中国石化
SINOPEC

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

Stock Code: 2386

BUILDING
A WORLD-LEADING
TECHNOLOGY-DRIVEN
ENGINEERING COMPANY

2024
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. All the Directors of SINOPEC SEG attend the 20th Meeting of the Fourth Session of the Board. Mr. JIANG Dejun (Chairman of the Board), Mr. ZHANG Xinming (Executive Director and President), Mr. YIN Fengbing (Chief Financial Officer and Secretary to the Board) and Mr. XIA Jipeng (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 2024 (the "**Reporting Period**") of SINOPEC SEG and its subsidiaries (the "**Group**"), prepared in accordance with the International Financial Reporting Standards, were audited by BDO 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 16 August 2024 and, unless otherwise required by the relevant regulatory authorities, the Company undertakes no obligation or responsibility to update these statements.

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

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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, new 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, precommissioning and start-up, etc.

After 70 years of continuous development, the Group currently has two academicians of the Chinese Academy of Engineering and nearly 10,000 high quality professionals. The Group has extensive experience in project management and

implementation and owns and co-owns advanced 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, 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, 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
Mr. JIANG Dejun

AUTHORISED REPRESENTATIVES
Mr. ZHANG Xinming

Mr. YIN Fengbing

COMPANY SECRETARY
Mr. YIN Fengbing

Ms. Ng Sau Mei

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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.hkexnews.hk

The Company's website:

http://www.segroup.cn

PLACE WHERE THIS INTERIM REPORT IS AVAILABLE FOR INSPECTION
Office of the Board

SINOPEC ENGINEERING (GROUP) CO., LTD.

A67, Ande Road, Xicheng District, Beijing, the PRC

PLACE OF LISTING OF SHARES, STOCK SHORT NAME AND STOCK CODE

H Shares: Hong Kong Stock Exchange

Stock short name: SINOPEC SEG

Stock code: 2386

UNIFORM SOCIAL CREDIT CODE

911100007109349087

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PRINCIPAL FINANCIAL DATA AND INDICATORS

Principal Financial Data and Indicators

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

Unit: RMB'000

Items	As at 30 June 2024	As at 31 December 2023	Changes from the end of 2023 (%)
Current assets	**72,978,731**	72,562,033	0.6
Non-current assets	**8,106,728**	8,405,638	(3.6)
Current liabilities	**48,041,148**	47,968,755	0.2
Non-current liabilities	**1,945,376**	2,151,201	(9.6)
Consolidated equity attributable to equity holders of the Company	**31,090,440**	30,842,143	0.8
Net assets per share of equity holders of the Company (RMB)	**7.06**	6.98	0.8

Unit: RMB'000

Items	Six-month periods ended 30 June		Changes over the same period of 2023 (%)
	2024	2023	
Revenue	**28,553,121**	24,829,660	15.0
Gross profit	**2,494,647**	2,240,224	11.4
Operating profit	**927,462**	992,967	(6.6)
Profit before taxation	**1,513,067**	1,499,126	0.9
Profit attributable to equity holders of the Company	**1,318,677**	1,317,070	0.1
Basic earnings per share (RMB)	**0.30**	0.30	–
Net cash flow used in operating activities	**(4,200,177)**	(1,038,507)	(304.4)
Net cash flow used in operating activities per share (RMB)	**(0.95)**	(0.23)	(304.4)

Items	Six-month periods ended 30 June	
	2024	2023
Gross profit margin (%)	**8.7**	9.0
Net profit margin (%)	**4.6**	5.3
Return on assets[1] (%)	**1.6**	1.7
Return on equity[2] (%)	**4.2**	4.3
Return on invested capital[3] (%)	**4.3**	4.4

Items	As at 30 June 2024	As at 31 December 2023
Asset-liability ratio[4] (%)	**61.6**	61.9

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

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

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

(4) Asset-liability ratio = $\dfrac{\text{Total liabilities at the end of the year}}{\text{Total assets at the end of the year}}$

CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS


2024
1.7900
1.7855
2021
2023
1.7810
2018
2022
2019

CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

1 Changes in the Share Capital of the Company

Unit: Share

	As at 31 December 2023		Increase/Decrease of this change (+, -)			As at 30 June 2024	
	Number	Percentage (%)	New shares issued	Others	Subtotal	Number	Percentage (%)
Promoter shares (Domestic Shares)	2,967,200,000	67.15	–	–	–	2,967,200,000	67.36
Foreign shares listed overseas (H Shares)	1,451,343,500	32.85	–	-13,397,000	–	1,437,946,500	32.64
Total number of shares	4,418,543,500	100.00	–	–	–	4,405,146,500	100.00

2 Shareholdings of Substantial Shareholders

As at the end of the Reporting Period, there were a total of 902 shareholders of the Company. As at 16 August 2024, 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	–	67.36	100.00
HKSCC NOMINEES LIMITED	-11,400,000	–	1,431,132,780	32.49	99.53
ZHANG SAIYU	-900,000	–	2,000,000	0.05	0.14
HUI MO CHEE	0	–	870,000	0.02	0.06
HUI SIU SHUN WAN	0	–	450,000	0.01	0.03
WONG CHOK SHUN	0	–	300,000	0.01	0.02
WONG CHUI CHUNG	0	–	295,000	0.01	0.02
WONG SIU JUNK	0	–	200,000	0.00	0.01
CHAN LAI KUEN SELINA	0	–	195,500	0.00	0.01
WONG CHUI CHUNG	–	–	195,500	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 connected relationship 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) 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 (%)(4)	Percentage in the total share capital of the Company (%) (5)
China Petrochemical Corporation(1)	Domestic Share	Beneficial owner/Interests of controlled corporation	2,967,200,000 (L)	100.00 (L)	67.36 (L)
FMR LLC(2)	H Share	Interests of controlled corporation	146,096,410 (L)	10.16 (L)	3.32 (L)
Fidelity Investment Trust(3)	H Share	Interests of controlled corporation	73,184,819 (L)	5.09 (L)	1.66 (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, representing 100% of the domestic shares and approximately 67.36% 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 of the Company, representing 2.00% of the domestic shares and approximately 1.35% of the total share capital of the Company, respectively. Pursuant to 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 filed by FMR LLC with the Hong Kong Stock Exchange on 23 November 2023.
(3) The information is based on the Corporate Substantial Shareholders Notices filed by Fidelity Investment Trust with the Hong Kong Stock Exchange on 23 November 2023.
(4) It is calculated on the basis that the Company has issued 2,967,200,000 Domestic Shares and 1,437,946,500 H Shares.
(5) It is calculated on the basis that the Company has issued 4,405,146,500 Shares in total.

BUSINESS REVIEW AND PROSPECTS

1 Business Review

Reviewing the first half of the year, complex and severe international environment and evolving industry innovation brought challenges to the industry development and the Company's operation. Facing the difficulties, the Board and management of the Company adhered to integrity and innovation, deeply implemented high-quality development actions, accelerated the development of new quality productive forces, and had achieved hard-earned success by taking a series of actions to optimize existing business operations, seek for business growth, strengthen foundation and prevent risks. During the first half of the year, the Group recorded a revenue of RMB28.553 billion, net profit of RMB1.319 billion and value of new contracts of RMB50.066 billion, representing steady progress in our business performance. Taking into account the profitability of the Company and the needs for sustainable development in the future, the Board decided to distribute an interim dividend of RMB0.150 per share with a dividend payout ratio of 50%.

In the first half of the year, the Group built comprehensive market competitiveness with its comprehensive service capabilities, bringing to an increase in market development in terms of both value and quality. During the Reporting Period, the value of new contracts of the Group was RMB50.066 billion, representing an increase of 32.7% as compared to the same period last year ("year-on-year") and achieving the best performance in the same period in our history. The value of new overseas contracts signed was approximately USD2.354 billion, showing a year-on-year growth of 117.8%; overseas business structure was further optimized, with EPC contracts accounting for over 75% of the total amount, and FEED, PMC and EPC businesses achieving breakthroughs in a number of markets and realizing the diversification of types of businesses. In the domestic market, the Group fully leveraged its advantages on front-end business and had successively obtained a number of engineering consulting, engineering design and technical service contracts under which it will provide frontline supporting services including consulting and basic design for "Lu You Lu Lian" ("魯油魯煉" refinery in Shangdong province), Jiujiang aromatics, CNOOC-Shell Ethylene Project and a number of New coal chemicals projects. Meanwhile, the Group continued to make efforts in the markets where it has advantages by signing certain EPC contracting and construction contracts for multiple large-scale park projects, including Aramco Huajin Project and SABIC Mangguo Ethylene Project, further consolidating its leading position in the engineering industry in the PRC.

In the first half of the year, the Group continued to build its first-class innovation capabilities, steadfastly advanced the development of new-type industrialization in the engineering industries. During the Reporting Period, the Group has initiated specialised studies for topics relating to new-type industrialization, which cover 11 key aspects including high-end development, green development and intelligent development topics, etc., to promote integration of theoretical innovation and practical applications, so as to attract more investment in supporting the specialized studies and applications of new-type industrialization. The Group coordinated and promoted the innovative application of artificial intelligence and big data technologies in the engineering design field, and comprehensively carried out research on intelligent design (AI) projects to accelerate the transformation of production methods. Based on the principle of developing new quality productive force and focusing on innovation and practicability, the Group led the application and conversion of "Integration and synergies of engineering projects", "standardised and lean design", "intelligent management on supply chain during the entire cycle of the project", "plant manufacturing and prefabrication installation" and research outcomes in the engineering and construction projects, thereby facilitating overall improvement in efficiency and information technology level of the engineering and construction projects. Leveraging the business model of contract energy management, the Group continued to promote the development of low-carbon services in the energy industry, develop its comprehensive energy-saving and carbon-reducing techniques and equipment portfolio, thereby making "Green and Clean" as its feature.

In the first half of the year, the Group deeply promoted the "integration and symbiosis" strategy and worked together with industry chain partners to build an industrial ecosystem. Firstly, the Group strived to create a new paradigm of deep industry-university-research integration driven by enterprise needs and deployed an "innovation chain" around the "industry chain" by jointly establishing the "Biomass Utilization Joint Research Center (High-value Utilization of Lignin)" in accelerating the development and the industrial applications of research results of the application techniques for biomass, and the

"Low-carbon Joint Research Center" with Sun Yat-sen University and carrying out deep cooperation with research institutes such as Tsinghua University, Chinese Research Academy of Environmental Sciences, Shanghai Institute of Organic Chemistry, CAS, SINOPEC Beijing Research Institute of Chemical Industry and SINOPEC Research Institute of Petroleum Processing in multiple innovation fields. **Secondly, the Group strived to build long-term integration and win-win partnership with domestic and overseas clients** by adopting the "going out" and "bringing in" approach to strengthen exchanges and deepen mutual trust with domestic and foreign project owners including CHN Energy Group, China Coal Group, Shaanxi Coal & Chemical Industry Group, Yanchang Petroleum, KazMunayGaz, Saudi Aramco, SABIC and ADNOC and gain market first-mover advantage with more advanced and extensive preliminary and front-end services while promoting the advantages of the Group on industry chain, technology chain and engineering services in an all-round way. **Thirdly, the Group strived to create an industrial environment that integrates and shares with industry peers to continuously expand "circle of friends"** by promoting comprehensive strategic partnerships with international engineering companies represented by TR, Technip and Tecnimont, and strengthening deep cooperation in areas such as preliminary project development, global supply chain optimization and project execution. **Fourthly, the Group strived to build an ecosystem that integrated and developed with global industrial chain partners** by conducting high-level visits with major equipment and material suppliers such as Ansteel Group, Emerson, Yokogawa, Honeywell and KSB to deepen cooperation and create a globally competitive supply chain system.

During the first half of the year, the Group continued to explore the fusion of international experience and Chinese practice for ESG, thereby developing itself into a leading enterprise in terms of ESG. During the Reporting Period, the Group initiated a social responsibility brand project by holding public open days with the theme of "Everyone's Safety – Immersive Public Safety Experience Public Welfare Activities" and leveraging on the regular preparation and implementation of public safety experience public welfare activities at two safety simulation and practical training bases of the Group in South China and North China to create a social responsibility brand project of Sinopec SEG Group. After the Reporting Period, the Group was rewarded a "BB" rating from MSCI ESG, which was the highest rating in the engineering industry in the PRC. Meanwhile, the Group was listed on the 2024 Sustainability Yearbook of S&P Global, as one of the two selected enterprises in engineering industry with its outstanding ESG performance among over 1,700 enterprises in 60 industries in the PRC.

(1) Operating Environment

Looking back to the first half of 2024, the macro environment presented a complex and ever-changing situation. The pace of global economic recovery varied, international crude oil prices remained high and volatile, and domestic chemical market demand remained sluggish, posing some challenges to industry development and the Company's operations. However, there were still new opportunities emerging from the challenges in general. **From the perspective of domestic industry development, the formation of modern industrial system was accelerating and the high-quality development of the petrochemical industry in the PRC was solidly advancing.** The construction of a batch of large-scale refining bases was rapidly advancing, the downstream petrochemical industry chain was continuously extending and capital expenditures for high-end new material projects continued to increase; policies related to energy conservation and carbon reduction, process optimization and upgrading and renewal and iteration of energy consuming equipment had been successively introduced, bringing more opportunities for the development of the Group's main business. New energy and traditional energy integrated with and catalyzed each other, and the market for carbon reduction and utilization was flourishing; the digital and intelligent transformation empowered by artificial intelligence injected new momentum into the quality improvement, efficiency enhancement and sustainable development of the energy and chemical industry, which also brought new opportunities for the diversified expansion of the Group's business. **From the perspective of overseas market, the energy and chemical industry entered a historic period of opportunity.** The industry trends of integration, clustering, high-end and diversification drove the long-term and benign development of the petrochemical industry. Continuous breakthroughs in new technologies, improvement in their maturity and continuous expansion of new energy and green low-carbon markets brought more market opportunities to the Group. The active capital expenditure in the Middle East has exceeded US$100 billion, and the Gulf oil-producing countries, mainly Saudi Arabia, are currently increasing their efforts to expand downstream petrochemical production capacity; the oil and gas and refining industries in Southeast Asia are in a prosperous cycle, and capital expenditures for large-scale chemical complexes and natural gas import facilities are accelerating; the Central Asian region has strong complementarity with China in terms of production capacity, capital, engineering technology, etc., and is expected to become a cooperation highland for the expansion of China's refining and chemical production capacity; the refining capacity growth in North Africa, West Africa and Latin America also has great potential.

(2) Operation Overview

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

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

	For the six months ended 30 June				
	2024		2023		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB'000)	(%)	(RMB'000)	(%)	(%)
Engineering, consulting and licensing	**1,527,996**	**4.8**	1,743,688	6.3	(12.4)
EPC Contracting	**16,681,659**	**52.7**	14,148,270	51.4	17.9
Construction	**13,089,648**	**41.3**	11,284,663	41.0	16.0
Equipment manufacturing	**367,216**	**1.2**	364,585	1.3	0.7
Subtotal	**31,666,519**	**100.0**	27,541,206	100.0	15.0
Total (after inter-segment elimination)[1]	**28,553,121**	**N/A**	24,829,660	N/A	15.0

Note:

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

During the Reporting Period, the Group's total revenue was RMB28.553 billion, with a year-on-year increase of 15.0%; profits attributable to equity holders of the Company was RMB1.319 billion, with a year-on-year increase of 0.1%.

The following table sets forth the Group's new contract and backlog for the periods indicated:

	For the six months ended 30 June 2024	For the six months ended 30 June 2023	Change
	(RMB'000)	(RMB'000)	(%)
New contract	**50,066,087**	37,731,457	32.7

	As at 30 June 2024	As at 31 December 2023	Change
	(RMB'000)	(RMB'000)	(%)
Backlog	**157,775,195**	136,262,230	15.8

During the Reporting Period, the value of new contracts amounted to RMB50.066 billion, representing an increase of 32.7% on a year-on-year basis. As at the end of the Reporting Period, the backlog of the Group amounted to RMB157.775 billion, representing an increase of 15.8% as compared to that as at 31 December 2023.

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

	As at 30 June 2024 (RMB'000)	As at 30 June 2023 (RMB'000)	Change (%)
Capital expenditure	**238,665**	220,236	8.4

During the Reporting Period, the Group's capital expenditure was approximately RMB239 million, representing an increase of 8.4% on a year-on-year basis, mainly due to the increase in investment in scientific research, safety and environmental governance and right-of-use assets as compared to the same period last year. During the Reporting Period, the Group's capital expenditure was mainly used for the construction of temporary facilities for engineering projects, the acquisition and renewal of right-of-use assets and engineering facilities and equipment, etc.

(3) Business Highlights

Improved market development performance in terms of both value and quality

During the Reporting Period, the value of new contracts signed by the Group was RMB50.066 billion, representing an increase of 32.7% on a year-on-year basis.

During the Reporting Period, the value of new contracts signed by the Group in domestic market was approximately RMB33.113 billion, a year-on-year increase of 10.6%, maintaining its leading industry position in the domestic market. The Group signed a batch of engineering design contracts for CHN Energy Coal Chemicals, CNOOC Shell Huizhou Phase III Ethylene, CNOOC Shell Huizhou Polycarbonate and high-end new materials projects of Yatong Chemical and Zhejiang Petrochemical, and a batch of EPC contracts for refining and chemical integration, refining renovation and upgrading as well as new materials. Representative contracts included the EPC contract for certain units of SINOPEC SABIC Petrochemical Fujian Gulei Ethylene and Downstream Deep Processing Consortium Project (the "SABIC Mangguo Ethylene Project") with a total contract value of approximately RMB6.081 billion; the EPC contract for certain units of North Huajin United Petrochemical Fine Chemical and Raw Material Engineering Project (the "Aramco Huajin Project") with a total contract value of approximately RMB5.807 billion; the EPC contracts for certain units of Lianhong Gerun (Shandong) Integrated Project of New Energy Materials and Biodegradable Materials (the "Lianhong New Materials Project") with a contract value of approximately RMB2.995 billion; and the EPC Contract for Sinopec INEOS Tianjin Nangang Ethylene and Downstream High-end New Materials Industry Cluster POE unit (the "Tianjin Nangang POE Project") with a total contract value of approximately RMB882 million.

During the Reporting Period, the value of new contracts signed by the Group in overseas market was approximately US$2.354 billion, a year-on-year increase of 117.8%, maintaining its strong development momentum. Representative new contracts include the EPC Contract for gas compression (GCP) of Saudi Aramco's Jafurah Gas Expansion Project Phase III (the "Saudi Jafurah Project Phase III") with a contract value of approximately US$900 million; the construction contract for the electromechanical instrument section of the gas processing unit of the Jafurah Natural Gas Expansion Project Phase II (the "Saudi Jafurah Project Phase II") with a contract value of approximately US$161 million; the high-end and front-end business in overseas market continued to grow with signing of FEED+PMC contract for Saudi Aramco's RAS TANURA Island Steam Treatment Facility (VHRT) Project and the contract for review of Saudi Aramco's Far East Fine Chemicals and Raw Materials Engineering Project Management Manual, etc.

During the Reporting Period, the Group signed 137 new contracts in the emerging fields such as new energy and new materials in domestic market with a total value of approximately RMB7.406 billion, and the market layout in emerging fields achieved good results.

Steady progress in the construction of key projects

Zhenhai Refining & Chemical and High-end Synthetic New Materials Project (EPC): please refer to the announcements dated 14 April 2023, 24 February 2023 and 14 October 2022, as well as the 2022 annual report dated 19 March 2023 published by the Company for details of this project. As at the end of the Reporting Period, the project was in the peak stage of construction and installation with an overall completion percentage of over 90%.

PetroChina Jihua Transformation and Upgrading Project (EPC): please refer to the announcement dated 14 April 2023 and the 2022 annual report dated 19 March 2023 published by the Company for details of this project. As at the end of the Reporting Period, the project was in the stage of construction and installation with an overall completion percentage of over 60%.

Longkou LNG Project (EPC): please refer to the announcement dated 24 February 2022 published by the Company for details of this project. As at the end of the Reporting Period, the project was in the peak stage of construction with an overall completion percentage of over 70%.

Aramco Huajin Project (EPC): please refer to the announcement dated 26 February 2024 published by the Company for details of this project. As at the end of the Reporting Period, the project was in the stage of civil construction with an overall completion percentage of over 20%.

ExxonMobil Huizhou Ethylene Project (BEPC): please refer to the announcement dated 12 April 2021 published by the Company for details of this project. As at the end of the Reporting Period, the project was in smooth and steady progress, and was granted the "President's SSH&E Award" twice by the project owner.

Saudi Arabia Riyas NGL Project (EPC): please refer to the 2023 annual report dated 17 March 2024 published by the Company for details of this project. As at the end of the Reporting Period, the project was in the stage of detailed design with an overall completion percentage of less than 10%.

Saudi Arabia AMIRAL Project (EPC): please refer to the announcement dated 27 June 2023 and the 2023 interim report dated 20 August 2023 published by the Company for details of this project. As at the end of the Reporting Period, the project was in the stage of civil construction with an overall completion percentage of approximately 30%.

Algerian LNG/MTBE (EPC) Project: please refer to the announcement dated 19 April 2022 and the 2022 annual report dated 19 March 2023 published by the Company for details of this project. As at the end of the Reporting Period, the project was in the stage of construction with an overall completion percentage of over 50%.

Saudi Aramco's Crude Oil Pumping Station Upgrading and Improvement Project (EPC): please refer to the announcement dated 16 April 2020 published by the Company for details of this project. As at the end of the Reporting Period, the project was in the peak stage of construction with an overall completion percentage of over 90%.

ExxonMobil Singapore CRISP Integrated Project (C): as at the end of the Reporting Period, the project was in the stage of construction with an overall completion percentage of over 70%.

Note: "EPC" refers to engineering, procurement and construction contracting, "BEPC" refers to basic design + EPC and "C" refers to construction contracting.

Technological innovation capability reaching new heights

During the Reporting Period, the research and development activities of the Group create benefits prominently. The Group signed various new technology development contracts with a total contract amount of RMB551 million, a year-on-year increase of over 50%; and new technology licensing and technology conversion contracts with a total amount of RMB262 million, a year-on-year increase of over 30%.

During the Reporting Period, the Group filed 440 new patent applications, among which, 331 were invention patents, accounting for 75.2%; and 195 newly licensed patents, 102 of which were invention patents, accounting for 52.3%, and patent quality had been continuously optimized.

During the Reporting Period, the Group received a total of 20 science and technology progress awards in scientific and technical innovation and engineering construction fields at the provincial and ministerial or above level, including the second prize of the National Scientific and Technological Progress Award for the "design, manufacturing and maintenance technology of long-life large-scale ethylene cracking reactors", the first prize of the SINOPEC Science and Technology Progress Award for the "research and application of key technologies for long-term safety production in high acid gas fields", the second prize of the SINOPEC Technology Invention Award for the "development and application of technology for production of chemicals through catalytic cracking of crude oil (CCPP)"; two provincial and ministerial excellent design awards; and three provincial and ministerial excellent engineering awards.

During the Reporting Period, the Group continued to strengthen the top-level design of scientific and technological innovation work, and revised and released the "Guiding Opinions on the Company's External Technical Cooperation Agreements". By closely focusing on the Company's strategy and market demand, the Group steadily advanced key scientific research projects in respect of its engineering and technological innovation, making new progress in tackling key core technologies.

During the Reporting Period, the national project "Technology and Equipment for Producing Biogasoline and Biodiesel from Waste Straw" undertaken by the Group, passed the inspection and acceptance of project completion. This project is an important project of the National Key R&D Program "Solid Waste Resource Utilization", focusing on key scientific and technological issues such as fluidized bed hydrogenation deoxygenation, production of flue gas purification agents from pyrolysis residues and scaling up of million-ton biogasoline and biodiesel production processes. The related achievements will further solve the problems of dispersed collection and extraction of waste biomass energy, pollution control and carbon dioxide reduction.

During the Reporting Period, the Group improved the "Key Technologies for Increasing Low Carbon Olefins and BTX Produced from Heavy Raw Materials" in respect of the RTC (Residual to Chemicals) plant to further reduce energy consumption. Such technology provides strong technical support for the transformation and upgrading of refining enterprises from traditional fuel refineries to chemical refineries and will also lay a solid foundation for the Group to expand market development and undertake engineering projects in this field.

During the Reporting Period, the first medical-grade 1,000-ton PGA (polyglycolic acid) new material pilot plant of Sinopec designed and constructed by the Group, the first 150,000 tons/year CHP method epoxy propane plant in China, the 12,000 tons/year EVOH resin industrial demonstration plant of Chuanwei, the 1,000-ton fluidized bed synthesis gas to olefin (GTO) pilot plant of Zhenhai Refining & Chemical and the application of high sulfur and high acid natural gas short process low-carbon purification technology had all achieved the milestone breakthrough goals.

Continuous improvement of new industrialization capacities

During the Reporting Period, the Group focused on developing new quality productive forces and building core competitiveness on innovation and practicality. In addition, the Group continuously advanced major new industrialization innovation projects such as integrated project management, lean design, intensive procurement, factory prefabrication, robot welding, factory digitization and intelligent operation and maintenance. Moreover, the Group deepened the application of new industrialization projects with "high-end, intelligent and green" as the core and took the Aramco Huajin Project as the carrier to fully research and leverage the valuable experience accumulated from projects such as Nangang Ethylene, Zhenhai POX and Singapore CRISP to strive to achieve significant innovation and breakthroughs. During the Reporting Period, the Group increased its efforts to explore and promote the application of standardization, automation, digitization and modular construction in engineering construction, and promoted the industrial application of intelligent equipment and technologies such as automatic welding and welding robots.

Maintaining a good momentum of QHSE

During the Reporting Period, the Group continuously improved its project QHSE control standards and the management system operated effectively. The Group comprehensively promoted the construction of the "three basics" work safety standardization team, strictly controlled the entry standards of subcontractors, carried out training and certification on three types of management personnel including group leaders, team leaders and subcontractors and incorporated them into the requisite conditions for subcontractor qualification review for 2025. In addition, the Group implemented a long-term management model, continuously improved the awareness, skills and independent safety management level of on-site personnel and built a solid grassroots safety defense line. Moreover, the Group prepared green ecological design guidelines and strengthened energy and environmental source control of construction projects, rendering construction projects energy-conserved and environmentally friendly in the first place. The Group also strengthened the integration and collaboration of design and construction, optimized construction methods and processes and accelerated the updating and iteration of construction equipment. The Group conducted comprehensive inspections of design quality and physical quality, strictly implemented engineering risk insurance procurement and hidden danger investigation and rectification work, strengthened process assessment and promoted the shift from accident handling to advance prevention.

During the Reporting Period, ExxonMobil Huizhou Ethylene Project, a project designed and constructed by the Group, was awarded the "President's Award for Safety of Global Project" by the owner for the second time. As of the end of the Reporting Period, the Group's cumulative safety labor hours were 176 million, and the quality, safe and environmental protection were stabilized and controlled in general with no quality and environmental accidents.

Continuously enhanced project management capabilities

During the Reporting Period, the Group had 1,330 on-going domestic and overseas projects with over 110,000 on-site employees. During the Reporting Period, the Group continued to carry out its on-hand projects while maintaining high quality, strengthened the entire process management of projects, soundly conducted assessment on project milestones, strengthened the management of contract changes and process settlement, raised the level of monitoring and designate personal in charge for projects that are exposed to default risk, effectively prevented production and operation risks; continued to carry out specialised projects for design optimization; continued to promote experience in the integration of design and construction to enhance design and construction efficiency. The Group strengthened the cultivation of strategic subcontractors and initiated the establishment of standardized safety groups and teams, in which the Group organized a total of 16 times of trainings for management personnel including group leaders, team leaders and subcontractors and assisted them to acquire relevant certificates. A total of over 800 persons attending these trainings, resulting in effective improvement of the execution ability of subcontracting resources and project quality. The Group actively prepared for the establishment of low-cost operation centers and resource allocation centers for overseas regional projects, continuously improving its ability to localize human resources management for overseas projects. The Group organized projects for enhancement of overseas purchase management and initiated the establishment of the platform for management of overseas purchase resources to further reduce cost and increase efficiency.

Vigorously promoting the construction of talent team

During the Reporting Period, the Group deeply implemented the development strategy of "Strenghthening the enterprise with talents" and carried out talent-related work from a broader perspective and with greater efforts. The Group focused on selecting cadres for corresponding teams, highlighting the selection and appointment of capable individuals, strengthening the management of the entire chain and process of cadre selection, cultivation, management and appointment and continuously implementing the "Seedling Program" to cultivate and train young talents resulting in continuous improvement of the capabilities of the cadre team; focused on team construction and talent recruitment, highlighting the leading role of innovation, continuously optimizing and refining the "talent introduction, cultivation and encouragement" measures, carrying out pilot work for the introduction of key talents from the general public, continuously improving the expert management system, perfecting job management methods and strengthening the training and cultivation of technical and skilled talents at all levels and on-site management team leaders, resulting in continuous enhancement of the efficiency of talent innovation; and focused on deepening reform, improved the distribution method of total wages, fully implementing the term system and contractual management of management personnel at all levels to stimulate the high-quality development momentum of the Group.

2 Business Prospects

Looking forward to the second half of the year, the Group will focus on working arrangement to face challenges and capture opportunities, continue to enhance its core competitiveness, strengthen its layout in new business fields while strengthening and scaling up its traditional business, accelerate the pace of internationalization, intensify efforts in innovation, continue to enhance the green and low-carbon competitiveness across the whole industry chain, continuously improve its project fulfillment capability, and strive for better operating performance. The Group had set its target for market development at the beginning of the year: RMB60 billion for domestic market and USD3 billion for overseas market. In the second half of the year, the Group will focus on the following tasks:

Firstly, continue the effort of market development. Domestically, the Group will consolidate its advantage in traditional markets; accelerate the cultivation of the featured products with core competitiveness; speed up technology sourcing, industrial application and market development in the fields of high-end new materials, clean coal utilization, green hydrogen, green ammonia and green methanol, and strengthen the advantages across the whole industry chain; pursue upgrading of large-scale equipment, energy saving and emission reduction, phase-out and renovation of old equipment, thereby maintain leading position in the market. Internationally, the Group will continuously expand the circle of friends with a more open mindset, consolidate and deepen relationships with key clients and partners, take the road of ecological and collaborative globalization, continue to expand the scale of overseas markets, and expand the proportion of international business income; promote faster globalization of its “technology+” high-end businesses, strive to extend to the front end of the business chain, focusing on markets in Middle East, Middle Asia and Africa, and strengthen the development of its green, low-carbon and new energy businesses; and promote localized operation and forge high quality international operation capability by promoting the negotiation of the seed projects under the “EPC Champion Program” with Saudi Aramco.

Secondly, continue the effort of project management. The Group will adhere to a customer-centric approach, fully fulfill contract obligations and improve contract fulfillment capabilities to achieve joint enhancement of the value of shareholders, customers, society and employees; make effort in the overall coordination, management and service support for project implementation, and in the overall implementation planning and personnel reserve for newly signed projects; strengthen overall project management and control, improve the management of schedule, revenue, cost plan and contract alteration, process settlement management to ensure the quality of effectiveness; accelerate the research progress and achievement conversion of various projects for “leading the new industrialization of the engineering construction industry”, promote the research and development of intelligent plant workshop technology, promote the improvement of plant intelligent manufacturing capabilities, and deepen the application of advanced technology and equipment; and strengthen the ability to control international resources, promote the construction of overseas low-cost centers, and further improve its capability to execute overseas projects.

Thirdly, continue the effort of risk control. The Group has initiated the building of a major operational risk management platform, continuously strengthened legal risk prevention throughout the entire lifecycle of contracts, achieved risk control at the beginning with high-quality contracts and strictly guarded against financial, foreign exchange, tax, and credit risks. The Group will strengthen QHSE risk management, further promote the campaign of Annual Safety Management Enhancement, and comprehensively promote the construction the “Safety-oriented team” from the training of team leaders. The Group will continue to focus on key indicators such as return on net assets and operating cash ratio to further solidify the profitability foundation and enhance the profitability; continuously strengthen cost control through innovative technology, optimized design and lean management to improve the overall cost control level across all personnel, elements and processes.

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 financial statements prepared according to the IFRS.

1 Consolidated Results of Operations

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

	For the six months ended 30 June				
	2024		2023		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB'000)	(%)	(RMB'000)	(%)	(%)
Revenue	28,553,121	100.0	24,829,660	100.0	15.0
Cost of sales	(26,058,474)	(91.3)	(22,589,436)	(91.0)	15.4
Gross profit	2,494,647	8.7	2,240,224	9.0	11.4
Other (loss)/income	(49,086)	(0.2)	180,694	0.7	–
Selling and marketing expenses	(62,291)	(0.2)	(57,137)	(0.2)	9.0
Administrative expenses	(514,861)	(1.8)	(516,030)	(2.1)	(0.2)
Research and development costs	(941,785)	(3.3)	(793,527)	(3.2)	18.7
Other operating expenses	(29)	(0.0)	(100,536)	(0.4)	(100.0)
Other gains – net	867	0.0	39,279	0.2	(97.8)
Operating profit	927,462	3.2	992,967	4.0	(6.6)
Finance income	607,340	2.1	529,287	2.1	14.7
Finance expenses	(29,422)	(0.1)	(31,978)	(0.1)	(8.0)
Finance income – net	577,918	2.0	497,309	2.0	16.2
Share of losses of joint arrangements	(354)	(0.0)	(46)	(0.0)	669.6
Share of profit of associates	8,041	0.0	8,896	0.0	(9.6)
Profit before taxation	1,513,067	5.3	1,499,126	6.0	0.9
Income tax expense	(194,195)	(0.7)	(181,775)	(0.7)	6.8
Profit for the period	1,318,872	4.6	1,317,351	5.3	0.1
Gain on equity instruments measured at fair value through other comprehensive income	756	0.01	–	–	–
Loss on revaluation of retirement benefit plans obligations, net of income tax effect	(32,649)	(0.1)	(32,689)	(0.1)	(0.1)
Share of other comprehensive income of an associate	(66)	(0.0)	–	–	–
Exchange differences arising on translation of foreign operations	10,029	0.0	24,581	0.1	(59.2)
Total comprehensive income for the period	1,296,942	4.5	1,309,243	5.3	(0.9)

(1) Revenue

During the Reporting Period, the Group's total revenue was RMB28.553 billion, representing a year-on-year increase of 15.0%, which was mainly due to the year-on-year increase in revenue from key projects such as Huizhou Ethylene entering the peak construction period.

(2) Cost of sales

The cost of sales of the Group was RMB26.058 billion, representing a year-on-year increase of 15.4%, which was mainly due to the corresponding increase in subcontracting costs of materials and equipment as revenue increases.

(3) Gross profit

The gross profit of the Group was RMB2.495 billion, representing a year-on-year increase of 11.4%, which was mainly due to the increase in gross profit driven by the increase in revenue scale. The gross profit margin decreased from 9.0% for the same period last year to 8.7%.

(4) Other (loss)/income

The other income of the Group was RMB-49 million, which was mainly due to the exchange losses caused by the fluctuation of exchange rate during the Reporting Period, compared with the exchange gains for the same period last year.

(5) Selling and marketing expenses

The selling and marketing expenses of the Group were RMB62 million, representing a year-on-year increase of 9.0%, which was mainly due to the increase in the market development expenses.

(6) Administrative expenses

The administrative expenses of the Group were RMB515 million, which remained broadly stable on a year-on-year basis.

(7) Research and development costs

The research and development costs of the Group were RMB942 million, representing a year-on-year increase of 18.7%, which was mainly due to the increased investment in research and development of key core technologies for key scientific research projects during the Reporting Period.

(8) Other operating expenses

Other operating expenses of the Group were RMB29,000, representing a year-on-year decrease of 100.0%, which was mainly due to the reversal of provisions during the Reporting Period.

(9) Other gains – net

The net other gains of the Group were RMB1 million, representing a year-on-year decrease of 97.8%, which was mainly due to the decrease in gains from the revitalization and disposal of idle real estate property for the same period last year.

(10) Operating profit

Due to the above reasons, the operating profit of the Group was RMB927 million, representing a year-on-year decrease of 6.6%.

(11) Finance income – net

The net finance income of the Group was RMB578 million, representing a year-on-year increase of 16.2%, which was mainly due to the increase in the scale of foreign currency deposits and the increase in interest income from deposits.

(12) Income tax expense

The Group's income tax expense was RMB194 million, representing a year-on-year increase of 6.8%. The effective income tax rate increased from 12.1% for the same period last year to 12.8%. 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 Group's profit for the period was RMB1.319 billion, representing a year-on-year increase of 0.1%.

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	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	(RMB'000)		(RMB'000)		(%)		(RMB'000)		(%)	
Engineering, consulting and licensing	1,527,996	1,743,688	481,340	536,732	31.5	30.8	97,225	147,446	6.4	8.5
EPC Contracting	16,681,659	14,148,270	1,200,641	992,730	7.2	7.0	525,702	454,860	3.2	3.2
Construction	13,089,648	11,284,663	797,593	681,940	6.1	6.0	330,304	281,733	2.5	2.5
Equipment manufacturing	367,216	364,585	15,074	28,822	4.1	7.9	11,320	10,994	3.1	3.0
Unallocated	N/A	N/A	N/A	N/A	N/A	N/A	(37,089)	97,934	N/A	N/A
Subtotal	31,666,519	27,541,206	2,494,647	2,240,224	N/A	N/A	927,462	992,967	N/A	N/A
Total after inter-segment elimination[3]	28,553,121	24,829,660	2,494,647	2,240,224	8.7[1]	9.0[1]	927,462	992,967	3.2[2]	4.0[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			
	2024		2023	
	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue
	(RMB'000)	(%)	(RMB'000)	(%)
Revenue	**1,527,996**	**100.0**	1,743,688	100.0
Cost of sales	**(1,046,656)**	**(68.5)**	(1,206,956)	(69.2)
Gross profit	**481,340**	**31.5**	536,732	30.8
Selling and marketing expenses	**(5,530)**	**(0.4)**	(5,585)	(0.3)
Administrative expenses	**(36,821)**	**(2.4)**	(39,145)	(2.2)
Research and development costs	**(301,790)**	**(19.8)**	(300,756)	(17.2)
Other income and expenses	**(39,974)**	**(2.6)**	(43,801)	(2.5)
Operating profit	**97,225**	**6.4**	147,446	8.5

(1) Revenue

During the Reporting Period, the revenue generated from the Group's engineering, consulting and licensing segment was RMB1.528 billion, representing a year-on-year decrease of 12.4%, which was mainly due to the one-off increase in revenue from the centralized settlement of old equipment design compliance investigation projects of the refining and chemical enterprises for the same period last year, which decreased year-on-year during the Reporting Period.

(2) Cost of sales

The cost of sales of the Group's engineering, consulting and licensing segment was RMB1.047 billion, representing a year-on-year decrease of 13.3%, which was mainly due to the decrease in labor costs.

(3) Gross profit

The gross profit of the Group's engineering, consulting and licensing segment was RMB481 million, representing a year-on-year decrease of 10.3%. The gross profit margin increased from 30.8% for the same period last year to 31.5%.

(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 year-on-year basis.

(5) Administrative expenses

The administrative expenses of the Group's engineering, consulting and licensing segment were RMB37 million, representing a year-on-year decrease of 5.9%.

(6) Research and development costs

The research and development costs of the Group's engineering, consulting and licensing segment were RMB302 million, which remained broadly stable on a year-on-year basis.

(7) Operating profit

Due to the above reasons, the operating profit of the Group's engineering, consulting and licensing segment was RMB97 million, representing a year-on-year decrease of 34.1%.

EPC Contracting

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

	For the six months ended 30 June			
	2024		2023	
	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue
	(RMB'000)	(%)	(RMB'000)	(%)
Revenue	16,681,659	100.0	14,148,270	100.0
Cost of sales	(15,481,018)	(92.8)	(13,155,540)	(93.0)
Gross profit	1,200,641	7.2	992,730	7.0
Selling and marketing expenses	(32,012)	(0.2)	(27,045)	(0.2)
Administrative expenses	(254,205)	(1.5)	(260,068)	(1.8)
Research and development costs	(386,596)	(2.3)	(299,370)	(2.1)
Other income and expenses	(2,126)	(0.0)	48,613	0.3
Operating profit	525,702	3.2	454,860	3.2

(1) Revenue

During the Reporting Period, the revenue generated from the Group's EPC Contracting segment was RMB16.682 billion, representing a year-on-year increase of 17.9%, due to large-scale general contracting projects such as Huizhou Ethylene entering the peak construction period.

(2) Cost of sales

The cost of sales of the Group's EPC Contracting segment was RMB15.481 billion, representing a year-on-year increase of 17.7%, which was mainly due to the corresponding increase in procurement, subcontracting and other costs as business volume increased.

(3) Gross profit

The gross profit of the Group's EPC Contracting segment was RMB1.201 billion, representing a year-on-year increase of 20.9%; The gross profit margin increased from 7.0% for the same period last year to 7.2%.

(4) Selling and marketing expenses

The selling and marketing expenses of the Group's EPC Contracting segment were RMB32 million, representing a year-on-year increase of 18.4%, which was mainly due to the increased efforts in the domestic and overseas market development.

(5) Administrative expenses

The administrative expenses of the Group's EPC Contracting segment were RMB254 million, which remained broadly stable on a year-on-year basis.

(6) Research and development costs

The research and development costs of the Group's EPC Contracting segment were RMB387 million, representing a year-on-year increase of 29.1%, which was mainly due to the increase in research and development projects during the Reporting Period.

(7) Operating profit

Due to the above reasons, the operating profit of the Group's EPC Contracting segment was RMB526 million, representing a year-on-year increase of 15.6%.

Construction

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

	For the six months ended 30 June			
	2024		2023	
	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue
	(RMB'000)	(%)	(RMB'000)	(%)
Revenue	13,089,648	100.0	11,284,663	100.0
Cost of sales	(12,292,055)	(93.9)	(10,602,723)	(94.0)
Gross profit	797,593	6.1	681,940	6.0
Selling and marketing expenses	(23,341)	(0.2)	(22,439)	(0.2)
Administrative expenses	(207,602)	(1.6)	(207,043)	(1.8)
Research and development costs	(238,601)	(1.8)	(184,873)	(1.6)
Other income and expenses	2,255	0.0	14,148	0.1
Operating profit	330,304	2.5	281,733	2.5

(1) Revenue

During the Reporting Period, the revenue generated from the Group's construction segment was RMB13.090 billion, representing a year-on-year increase of 16.0%, due to the continuous advancement of domestic and overseas projects on hand, contributing to the continuous growth of revenue.

(2) Cost of sales

The cost of sales of the Group's construction segment was RMB12.292 billion, representing a year-on-year increase of 15.9%, which was mainly due to the corresponding increase in procurement, subcontracting and other costs as business volume increased.

(3) Gross profit

The gross profit of the Group's construction segment was RMB798 million, representing a year-on-year increase of 17.0%, which was mainly due to the enhanced management of strategic subcontractor to hedge against the increase in cost of sales. The gross profit margin remained broadly stable on a year-on-year basis.

(4) Selling and marketing expenses

The selling and marketing expenses of the Group's construction segment was RMB23 million, representing a year-on-year increase of 4.0%, which was mainly due to the increase in the domestic and overseas market development expenses.

(5) Administrative expenses

The administrative expenses of the Group's construction segment were RMB208 million, which remained broadly stable on a year-on-year basis.

(6) Research and development costs

The research and development costs of the Group's construction segment were RMB239 million, representing a year-on-year increase of 29.1%, which was mainly due to the increase in research and development projects during the Reporting Period.

(7) Operating profit

Due to the above reasons, the operating profit of the Group's construction segment was RMB330 million, representing a year-on-year increase of 17.2%.

Equipment Manufacturing

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

	For the six months ended 30 June			
	2024		2023	
	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue
	(RMB'000)	(%)	(RMB'000)	(%)
Revenue	367,216	100.0	364,585	100.0
Cost of sales	(352,142)	(95.9)	(335,763)	(92.1)
Gross profit	15,074	4.1	28,822	7.9
Selling and marketing expenses	(1,409)	(0.4)	(2,069)	(0.6)
Administrative expenses	(5,996)	(1.6)	(6,382)	(1.8)
Research and development costs	(14,058)	(3.8)	(6,574)	(1.8)
Other income and expenses	17,709	4.8	(2,802)	(0.8)
Operating profit	11,320	3.1	10,994	3.0

(1) Revenue

During the Reporting Period, the revenue generated from the Group's equipment manufacturing segment was RMB367 million, which remained broadly stable on a year-on-year basis.

(2) Cost of sales

The cost of sales of the Group's equipment manufacturing segment was RMB352 million, representing a year-on-year increase of 4.9%, which was mainly due to the increase in material costs for basic products.

(3) Gross profit

The gross profit of the Group's equipment manufacturing segment was RMB15 million, representing a year-on-year decrease of 47.7%; the gross profit margin decreased from 7.9% for the same period last year to 4.1%, which was mainly due to the fact that the products for the Reporting Period were mainly basic products such as atmospheric towers with lower gross profit margin as compared with the same period last year.

(4) Selling and marketing expenses

The selling and marketing expenses of the Group's equipment manufacturing segment were RMB1 million, which remained broadly stable on a year-on-year basis.

(5) Administrative expenses

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

(6) Research and development costs

The research and development costs of the Group's equipment manufacturing segment were RMB14 million, representing a year-on-year increase of 113.8%, which was mainly due to the increase in research and development projects during the Reporting Period.

(7) Operating profit

Due to the above reasons, the operating profit of the Group's equipment manufacturing segment was RMB11 million, which remained broadly stable on a year-on-year basis.

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:

	For the six months ended 30 June				
	2024		2023		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB' 000)	(%)	(RMB' 000)	(%)	(%)
Oil refining	3,069,340	10.8	2,362,010	9.5	29.9
Petrochemicals	19,820,159	69.4	17,103,759	68.9	15.9
New coal chemicals	265,628	0.9	220,424	0.9	20.5
Storage & transportation and others	5,397,994	18.9	5,143,467	20.7	4.9
Subtotal	28,553,121	100.0	24,829,660	100.0	15.0

The Group's revenue mainly comes from providing services to customers in oil refining, petrochemicals, new coal chemicals, storage and transportation and other industries. During the Reporting Period, the Group's revenue from the petrochemical industry amounted to RMB19.820 billion, representing an increase of 15.9% on a year-on-year basis, mainly due to the revenue contribution from projects such as the Huizhou ethylene project, Zhenhai Phase II and Tianjin Nangang ethylene project; revenue from the oil refining industry amounted to RMB3.069 billion, representing an increase of 29.9% on a year-on-year basis, mainly due to the revenue contribution from projects such as the Zhenhai Phase II (oil refining segment) and North Huajin (oil refining segment); revenue from storage and transportation and others amounted to RMB5.398 billion, representing an increase of 4.9% on a year-on-year basis, mainly due to the revenue contribution from projects such as upgrading of Saudi Aramco's crude oil transfer pumping station, Saudi Aramco Marjan and west Sichuan gas field.

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

	For the six months ended 30 June				
	2024		2023		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB'000)	(%)	(RMB'000)	(%)	(%)
PRC	24,685,827	86.5	22,737,072	91.6	8.6
Overseas	3,867,294	13.5	2,092,588	8.4	84.8
Subtotal	28,553,121	100.0	24,829,660	100.0	15.0

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

	For the six months ended 30 June				
	2024		2023		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB'000)	(%)	(RMB'000)	(%)	(%)
Sinopec Group and its associates	12,605,010	44.1	14,999,688	60.4	(16.0)
Non-Sinopec Group and its associates	15,948,111	55.9	9,829,972	39.6	62.2
Subtotal	28,553,121	100.0	24,829,660	100.0	15.0

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 is 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 2024	As at 31 December 2023	Change
	(RMB'000)		(%)
Engineering, consulting and licensing	13,182,199	11,452,408	15.1
EPC Contracting	114,075,375	96,302,360	18.5
Construction	28,442,036	26,649,189	6.7
Equipment manufacturing	2,075,585	1,858,273	11.7
Total	157,775,195	136,262,230	15.8

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

	As at 30 June 2024	As at 31 December 2023	Change
	(RMB'000)		(%)
Oil refining	30,896,174	27,195,578	13.6
Petrochemicals	77,741,728	71,961,444	8.0
New coal chemicals	5,013,585	1,939,728	158.5
Storage & transportation and others	44,123,708	35,165,480	25.5
Total	157,775,195	136,262,230	15.8

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

	As at 30 June 2024	As at 31 December 2023	Change
	(RMB'000)		(%)
PRC	108,136,652	99,709,056	8.5
Overseas	49,638,543	36,553,174	35.8
Total	157,775,195	136,262,230	15.8

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

	As at 30 June 2024	As at 31 December 2023	Change
	(RMB'000)		(%)
Sinopec Group and its associates	53,430,735	53,258,736	0.3
Non-Sinopec Group and its associates	104,344,460	83,003,494	25.7
Total	157,775,195	136,262,230	15.8

As at 30 June 2024, the Group's backlog was RMB157.775 billion, representing an increase of 15.8% compared to that as at 31 December 2023, and approximately 2.8 times of the total revenue of RMB56.221 billion in 2023.

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

	For the six months ended 30 June		
	2024	2023	Change
	(RMB'000)		(%)
Engineering, consulting and licensing	3,191,063	2,404,036	32.7
EPC Contracting	34,454,675	22,268,540	54.7
Construction	11,989,360	12,489,776	(4.0)
Equipment manufacturing	430,989	569,105	(24.3)
Total	50,066,087	37,731,457	32.7

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

	For the six months ended 30 June		Change
	2024	2023	
	(RMB'000)		(%)
Oil refining	6,769,937	2,382,242	184.2
Petrochemicals	25,600,443	31,551,775	(18.9)
New coal chemicals	3,339,485	329,008	915.0
Storage & transportation and others	14,356,222	3,468,432	313.9
Total	50,066,087	37,731,457	32.7

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
	2024	2023	
	(RMB'000)		(%)
PRC	33,113,423	29,948,673	10.6
Overseas	16,952,664	7,782,784	117.8
Total	50,066,087	37,731,457	32.7

The following table sets forth the total value of new contracts entered into by the Group categorised by Sinopec Group and its associates and non-Sinopec Group and its associates in the periods indicated:

	For the six months ended 30 June		Change
	2024	2023	
	(RMB'000)		(%)
Sinopec Group and its associates	12,777,010	14,773,140	(13.5)
Non-Sinopec Group and its associate	37,289,077	22,958,317	62.4
Total	50,066,087	37,731,457	32.7

During the Reporting Period, the value of the Group's new contracts was RMB50.066 billion, representing an increase of 32.7% as compared with RMB37.731 billion for the same period in 2023.

5 Assets, Liabilities, Equity and Cash Flows

(1) Assets, Liabilities and Equity

Unit: RMB'000

	As at 30 June 2024	As at 31 December 2023	Changes	Change (%)
Total assets	**81,085,459**	80,967,671	117,788	0.1
Current assets	**72,978,731**	72,562,033	416,698	0.6
Non-current assets	**8,106,728**	8,405,638	(298,910)	(3.6)
Total liabilities	**49,986,524**	50,119,956	(133,432)	(0.3)
Current liabilities	**48,041,148**	47,968,755	72,393	0.2
Non-current liabilities	**1,945,376**	2,151,201	(205,825)	(9.6)
Net assets	**31,098,935**	30,847,715	251,220	0.8
Consolidated equity attributable to equity holders of the Company	**31,090,440**	30,842,143	248,297	0.8
Share capital	**4,405,147**	4,418,544	(13,397)	(0.3)
Reserves	**26,685,293**	26,423,599	261,694	1.0
Non-controlling interests	**8,495**	5,572	2,923	52.5

As at the end of the Reporting Period, the total assets of the Group were RMB81.085 billion, the total liabilities were RMB49.987 billion, and the equity attributable to the equity holders of the Company was RMB31.090 billion. The changes in the assets and liabilities as compared with those as at the end of 2023 and the main reasons thereof are as follows:

As at the end of the Reporting Period, the total assets were RMB81.085 billion, representing an increase of RMB118 million as compared with that as at the end of 2023. In particular, the current assets were RMB72.979 billion, representing an increase of RMB417 million as compared with that as at the end of 2023, which was mainly due to an increase in contract assets of RMB2.330 billion, an increase in prepayments and other receivables of RMB1.996 billion, an increase in inventories of RMB99 million, an increase in notes and trade receivables of RMB43 million, an increase in restricted funds of RMB23 million, a decrease in cash and cash equivalents of RMB3.456 billion and a decrease in time deposits with financial institutions of RMB619 million; the non-current assets were RMB8.107 billion, representing a decrease of RMB299 million as compared with that as at the end of 2023, mainly due to a decrease in property, plant and equipment of RMB236 million.

As at the end of the Reporting Period, the total liabilities were RMB49.987 billion, representing a decrease of RMB133 million as compared with that as at the end of 2023. In particular, the current liabilities were RMB48.041 billion, representing an increase of RMB72 million as compared with that as at the end of 2023, which was mainly due to an increase in notes and trade payables of RMB2.872 billion, an increase in other payables of RMB582 million, an increase in loans due to a fellow subsidiary of RMB20 million, a decrease in contract liabilities of RMB3.396 billion and a decrease in current income tax liabilities of RMB18 million. The non-current liabilities were RMB1.945 billion, representing a decrease of RMB206 million as compared with that as at the end of 2023, which was mainly due to a decrease in the provision for litigation claims of RMB190 million and a decrease in retirement and other supplemental benefit obligations of RMB31 million.

The consolidated equity attributable to equity holders of the Company was RMB31.090 billion, representing an increase of RMB248 million as compared with that as at the end of 2023, 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 RMB3.498 billion and net cash used in operating activities was RMB4.200 billion. The following table sets forth the main items and their changes in the Group's consolidated cash flow statements for the Reporting Period and the same period last year, respectively.

Unit: RMB'000

Major items of cash flow	For the six months ended 30 June	
	2024	2023
Net cash used in operating activities	(4,200,177)	(1,038,507)
Net cash generated from/(used in) investing activities	752,284	(506,405)
Net cash used in financing activities	(49,858)	(40,302)
Net decrease in cash and cash equivalents	(3,497,751)	(1,585,214)

During the Reporting Period, the profit before taxation was RMB1.513 billion, and the profit was RMB1.387 billion after adjusting in expenses on items that did not affect the cash flow in operating activities. Major non-cash expense items included net interest income and expenditure of RMB578 million, depreciation and amortisation of RMB499 million, exchange losses of RMB7 million, reversal of impairment provisions of RMB46 million. The increase in cash outflow of operating receivables and payables were RMB5.689 billion, which were mainly shown in: the increase in contract assets which caused the cash outflow from operating activities of RMB2.294 billion; the decrease in contract liabilities which caused the cash outflow from operating activities of RMB3.396 billion; the increase in inventory balance which caused the cash outflow from operating activities of RMB99 million; the increase in trade and other receivables balance which caused the cash outflow from operating activities of RMB2.017 billion; the increase in restricted funds which caused the cash outflow from operating activities of RMB23 million; and the increase in trade and other payables balance which caused the cash inflow from operating activities of RMB2.140 billion.

After adjusting non-cash items, receivables and payables for the profit before taxation, deducting the income tax paid amounting to cash outflow of RMB208 million, and adding back inflow from received interest of RMB310 million, the net cash used in operating activities was RMB4.200 billion.

Net cash generated from investing activities was RMB752 million, which was mainly due to a decrease in time deposits and the interest income on the loans to the ultimate holding company.

Net cash used in financing activities was RMB50 million, mainly due to the expenses on repurchase of shares.

Based on the cash flows for the Reporting Period, the Group has adequate working capital at present. In the next step, 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	For the six months ended 30 June	
	2024	2023
Net profit margin (%)	4.6	5.3
Return on assets (%)[1]	1.6	1.7
Return on equity (%)[2]	4.2	4.3
Return on invested capital (%)[3]	4.3	4.4

Key financial ratios	As at 30 June 2024	As at 31 December 2023
Gearing ratio (%)[4]	1.0	0.8
Net debt to equity ratio (%)[5]	Net cash	Net cash
Current ratio (%)[6]	1.5	1.5
Quick ratio (%)[7]	1.5	1.5

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

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

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

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

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

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

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

6 Foreign exchange risk

The Group continued to operate some engineering business overseas and had foreign currency-denominated receivables, payables and cash balances. During the Reporting Period, foreign currencies held by the Group were primarily USD, EUR, Saudi Riyal, Kuwaiti Dinar and Malaysian ringgit. 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 all the code provisions of the Corporate Governance Code set out in Appendix C1 to the Hong Kong Listing Rules and did not deviate from any code provision.

2 The Dividend Distribution Plan as at 30 June 2024

The 20th meeting of the fourth session of the Board approved the dividend distribution plan as of 30 June 2024. An interim cash dividend of RMB0.150 (inclusive of applicable taxes) per share will be distributed. Shareholders of the Company have authorised the Board to decide the interim profit distribution plan of 2024 by ordinary resolution in 2023 annual general meeting held on 10 May 2024. Therefore, the above dividend distribution plan needs not to be submitted to the general meeting for consideration and approval.

The 2024 interim dividend will be paid on or before Monday, 28 October 2024 to all shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 10 September 2024. 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 Wednesday, 4 September 2024 for registration. For the purpose of ascertaining shareholders who qualify for the interim dividend, the register of members for H Shares will be closed from Thursday, 5 September 2024 to Tuesday, 10 September 2024 (both days inclusive).

The dividend will be denominated and declared in RMB. The holders of Domestic Shares will be paid in RMB and the holders of H Shares will be paid in Hong Kong dollars. The exchange rate for the dividend to be paid in Hong Kong dollars shall be the average of the exchange rates of RMB to Hong Kong dollars as announced by the People's Bank of China on five working days before the date of declaration of the dividend by the Board (i.e., Friday, 16 August 2024). The average of the exchange rates of RMB to Hong Kong dollars as announced by the People's Bank of China on five working days before the date of declaration of the dividend by the Board (i.e., Friday, 16 August 2024) was RMB0.91668 to HKD1.00. Therefore, the interim dividend per H Share of the Company is HKD0.1636 (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 registered under the name of non-individual shareholders, 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 Tuesday, 10 September 2024.

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 on behalf of the relevant shareholders 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, and 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 for Southbound Trading through its depositary and clearing system. The cash dividends for the investors of H Shares for Southbound Trading will be paid in RMB.

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 by themselves.

3 Connected Transactions

Continuing Connected Transactions between the Group and Sinopec Group

During the Reporting Period, the Company entered into a series of continuing connected transactions 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 Rights and Properties Leasing Framework Agreement and the supplemental agreement;

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

(7) the Safe Production Insurance Fund; and

(8) the Trademark Licensing Agreement.

For the details of the above agreements, please refer to the section headed "Connected Transactions" in the Company's prospectus published on 10 May 2013, the Company's announcement entitled "Renewal of the General Services Framework Agreement, the Technology R&D Framework Agreement, the Land Use Rights and Properties Leasing Framework Agreement, the Financial Services Framework Agreement and the Engineering and Construction Services Framework Agreement and the Annual Caps and the Continuing Connected Transactions and Major Transactions thereunder the Financial Services Framework Agreement and the Engineering and Construction Services Framework Agreement" published on 22 August 2021 and the contents under "the Financial Services Framework Agreement" and "the Engineering and Construction Services Framework Agreement" sections in the Company's circular to its shareholders published on 15 September 2021.

The Group's Actual Connected Transactions

During the Reporting Period, the aggregate value of the connected transactions entered into by the Group was RMB14.590 billion. In particular, the expenses amounted to RMB1.583 billion and the revenue amounted to RMB13.007 billion (including RMB12.666 billion from the sale of products and services and RMB341 million of interest income).

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 and its associates to the Group amounted to RMB1.487 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 and its associates amounted to RMB12.583 billion, which was within the annual cap.

During the Reporting Period, the service fees in relation to the settlement and other financial services provided to the Group by 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 RMB7.257 billion, which was within the annual cap. The maximum daily balance of entrustment loans was RMB20.500 billion, which was within the annual cap.

During the Reporting Period, the technology R&D services provided by the Group to Sinopec Group and its associates amounted to RMB75 million, which was within the annual cap.

During the Reporting Period, the general services provided by the Group to Sinopec Group and its associates amounted to RMB1 million, which was within the annual cap.

During the Reporting Period, the general services provided by Sinopec Group and its associates to the Group amounted to RMB25 million, which was within the annual cap.

During the Reporting Period, the rent of the land and property leased to Sinopec Group and its associates by the Group amounted to RMB7 million, which was within the annual cap.

During the Reporting Period, the rent of the land and property leased by Sinopec Group and its associates to the Group amounted to RMB9 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.

During the Reporting Period, for more information on the major related parties transactions (including the above-mentioned connected transactions), please refer to Note 41 of the consolidated financial statements prepared in accordance with the IFRS in this interim report, among which the above transactions constitute connected transactions, and the Company has complied with the relevant requirements under Chapter 14A of the Hong Kong Listing Rules in relation to those connected transactions.

Opinions of Independent Non-executive Directors on the Above-mentioned Continuing Connected Transactions

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, 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 decide the commercial terms of the transactions, 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 comparison to determine whether the transactions and agreements 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

Regarding the oil and gas storage tank project in Alberta, Canada, on 17 January 2024, the collegial panel of the Court of Appeal made a decision to dismiss the other party's appeal and uphold the original ruling, which is to annulled the civil compensation lawsuit filed by the other party against the Group in 2008. As of 17 March 2024 (local time), the other party did not file a complaint with the Supreme Court of Canada within the statutory complaint period, and the lawsuit was officially closed.

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

5 Other Material Contracts

The Group had no other material contracts which should be but was not disclosed during the Reporting Period.

6 Repurchase, Sale and Redemption of Shares

During the Reporting Period, the Company repurchased a total of 13,836,500 H shares on the Hong Kong Stock Exchange, using funds totaling HK$67,752,422.10.

On 13 May 2024, the Company cancelled 13,397,000 H shares repurchased from 18 December 2023 to 30 April 2024, which represented approximately 0.30% of the total issued share capital and 0.92% of the total issued H shares of the Company as of the date when the repurchase mandate was approved at the 2022 annual general meeting, the 2023 first class meeting of domestic shareholders and the 2023 first class meeting of H shareholders. After the completion of the cancellation of the 13,397,000 H shares repurchased, the number of issued shares of the Company is 4,405,146,500 shares (including 1,437,946,500 H shares and 2,967,200,000 domestic shares).

The Board is of the view that the repurchase of H Shares will increase earnings per share and overall shareholders' return and is in the interests of the Company and the shareholders as a whole. Monthly reports on the repurchase of H Shares during the reporting period are set out below:

Repurchase month	Number of shares repurchased	Purchase price per share		Amounts of repurchases (HK$)
		Highest (HK$/share)	Lowest (HK$/share)	
January	451,500	4.06	4.02	1,830,540.90
March	2,741,000	4.68	4.28	12,471,779.75
April	6,837,500	5.08	4.53	33,150,780.10
June	3,806,500	5.46	5.18	20,299,321.35

Except as disclosed above, during the Reporting Period, neither the Company nor its subsidiaries has repurchased, sold or redeemed any of its listed shares.

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

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" published on 13 December 2013 and the "Adjustment in the Allocations of the Use of Proceeds from the Global Offering" published on 26 October 2018. The expected specific time for the completion of the use of IPO proceeds will be subject to the business development of the Company. During the Reporting Period, there was no material change to the use of proceeds from the global offering of the Group.

As of 30 June 2024, the use of proceeds from the global offering by the Company are set out below:

Intended Use of Proceeds as of 30 June 2018 from Global Offering	Allocation of the Remaining Proceeds from Global Offering as of 30 June 2018 (RMB million)	Used proceeds from 2018 to 2023 (RMB million)	Used proceeds During the Reporting Period (RMB million)	Remaining proceeds as at 30 June 2024 (RMB million)
Establishing an engineering and technological R&D center, modular construction base and machinery manufacturing projects	600.00	20.00	–	**580.00**
Improving and developing overseas marketing networks	300.00	–	–	**300.00**
Information technology development projects	500.00	55.00	–	**445.00**
Purchasing large lifting and transport equipment and specialized construction equipment	400.00	208.00	–	**192.00**
Newly added long-term equity investment	2,200.00	1,165.00	–	**1,035.00**
Mergers and acquisitions of engineering companies, purchase of patents and proprietary technologies and other items	3,859.00	–	–	**3,859.00**
Total	7,859.00	1,448.00	–	**6,411.00**

9 Assets Transactions

During the Reporting Period, the Group has no 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 Disposals

On 30 June 2024, Sinopec Shanghai Engineering Co., Ltd. (中石化上海工程有限公司) ("SSEC"), a wholly-owned subsidiary of the Company, entered into the KSD Equity Transfer Agreement with China Petrochemical Technology Co., Ltd. (中國石油化工科技開發有限公司) ("Sinopec Tech"), pursuant to which, SSEC agreed to acquire the 14.65% equity interests held by Sinopec Tech in Shanghai KSD Bulk Solids Engineering Co., Ltd. (上海金申德粉體工程有限公司) ("KSD") and Sinopec Tech agreed to repurchase its 7% equity interests held by SSEC. On the same date, Sinopec Engineering Incorporation (中國石化工程建設有限公司) ("SEI"), Luoyang Petrochemical Engineering Corporation Ltd. (中石化洛陽工程有限公司) ("LPEC") and Sinopec Ningbo Engineering Co., Ltd. (中石化寧波工程有限公司) ("SNEC"), the wholly-owned subsidiaries of the Company, entered into the Sinopec Tech Equity Transfer Agreement with China Petroleum & Chemical Corporation ("Sinopec Corporation"), pursuant to which, SEI, LPEC and SNEC agreed to sell the 28% equity interests in aggregate held in Sinopec Tech to Sinopec Corporation.

Prior to the completion of the transaction, neither Sinopec Tech nor KSD was a subsidiary of the Company. Upon completion of the transaction, the Group will no longer hold any equity interest in Sinopec Tech. KSD will become a subsidiary of the Company and its financial statements will be included in the consolidated financial statements of the Group. For details of the transaction, please refer to the announcement published by the Company on 1 July 2024.

Save as disclosed above, during the Reporting Period, the Group has not made any material acquisition or disposal of subsidiaries, associates or 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 RMB129 million loans due 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 independent non-executive Directors, namely, Mr. YE Zheng, Mr. HUI Chiu Chung, Stephen, Mr. DUAN Xue and Mr. ZHAO Jinsong. 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 Period

From 30 June 2024 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 publicly sanctioned by the 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 2024, members of the Company's Board and supervisory committee (the "Supervisory Committee") and other members of the senior management are as follows:

(1) Directors

Profile of the Directors of the Fourth Session of the Board as at the End of the Reporting Period

Name	Gender	Age	Position in the Company	Term of Office as Director
JIANG Dejun	Male	58	Chairman of the Board	October 2021 – October 2024
XIANG Wenwu	Male	58	Non-executive Director	October 2021[Note] – October 2024
LI Chengfeng	Male	60	Non-executive Director	October 2021 – October 2024
YU Renming	Male	60	Non-executive Director	October 2023 – October 2024
ZHANG Xinming	Male	57	Executive Director and President	May 2023 – October 2024
HUI Chiu Chung, Stephen	Male	77	Independent Non-executive Director	October 2021 – October 2024
DUAN Xue	Male	67	Independent Non-executive Director	May 2023 – October 2024
YE Zheng	Male	59	Independent Non-executive Director	October 2021 – October 2024
ZHAO Jinsong	Male	55	Independent Non-executive Director	October 2023 – October 2024
XIE Yanli	Female	48	Employee Representative Director	May 2023 – October 2024

Note: Mr. XIANG Wenwu was re-designated to the Non-executive Director from the Executive Director in April 2024.

Profile of the Retired Directors during and after the Reporting Period

Name	Gender	Age	Position in the Company	Term of Office as Director
WU Wenxin	Male	60	Non-executive Director	October 2021 – April 2024

Changes in the Information of Directors as at the End of the Reporting Period

Mr. LI Chengfeng and Mr. YU Renming retired from Sinopec Group in April 2024 and May 2024, respectively, and no longer hold any positions in Sinopec Group or its other subsidiaries.

(2) Supervisors

Profile of the Supervisors of the Fourth 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
BU Fanyong	Male	47	Chairman of the Supervisory Committee and Chairman of the Trade Union	May 2024 – October 2024
WU Defei	Male	48	Supervisor	May 2023 – October 2024
HAN Weiguo	Male	53	Supervisor	May 2023 – October 2024
SHA Yu	Male	54	Supervisor	October 2023 – October 2024
ZHOU Yingguan	Male	55	Supervisor	October 2021 – October 2024
ZHENG Lijun	Male	56	Employee Representative Supervisor	February 2024 – October 2024
YI Hao	Male	56	Employee Representative Supervisor	October 2021 – October 2024
WANG Yi	Male	53	Employee Representative Supervisor	January 2023 – October 2024

(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 Taking Office
ZHANG Xinming	Male	57	Executive Director and President	April 2023
WANG Guohua	Male	55	Vice President	April 2019
YIN Fengbing	Male	53	Chief Financial Officer Secretary to the Board Company Secretary	November 2023
FENG Di	Male	56	Vice President	January 2023
SUN Baoping	Male	49	Vice President	January 2023

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

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

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 or members of the Senior Management of the Company and their respective associates had any interest or short positions (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) in any shares, underlying 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, or which were required, pursuant to section 352 of the SFO, to be entered into the register of members referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) under Appendix C3 to the Hong Kong Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange.

The Company has adopted Model Code as code of conduct regarding the Directors’ securities transactions. 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 and as at the date of this interim report, Mr. XIANG Wenwu serves as the general manager of the engineering department of Sinopec Group and the general manager of the engineering department of Sinopec Corporation. Save for the above, to the knowledge of the Board, none of the Directors or Supervisors is a director or employee of a company which has an interest in the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, 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 2024 or any time during the first half of the year 2024, 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 fellow 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 Directors have entered into service agreements with the Company. Such service agreements are effective from the date of approval of the appointment of directors by the shareholders or the employees' democratic elections to the expiry of the term of the Fourth 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 agreement 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 approval of their respective appointment by the shareholders or the employees' democratic elections to the expiry of the term of the Fourth 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 agreement 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 15,626 employees working in the Group.

The following table sets out the information of employees by business segments as at 30 June 2024.

	As at 30 June 2024	
	Number of Employees	Percentage of the Total Employees (%)
Engineering and Technical Personnel	12,303	78.7%
Management Personnel	1,102	7.1%
Production Personnel	2,221	14.2%
Total	15,626	100.0%

The following table sets out the information of employees by education background as at 30 June 2024.

	As at 30 June 2024	
	Number of Employees	Percentage of the Total Employees (%)
Master Degree	3,367	21.6%
Bachelor Degree	7,441	47.6%
Tertiary Qualification	2,439	15.6%
Others	2,379	15.2%
Total	15,626	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 2024 and the six-month period ended 30 June 2023, the employment costs of the Group were approximately RMB2.460 billion and RMB2.228 billion, respectively.

7 Gender Diversity of Employees

The table below sets forth the gender ratio of all employees (including senior management) of the Group as of 30 June 2024.

	As at 30 June 2024	
	Number of Employees	Percentage of the Total Employees (%)
Female employee	**4,238**	**27.1%**
Male employee	**11,388**	**72.9%**
Total	**15,626**	**100.0%**

The table below sets forth the gender ratio of senior management of the Group as at the end of the Reporting Period.

	As at 30 June 2024	
	Number of Senior Managements	Percentage of the Total Employees (%)
Female senior management	**1**	**4.3%**
Male senior management	**22**	**95.7%**
Total	**23**	**100.0%**

The Group adheres to the employment principle of "equal treatment and mutual respect", provides equal development opportunities for employees of different genders, and is committed to creating a working environment where employees of different genders cooperate and respect each other. The Group is committed to improving the gender diversity of employees, but due to the unique nature of the engineering and construction industry in which the Group operates, it is more challenging to achieve gender diversity for all employees.

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SINOPEC ENGINEERING (GROUP) CO., LTD.

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

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 132, which comprise the consolidated statement of financial position as at 30 June 2024, 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 material accounting policy information.

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 2024, 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 3.15, 5(a) and 6 to the consolidated financial statements)

The Group recognised revenue of RMB28,553,121,000 for the six months period ended 30 June 2024.

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 2024 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, 16 August 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Note	Six months ended 30 June	
		2024	2023
		RMB'000	RMB'000
Revenue	6	28,553,121	24,829,660
Cost of sales		(26,058,474)	(22,589,436)
Gross profit		2,494,647	2,240,224
Other (loss)/income	8	(49,086)	180,694
Selling and marketing expenses		(62,291)	(57,137)
Administrative expenses		(514,861)	(516,030)
Research and development costs		(941,785)	(793,527)
Other operating expenses		(29)	(100,536)
Other gains – net	9	867	39,279
Operating profit		927,462	992,967
Finance income	10	607,340	529,287
Finance expenses	10	(29,422)	(31,978)
Finance income – net		577,918	497,309
Share of loss of a joint arrangement	19(a)	(354)	(46)
Share of profit of associates	19(b)	8,041	8,896
Profit before taxation	11	1,513,067	1,499,126
Income tax expense	12	(194,195)	(181,775)
Profit for the period		1,318,872	1,317,351

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

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Note	Six months ended 30 June	
		2024	2023
		RMB'000	RMB'000
Other comprehensive income for the period, net of tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		10,029	24,581
Items that will not be reclassified subsequently to profit or loss:			
Loss on revaluation of retirement benefit plans obligations, net of income tax effect		(32,649)	(32,689)
Gain on equity instruments measured at fair value through other comprehensive income		756	–
Share of other comprehensive income of an associate	19(b)	(66)	–
Other comprehensive income for the period, net of tax		(21,930)	(8,108)
Total comprehensive income for the period		1,296,942	1,309,243
Profit attributable to:			
Equity holders of the Company		1,318,677	1,317,070
Non-controlling interests		195	281
Profit for the period		1,318,872	1,317,351
Total comprehensive income attributable to:			
Equity holders of the Company		1,296,747	1,308,962
Non-controlling interests		195	281
Total comprehensive income for the period		1,296,942	1,309,243
		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	0.30

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2024

	Notes	As at 30 June 2024	As at 31 December 2023
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	4,571,336	4,807,778
Right-of-use assets	17	2,209,651	2,227,712
Intangible assets	18	160,929	177,156
Investment in a joint arrangement	19(a)	12,966	4,026
Investments in associates	19(b)	162,533	182,558
Fair value through other comprehensive income investments	25	254,257	252,862
Deferred income tax assets	36	735,056	753,546
Total non-current assets		8,106,728	8,405,638
Current assets			
Inventories	23	571,732	472,854
Notes and trade receivables	20	7,548,806	7,505,664
Prepayments and other receivables	21	11,224,027	9,227,666
Contract assets	22(a)	12,216,604	9,886,330
Loans due from the ultimate holding company	24	20,500,000	20,500,000
Restricted cash	26	113,240	90,394
Time deposits	27	11,396,004	12,014,538
Cash and cash equivalents	28	9,408,318	12,864,587
Total current assets		72,978,731	72,562,033
Total assets		81,085,459	80,967,671

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 JUNE 2024

	Notes	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Equity			
Share capital	29	**4,405,147**	4,418,544
Reserves	30	**26,685,293**	26,423,599
Equity attributable to equity holders of the Company		**31,090,440**	30,842,143
Non-controlling interests		**8,495**	5,572
Total equity		**31,098,935**	30,847,715
LIABILITIES			
Non-current liabilities			
Lease liabilities	31	**122,219**	114,406
Loan due to a fellow subsidiary	37	**28,373**	21,461
Retirement and other supplemental benefit obligations	32	**1,790,244**	1,821,196
Provision for litigation claims	33	**1,508**	191,681
Deferred tax liabilities	36	**3,032**	2,457
Total non-current liabilities		**1,945,376**	2,151,201
Current liabilities			
Notes and trade payables	34	**22,677,730**	19,805,792
Other payables	35	**3,407,655**	2,826,445
Loan due to a fellow subsidiary	37	**100,811**	80,702
Contract liabilities	22(b)	**21,346,236**	24,742,158
Lease liabilities	31	**51,688**	38,322
Current income tax liabilities		**457,028**	475,336
Total current liabilities		**48,041,148**	47,968,755
Total liabilities		**49,986,524**	50,119,956
Total equity and liabilities		**81,085,459**	80,967,671
Net current assets		**24,937,583**	24,593,278
Total assets less current liabilities		**33,044,311**	32,998,916

On behalf of the directors

JIANG Dejun	ZHANG Xinming	YIN Fengbing
Chairman of the Board	Director, President	Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	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 (Note29)	RMB'000 (Note30(ii))	RMB'000 (Note30(i))	RMB'000 (Note30(iii))	RMB'000 (Note30(iv))	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2023	4,418,544	10,062,346	1,815,822	181,168	1,949	14,362,314	30,842,143	5,572	30,847,715
Net effect of change of accounting standard	–	–	–	–	–	–	–	–	–
At 1 January 2024	4,418,544	10,062,346	1,815,822	181,168	1,949	14,362,314	30,842,143	5,572	30,847,715
Profit for the period	–	–	–	–	–	1,318,677	1,318,677	195	1,318,872
Other comprehensive income:									
Defined benefits obligation revaluation of actuarial gain and loss – gross	–	–	–	–	–	(38,411)	(38,411)	–	(38,411)
Defined benefits obligation revaluation of actuarial gain and loss – tax	–	–	–	–	–	5,762	5,762	–	5,762
Exchange differences arising on translation of foreign operations	–	–	–	–	10,029	–	10,029	–	10,029
Gain on equity instruments measured at fair value through other comprehensive income	–	–	–	–	–	756	756	–	756
Share of other comprehensive income of an associate, net of related income tax	–	–	–	–	–	(66)	(66)	–	(66)
Total comprehensive income	–	–	–	–	10,029	1,286,718	1,296,747	195	1,296,942
Transactions with owners:									
Final dividends for 2023	–	–	–	–	–	(986,753)	(986,753)	–	(986,753)
Appropriation of specific reserve	–	–	–	121,407	–	(121,407)	–	37	37
Utilisation of specific reserve	–	–	–	(127,019)	–	127,019	–	(9)	(9)
Repurchase of shares	(13,397)	(48,300)	–	–	–	–	(61,697)	–	(61,697)
Capital injection	–	–	–	–	–	–	–	2,700	2,700
Total transactions with owners	(13,397)	(48,300)	–	(5,612)	–	(981,141)	(1,048,450)	2,728	(1,045,722)
At 30 June 2024	4,405,147	10,014,046	1,815,822	175,556	11,978	14,667,891	31,090,440	8,495	31,098,935

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	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 (Note29)	RMB'000 (Note30(ii))	RMB'000 (Note30(i))	RMB'000 (Note30(iii))	RMB'000 (Note30(iv))	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2022	4,428,000	10,098,729	1,632,788	185,417	(8,045)	13,697,319	30,034,208	5,303	30,039,511
Net effect of change of accounting standard	–	–	–	–	–	(2,696)	(2,696)	(23)	(2,719)
At 1 January 2023 (restated)	4,428,000	10,098,729	1,632,788	185,417	(8,045)	13,694,623	30,031,512	5,280	30,036,792
Profit for the period	–	–	–	–	–	1,317,070	1,317,070	281	1,317,351
Other comprehensive income:									
Defined benefits obligation revaluation of actuarial gain and loss – gross	–	–	–	–	–	(38,458)	(38,458)	–	(38,458)
Defined benefits obligation revaluation of actuarial gain and loss – tax	–	–	–	–	–	5,769	5,769	–	5,769
Exchange differences arising on translation of foreign operations	–	–	–	–	24,581	–	24,581	–	24,581
Share of other comprehensive income of an associate, net of related income tax	–	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	24,581	1,284,381	1,308,962	281	1,309,243
Transactions with owners:									
Final dividends for 2022	–	–	–	–	–	(929,880)	(929,880)	–	(929,880)
Appropriation of specific reserve	–	–	–	104,100	–	(104,100)	–	48	48
Utilisation of specific reserve	–	–	–	(99,981)	–	99,981	–	(19)	(19)
Total transactions with owners	–	–	–	4,119	–	(933,999)	(929,880)	29	(929,851)
At 30 June 2023	4,428,000	10,098,729	1,632,788	189,536	16,536	14,045,005	30,410,594	5,590	30,416,184

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Note	Six months ended 30 June	
		2024	2023
		RMB'000	RMB'000
Cash flows from operating activities			
Cash used in operations	39	(4,302,027)	(1,050,589)
Income tax paid		(207,791)	(168,498)
Interest received		309,641	180,580
Net cash used in operating activities		(4,200,177)	(1,038,507)
Cash flows from investing activities			
Purchase of property, plant and equipment		(182,673)	(137,295)
Purchase of intangible assets		(5,354)	(5,936)
Interest income on the loans to the ultimate holding company		298,584	330,310
Proceeds from disposal of property, plant and equipment		847	40,919
Capital investment to joint arrangement		(9,294)	–
Dividends received from associates		31,640	6,460
Maturity in time deposits		4,337,632	7,000,694
Increase in time deposits		(3,719,098)	(7,741,557)
Loans to the ultimate holding company		(5,000,000)	(5,000,000)
Loans repaid by the ultimate holding company		5,000,000	5,000,000
Net cash generated from/(used in) investing activities		752,284	(506,405)
Cash flows from financing activities	42		
Drawdown of borrowings from a fellow subsidiary		47,166	5,200
Repayment of borrowings from a fellow subsidiary		(20,700)	–
Capital contributions from non-controlling interests		2,700	–
Interest paid		–	(1,463)
Payments of lease liabilities		(24,549)	(44,039)
Payment on repurchase of shares		(54,475)	–
Net cash used in financing activities		(49,858)	(40,302)
Net decrease in cash and cash equivalents		(3,497,751)	(1,585,214)
Cash and cash equivalents at beginning of period		12,864,587	14,973,098
Net exchange gains/(losses) on cash and cash equivalents		41,482	(287,296)
Cash and cash equivalents at end of period	28	9,408,318	13,100,588

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2024

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 6-9 floor, building 1, A67, Ande Road, Xicheng District, Beijing, the 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 16 August 2024.

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. Material Accounting Policy Information

3.1 New standards, interpretations and amendments adopted from 1 January 2024

The following amendments are effective for the period beginning on or after 1 January 2024 of the Group:

Amendments to IAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements
Amendments to IFRS 16	Lease liability in a sale and leaseback

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 IAS 1

The amendments require that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement for at least twelve months after the reporting period.

Amendments to IAS 1

The amendments also provide clarification on the meaning of 'settlement' for the purpose of classifying a liability as current or non-current.

Amendments to IAS 7 and IFRS 7

The Amendments provide guidance on characteristics of supplier finance arrangements. The Amendments also introduce some specific disclosure requirements related to supplier finance arrangements.

Amendments to IFRS 16

The amendments are expected to affect subsequent measurement of lease liabilities arising from a sale and leaseback transaction with variable lease payments that do not depend on an index or rate (e.g. payments that depend on a percentage of revenue derived from the asset's use).

3.2 New standards, interpretations and amendments not yet effective

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.

Amendment to IAS 21	The Effects of Changes in Foreign Exchange Rates[1]
Amendments to IFRS 9 & IFRS 7	Amendments to the Classification and Measurement of Financial Instruments[2]
IFRS 18	Presentation and Disclosure in Financial Statements[3]
IFRS 19	Subsidiaries without Public Accountability: Disclosures[3]

[1] Effective for annual periods beginning on or after 1 January 2025
[2] Effective for annual periods beginning on or after 1 January 2026
[3] Effective for annual periods beginning on or after 1 January 2027

The Group is currently assessing the impact of these new accounting standards and amendments. The Group does not expect any other standards issued by the IASB, but are yet to be effective, to have a material impact on the Group.

3. Material Accounting Policy Information (Continued)

3.3 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 deconsolidated from the date that the Group ceases control.

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.

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.

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.

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 Company's functional currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the 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 income" and "Other operating expenses".

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).

3. Material Accounting Policy Information (Continued)

3.5 Property, plant and equipment

Property, plant and equipment, except for construction-in-progress ("CIP"), are stated at historical cost less accumulated depreciation and accumulated impairment loss. 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 – 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.

3.6 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.

Amortisation methods and useful lives 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. Material Accounting Policy Information (Continued)

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.

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: 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.

(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.

3. Material Accounting Policy Information (Continued)

3.8 Financial instruments (Continued)

(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.

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.

3. Material Accounting Policy Information (Continued)

3.8 Financial instruments (Continued)

(c) Impairment of financial assets (Continued)

Measurement of ECL (Continued)

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.

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.

3. Material Accounting Policy Information (Continued)

3.8 Financial instruments (Continued)

(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.

(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 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.

3.10 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. Material Accounting Policy Information (Continued)

3.11 Employee benefits

Pension obligations

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

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

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

Other post-employment obligations

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

Termination and early retirement benefits

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

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. Material Accounting Policy Information (Continued)

3.12 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.

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%.

3.13 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. Material Accounting Policy Information (Continued)

3.14 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.

3.15 Revenue recognition

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.

Services rendered

Revenue for services rendered mainly includes technological development, engineering, consultation and supervision is recognised over 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. Material Accounting Policy Information (Continued)

3.16 Leases

(a) The Group as a lessor

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

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 2024	As at 31 December 2023
	RMB'000	RMB'000
Financial assets		
Financial assets at amortised cost		
Notes, trade and other receivables	9,079,145	8,966,171
Restricted cash	113,240	90,394
Time deposits	11,396,004	12,014,538
Cash and cash equivalents	9,408,318	12,864,587
Loans due from the ultimate holding company	20,500,000	20,500,000
Financial assets at FVTOCI		
Fair value through other comprehensive income investments	254,257	252,862
Total financial assets	50,750,964	54,688,552
Financial liabilities		
Financial liabilities measured at amortised cost		
Notes, trade and other payables	25,767,023	22,081,288
Loan due to a fellow subsidiary – current	100,811	80,702
Lease liabilities	173,907	152,728
Loan due to a fellow subsidiary – non-current	28,373	21,461
Total financial liabilities	26,070,114	22,336,179

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 2024 and 31 December 2023.

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 2024	USD	Others
	RMB'000	RMB'000
Restricted cash, time deposits and cash and cash equivalents	2,922,942	2,576,858
Notes, trade and other receivables	665,376	1,214,040
Notes, trade and other payables	(340,517)	(2,177,505)
Loan due to a fellow subsidiary – current	(97,637)	–
Lease liabilities	(1,073)	(19,911)
Net exposure in RMB	3,149,091	1,593,482

At 31 December 2023	USD	Others
	RMB'000	RMB'000
Restricted cash, time deposits and cash and cash equivalents	2,759,539	3,114,446
Notes, trade and other receivables	188,435	651,070
Notes, trade and other payables	(124,005)	(1,863,519)
Loans due to a fellow subsidiary – current	(68,702)	–
Lease liabilities	(1,481)	(24,770)
Net exposure in RMB	2,753,786	1,877,227

A 5% strengthening of RMB against the USD as at 30 June 2024 and 31 December 2023 would have changed the equity and net profit by the amounts shown below:

	As at 30 June 2024	As at 31 December 2023
	RMB'000	RMB'000
Decrease in equity and net profit		
– USD	(118,091)	(103,267)

A 5% weakening of RMB as at 30 June 2024 and 31 December 2023 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 2024							
Notes, trade and other payables	N/A	25,767,023	–	–	–	25,767,023	25,767,023
Loan due to a fellow subsidiary – current	5.93%	100,811	–	–	–	100,811	100,811
Lease liabilities	4.73%	53,260	40,026	55,438	50,592	199,316	173,907
Loan due to a fellow subsidiary – non-current	3.07%	–	–	28,373	–	28,373	28,373
Total other liabilities		25,921,094	40,026	83,811	50,592	26,095,523	26,070,114

	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 2023							
Notes, trade and other payables	N/A	22,081,288	–	–	–	22,081,288	22,081,288
Loan due to a fellow subsidiary – current	5.25%	80,702	–	–	–	80,702	80,702
Lease liabilities	4.78%	42,651	28,966	52,293	57,923	181,833	152,728
Loan due to a fellow subsidiary – non-current	3.15%	–	–	21,461	–	21,461	21,461
Total other liabilities		22,204,641	28,966	73,754	57,923	22,365,284	22,336,179

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 2024	As at 31 December 2023
	RMB'000	RMB'000
Total other liabilities	26,070,114	22,336,179
Less: Restricted cash, time deposits and cash and cash equivalents	(20,917,562)	(24,969,519)
Net debt	5,152,552	(2,633,340)
Total equity (excluding non-controlling interests)	31,090,440	30,842,143
Total capital	36,242,992	28,208,803
Gearing ratio	14%	N/A

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 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 2024, the contract assets (Note 22(a)) and contract liabilities (Note 22(b)) are RMB12,216,604,000 (31 December 2023: RMB9,886,330,000) and RMB21,346,236,000 (31 December 2023: RMB24,742,158,000) 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 2024, the net carrying amount of property, plant and equipment is RMB4,571,336,000 (31 December 2023: RMB4,807,778,000).

(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 2024, the provision for impairment on trade receivables and contract assets are RMB2,295,766,000 (31 December 2023: RMB2,302,773,000) and RMB625,340,000 (31 December 2023: RMB662,374,000) respectively.

(d) Deferred taxes

The estimates of deferred income tax assets (Note 36) 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 2024, deferred tax assets recognised in the consolidated statement of financial position is RMB735,056,000 (31 December 2023: RMB753,546,000).

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 2024, the net liabilities of retirement benefit plan obligations (Note 32(b)) is RMB1,790,244,000 (31 December 2023: RMB1,821,196,000).

6. Revenue

The Group's revenue is set out below:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Engineering, consulting and licensing	**1,461,271**	1,654,774
EPC Contracting	**16,681,659**	14,148,270
Construction	**10,196,514**	8,896,942
Equipment manufacturing	**213,677**	129,674
	28,553,121	24,829,660

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.

7. Segment Information (Continued)

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.

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 2024:

The segment results for the six-month ended 30 June 2024 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	1,461,271	16,681,659	10,196,514	213,677	–	–	28,553,121
Inter-segment revenue	66,725	–	2,893,134	153,539	–	(3,113,398)	–
Segment revenue	1,527,996	16,681,659	13,089,648	367,216	–	(3,113,398)	28,553,121
Segment results	97,225	525,702	330,304	11,320	(37,089)	–	927,462
Finance income							607,340
Finance expenses							(29,422)
Share of loss of a joint arrangement	(354)	–	–	–	–	–	(354)
Share of profit of associates	1,943	6,098	–	–	–	–	8,041
Profit before taxation							1,513,067
Income tax expense							(194,195)
Profit for the period							1,318,872
Other segment items							
Depreciation	123,555	94,127	253,164	6,332	–	–	477,178
Amortisation	13,764	5,312	2,117	–	388	–	21,581
Capital expenditures							
– Property, plant and equipment	61,029	17,867	97,302	121	–	–	176,319
– Right-of-use assets	5,800	29,475	21,717	–	–	–	56,992
– Intangible assets	–	4,265	1,089	–	–	–	5,354
Provision/(Reversal of provision) for ECL on trade and other receivables and contract assets, net	18,342	(20,179)	(18,320)	(18,700)	(6,650)	–	(45,507)

The segment assets and liabilities as at 30 June 2024 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	15,419,874	29,068,864	20,488,307	906,305	(18,046,050)	47,837,300
Investment in a joint arrangement	12,966	–	–	–	–	12,966
Investment in associates	47,987	114,546	–	–	–	162,533
Unallocated assets						33,072,660
Total assets						81,085,459
Liabilities						
Segment liabilities	31,283,381	21,202,062	15,868,882	508,194	(18,879,027)	49,983,492
Unallocated liabilities						3,032
Total liabilities						49,986,524

7. Segment Information (Continued)

(ii) For the six months ended 30 June 2023 and as at 31 December 2023:

The segment results for the six months ended 30 June 2023 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	1,654,774	14,148,270	8,896,942	129,674	–	–	24,829,660
Inter-segment revenue	88,914	–	2,387,721	234,911	–	(2,711,546)	–
Segment revenue	1,743,688	14,148,270	11,284,663	364,585	–	(2,711,546)	24,829,660
Segment results	147,446	454,860	281,733	10,994	97,934	–	992,967
Finance income							529,287
Finance expenses							(31,978)
Share of loss of a joint arrangement	(46)	–	–	–	–	–	(46)
Share of profit of associates	2,542	6,354	–	–	–	–	8,896
Profit before taxation							1,499,126
Income tax expense							(181,775)
Profit for the period							1,317,351
Other segment items							
Depreciation	160,225	79,167	184,116	10,711	1,301	–	435,520
Amortisation	13,870	6,419	1,172	–	–	–	21,461
Capital expenditures							
– Property, plant and equipment	45,573	56,037	92,926	1,143	–	–	195,679
– Right-of-use assets	4,055	2,137	12,280	149	–	–	18,621
– Intangible assets	3,649	2,287	–	–	–	–	5,936
Provision/(reversal of provision) for ECL on trade and other receivables and contract assets, net	7,173	58,375	27,102	2,105	(6,922)	–	87,833

The segment assets and liabilities as at 31 December 2023 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	25,232,480	27,514,114	20,067,534	902,657	(26,281,214)	47,435,571
Investment in a joint arrangement	4,026	–	–	–	–	4,026
Investment in associates	57,270	125,288	–	–	–	182,558
Unallocated assets						33,345,516
Total assets						80,967,671
Liabilities						
Segment liabilities	31,855,442	21,168,426	15,201,792	542,538	(18,650,699)	50,117,499
Other unallocated assets						2,457
Total liabilities						50,119,956

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	
	2024	2023
	RMB'000	RMB'000
The PRC	24,685,827	22,737,072
Saudi Arabia	2,417,201	1,205,943
Singapore	357,367	113,790
Algeria	325,329	76,442
Thailand	154,083	147,455
Other countries	613,314	548,958
	28,553,121	24,829,660

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 2024 and 2023, the details are as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Fellow subsidiary and its subsidiaries		
– Customer group A	11,346,854	13,061,264

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 2024	As at 31 December 2023
	RMB'000	RMB'000
The PRC	6,489,306	6,735,025
Other countries	628,109	664,205
	7,117,415	7,399,230

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 2024					
– At a point in time	**–**	**–**	**–**	**213,677**	**213,677**
– Over time	**1,461,271**	**16,681,659**	**10,196,514**	**–**	**28,339,444**
Total revenue	**1,461,271**	**16,681,659**	**10,196,514**	**213,677**	**28,553,121**
For the six months ended 30 June 2023					
– At a point in time	–	–	–	129,674	129,674
– Over time	1,654,774	14,148,270	8,896,942	–	24,699,986
Total revenue	1,654,774	14,148,270	8,896,942	129,674	24,829,660
For the six months ended 30 June 2024					
– Oil refining	**381,475**	**1,364,840**	**1,314,652**	**8,373**	**3,069,340**
– Petrochemicals	**884,229**	**11,432,051**	**7,298,575**	**205,304**	**19,820,159**
– New coal chemicals	**88,116**	**77,503**	**100,009**	**–**	**265,628**
– Storage and transportation and others	**107,451**	**3,807,265**	**1,483,278**	**–**	**5,397,994**
Total revenue	**1,461,271**	**16,681,659**	**10,196,514**	**213,677**	**28,553,121**
For the six months ended 30 June 2023					
– Oil refining	503,127	464,817	1,394,066	–	2,362,010
– Petrochemicals	849,237	10,098,591	6,026,257	129,674	17,103,759
– New coal chemicals	66,795	30,727	122,902	–	220,424
– Storage and transportation and others	235,615	3,554,135	1,353,717	–	5,143,467
Total revenue	1,654,774	14,148,270	8,896,942	129,674	24,829,660

8. Other (Loss)/Income

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Operating lease rental income on property, plant and equipment	**49,856**	45,300
Income from write back long outstanding payables	**3,114**	525
Government grants (note)	**14,355**	33,402
Exchange gain	**–**	100,149
Others	**(116,411)**	1,318
	(49,086)	180,694

Note:
Government grants mainly represent financial subsidies from Talent Development Fund and job stabilisation subsidies.

9. Other Gains – Net

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Gain on disposal of property, plant and equipment	867	39,279

10. Finance Income and Finance Expenses

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Finance income		
Interest income from the ultimate holding company	281,683	311,465
Interest income from the fellow subsidiaries	59,695	59,688
Bank interest income	265,962	158,134
	607,340	529,287
Finance expenses		
Interest expenses on retirement and other supplementary benefit obligation	(21,671)	(27,042)
Finance charges on lease liabilities	(4,345)	(2,753)
Interest expense on loan due to a fellow subsidiary	(2,616)	(2,183)
Other interest expenses	(790)	–
	(29,422)	(31,978)
	577,918	497,309

11. Profit before Taxation

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Staff costs, including directors and supervisors emoluments (Note 15)	2,459,533	2,227,701
Retirement benefit plan contribution (including in the above mentioned staff costs)	464,316	443,433
Cost of goods sold	11,308,390	9,788,473
Subcontracting costs	9,749,752	8,323,113
Depreciation and amortisation		
– Property, plant and equipment	408,913	359,415
– Right of use assets	68,265	76,105
– Intangible assets	21,581	21,461
Operating lease rentals		
Short term leases expenses	240,422	183,078
(Reversal of provision)/provision for ECL on trade and other receivables and contract assets, net	(45,507)	87,833
Rental income from property, plant and equipment after relevant expenses	(38,929)	(35,412)
Research and development costs	941,785	793,527
Gains on disposal/write-off of property, plant and equipment	(867)	(39,279)
Exchange gains, net	7,257	(100,149)

12. Income Tax Expense

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Current tax		
PRC enterprise income tax	150,196	220,126
Overseas enterprise income tax	12,807	5,707
Under/(Over) provision for income tax in prior periods	7,004	(32,604)
	170,007	193,229
Deferred tax		
Origination and reversal of temporary differences (note 36)	24,188	(11,454)
Income tax expense	194,195	181,775

According to the Corporate Income Tax Law of the PRC, the applicable income tax of the six months ended 30 June 2024 and 2023 is 25%.

According to the normal statutory PRC corporate income tax and relevant rules, for the six months ended 30 June 2024 and 2023, 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	
	2024	2023
	RMB'000	RMB'000
Profit before taxation	1,513,067	1,499,126
Taxation calculated at the statutory tax rate	378,267	374,781
Income tax effects of:		
Preferential income tax treatments of certain companies	(208,877)	(210,689)
Difference in overseas profits tax rates	(18,617)	2,974
Non-deductible expenses	44,631	45,276
Income not subject to tax	(7,686)	(8,850)
Unrecognised tax losses	6,721	19,731
Utilisation of previously unrecognised tax losses	(7,248)	(8,844)
Under/(Over) provision for income tax in prior periods	7,004	(32,604)
Income tax expense	194,195	181,775
Effective income tax rate	12.8%	12.1%

13. Earnings per Share

The basic earnings per share for each of the six months ended 30 June 2024 and 2023 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	
	2024	2023
Profit attributable to equity holders of the Company (RMB'000)	**1,318,677**	1,317,070
Weighted average number of ordinary shares in issue	**4,410,064,851**	4,428,000,000
Basic earnings per share (RMB)	**0.30**	0.30

Diluted earnings per share is equal to basic earnings per share as there was no potential diluted shares outstanding for the reporting period.

14. Dividends

Dividends represented dividends declared by the Company during each of six months ended 30 June 2024 and 2023.

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Proposed Interim dividends of RMB0.150 per ordinary share (2023: RMB0.119)(1)	**660,772**	526,932

(1) Pursuant to a resolution passed at the board of Directors' meeting on 16 August 2024, the Directors authorised to declare the interim dividends for the six months ended 30 June 2024 of RMB0.150 (2023: RMB0.119) per share totalling RMB660,772,000 (2023: RMB526,932,000).

15. Employment Benefits

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Salaries, wages and bonuses	**1,385,229**	1,177,087
Retirement benefits(1)	**442,355**	415,930
Early retirement and supplemental pension benefit (Note 32(b))		
– interest cost	**21,671**	27,042
– Immediate recognition of actuarial (gains)/losses	**290**	461
Housing fund(2)	**213,010**	205,932
Welfare, medical and other expenses	**396,978**	401,249
	2,459,533	2,227,701

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% (2023: 14% to 19%) of the specified salaries of the PRC employees for the six months ended 30 June 2024. 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 2023				
Cost	3,807,432	5,834,235	611,257	10,252,924
Accumulated depreciation and impairment	(1,854,313)	(3,735,242)	–	(5,589,555)
Net book amount	1,953,119	2,098,993	611,257	4,663,369
Six months ended 30 June 2023				
Opening net book amount	1,953,119	2,098,993	611,257	4,663,369
Transfers	5,427	119,513	(124,940)	–
Additions	–	735	194,944	195,679
Depreciation	(62,401)	(297,014)	–	(359,415)
Disposals/write-off	(283)	(949)	–	(1,232)
Closing net book amount	1,895,862	1,921,278	681,261	4,498,401
At 30 June 2023				
Cost	3,812,283	5,892,463	681,261	10,386,007
Accumulated depreciation and impairment	(1,916,421)	(3,971,185)	–	(5,887,606)
Net book amount	1,895,862	1,921,278	681,261	4,498,401
At 1 January 2024				
Cost	3,934,260	6,387,446	570,370	10,892,076
Accumulated depreciation and impairment	(1,979,874)	(4,104,424)	–	(6,084,298)
Net book amount	1,954,386	2,283,022	570,370	4,807,778
Six months ended 30 June 2024				
Opening net book amount	1,954,386	2,283,022	570,370	4,807,778
Transfers	2,005	73,694	(75,699)	–
Additions	–	35	176,284	176,319
Depreciation	(62,252)	(346,661)	–	(408,913)
Disposals/write-off	–	(3,848)	–	(3,848)
Closing net book amount	1,894,139	2,006,242	670,955	4,571,336
At 30 June 2024				
Cost	3,936,265	6,378,260	670,955	10,985,480
Accumulated depreciation and impairment	(2,042,126)	(4,372,018)	–	(6,414,144)
Net book amount	1,894,139	2,006,242	670,955	4,571,336

Depreciation expense recognised is analysed as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Cost of sales	365,175	315,675
Selling and marking expenses	157	370
Administrative expenses	20,101	23,417
Research and development costs	23,480	19,953
	408,913	359,415

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 2023	122,047	21,802	2,115,829	2,259,678
Additions	16,596	2,025	–	18,621
Depreciation	(42,216)	(5,288)	(28,601)	(76,105)
Modification	(1,209)	(597)	–	(1,806)
Balance at 30 June 2023	95,218	17,942	2,087,228	2,200,388
Balance at 1 January 2024	**156,095**	**13,231**	**2,058,386**	**2,227,712**
Additions	**47,827**	**9,165**	**–**	**56,992**
Depreciation	**(35,700)**	**(3,967)**	**(28,598)**	**(68,265)**
Modification	**(6,609)**	**(179)**	**–**	**(6,788)**
Balance at 30 June 2024	**161,613**	**18,250**	**2,029,788**	**2,209,651**

Depreciation recognised is analysed as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Cost of sales	**52,081**	46,385
Administrative expenses	**13,716**	26,912
Research and development costs	**2,468**	2,808
	68,265	76,105

18. Intangible Assets

	Patent	Computer software	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2023			
Cost	489,982	619,859	1,109,841
Accumulated amortisation	(479,966)	(437,851)	(917,817)
Net book amount	10,016	182,008	192,024
Six months ended 30 June 2023			
Opening net book amount	10,016	182,008	192,024
Additions	–	5,936	5,936
Amortisation	(505)	(20,956)	(21,461)
Closing net book amount	9,511	166,988	176,499
At 30 June 2023			
Cost	489,982	625,795	1,115,777
Accumulated amortisation	(480,471)	(458,807)	(939,278)
Net book amount	9,511	166,988	176,499
At 1 January 2024			
Cost	**489,982**	**647,454**	**1,137,436**
Accumulated amortisation	**(480,976)**	**(479,304)**	**(960,280)**
Net book amount	**9,006**	**168,150**	**177,156**
Six months ended 30 June 2024			
Opening net book amount	**9,006**	**168,150**	**177,156**
Additions	**–**	**5,354**	**5,354**
Amortisation	**(505)**	**(21,076)**	**(21,581)**
Closing net book amount	**8,501**	**152,428**	**160,929**
At 30 June 2024			
Cost	**489,982**	**652,808**	**1,142,790**
Accumulated amortisation	**(481,481)**	**(500,380)**	**(981,861)**
Net book amount	**8,501**	**152,428**	**160,929**

Amortisation recognised is analysed as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Cost of sales	**5,754**	5,784
Administrative expenses	**11,765**	11,544
Research and development costs	**4,062**	4,133
	21,581	21,461

19. Investment in a Joint Arrangement and Associates

(a) Investment in a joint arrangement

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Joint venture		
Beginning of the period	**4,026**	3,847
Share of total comprehensive expense	**(354)**	(46)
Addition	**9,294**	–
End of the period	**12,966**	3,801

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
Hainan Great Wall Machinery Engineering Co., Ltd. (海南長城機械工程有限公司) [(1)]	The PRC	RMB3,000,000 (2023: RMB3,000,000)	50%	Technical development, sales of equipment/ The PRC
Abdel Hadi Abdullah Al-Qahtani & Sons Sinopec Shanghai Engineering Contracting Company (卡塔尼 – 上海工程(沙特)工程設計與建築公司) [(2)]	Saudi Arabia	SAR10,000,000 2023: nil	49%	Providing EPC Contracting/Saudi Arabia

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

(1) The Group's share of the results of Hainan Great Wall Machinery Engineering Co., Ltd., its aggregated assets and liabilities, are as follows:

	As at 30 June 2024	As at 31 December 2023
	RMB'000	RMB'000
Current assets	**7,556**	7,385
Non-current assets	**755**	829
Total assets	**8,311**	8,214
Current liabilities	**967**	162
Total liabilities	**967**	162
Equity	**7,344**	8,052
Share of equity by the Group (50%) (2023: 50%)	**3,672**	4,026

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Revenue	**–**	–
Loss and total comprehensive expense for the period	**(708)**	(92)
Share of total comprehensive expense (50%) (2023:50%)	**(354)**	(46)

(2) Abdel Hadi Abdullah Al-Qahtani & Sons Sinopec Shanghai Engineering Contracting Company was incorporated in 2024, and not yet commence the business during the period.

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	
	2024	2023
	RMB'000	RMB'000
Beginning of the period	**182,558**	174,423
Share of total comprehensive income	**7,975**	8,896
Dividend distribution	**(28,000)**	(9,100)
End of the period	**162,533**	174,219

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. ("Sinopec Tech") (中國石油化工科技開發有限公司)[1]	The PRC	50,000 (2023: 50,000)	35.00% (2023: 35.00%)	Technical development, Technical service/ The PRC
Shanghai KSD Bulk Solids Engineering Co., Ltd. ("KSD") (上海金申德粉體工程有限公司)[2]	The PRC	5,500 (2023: 5,500)	36.36% (2023: 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 2024	As at 31 December 2023
	RMB'000	RMB'000
Current assets	**1,680,486**	1,746,053
Non-current assets	**62,007**	59,896
Total assets	**1,742,493**	1,805,949
Current liabilities	**1,346,449**	1,347,575
Non-current liabilities	**58**	60
Total liabilities	**1,346,507**	1,347,635
Equity attributable to equity holders	**342,763**	409,070
Non-controlling interests	**53,223**	49,244
	395,986	458,314
Share of equity by the Group (35%) (2023: 35%)	**119,967**	143,175

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Revenue	**228,465**	286,818
Profit and total comprehensive income for the period	**13,693**	18,158
Share of total comprehensive income (35%) (2023: 35%)	**4,793**	6,355

For the six months ended 30 June 2024, China Petrochemical Technology Co., Ltd. declares dividends of RMB80,000,000 (2023: RMB26,000,000).

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 2024	As at 31 December 2023
	RMB'000	RMB'000
Current assets	202,626	178,672
Non-current assets	1,648	2,342
Total assets	204,274	181,014
Current liabilities	86,763	71,433
Non-current liabilities	412	1,235
Total liabilities	87,175	72,668
Equity	117,099	108,346
Share of equity by the Group (36.36%) (2023: 36.36%)	42,577	39,395

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Revenue	100,907	93,806
Profit and total comprehensive income for the period	8,754	6,990
Share of total comprehensive income (36.36%) (2023: 36.36%)	3,182	2,541

For the six months ended 30 June 2024, Shanghai KSD Bulk Solids Engineering Co., Ltd. did not declare dividends (2023: 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 2024	As at 31 December 2023
	RMB'000	RMB'000
Trade receivables		
Fellow subsidiaries	1,884,748	2,204,304
Joint ventures of fellow subsidiaries	307,314	477,975
Associates of fellow subsidiaries	510,729	415,131
Associates	7,303	23,616
Third parties	6,902,975	5,700,329
	9,613,069	8,821,355
Less: ECL allowance for impairment	(2,295,766)	(2,302,773)
Trade receivables – net	7,317,303	6,518,582
Notes receivables	231,503	987,082
Notes and trade receivables – net	7,548,806	7,505,664

20. Notes and Trade Receivables (Continued)

The carrying amounts of the Group's notes and trade receivables as at 30 June 2024 and 31 December 2023 approximate their fair values.

All notes receivables of the Group are bank's acceptance bills and commercial's acceptance bills and usually collected within one 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 2024	As at 31 December 2023
	RMB'000	RMB'000
Within 1 year	6,772,977	6,902,080
Between 1 and 2 years	570,157	402,241
Between 2 and 3 years	151,587	151,325
Between 3 and 4 years	21,348	17,865
Between 4 and 5 years	5,148	5,495
Over 5 years	27,589	26,658
	7,548,806	7,505,664

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
At the beginning of the period	2,302,773	2,286,527
ECL allowance	102,076	316,841
Receivables written off as uncollectible	(1,661)	(9,375)
Reversal	(107,422)	(289,394)
At the end of the period	2,295,766	2,304,599

During the period ended 30 June 2024, the Group has performed an individual assessment on those trade debtors with significant outstanding balances, some trade receivables has provided full ECL allowance in light of the severe financial difficulty and long default payment record, this led to a significant change in the ECL allowance on trade receivables.

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

	As at 30 June 2024	As at 31 December 2023
	RMB'000	RMB'000
RMB	6,123,357	6,859,282
USD	429,772	145,832
SAR	748,399	378,525
KWD	135,072	113,672
Others	112,206	8,353
	7,548,806	7,505,664

21. Prepayments and Other Receivables

	As at 30 June 2024	As at 31 December 2023
	RMB'000	RMB'000
Prepayments		
Prepayments for fellow subsidiaries	120,834	82,814
Prepayments for joint ventures of fellow subsidiaries	22	1,416
Prepayments for associates of fellow subsidiaries	2,080	2,107
Prepayments for construction	1,862,396	1,475,498
Prepayments for materials and equipment	6,187,794	5,321,888
Prepayments for labour costs	132,885	46,624
Prepayments for rent	5,365	2,215
Others	98,827	82,172
	8,410,203	7,014,734
Other receivables		
Amounts due from fellow subsidiaries(1)	317,000	121,303
Amounts due from joint ventures of fellow subsidiaries(1)	191,078	235,918
Amounts due from associates of fellow subsidiaries(1)	85,445	66,103
Dividends receivable	–	3,640
Interests receivable	350,677	366,693
Petty cash funds	2,672	3,037
Other guarantee deposits and deposits	139,713	189,658
Payment in advance	369,339	408,452
Maintenance funds	65,497	65,385
Prepaid value-added tax and Value-added tax credit	1,191,774	668,960
Prepaid income tax	91,417	83,465
Others	129,604	121,407
	2,934,216	2,334,021
Less: ECL allowance for impairment	(120,392)	(121,089)
Prepayments and other receivables – net	11,224,027	9,227,666

(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 2024 and 31 December 2023 approximate their fair values.

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
At the beginning of the period	121,089	111,763
ECL allowance	13,824	32,556
Write-off of irrecoverable receivable	–	(11)
Reversal	(14,521)	(24,391)
At the end of the period	120,392	119,917

22. Contract Assets and Contract Liabilities

(a) Contract assets

	As at 30 June 2024	As at 31 December 2023
	RMB'000	RMB'000
Contract assets arising from construction contracts	12,216,604	9,886,330

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 movements of ECL allowance on contract assets are as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
At the beginning of the period	662,374	528,294
ECL allowance	20,148	73,669
Reversal	(57,182)	(14,460)
At the end of the period	625,340	587,503

(b) Contract liabilities

	As at 30 June 2024	As at 31 December 2023
	RMB'000	RMB'000
Contract liabilities arising from construction contracts	21,346,236	24,742,158

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 2024 is RMB24,742,158,000 (2023: RMB22,929,193,000), in which RMB14,158,936,000 (2023: RMB11,790,029,000) was recognised as revenue during the period.

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 2024, 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 RMB157,775,195,000 (31 December 2023: RMB136,262,230,000), 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 percentage of work performed in the future.

23. Inventories

	As at 30 June 2024	As at 31 December 2023
	RMB'000	RMB'000
Raw materials	343,589	252,848
Turnover materials	255,061	244,935
Goods in transit	931	2,920
	599,581	500,703
Provision for impairment on inventories	(27,849)	(27,849)
Inventory, net	571,732	472,854

For the period ended 30 June 2024 and 2023, the cost of inventories recognised as expense and included in cost of sales amounted to RMB11,308,390,000 and RMB9,788,473,000 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 2024	As at 31 December 2023
Loans due from the ultimate holding company	2.90% to 3.00%	2.90% to 3.60%

25. Fair Value through Other Comprehensive Income Investments

	Six months ended 30 June 2024	Six months ended 30 June 2023
	RMB'000	RMB'000
Beginning of period	252,862	250,000
Additions	1,395	–
End of period	254,257	250,000

Financial assets, at FVOCI is analysed as follows:

	As at 30 June 2024	As at 31 December 2023
	RMB'000	RMB'000
Unlisted equity shares	254,257	252,862

The directors of the Group have elected to designate investments in unlisted equity instruments at FVTOCI as they believe that these investments would bring long-term value to the Group. Unlisted equity shares related to investment in Sinopec Carbon Industry Technology Co., Ltd., the company incorporated in the PRC. The Company registers to carbon verification; carbon asset management; research and development of carbon emission reduction, carbon conversion, carbon capture and carbon storage technologies; China certified voluntary emission reduction services; natural science research and experimental development; engineering and technological research and experimental development; technical services, technology development, technology consulting, technology exchange, technology transfer, technology promotion; technology import and export; engineering technology services; production, storage and sales of chemical products and hazardous chemicals; contract energy management; project investment; equity investment; financial asset management services; computer data processing and storage services; big data collection and application; intelligent design consulting; enterprise management consulting and information technology consulting services.

The financial asset, at FVOCI is classified as Level 3 of the fair value hierarchy, based on the unobservable inputs of the net asset value. The lower the net asset value, the lower the fair value.

26. Restricted Cash

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Restricted cash		
– RMB	**113,240**	90,394

Restricted cash mainly represented restricted funds frozen by the order of court, bank deposits for guarantees and deposit for salaries for certain employees.

As at 30 June 2024 and 31 December 2023, the weighted average effective interest rates per annum on restricted cash with maturities ranging from one to twelve months was determined in accordance with the interest rate per annum of bank current account.

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

27. Time Deposits

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Time deposits with initial term over three months:		
Time deposits in banks	**9,402,951**	9,711,065
Time deposits in fellow subsidiaries	**1,993,053**	2,303,473
	11,396,004	12,014,538

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Denominated in:		
– RMB	**9,797,506**	9,096,527
– USD	**1,444,043**	2,213,496
– MYR	**59,172**	267,535
– KWD	**–**	115,230
– SAR	**95,283**	321,750
	11,396,004	12,014,538

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 (2023: three months to three years), are approximately 1.70% to 5.65% as at 30 June 2024 (2023: 1.87% to 5.65%).

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

28. Cash and Cash Equivalents

	As at 30 June 2024	As at 31 December 2023
	RMB'000	RMB'000
Cash at bank and in hand		
– less than three months time deposits	1,922,156	2,325,199
– cash deposits	3,006,126	5,304,178
	4,928,282	7,629,377
Deposits in fellow subsidiaries		
– less than three months time deposits	511,545	438,873
– cash deposits	3,968,491	4,796,337
	4,480,036	5,235,210
	9,408,318	12,864,587

	As at 30 June 2024	As at 31 December 2023
	RMB'000	RMB'000
Denominated in:		
– RMB	5,507,016	9,908,613
– USD	1,478,899	546,043
– SAR	385,879	516,467
– EUR	592,049	602,732
– KWD	137,229	147,364
– THB	4,278	16,558
– MYR	259,435	50,927
– Others	1,043,533	1,075,883
	9,408,318	12,864,587

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

As at 30 June 2024 and 31 December 2023, 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 seven days to three months (2023: seven days to three months), are approximately 0.00% to 16.80% as at 30 June 2024 (2023: 0.00% to 14.23%).

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

29. Share Capital

	As at 30 June 2024		As at 31 December 2023	
	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	**1,451,343,500**	**1,451,344**	1,460,800,000	1,460,800
Shares repurchased and cancelled	**(13,397,000)**	**(13,397)**	(9,456,500)	(9,456)
	4,405,146,500	**4,405,147**	4,418,543,500	4,418,544

(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).

Where the Company or its subsidiaries had repurchased the Company's listed securities, the following information should be disclosed. Such information can be disclosed in other parts of the annual report.

The Company repurchased its own ordinary shares through The Stock Exchange of Hong Kong Limited as follows:

Month of repurchase	No. of ordinary share	Price per share		Aggregate consideration paid
		Highest	Lowest	
		HK$	HK$	HK$'000
October 2023	4,599,500	3.97	3.55	17,438
November 2023	2,749,000	4.07	3.89	11,072
December 2023	5,475,000	4.06	3.85	21,572
January 2024	451,500	4.06	4.02	1,831
March 2024	2,741,000	4.68	4.28	12,472
April 2024	6,837,500	5.08	4.53	33,151
June 2024	3,806,500	5.46	5.18	20,299

During the year ended 31 December 2023, the 9,456,500 shares of above ordinary shares were cancelled upon repurchase on 21 December 2023.

During the period ended 30 June 2024, the 13,397,000 shares of above ordinary shares were cancelled upon repurchase 13 May 2024.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

30. Reserves

(i) Statutory surplus reserve

In accordance with the relevant laws and regulations of the PRC and the articles of association of the Company, it is required to appropriate 10% of its net profit determined in accordance with China Accounting Standards for Enterprises issued by the Ministry of Finance of PRC, after offsetting any prior 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.

30. 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.

31. Lease Liabilities

	As at 30 June 2024	As at 31 December 2023
	RMB'000	RMB'000
Total minimum lease payments:		
Due within one year	53,260	42,651
Due in the second to fifth years	95,464	81,259
Due after the fifth year	50,592	57,923
	199,316	181,833
Future finance charges on leases liabilities	(25,409)	(29,105)
Present value of leases liabilities	173,907	152,728
Present value of minimum lease payments:		
Due within one year	51,688	38,322
Due in the second to fifth years	80,090	67,095
Due after the fifth year	42,129	47,311
	173,907	152,728
Less:		
Portion due within one year included under current liabilities	(51,688)	(38,322)
Portion due after one year included under non-current liabilities	122,219	114,406

During the six months ended 30 June 2024, the Group entered into a number of lease agreements for usage of residential properties, office and equipment for 1 to 20 years (2023: 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 RMB56,992,000 (2023: RMB18,621,000).

During the six months ended 30 June 2024, the total cash outflows for the leases are RMB159,010,000 (2023: RMB162,199,000).

31. Lease Liabilities (Continued)

Details of the lease activities

As at 30 June 2024, 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"	127 (2023:108)	1 to 10 years (1 to 10 years)
Land use rights in PRC	Prepaid land use rights payments	131 (2023: 131)	20 to 59 years (2023: 21 to 60 years)

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

32. Retirement and Other Supplemental Benefit Obligations

(a) State-managed retirement plan

For the six months ended 30 June 2024, 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%, (2023: 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 2024 and 2023 are as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Contributions to state-managed retirement plan	**442,355**	415,930

(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 2024 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.

(i) Discount rates adopted (per annum):

	As at 30 June 2024	As at 31 December 2023
Retirement with honors benefit plan	**2.00%**	2.50%
Retirement benefit plan	**2.25%**	2.50%
Early retirement benefit plan	**2.00%**	2.25%

32. Retirement and Other Supplemental Benefit Obligations (Continued)

(b) Group employee retirement benefit plans (Continued)

(ii) Benefit growth rates (per annum):

	As at 30 June 2024	As at 31 December 2023
Retirement with honors benefit plan	2.00%	2.00%
Retirement benefit plan	2.40%	2.40%
Early retirement benefit plan	1.80%	1.80%

(iii) Duration:

	As at 30 June 2024	As at 31 December 2023
Retirement with honors benefit plan	4.0 years	4.0 years
Retirement benefit plan	13.0 years	13.0 years
Early retirement benefit plan	3.0 years	3.0 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 2024 Increase/(decrease) in retirement benefit plan obligation		As at 31 December 2023 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	(38,770)	40,335	(39,170)	40,749
Benefit growth rates	38,510	(37,205)	38,893	(37,577)

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.

32. 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 2023				
Net interest expenses	342	25,542	1,158	27,042
Immediate recognition of actuarial losses	–	–	461	461
Benefit cost recognised in profit or loss	342	25,542	1,619	27,503
Revaluation of net benefit obligation liabilities				
Actuarial revaluation of economic assumptions change	224	38,334	–	38,558
Actuarial revaluation of other assumptions change	(22)	(78)	–	(100)
Benefit cost recognised in other comprehensive income	202	38,256	–	38,458
Total benefit cost recognised in the consolidated statement of comprehensive income	544	63,798	1,619	65,961
For the six months ended 30 June 2024				
Net interest expenses	**224**	**20,712**	**735**	**21,671**
Immediate recognition of actuarial losses	**–**	**–**	**290**	**290**
Benefit cost recognised in profit or loss	**224**	**20,712**	**1,025**	**21,961**
Revaluation of net benefit obligation liabilities				
Actuarial revaluation of economic assumptions change	**–**	**38,190**	**–**	**38,190**
Actuarial revaluation of other assumptions change	**281**	**(60)**	**–**	**221**
Benefit cost recognised in other comprehensive income	**281**	**38,130**	**–**	**38,411**
Total benefit cost recognised in the consolidated statement of comprehensive income	**505**	**58,842**	**1,025**	**60,372**

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 2024	As at 31 December 2023
	RMB'000	RMB'000
Net liabilities of retirement benefit plan obligation	**1,790,244**	1,821,196

32. 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 2023	30,463	1,774,691	108,609	1,913,763
Net interest expenses	342	25,542	1,158	27,042
Immediate recognition of actuarial losses	–	–	461	461
Revaluation gains/(losses):				
Actuarial revaluation of economic assumptions change	224	38,334	–	38,558
Actuarial revaluation of other assumptions change	(22)	(78)	–	(100)
Direct benefit paid by the Group	(4,889)	(77,095)	(20,502)	(102,486)
At 30 June 2023	26,118	1,761,394	89,726	1,877,238
At 1 January 2024	**20,058**	**1,724,156**	**76,982**	**1,821,196**
Net interest expenses	**224**	**20,712**	**735**	**21,671**
Immediate recognition of actuarial losses	**–**	**–**	**290**	**290**
Revaluation gains/(losses):				
Actuarial revaluation of economic assumptions change	**–**	**38,190**	**–**	**38,190**
Actuarial revaluation of other assumptions change	**281**	**(60)**	**–**	**221**
Direct benefit paid by the Group	**(3,094)**	**(72,028)**	**(16,202)**	**(91,324)**
At 30 June 2024	**17,469**	**1,710,970**	**61,805**	**1,790,244**

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

33. Provision for Litigation Claims

	As at 30 June 2024	As at 31 December 2023
	RMB'000	RMB'000
Beginning of the period	**191,681**	184,271
Exchange difference	**(3,352)**	8,206
Payment	**(1,183)**	(796)
Reversal of provision	**(185,638)**	–
End of the period	**1,508**	191,681

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 17 March 2024, the deadline of final appeal, the counterparty had not filed a complaint with the Federal Supreme Court of Canada, and the litigation was closed.

34.Notes and Trade Payables

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Trade payables		
– Fellow subsidiaries	408,409	238,088
– Joint ventures of fellow subsidiaries	303	1,897
– Associates	1,548	3,096
– Third parties	20,092,013	17,721,740
	20,502,273	17,964,821
Notes payables	2,175,457	1,840,971
Notes and trade payables	22,677,730	19,805,792

The carrying amounts of the Group's notes and trade payables as at 30 June 2024 and 31 December 2023 approximate their fair values.

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

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Within 1 year	21,504,485	17,112,063
Between 1 and 2 years	218,423	609,854
Between 2 and 3 years	252,363	976,857
Over 3 years	702,459	1,107,018
	22,677,730	19,805,792

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

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
RMB	20,715,312	18,401,314
USD	275,788	58,412
SAR	1,097,308	828,402
KWD	303,945	317,784
MYR	5,251	8,096
OMR	232	1,180
THB	38,602	18,601
Others	241,292	172,003
	22,677,730	19,805,792

35. Other Payables

	As at 30 June 2024	As at 31 December 2023
	RMB'000	RMB'000
Salaries payables	150,475	451,210
Other taxation payables	318,362	550,504
Output value-added tax to be recognised	–	445
Payable of separation and transfer of "Water/electricity/gas supply and property management"	35	392
Deposits and guarantee deposits payables	113,150	83,990
Advanced payables	820,995	802,420
Rent, property management and maintenance payables	190,065	186,883
Contracts payables	300,983	422,981
Amounts due to ultimate holding company(1)	–	23
Amounts due to fellow subsidiaries(1)	376,708	176,530
Amounts due to a joint venture(1)	71	71
Amounts due to joint ventures of fellow subsidiaries(1)	–	241
Amounts due to associates of fellow subsidiaries(1)	24,081	31,281
Dividend payables	954,406	–
Interest payables	3,074	445
Others	155,250	119,029
Total other payables	3,407,655	2,826,445

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 2024 and 31 December 2023 approximate their fair values.

36. Deferred Income Tax

Deferred income tax assets recognised:

	As at 30 June 2024	As at 31 December 2023
	RMB'000	RMB'000
Deferred income tax assets	735,056	753,546

Deferred income tax liabilities recognised:

	As at 30 June 2024	As at 31 December 2023
	RMB'000	RMB'000
Deferred income tax liabilities	3,032	2,457

36. Deferred Income Tax (Continued)

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
At the beginning of the period	751,089	767,138
Amendment of IAS 12	–	(2,718)
At the beginning of the period (restated)	751,089	764,420
Credited to equity	5,123	5,769
Tax (charged)/credited to profit for the period (Note 12)	(24,188)	11,454
At the end of the period	732,024	781,643

The movement in deferred income tax during the periods ended 30 June 2024 and 2023 is as follows:

Deferred income tax assets/liabilities

	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 2023	289,562	450,045	24,813	764,420
Credited/(charged) to:				
Loss/(Profit) for the period	(11,380)	15,991	6,843	11,454
Equity	5,769	–	–	5,769
At 30 June 2023	283,951	466,036	31,656	781,643
At 1 January 2024	275,456	444,742	30,891	751,089
Credited/(charged) to:				
Loss/(Profit) for the period	(10,576)	(10,066)	(3,546)	(24,188)
Equity	5,762	–	(639)	5,123
At 30 June 2024	270,642	434,676	26,706	732,024

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 2024	As at 31 December 2023
	RMB'000	RMB'000
Tax losses for which no deferred income tax asset was recognised	1,093,988	1,105,852

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.

37. Loan Due to a Fellow Subsidiary

Loan due to a fellow subsidiary is unsecured, repayable within one year to three years and interest bearing at 2.85% to 7.64% (31 December 2023: 3.00% to 7.37%) per annum. The fellow subsidiary is Sinopec Century Bright Capital Investment Limited.

38. Commitments

(a) Capital commitments

Capital commitments for the purchase of property, plant and equipment outstanding as at 30 June 2024 and 31 December 2023 not provided for in the consolidated financial statements are as follows:

	As at 30 June 2024	As at 31 December 2023
	RMB'000	RMB'000
Contracted but not provided for		
– Property, plant and equipment	**9,079**	7,087

(b) Operating leasing commitments

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

	As at 30 June 2024	As at 31 December 2023
	RMB'000	RMB'000
Less than 1 year	**20,660**	29,562

As at 30 June 2024 and 31 December 2023, 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	
	2024	2023
	RMB'000	RMB'000
Profit before taxation	1,513,067	1,499,126
Adjustments for:		
(Reversal of provision)/Provision for ECL on trade and other receivables and contract assets, net	(45,507)	87,833
Depreciation of property, plant and equipment	408,913	359,415
Depreciation of right-of-use assets	68,265	76,105
Amortisation of intangible assets	21,581	21,461
Net gains on disposal of property, plant and equipment	(867)	(39,279)
Interest income	(607,340)	(529,287)
Interest expense	29,422	31,978
Exchange losses/(gains), net	7,257	(100,149)
Share of loss of a joint arrangement	354	46
Share of profit of associates	(8,041)	(8,896)
Cash flows from operating activities before changes in working capital	1,387,104	1,398,353
Changes in working capital:		
– Inventories	(98,878)	(71,715)
– Contract assets	(2,293,694)	(1,321,935)
– Contract liabilities	(3,395,922)	(1,136,244)
– Notes, trade and other receivables	(2,017,470)	1,501,340
– Notes, trade and other payables	2,139,679	(1,474,075)
– Restricted cash	(22,846)	53,687
Cash used in operations	(4,302,027)	(1,050,589)

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 33).

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.

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 2024 and 2023 and balances as at 30 June 2024 and 31 December 2023 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	
	2024	2023
	RMB'000	RMB'000
Construction and services provided to		
– Ultimate holding company	–	4,287
– Joint ventures of fellow subsidiaries	573,772	553,355
– Associates of fellow subsidiaries	729,488	895,879
– Fellow subsidiaries	11,279,212	13,437,241
– Associates	47	58,671
	12,582,519	14,949,433
Construction and services received from		
– Ultimate holding company	8,860	4,419
– Joint ventures of fellow subsidiaries	1,920	126
– Associates of fellow subsidiaries	163	383
– Fellow subsidiaries	1,475,576	1,002,393
– Associates	548	55,864
	1,487,067	1,063,185
Technology research and development provided to		
– Ultimate holding company	–	1,143
– Joint ventures of fellow subsidiaries	72,945	1,179
– Fellow subsidiaries	1,651	77,522
	74,596	79,874

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)

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
General services provided to		
– Fellow subsidiaries	**1,326**	363
– Associates of fellow subsidiaries	**–**	449
	1,326	812
General services received from		
– Fellow subsidiaries	**24,929**	27,502
Interest income on loans		
– Ultimate holding company	**281,683**	311,465
Interest expense on borrowings		
– Fellow subsidiaries	**2,616**	2,182
Expenses in relation to settlement and other financial services		
– Fellow subsidiaries	**1,088**	1,939
Deposit interest income from fellow subsidiaries	**59,695**	59,688

	As at 30 June 2024	As at 31 December 2023
	RMB'000	RMB'000
Deposits and time deposits placed in fellow subsidiaries	**6,473,089**	7,538,683

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.

41. Significant Related Party Transactions and Balances (Continued)

(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	
	2024	2023
	RMB'000	RMB'000
Fee	400	300
Basic salaries, other allowances and benefits-in-kind	2,625	2,501
Discretionary bonus (i)	7,832	8,233
Contributions to pension plans	932	910
	11,789	11,944

(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 – current	Loans due to a fellow subsidiary – non-current	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	141,972	–	129,070	271,042
Cash-flow:				
– Drawdown	5,200	–	–	5,200
– Capital element of lease rentals paid	–	–	(41,286)	(41,286)
– Interest element of lease rentals paid	–	–	(2,753)	(2,753)
Non-cash:				
– Entered into new lease	–	–	12,307	12,307
– Interest expenses	–	–	2,753	2,753
– Modification	–	–	2,791	2,791
– Exchange difference	7,037	–	1,047	8,084
At 30 June 2023	154,209	–	103,929	258,138
At 1 January 2024	80,702	21,461	152,728	254,891
Cash-flow:				
– Drawdown	31,554	15,612	–	47,166
– Capital element of lease rentals paid	–	–	(20,204)	(20,755)
– Interest element of lease rentals paid	–	–	(4,345)	(3,794)
– Repayment	(12,000)	(8,700)	–	(20,700)
Non-cash:				
– Entered into new lease	–	–	45,738	46,289
– Interest expenses	–	–	4,345	3,794
– Modification	–	–	(4,428)	(4,428)
– Exchange difference	555	–	73	628
At 30 June 2024	100,811	28,373	173,907	303,091

43. Particulars of Principal Subsidiaries

As at 30 June 2024, 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, engineering and consulting/ The PRC
SNEI (中石化南京工程有限公司)	The PRC/Limited liability company	556,005	100%	–	Engineering contracting, engineering and consulting/ The PRC
FCC (中石化第四建設有限公司)	The PRC/Limited liability company	350,000	100%	–	Engineering contracting/ The PRC
SFCC (中石化第五建設有限公司)	The PRC/Limited liability company	350,000	100%	–	Engineering contracting/ The PRC
TCC (中石化第十建設有限公司)	The PRC/Limited liability company	350,000	100%	–	Engineering contracting/ The PRC
Sinopec Guangzhou Engineering Co., Ltd. (中石化廣州工程有限公司)	The PRC/Limited liability company	300,000	100%	–	Engineering contracting, engineering and consulting/ 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 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 (MYR360,700)	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

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			
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. Subsequent Event

On 30 June 2024, Sinopec Shanghai Engineering Co., Ltd. (中石化上海工程有限公司) ("SSEC"), a wholly-owned subsidiary of the Company, entered into the KSD Equity Transfer Agreement with China Petrochemical Technology Co., Ltd. (中國石油化工科技開發有限公司) ("Sinopec Tech"), pursuant to which, SSEC agrees to acquire the 14.65% equity interests held by Sinopec Tech in Shanghai KSD Bulk Solids Engineering Co., Ltd. (上海金申德粉體工程有限公司) ("KSD") and Sinopec Tech agrees to repurchase its 7% equity interests held by SSEC. On the same date, Sinopec Engineering Incorporation (中國石化工程建設有限公司) ("SEI"), Luoyang Petrochemical Engineering Corporation Ltd. (中石化洛陽工程有限公司) ("LPEC") and Sinopec Ningbo Engineering Co., Ltd. (中石化寧波工程有限公司) ("SNEC"), the wholly-owned subsidiaries of the Company, entered into the Sinopec Tech Equity Transfer Agreement with China Petroleum & Chemical Corporation ("Sinopec Corporation"), pursuant to which, SEI, LPEC and SNEC agree to sell the 28% equity interests in aggregate held in Sinopec Tech to Sinopec Corporation.

Prior to the completion of the transactions, neither Sinopec Tech nor KSD is a subsidiary of the Company. Upon completion of the transactions, the Group will no longer hold any equity interest in Sinopec Tech. KSD will become a subsidiary of the Company and its financial statements will be included in the consolidated financial statements of the Group. For details of the transactions, please refer to the announcement published by the Company on 1 July 2024.

45. Comparative Figures

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

中石化炼化工程(集团)股份有限公司
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