

Note:
Government grants mainly represent financial subsidies from "Water/electricity/gas supply and property management", Talent Development Fund and job stabilisation subsidies.

9. Other Gains/(Losses) – Net

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Gain on separation and transfer of Water/electricity/gas supply and property management	5,949	–
Gains/(losses) on disposal/write-off of property, plant and equipment	91	(86)
	6,040	(86)

10. Finance Income and Finance Expenses

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Finance income		
Interest income from the ultimate holding company	356,784	304,654
Interest income from the fellow subsidiaries	28,595	35,700
Bank interest income	93,913	105,970
	479,292	446,324
Finance expenses		
Interest expenses on retirement and other supplementary benefit obligation	(34,720)	(38,337)
Finance charges on lease liabilities	(4,252)	(4,070)
Interest expense on loan due to a fellow subsidiary	(1,482)	–
Other interest expenses	(25)	(1,551)
	(40,479)	(43,958)
	438,813	402,366

11. Profit Before Taxation

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Staff costs, including directors and supervisors emoluments (Note 15)	2,307,906	2,113,418
Retirement benefit plan contribution (including in the above mentioned staff costs)	410,412	298,194
Cost of goods sold	9,575,992	10,019,893
Subcontracting costs	10,585,974	7,346,945
Depreciation and amortisation		
– Property, plant and equipment	260,352	215,074
– Right-of-use assets	77,999	61,383
– Intangible assets	31,291	29,409
Operating lease rentals		
Short term leases expenses	148,132	148,527
Reversal of provision for ECL on trade and other receivables and contract assets, net	(65,912)	(117,135)
Rental income from property, plant and equipment after relevant expenses	(26,685)	(17,916)
Research and development costs	892,152	796,316
(Gains)/losses on disposal/write-off of property, plant and equipment	(91)	86
Exchange losses/(gains), net	24,665	(61,089)
Reversal of cash-settled share-based payment	–	(4,921)

12. Income Tax Expense

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Current tax		
PRC enterprise income tax	230,866	209,851
Overseas enterprise income tax	12,269	41,335
(Over)/under provision for income tax in prior periods	(3,446)	19,030
	239,689	270,216
Deferred tax		
Origination and reversal of temporary differences (note 35)	24,237	32,254
Income tax expense	263,926	302,470

According to the Corporate Income Tax Law of the PRC, the applicable income tax of the six months ended 30 June 2021 and 2020 is 25%.

According to the normal statutory PRC corporate income tax and relevant rules, for the six months ended 30 June 2021 and 2020, 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 are 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	
	2021	2020
	RMB'000	RMB'000
Profit before tax	1,611,209	1,562,823
Taxation calculated at the statutory tax rate	403,899	390,706
Income tax effects of:		
Preferential income tax treatments of certain companies	(161,931)	(122,918)
Difference in overseas profits tax rates	(5,542)	(7,832)
Non-deductible expenses	32,849	12,887
Income not subject to tax	(3,609)	(1,490)
Unrecognised tax losses	15,805	12,046
Utilisation of previously unrecognised tax losses	(11,841)	(5,122)
(Over)/under provision for income tax in prior periods	(3,446)	19,030
Others	(2,258)	5,163
Income tax expense	263,926	302,470
Effective income tax rate	16.4%	19.4%

13. Earnings Per Share

(a) Basic

The basic earnings per share for each of the six months ended 30 June 2021 and 2020 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	
	2021	2020
Profit attributable to equity holders of the Company (RMB'000)	1,347,127	1,260,191
Weighted average number of ordinary shares in issue	4,428,000,000	4,428,000,000
Basic earnings per share (RMB)	0.30	0.28

(b) Diluted

As the Company had no dilutive shares for the each of the six months ended 30 June 2021 and 2020, dilutive earnings per share for the six months ended 30 June 2021 and 2020 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 2021 and 2020.

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Proposed Interim dividends of RMB0.091 per ordinary share (2020: RMB0.113)[1]	402,948	500,364

[1] Pursuant to a resolution passed at the board of Directors' meeting on 20 August 2021, the Directors authorised to declare the interim dividends for the six months ended 30 June 2021 of RMB0.091 (2020: RMB0.113) per share totalling RMB402,948,000 (2020: RMB500,364,000).

15. Employment Benefits

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Salaries, wages and bonuses	1,279,913	1,289,118
Retirement benefits[1]	374,897	258,882
Early retirement and supplemental pension benefit (Note 31(b))		
– interest cost	34,720	38,337
Immediate recognition of actuarial losses	795	975
Housing fund[2]	187,986	177,155
Welfare, medical and other expenses	429,595	353,872
Reversal of cash-settled shared-based payment (Note 37)	–	(4,921)
	2,307,906	2,113,418

Notes:

(1) Retirement benefits

The Group is required to make specific contributions to the state-managed retirement plan at a rate of 14% to 19% (2020: 14% to 19%) of the specified salaries of the PRC employees for the six months ended 30 June 2021. 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 of 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	Machinery, transportation equipment and other equipment	Construction-in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020				
Cost	3,450,076	4,630,885	518,989	8,599,950
Accumulated depreciation and impairment	(1,550,153)	(3,452,445)	–	(5,002,598)
Net book amount	1,899,923	1,178,440	518,989	3,597,352
Six months ended 30 June 2020				
Opening net book amount	1,899,923	1,178,440	518,989	3,597,352
Transfers	16,560	73,736	(90,296)	–
Additions	–	3,892	146,443	150,335
Depreciation	(59,136)	(155,938)	–	(215,074)
Disposals/write-off	(30)	(1,282)	–	(1,312)
Closing net book amount	1,857,317	1,098,848	575,136	3,531,301
At 30 June 2020				
Cost	3,465,623	4,655,198	575,136	8,695,957
Accumulated depreciation and impairment	(1,608,306)	(3,556,350)	–	(5,164,656)
Net book amount	1,857,317	1,098,848	575,136	3,531,301
At 1 January 2021				
Cost	**3,454,045**	**4,896,970**	**692,596**	**9,043,611**
Accumulated depreciation and impairment	**(1,632,561)**	**(3,529,584)**	**–**	**(5,162,145)**
Net book amount	**1,821,484**	**1,367,386**	**692,596**	**3,881,466**
Six months ended 30 June 2021				
Opening net book amount	**1,821,484**	**1,367,386**	**692,596**	**3,881,466**
Transfers	**19,205**	**186,773**	**(205,978)**	**–**
Additions	**1,527**	**444**	**324,044**	**326,015**
Depreciation	**(57,184)**	**(203,168)**	**–**	**(260,352)**
Disposals/write-off	**(650)**	**(3,038)**	**(2,280)**	**(5,968)**
Closing net book amount	**1,784,382**	**1,348,397**	**808,382**	**3,941,161**
At 30 June 2021				
Cost	**3,469,383**	**5,055,153**	**808,382**	**9,332,918**
Accumulated depreciation and impairment	**(1,685,001)**	**(3,706,756)**	**–**	**(5,391,757)**
Net book amount	**1,784,382**	**1,348,397**	**808,382**	**3,941,161**

Depreciation expense recognised is analysed as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Cost of sales	**222,366**	178,748
Selling and marking expenses	**130**	116
Administrative expenses	**11,591**	11,330
Research and development costs	**26,265**	24,880
	260,352	215,074

17. Right-of-Use Assets

The Group leases assets including buildings and other facilities, Machinery, transportation equipment and other equipment and lands. Information about leases for which the Group is a lessee is presented below:

	Buildings and other facilities	Machinery, transportation equipment and other equipment	Land use right	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2020	172,763	7,198	2,343,809	2,523,770
Additions	35,888	22	–	35,910
Depreciation	(28,552)	(3,629)	(29,202)	(61,383)
Modification	(1,757)	–	–	(1,757)
Balance at 30 June 2020	178,342	3,591	2,314,607	2,496,540
Balance at 1 January 2021	168,526	46,383	2,233,392	2,448,301
Additions	22,819	15,143	–	37,962
Depreciation	(35,679)	(13,677)	(28,643)	(77,999)
Balance at 30 June 2021	155,666	47,849	2,204,749	2,408,264

Depreciation recognised is analysed as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Cost of sales	48,085	35,409
Administrative expenses	29,914	25,974
	77,999	61,383

18. Intangible Assets

	Patent	Computer software	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2020			
Cost	479,882	513,356	993,238
Accumulated amortisation	(431,642)	(328,281)	(759,923)
Net book amount	48,240	185,075	233,315
Six months ended 30 June 2020			
Opening net book amount	48,240	185,075	233,315
Additions	–	3,925	3,925
Amortisation	(12,060)	(17,349)	(29,409)
Closing net book amount	36,180	171,651	207,831
At 30 June 2020			
Cost	479,882	517,281	997,163
Accumulated amortisation	(443,702)	(345,630)	(789,332)
Net book amount	36,180	171,651	207,831
At 1 January 2021			
Cost	479,882	552,630	1,032,512
Accumulated amortisation	(455,762)	(357,791)	(813,553)
Net book amount	24,120	194,839	218,959
Six months ended 30 June 2021			
Opening net book amount	24,120	194,839	218,959
Additions	–	17,347	17,347
Amortisation	(12,059)	(19,232)	(31,291)
Closing net book amount	12,061	192,954	205,015
At 30 June 2021			
Cost	479,882	569,977	1,049,859
Accumulated amortisation	(467,821)	(377,023)	(844,844)
Net book amount	12,061	192,954	205,015

Amortisation recognised is analysed as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Cost of sales	4,786	8,822
Selling and marketing expenses	899	–
Administrative expenses	9,411	8,317
Research and development costs	16,195	12,270
	31,291	29,409

19. Investment in A Joint Arrangement and Associates

(a) Investment in a joint arrangement

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Joint venture		
Beginning of the period	2,475	2,516
Share of total comprehensive (expense)/income	(99)	7
End of the period	2,376	2,523

The Group's joint venture, is unlisted and established in a form of limited company, is 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 (2020: 3,000)	50%	Technical development, sales of equipment/The PRC

The above joint venture is accounted for by using the equity method.

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
Current assets	18,790	18,924
Non-current assets	1,140	1,210
Total assets	19,930	20,134
Current liabilities	(15,178)	(15,184)
Total liabilities	(15,178)	(15,184)
Equity	4,752	4,950
Share of equity by the Group (50%) (2020: 50%)	2,376	2,475

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Revenue	–	–
(Loss)/profit and total comprehensive (expense)/income for the period	(199)	13
Share of total comprehensive (expense)/income (50%) (2020:50%)	(99)	7

There are no material contingent liabilities and commitments relating to the Group's interests in the joint venture and no material contingent liabilities and commitments of the joint venture itself.

19. Investment in A Joint Arrangement and Associates (Continued)

(b) Investments in associates

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Beginning of the period	149,680	161,952
Share of total comprehensive income	11,412	9,997
Others	–	6,361
End of the period	161,092	178,310

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 Co., Ltd. (中國石油化工科技開發有限公司)[1]	The PRC	50,000 (2020: 50,000)	35.00% (2020: 35.00%)	Technical development, Technical service/ The PRC
Shanghai KSD Bulk Solids Engineering Co., Ltd.(上海金申德粉體工程有限公司)[2]	The PRC	5,500 (2020: 5,500)	36.36% (2020: 36.36%)	Powder engineering services/ The PRC

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

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

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
Current assets	1,440,499	1,311,532
Non-current assets	42,399	31,709
Total assets	1,482,898	1,343,241
Current liabilities	(1,074,337)	(959,949)
Non-current liabilities	(31)	(31)
Total liabilities	(1,074,368)	(959,980)
Equity attributable to equity holders	373,999	348,730
Non-controlling interests	34,531	34,531
	408,530	383,261
Share of equity by the Group (35%) (2020: 35%)	130,900	122,056

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Revenue	308,787	169,209
Profit and total comprehensive income for the period attributable to equity holders	25,269	17,477
Share of total comprehensive income (35%) (2020: 35%)	8,844	6,117

For the six months ended 30 June 2021, China Petrochemical Technology Co., Ltd. did not declare any dividends (2020: Nil).

19. Investment in A Joint Arrangement and Associates (Continued)

(b) Investments in associates (Continued)

(2) 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 2021	As at 31 December 2020
	RMB'000	RMB'000
Current assets	196,691	158,641
Non-current assets	1,539	1,553
Total assets	198,230	160,194
Current liabilities	(115,187)	(84,215)
Non-current liabilities	(5)	(4)
Total liabilities	(115,192)	(84,219)
Equity	83,038	75,975
Share of equity by the Group (36.36%) (2020: 36.36%)	30,192	27,625

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Revenue	71,650	29,572
Profit and total comprehensive income for the period	7,063	5,568
Share of total comprehensive income (36.36%) (2020: 36.36%)	2,568	2,025

For the six months ended 30 June 2021, Shanghai KSD Bulk Solids Engineering Co., Ltd. did not declare any dividends (2020: Nil).

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. Notes and Trade Receivables

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
Trade receivables		
Fellow subsidiaries	1,870,766	2,486,417
Joint ventures of fellow subsidiaries	543,671	513,944
Associates of fellow subsidiaries	161,876	39,031
Joint venture	1,309	–
Associates	16,052	–
Third parties	5,819,649	6,104,710
	8,413,323	9,144,102
Less: ECL allowance for impairment	(1,485,873)	(1,541,497)
Trade receivables – net	6,927,450	7,602,605
Notes receivables	1,074,604	821,783
Notes and trade receivables – net	8,002,054	8,424,388

The carrying amounts of the Group's notes and trade receivables as at 30 June 2021 and 31 December 2020 approximate their fair values.

20. Notes and Trade Receivables (Continued)

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

The Group usually provides 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 judgment and experience of the management. The Group does not hold any collateral as security.

Ageing analysis of notes and trade receivables, net of ECL allowance, by invoice date is as follows:

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
Within 1 year	6,318,415	6,606,543
Between 1 and 2 years	612,431	1,316,446
Between 2 and 3 years	983,094	391,939
Between 3 and 4 years	22,623	33,511
Between 4 and 5 years	32,824	32,830
Over 5 years	32,667	43,119
	8,002,054	8,424,388

The movements of ECL allowance on trade receivables are as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
At the beginning of the period	1,541,497	1,346,804
ECL allowance	128,743	174,384
Receivables written off as uncollectible	(272)	(75)
Reversal	(184,095)	(289,714)
At the end of the period	1,485,873	1,231,399

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

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
RMB	7,379,286	7,720,739
USD	45,207	56,854
SAR	272,983	372,066
Others	304,578	274,729
	8,002,054	8,424,388

21. Prepayments and Other Receivables

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
Prepayments		
Prepayments for fellow subsidiaries	2,265,346	1,804,424
Prepayments for associates	6,336	6,336
Prepayments for associates of fellow subsidiaries	39	–
Prepayments for joint ventures of fellow subsidiaries	385	385
Prepayments for construction	934,151	1,096,386
Prepayments for materials and equipment	3,450,469	3,053,850
Prepayments for labour costs	18,570	6,157
Prepayments for rent	7,047	1,287
Others	103,446	80,687
	6,785,789	6,049,512
Other receivables		
Amounts due from fellow subsidiaries(1)	32,982	47,519
Amounts due from joint ventures of fellow subsidiaries(1)	129,355	153,990
Amounts due from associates of fellow subsidiaries(1)	187,952	247,138
Dividends receivable	6,200	7,600
Interests receivable	321,363	311,101
Petty cash funds	21,902	6,919
Other guarantee deposits and deposits	125,039	118,238
Payment in advance	214,869	246,109
Maintenance funds	67,667	67,557
Value-added tax credit	440,360	321,294
Prepaid value-added tax	99,224	33,833
Prepaid income tax	77,828	85,230
Value-added tax to be certified	15,193	11,063
Land disposal	–	36,515
Others	96,112	94,892
	1,836,046	1,788,998
Less: ECL allowance for impairment	(102,732)	(132,725)
Prepayments and other receivables – net	8,519,103	7,705,785

(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 2021 and 31 December 2020 approximate their fair values.

21. Prepayments and Other Receivables (Continued)

The movements of ECL allowance on other receivables are as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
At the beginning of the period	132,725	129,110
ECL allowance	13,803	12,907
Write-off of irrecoverable receivable	(1,958)	–
Reversal	(41,838)	(8,286)
At the end of the period	102,732	133,731

22. Contract Assets and Contract Liabilities

(a) Contract assets

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
Contract assets arising from construction contracts	10,826,662	8,826,268

Typical payment terms which impact on the amount of contract assets recognised are as follows:

The Group's construction contracts include payment schedules which require progress payments over the construction period once certain specified milestones are reached. The Group requires customers to pay deposits, normally 10% of total contract sum, as part of its credit risk management policies. The Group also agrees to have 1 to 2 years retention period for, normally 5% of the contract value. This amount is included in contract assets until the end of retention period as the Group's entitlement to this final payment is conditional on the Group's satisfactory work.

The amount of contract assets that is expected to be recovered after more than one year is RMB331,248,000 (2020: RMB474,762,000), all of which relates to retentions.

The movements of ECL allowance on contract assets are as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
At the beginning of the period	214,459	193,086
ECL allowance	31,100	12,764
Reversal	(13,625)	(19,179)
At the end of the period	231,934	186,671

(b) Contract liabilities

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
Contract liabilities arising from construction contracts	16,648,622	15,511,149

Notes:
When the Group receives a deposit before the production activity commences, this will give rise to contract liabilities at the start of a contract until the revenue recognised on the project exceeds the amount of the deposit.

The balance of contract liabilities as at 1 January 2021 is RMB15,511,149,000 (2020: RMB13,314,941,000), in which RMB11,272,744,000 (2020: RMB8,526,469,000) was recognised as revenue during the period.

22. Contract Assets and Contract Liabilities (Continued)

(b) Contract liabilities (Continued)

Unsatisfied performance obligation:

The Group has signed construction contracts with a number of clients to provide construction services for a certain period of time in the future. These contracts normally constitute a single performance obligation as a whole. As at 30 June 2021, part of the construction projects of the Group was still in the process, and the total transaction price apportioned to the unsatisfied performance obligation was RMB115,466,194,000 (2020: RMB105,654,607,000), the amount of which was related to the progress of the performance of each construction contract, and will be recognised as revenue in accordance with the extent of progress toward completion in the future.

23. Inventories

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
Raw materials	1,424,512	1,120,990
Turnover materials	220,017	226,162
Goods in transit	9,325	970
	1,653,854	1,348,122

As at 30 June 2021 and 31 December 2020, no provision for impairment on inventories of the Group has been made.

For the six months ended 30 June 2021 and 2020, the cost of inventories recognised as expense and included in cost of sales amounted to RMB9,575,992,000 and RMB10,019,893,000 respectively.

24. 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 2021	As at 31 December 2020
Loans due from the ultimate holding company	3.60%	3.60%

25. Restricted Cash

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
Restricted cash		
– RMB	43,404	36,661

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

As at 30 June 2021 and 31 December 2020, 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.

26. Time Deposits

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
Time deposits with initial term over three months:		
Time deposits in banks	7,054,342	6,726,574
Time deposits in fellow subsidiaries	1,638,410	1,546,861
	8,692,752	8,273,435

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
Denominated in:		
– RMB	6,298,706	6,252,175
– USD	1,887,641	1,795,652
– MYR	346,518	225,608
– RUB	159,887	–
	8,692,752	8,273,435

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

The effective interest rates per annum on time deposits, with maturities of three months to three years (2020: three months to five years), are approximately 0.12% to 4.13% as at 30 June 2021 (2020: 0.17% to 3.4%).

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

27. Cash and Cash Equivalents

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
Cash at bank and in hand		
– less than three months time deposits	756,014	594,824
– cash deposits	1,644,442	1,600,617
	2,400,456	2,195,441
Deposits in fellow subsidiaries		
– less than three months time deposits	51,724	117,447
– cash deposits	4,117,822	6,127,869
	4,169,546	6,245,316
	6,570,002	8,440,757

27. Cash and Cash Equivalents (Continued)

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
Denominated in:		
– RMB	3,537,022	5,683,300
– USD	1,155,550	1,158,955
– KWD	501,660	454,373
– RUB	428,671	16,457
– SAR	320,724	575,244
– EUR	281,864	287,378
– IRR	244,383	185,389
– THB	49,994	20,484
– MYR	47,601	54,782
– Others	2,533	4,395
	6,570,002	8,440,757

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

As at 30 June 2021 and 31 December 2020, 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 (2020: seven days to three months), are approximately 0.10% to 1.50% as at 30 June 2021 (2020: 0.10% to 1.50%).

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

28. Share Capital

	As at 30 June 2021		As at 31 December 2020	
	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(1)	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

(1) 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 Sinopec Assets Management Co., Ltd. (a fellow subsidiary).

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

29. Reserves (Continued)

(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 and the fair value change arising from the financial assets designated as a fair value through other comprehensive income of associate.

(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.

30. Lease Liabilities

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
Total minimum lease payments:		
Due within one year	80,307	70,354
Due in the second to fifth years	79,513	82,174
Due after the fifth year	31,950	32,922
	191,770	185,450
Future finance charges on leases liabilities	(20,036)	(21,507)
Present value of leases liabilities	171,734	163,943
Present value of minimum lease payments:		
Due within one year	76,040	67,164
Due in the second to fifth years	71,618	72,170
Due after the fifth year	24,076	24,609
	171,734	163,943
Less:		
Portion due within one year included under current liabilities	(76,040)	(66,314)
Portion due after one year included under non-current liabilities	95,694	97,629

During the six months ended 30 June 2021, the Group entered into a number of lease agreements for usage of residential properties, office and equipment for 1 to 20 years (2020: 1 to 20 years). The Group makes fixed payments and additional variable payments depends on the usage of the buildings, plant and machinery, transportation equipment and other equipment during the contract period. On lease commencement, the Group recognised right-of-use assets included in property, plant equipment and lease liabilities amounting to RMB37,962,000 (2020: RMB35,910,000).

During the six months ended 30 June 2021, the total cash outflows for the leases are RMB191,902,000 (2020: RMB180,424,000).

30. Lease Liabilities (Continued)

Details of the lease activities

As at 30 June 2021, the Group has entered into leases for office and staff quarter.

Types of right-of-use assets	Financial statements items of right-of-use assets included in	Number of leases	Range of remaining lease term
Office and staff quarter	Building and other facilities carried at cost in "property, plant and equipment"	80 (2020:76)	1 to 11 years (1 to 12 years)
Land use rights in PRC	Prepaid land use rights payments	134 (2020: 134)	22 to 61 years (2020: 22 to 62 years)

The Group considered that no extension option or termination option would be exercised at the lease commencement date.

31. Retirement and Other Supplemental Benefit Obligations

(a) State-managed retirement plan

For the six months ended 30 June 2021, 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 14% to 19%, (2020: 14% to 19%) 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 during the six months ended 30 June 2021 and 2020 are as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Contributions to state-managed retirement plan	**374,897**	258,882

(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 30 June 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 exposure to actuarial risks of the Group's retirement benefit plans include: discount rate risk, benefit 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 2021 was performed by an independent qualified actuarial firm: Towers Watson Management Consulting (Shenzhen) Co., Ltd. Beijing Branch. The present value, related current service cost and past service cost of the Group's retirement benefit plan obligation are prepared by qualified actuary using the projected unit credit actuarial cost method.

31. Retirement and Other Supplemental Benefit Obligations (Continued)

(b) Group employee retirement benefit plans (Continued)

(i) Discount rates adopted (per annum):

	As at 30 June 2021	As at 31 December 2020
Retirement with honors benefit plan	3.00%	3.00%
Retirement benefit plan	3.25%	3.25%
Early retirement benefit plan	2.75%	3.00%

(ii) Benefit growth rates (per annum):

	As at 30 June 2021	As at 31 December 2020
Retirement with honors benefit plan	1.70%	1.70%
Retirement benefit plan	2.50%	2.50%
Early retirement benefit plan	1.50%	1.50%

(iii) Duration:

	As at 30 June 2021	As at 31 December 2020
Retirement with honors benefit plan	5.0 years	5.0 years
Retirement benefit plan	14.0 years	14.0 years
Early retirement benefit plan	4.0 years	4.0 years

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

	As at 30 June 2021 Increase/(decrease) in retirement benefit plan obligation		As at 31 December 2020 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	(47,175)	49,117	(48,541)	50,535
Benefit growth rates	47,198	(45,552)	48,544	(46,855)

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 honors 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 2020				
Net interest expenses	1,014	35,206	2,117	38,337
Immediate recognition of actuarial losses	–	–	975	975
Benefit cost recognised in profit or loss	1,014	35,206	3,092	39,312
Revaluation of net benefit obligation liabilities				
Actuarial revaluation of economic assumptions change	1,586	53,538	–	55,124
Actuarial revaluation of other assumptions change	(32)	(161)	–	(193)
Benefit cost recognised in other comprehensive income	1,554	53,377	–	54,931
Total benefit cost recognised in the consolidated statement of comprehensive income	2,568	88,583	3,092	94,243
For the six months ended 30 June 2021				
Net interest expenses	**616**	**32,048**	**2,056**	**34,720**
Immediate recognition of actuarial losses	**–**	**–**	**795**	**795**
Benefit cost recognised in profit or loss	**616**	**32,048**	**2,851**	**35,515**
Revaluation of net benefit obligation liabilities				
Actuarial revaluation of economic assumptions change	**–**	**–**	**–**	**–**
Actuarial revaluation of other assumptions change	**(38)**	**(84)**	**–**	**(122)**
Benefit cost recognised in other comprehensive income	**(38)**	**(84)**	**–**	**(122)**
Total benefit cost recognised in the consolidated statement of comprehensive income	**578**	**31,964**	**2,851**	**35,393**

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 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.

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 2021	As at 31 December 2020
	RMB'000	RMB'000
Net liabilities of retirement benefit plan obligation	**2,173,197**	2,252,789

31. Retirement and Other Supplemental Benefit Obligations (Continued)

(b) Group employee retirement benefit plans (Continued)

The movement of retirement benefit plan obligation as follows:

	Retirement with honors benefit plan	Retirement benefit plan	Early retirement benefit plan	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	72,587	2,240,564	175,775	2,488,926
Net interest expenses	1,014	35,206	2,117	38,337
Immediate recognition of actuarial losses	–	–	975	975
Revaluation gain/(loss):				
Actuarial revaluation of economic assumptions change	1,586	53,538	–	55,124
Actuarial revaluation of other assumptions change	(32)	(161)	–	(193)
Direct benefit paid by the Group	(7,150)	(83,904)	(24,807)	(115,861)
At 30 June 2020	68,005	2,245,243	154,060	2,467,308
At 1 January 2021	**45,366**	**2,049,536**	**157,887**	**2,252,789**
Net interest expenses	**616**	**32,048**	**2,056**	**34,720**
Immediate recognition of actuarial losses	**–**	**–**	**795**	**795**
Revaluation gain/(loss):				
Actuarial revaluation of other assumptions change	**(38)**	**(84)**	**–**	**(122)**
Direct benefit paid by the Group	**(6,845)**	**(82,473)**	**(25,667)**	**(114,985)**
At 30 June 2021	**39,099**	**1,999,027**	**135,071**	**2,173,197**

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 2021	As at 31 December 2020
	RMB'000	RMB'000
Beginning of the period	**186,593**	196,945
Exchange difference	**3,416**	(8,508)
Payment	**(448)**	(1,844)
End of the period	**189,561**	186,593

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.

As at 30 June 2021 and 31 December 2020, no additional provision for litigation claims is provided.

33. Notes and Trade Payables

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
Trade payables		
– Fellow subsidiaries	1,133,406	919,162
– Associates of fellow subsidiaries	126	–
– Joint ventures of fellow subsidiaries	1,734	1,326
– Associates	14,320	195
– Third parties	17,504,824	18,733,926
	18,654,410	19,654,609
Notes payables	2,088,353	2,021,278
Notes and trade payables	20,742,763	21,675,887

The carrying amounts of the Group's notes and trade payables as at 30 June 2021 and 31 December 2020 approximate their fair values.

Ageing analysis of notes and trade payables based on invoice date is as follows:

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
Within 1 year	16,752,254	17,839,807
Between 1 and 2 years	2,321,201	2,155,967
Between 2 and 3 years	883,832	818,865
Over 3 years	785,476	861,248
	20,742,763	21,675,887

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

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
RMB	19,871,884	20,739,337
USD	73,841	61,298
EUR	5,938	18,957
KZT	4,511	76,102
SAR	505,011	683,160
Others	281,578	97,033
	20,742,763	21,675,887

34. Other Payables

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
Salaries payables	93,612	293,607
Other taxation payables	247,393	621,526
Output value-added tax to be recognised	9,921	11,095
Payable of separation and transfer of "Water/electricity/ gas supply and property management"	24,271	36,591
Deposits and guarantee deposits payables	72,058	58,498
Advanced payables	982,512	1,100,821
Rent, property management and maintenance payables	120,838	106,234
Contracts payables	279,014	305,972
Amounts due to ultimate holding company(1)	194	197
Amounts due to fellow subsidiaries(1)	261,922	285,451
Amounts due to a joint venture(1)	701	7
Amounts due to joint ventures of fellow subsidiaries(1)	4,931	4,961
Amounts due to associates of fellow subsidiaries(1)	888	888
Interest payables	1,397	714
Dividend payables	799,442	–
Others	80,238	70,531
Total other payables	2,979,332	2,897,093

Note:
(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 2021 and 31 December 2020 approximate their fair values.

35. Deferred Income Tax Assets

Deferred income tax assets recognised:

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
Deferred income tax assets	684,772	709,030

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
At the beginning of the period	709,030	738,052
Credited to equity for defined benefit obligations revaluation of actuarial gain or loss	(21)	9,440
Tax credited to profit for the period (Note 12)	(24,237)	(32,254)
At the end of the period	684,772	715,238

35. Deferred Income Tax Assets (Continued)

The movement in deferred income tax assets during the periods ended 30 June 2021 and 2020, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Provision for retirement and other supplemental benefit obligation	Provision for impairment on assets	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	422,530	282,255	33,267	738,052
Credited/(Charged) to:				
Profit for the period	(11,733)	(17,275)	(3,246)	(32,254)
Equity	9,440	–	–	9,440
At 30 June 2020	420,237	264,980	30,021	715,238
At 1 January 2021	**368,211**	**311,825**	**28,994**	**709,030**
Credited/(Charged) to:				
Profit for the period	**(13,225)**	**(11,265)**	**253**	**(24,237)**
Equity	**(21)**	**–**	**–**	**(21)**
At 30 June 2021	**354,965**	**300,560**	**29,247**	**684,772**

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 follows:

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
Tax losses for which no deferred income tax asset was recognised	**973,263**	1,322,717

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

36. Loan Due to A Fellow Subsidiary

Loan due to a fellow subsidiary is unsecured, repayable within one year and interest bearing at 1.00% to 1.88% (31 December 2020: 1.52% to 1.88%) per annum. The fellow subsidiary is Sinopec Century Bright Capital Investment Limited.

37. 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.

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.

For the six months ended 30 June 2021, the Group did not have any outstanding exercisable H share appreciation rights

As at 30 June 2021 and 31 December 2020, the Group did not have any liability arising from H share appreciation rights.

As at 31 December 2020, the conditions to effect the H share appreciation rights in the Third Effective Phase of 4,468,620 units (representing 34% of the H share appreciation rights) were not fulfilled. Therefore, those H share appreciation rights have be lapsed.

38. Commitments

(a) Capital commitments

Capital commitments for the purchase of property, plant and equipment outstanding as at 31 June 2021 and 31 December 2020 not provided for in the consolidated financial statements are as follows:

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
Contracted but not provided for		
– Property, plant and equipment	2,068	2,193

(b) Operating leasing commitments

At the reporting date, the lease commitments for short-term leases are as follows:

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
Less than 1 year	34,357	58,789

As at 30 June 2021 and 31 December 2020, the Group leases a number of residential properties, offices and equipment with a lease period of 6 to 12 months, which are qualified to be accounted for under short-term lease exemption under IFRS 16.

39. Cash Generated From Operations

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Profit before taxation	1,611,209	1,562,823
Adjustments for:		
Reversal of provision for ECL on trade and other receivables and contract assets, net	(65,912)	(117,135)
Reversal of cash-settled share-based payment	–	(4,921)
Depreciation of property, plant and equipment	260,352	215,074
Depreciation of right-of-use assets	77,999	61,383
Amortisation of intangible assets	31,291	29,409
Net (gains)/losses on disposal/write-off of property, plant and equipment	(91)	86
Gain on separation and transfer of Water/electricity/gas supply and property management	(5,949)	–
Interest income	(479,292)	(446,324)
Interest expense	40,479	43,958
Net foreign exchange losses/(gains)	24,665	(78,139)
Share of loss/(profit) of a joint arrangement	99	(7)
Share of profit of associates	(11,412)	(9,997)
Cash flows from operating activities before changes in working capital	1,483,438	1,256,210
Changes in working capital:		
– Inventories	(305,732)	170,313
– Contract assets	(2,017,869)	(1,429,084)
– Contract liabilities	1,137,473	(1,863,168)
– Notes, trade and other receivables	(370,535)	(242,129)
– Notes, trade and other payables	(1,775,097)	158,902
– Restricted cash	(6,743)	3,410
Cash used in operations	(1,855,065)	(1,945,546)

40. Contingencies

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

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

41. Significant Related Party Transactions and Balances

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to control or common control. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

41. Significant Related Party Transactions and Balances (Continued)

In addition to the related party information shown elsewhere in this report, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the six months ended 30 June 2021 and 2020 and balances as at 30 June 2021 and 31 December 2020 respectively.

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 associates of fellow subsidiaries:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Construction and services provided to		
– Joint ventures of fellow subsidiaries	3,287,712	5,877,301
– Associates of fellow subsidiaries	248,119	57,279
– Fellow subsidiaries	14,585,143	7,648,556
– Associates	74,310	108,272
	18,195,284	13,691,408
Construction and services received from		
– Ultimate holding company	4,144	–
– Joint ventures of fellow subsidiaries	1,647	121
– Associates of fellow subsidiaries	775	–
– Fellow subsidiaries	2,483,233	2,115,712
– Associates	12,672	–
	2,502,471	2,115,833
Technology research and development provided to		
– Ultimate holding company	5,377	3,774
– Fellow subsidiaries	57,960	82,549
	63,337	86,323
General services provided to		
– Joint ventures of fellow subsidiaries	419	–
– Fellow subsidiaries	1,849	–
	2,268	–
General services received from		
– Fellow subsidiaries	30,140	18,652
Interest income on loans		
– Ultimate holding company	356,784	304,654
Interest expense on borrowings		
– Fellow subsidiaries	1,482	–
Expenses in relation to settlement and other financial services		
– Fellow subsidiaries	924	1,423
Deposit interest income from fellow subsidiaries	28,595	35,700

41. Significant Related Party Transactions and Balances (Continued)

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

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
Deposits and time deposits placed in fellow subsidiaries	5,807,956	7,792,177

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.

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 and borrowings mainly in state-owned financial institutions. The deposits and borrowings are in accordance with terms as set out in the respective agreement, and the interest rates are set at prevailing market rates.

Apart from the disclosure of loans due from the ultimate holding company in Note 24, 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 for employee services is shown below:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Fee	300	300
Basic salaries, other allowances and benefits-in-kind	1,373	2,937
Discretionary bonus[(i)]	5,521	6,969
Contributions to pension plans	762	532
	7,956	10,738

(i) The Group determines and pays discretionary bonus based on the actual financial results and performance of employee.

42. Reconciliations of Liabilities Arising from Financing Activities

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Loans due to a fellow subsidiary	Lease liabilities
	RMB'000	RMB'000
At 1 January 2020	–	180,953
Cash-flow:		
– Capital element of lease rentals paid	–	(36,404)
– Interest element of lease rentals paid	–	(3,244)
Non-cash:		
– Entered into new lease	–	29,351
– Interest expenses	–	4,070
– Modification	–	(1,757)
– Exchange difference	–	288
At 30 June 2020	–	173,257
At 1 January 2021	**163,123**	**163,943**
Cash-flow:		
– Drawdown	**110,084**	**–**
– Capital element of lease rentals paid	**–**	**(39,518)**
– Interest element of lease rentals paid	**–**	**(4,252)**
– Repayment	**(97,064)**	**–**
Non-cash:		
– Entered into new lease	**–**	**47,455**
– Interest expenses	**–**	**4,252**
– Modification	**–**	**(86)**
– Exchange difference	**(1,574)**	**(60)**
At 30 June 2021	**174,569**	**171,734**

43. Particulars of Principal Subsidiaries

As at 30 June 2021, 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
			Direct held	Indirect 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	500,000	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	500,000	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

43. Particulars of 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
			Direct held	Indirect held	
		RMB'000			
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	300,000	100%	–	Engineering contracting/ The PRC
Ningbo Institute (中石化寧波技術研究院有限公司)	The PRC/Limited liability company	10,000	100%	–	Technical services/ The PRC
Sinopec Heavy Lifting and Transportation Co., Ltd. (中石化重型起重運輸工程有限責任公司)	The PRC/Limited liability company	500,000	100%	–	Engineering contracting technical service, equipment selling and leasing/The PRC
Sinopec Engineering Group Saudi Arabia Co., Ltd. (中石化煉化工程(集團)股份有限公司沙特公司)	Saudi Arabia/Limited liability company	33,558 (SAR18,000,000)	100%	–	Engineering contracting/ Saudi Arabia
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 (USD500,000)	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	500,000	100%	–	Technical service, contractual energy management and engineering research/ The PRC
Sinopec Engineering Group Russia (中石化煉化工程(集團)股份有限公司俄羅斯公司)	Russia/Limited liability company	9,804 (USD1,500,000)	100%	–	Engineering contracting, engineering and consulting/Russia
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	5,158 (MYR3,607,000)	100%	–	Engineering contracting/ Malaysia
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	8,000	–	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 (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	356 (THB2,000,000)	–	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.

44. Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation of the consolidated financial statements.

DOCUMENTS FOR INSPECTION

The following documents will be available for inspection during normal business hours after 23 August 2021 (Monday) at the registered address of the Company upon request by the relevant regulatory authorities and shareholders in accordance with the laws and regulations of the PRC and the Articles of Association:

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

b) The original audited consolidated financial report for the six months ended 30 June 2021 prepared in accordance with IFRS and signed by the Chairwoman 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 BDO Limited.

By Order of the Board

SUN Lili

Chairwoman of the Board

Beijing, the PRC

23 August 2021

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
SINOPEC ENGINEERING (GROUP) CO., LTD.

中国石化
SINOPEC

Address: Building 8, Shenggujiayuan, Shenggu Middle Road, Chaoyang District, Beijing, PRC
Postcode: 100029
Web: www.segroup.cn
Email: seg.ir@sinopec.com