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SINOPEC Engineering (Group) Co., Ltd.*

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

(Stock Code: 2386)

Announcement of 2013 Interim Results

1 Important Notice

1.1 This announcement is a summary of the interim report. The entire report is also contained in the website of the The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and SINOPEC Engineering (Group) Co., Ltd. ("SINOPEC SEG") (www.segoup.cn). The investors should read the 2013 interim report of SINOPEC SEG dated 16 August 2013 (the "Interim Report") for more details.

1.2 Our directors, Mr. LING Yiqun and Mr. CHANG Zhenyong, were engaged with official duties and could not attend the eighth meeting of the First Session of the Board of the Directors on August 16, 2013 (the "Meeting"). Mr. LING Yiqun authorized Mr. CAI Xiyou and Mr. CHANG Zhenyong authorized Mr. ZHANG Kehua to attend the Meeting and vote on their behalf.

1.3 The interim financial statements for the six-month period ended 30 June 2013 of SINOPEC SEG and its subsidiaries ("the Company"), prepared in accordance with the International Financial Reporting Standards ("IFRS"), have been audited by Grant Thornton Certified Public Accountants (Special General Partnership), which has issued standard unqualified opinions on the interim financial statements contained in the Interim Report.

2 Basic Information of the Company

2.1 Company Profile

Stock Name:	SINOPEC SEG
Stock Code:	2386
Place of Listing of H Shares:	The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange")
Legal Representative:	Mr. CAI Xiyou
Authorized Representatives:	Mr. YAN Shaochun 、Mr. SANG Jinghua
Secretary to the Board of Directors:	Mr. SANG Jinghua
Place of Business and Correspondence Address:	Tower B, No.19, Anyuan, Anhuibeili, Chaoyang District, Beijing, PRC (Postcode: 100101)
Telephone:	+86-10-6499-8114
Website:	www.segroup.cn
E-mail:	seg.ir@sinopec.com

2.2 Principal Financial Data and Indicators

Financial Data and Indicators Prepared in Accordance with IFRS

Unit: RMB'000

Items	As at 30 June 2013	As at 31 December 2012	Changes from the end of last year (%)
Total assets	47,428,498	37,130,025	27.7
Total equity attributable to shareholders of the Company	19,907,145	7,077,985	181.3
Net assets per share attributable to shareholders of the Company (RMB)	4.50	2.28	97.4

Unit: RMB'000

Items	**Six-month periods ended 30 June 2013**	**2012**	**Changes over the same period of the preceding year (%)**
Revenue	19,645,416	16,888,392	16.3
Gross profit	3,645,816	3,077,236	18.5
Operating profit	2,821,410	2,269,798	24.3
Profit before taxation	2,930,287	2,583,889	13.4
Net profit attributable to shareholders of the Company	2,214,134	1,998,504	10.8
Basic earnings per share (RMB)	0.66	0.64	3.1
Net cash flow used in operating activities	(905,213)	(2,668,792)	N/A
Net cash flow used in operating activities per share (RMB)	(0.27)	(0.86)	N/A

Items	**Six-month periods ended 30 June 2013**	**2012**
Gross profit margin (%)	18.56	18.22
Net profit margin (%)	11.27	11.83
Return on assets (%)	5.24	5.25
Return on equity (%)	11.12	35.59
Return on invested capital (%)	11.24	35.35

Items	**As of 30 June 2013**	**As at 31 December 2012**
Asset-liability ratio (%)	58.02	80.93

3 Changes in Share Capital and Shareholdings of Substantial Shareholders

3.1 Changes in the Share Capital of SINOPEC SEG

Unit: Share

	As at 31 December 2012		Increase/Decrease during the Reporting Period (+, -)			As at 30 June 2013	
	Number	Percentage (%)	New share issued	Others	Subtotal	Number	Percentage (%)
Promoter shares (domestic shares)	3,100,000,000	100.00	—	-132,800,000	-132,800,000	2,967,200,000	67.01
Foreign shares listed overseas (H shares) (1)	—	—	+1,328,000,000	+132,800,000	+1,460,800,000	1,460,800,000	32.99
Total number of shares	3,100,000,000	100.00	+1,328,000,000	—	+1,328,000,000	4,428,000,000	100.00

Notes:

(1) During the Reporting Period, 1,328,000,000 H shares were newly issued. In addition, 132,800,000 domestic shares were transferred to the National Council for Social Security Fund of the PRC ("NSSF") and converted into H shares.

3.2 Shareholdings of Substantial Shareholders

As at 30 June 2013, there were a total of 1,826 shareholders of SINOPEC SEG. The public float of SINOPEC SEG 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").

3.2.1 Shareholdings of the top ten shareholders

Unit: Share

Name of Shareholders	Increase/ Decrease during the Reporting Period	Number of shares held at the end of the Reporting Period	Approximate percentage at the end of the Reporting Period	
			In total share capital (%)	In relevant class of shares (%)
China Petrochemical Corporation	-132,800,000	2,967,200,000	67.01	0.00
HKSCC (Nominees) Limited	+1,458,073,000	1,458,073,000	32.93	99.81
CHAN LAI KUEN SELINA	+195,500	195,500	0.33	0.01
WONG CHUI CHUNG	+195,500	195,500	0.33	0.01
WONG MAY JANE	+131,000	131,000	0.33	0.01
MUI CHOK WAH	+18,000	18,000	0.00	0.00
WONG KWOK WAI PHILIP	+16,500	16,500	0.00	0.00
WONG KWOK YUNG ANSON	+16,500	16,500	0.00	0.00
YUE KAR MAN DORA	+16,000	16,000	0.00	0.00
WONG KWOK CHEE JUDY	+13,500	13,500	0.00	0.00
Statement on the connected relationship or action in concert among or between the aforementioned shareholders	SINOPEC SEG is not aware of any connection or action in concert among or between the aforementioned top ten shareholders.			

3.2.2 Information disclosed according to the Securities and Futures Ordinance

Except for the information disclosed below, as at 30 June 2013, so far as is known to the Board of Directors, no person(s) (not being a director, chief executive or supervisor of the Company) had an interest or short position in the shares or underlying shares or debentures of the Company which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the Securities and Futures Ordinance ("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 the general meetings of any other member of the Company:

Name of Shareholders	Class of shares	Capacity	Number of shares with interests held or regarded as being held (share)	Approximate percentage in shares of SINOPEC SEG of the same class [5] (%)	Approximate percentage in the total share capital of SINOPEC SEG [6] (%)
China Petrochemical Corporation [1]	Domestic Shares	Beneficial owner/ Interests of controlled corporation	2,967,200,000(L)	100(L)	67.01(L)
Hang Seng Bank Trustee International Limited [2]	H shares	Trustee/Interests of controlled corporation	74,583,500(L)	5.10(L)	1.68(L)
National Council for Social Security Fund of the PRC (全國社會保障基金理事會) [3]	H shares	Beneficial owner	146,632,000(L)	10.04(L)	3.31(L)
State Administration of Foreign Exchange of the PRC (國家外滙管理局) [4]	H shares	Interests of controlled corporation	131,756,000(L)	9.02(L)	2.98(L)

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

Notes:

(1) China Petrochemical Corporation directly and/or indirectly holds 2,967,200,000 domestic shares, representing 100% of the domestic share and approximately 67.01% of the total share capital of the Company, respectively. Sinopec Assets Management Co., Ltd. is a wholly-owned subsidiary of China Petrochemical Corporation and directly holds 59,344,000 domestic shares, representing 2.00% of the domestic share and approximately 1.34% of the total share capital of the Company, respectively. For the purposes of the SFO, China Petrochemical Corporation is also deemed to be interested in the domestic shares held by Sinopec Assets Management Co., Ltd.

(2) According to the Corporate Substantial Shareholders Notices dated 6 June 2013 and filed by each of (i) Hang Seng Bank Trustee International Limited, (ii) Cheah Company Limited, (iii) Cheah Capital Management Limited, (iv) Value Partners Group Limited, (v) Cheah Cheng Hye and (vi) To Hau Yin with the Hong Kong Stock Exchange, Value Partners Group Limited (wholly-owned subsidiary of Value Partners Group Limited) directly holds 74,583,500 H shares of the Company. Hang Seng Bank Trustee International Limited is the trustee of the C H Cheah Family Trust, of which Cheah Cheng Hye is the founder. To Hau Yin is the spouse of Cheah Cheng Hye. Each of Cheah Company Limited, Cheah Capital Management Limited and Value Partners Group Limited is directly or indirectly controlled by Hang Seng Bank Trustee International Limited. Accordingly, for the purposes of the SFO, each of Hang Seng Bank Trustee International Limited, Cheah Company Limited, Cheah Capital Management Limited, Value Partners Group Limited, Cheah Cheng Hye and To Hau Yin is deemed interested in the long positions held by Value Partners Group Limited.

(3) The information is based on the Corporate Substantial Shareholders Notices dated 4 June 2013 and filed by the NSFF with the Hong Kong Stock Exchange.

(4) According to the Corporate Substantial Shareholders Notices dated 4 June 2013 and filed with by (i) the State Administration of Foreign Exchange of the PRC ("SAFE"), (ii) Pagoda Tree Investment Company Limited (中國華馨投資有限公司), (iii) Compass Investment Company Limited (博遠投資有限公司), (iv) GUOXIN International Investment Corporation Limited (國新國際投資有限公司) and (v) Metroson Holdings Corporation Limited (都盛控股有限公司) with the Hong Kong Stock Exchange, Metroson Holdings Corporation Limited directly holds 131,756,000 H shares of the Company. As each of Pagoda Tree Investment Company Limited, Compass Investment Company Limited, GUOXIN International Corporation Limited and Metroson Holdings Corporation Limited is a subsidiary directly or indirectly controlled by SAFE, each of SAFE, Pagoda Tree Investment Company Limited, Compass Investment Company Limited and GUOXIN International Investment Corporation Limited is deemed interested in the long positions held by Metroson Holdings Corporation Limited for the purposes of the Securities and Futures Ordinance.

(5) The calculation is based on the 2,967,200,000 domestic shares or 1,460,800,000 H shares issued by the Company.

(6) The calculation is based on the 4,428,000,000 shares issued by the Company in total.

4 Directors, Supervisors and Senior Management

4.1 Equity capital of directors, supervisors and members of senior management

During the Reporting Period, so far as was known to the directors of SINOPEC SEG, none of the directors, supervisors and chief executive of SINOPEC SEG or their respective associates had any interest or short positions in any shares, underlying shares or debentures of SINOPEC SEG or any associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by SINOPEC SEG referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Hong Kong Listing Rules, to be notified to SINOPEC SEG and the Hong

Kong Stock Exchange. that are regarded, or treated as being held, in accordance with the Securities and Futures Ordinance (SFO) in the shares of SINOPEC SEG or any associated corporation. This is in compliance with Divisions 7 and 8 of Part XV of the Ordinance, whereby such individuals must inform SINOPEC SEG and the Hong Kong Stock Exchange if they hold any such interests, Section 352, where they shall also then be registered on the designated register as required by the Ordinance, or the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under Appendix 10 of the Hong Kong Listing Rules and inform SINOPEC SEG and the Hong Kong Stock Exchange.

4.2 Compliance with the Model Code

After specific inquiries by SINOPEC SEG, all the directors confirmed that they have complied with all the standards of Model Code during the reporting period.

5 Board Report

5.1 Business Review

In the six-month period ended 30 June 2013 (the "Reporting Period"), the Company's total revenue and profit attributable to shareholders of the Company were RMB19.645 billion and RMB2.214 billion, respectively. As at the end of the Reporting Period, the Company's backlog was RMB101.485 billion. The value of new contracts the Company entered into during the Reporting Period was RMB45.080 billion.

The business of the Company is mainly comprised of four segments: (1) Engineering, consulting and licensing; (2) EPC Contracting; (3) Construction; and (4) Equipment manufacturing. The following table sets forth the revenue generated from each of the segments (before and after inter-segment elimination) and their respective percentage of the Company's total revenue (before inter-segment elimination) during the periods indicated:

	Six-month periods ended 30 June				
	2013		2012		
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Change
	(RMB'000)	(%)	(RMB'000)	(%)	(%)
Engineering, consulting and licensing	2,263,920	10.6	1,677,822	9.4	34.9
EPC Contracting	10,594,811	49.7	8,331,527	46.6	27.2
Construction	8,098,838	38.0	7,495,236	41.9	8.1
Equipment manufacturing	365,763	1.7	384,928	2.1	(5.0)
Subtotal	21,323,332	100.0	17,889,513	100.0	N/A
Total revenue after inter-segment elimination [(1)]	19,645,416	N/A	16,888,392	N/A	16.3

(1) The total revenue 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.

In the Reporting Period, the total revenue of the Company was RMB19.645 billion, an increase of 16.3% from the same period of the previous year, benefited mainly by several large Engineering, Procurement and Construction Contracting ("EPC Contracting") projects that entered their peak construction stage this year, including the Yanchang Petroleum Jingbian Energy Chemical Complex ("Jingbian Coal Chemical Complex"), Shaanxi Yulin Methanol Acetic Acid Deep Processing and Comprehensive Utilization Complex ("Yulin Coal Chemical Complex"), Wuhan 800 thousand tons per annum ("Ktpa") Ethylene Complex ("Wuhan Ethylene Complex"), Sinochem Quanzhou 12 million tons per annum ("Mtpa") Oil Refining Complex ("Sinochem Quanzhou Complex"), Refined Oil Quality Upgrading and Heavy Crude Oil Adapting Complex of Shijiazhuang Refining and Chemical Company ("Shijiazhuang Refining and Chemical Complex").

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

	Six-month periods ended 30 June				
	2013		**2012**		
	Revenue	**Percentage of total revenue**	**Revenue**	**Percentage of total revenue**	**Change**
	(RMB'000)	(%)	(RMB'000)	(%)	(%)
Oil refining	5,129,647	26.1	5,449,534	32.3	(5.9)
Petrochemicals	8,625,631	43.9	6,783,294	40.2	27.2
New coal chemicals	3,686,688	18.8	2,234,112	13.2	65.0
Other industries	2,203,450	11.2	2,421,452	14.3	(9.0)
Total	19,645,416	100.0	16,888,392	100.0	16.3

The Company derived its revenue mainly from services provided to clients in the oil refining, petrochemical and new coal chemical industries. In the Reporting Period, the Company's revenue from the oil refining industry was RMB5.130 billion, similar to that of the same period in 2012. This was mainly because a number of large domestic projects were at their final stage and new projects including the Kazakhstan Atyrau Refinery Oil Deep Processing Project were still in the initial stages of construction. The revenue derived from the petrochemical industry was RMB8.626 billion, representing an increase of 27.2% as compared to that for the same period in 2012. This increase was mainly because a large proportion of contracts signed after 2011 by the Company in this industry substantially realized revenue in the Reporting Period. Revenue derived from the new coal chemical industry witnessed a sharp rise to RMB3.687 billion, representing an increase of 65.0% as compared to that for the same period in 2012. This increase was mainly due to the significant increase of revenue generated from projects such as the Jingbian Coal Chemical

Complex and the continued increase in backlogs for new coal chemicals. Revenue derived from other industries was RMB2.203 billion, which was slightly lower compared to that for the same period in 2012.

The Company continues to expand its overseas business steadily. The following table sets forth the Company's revenue in the PRC and overseas for the periods indicated:

	Six-months period ended 30 June				
	2013		2012		
	Revenue (RMB'000)	Percentage of total revenue (%)	Revenue (RMB'000)	Percentage of total revenue (%)	Change (%)
PRC	16,189,958	82.4	14,200,348	84.1	14.0
Overseas	3,455,458	17.6	2,688,044	15.9	28.5
Total	19,645,416	100.0	16,888,392	100.0	16.3

During the Reporting Period, the overseas revenue of the Company amounted to RMB3.455 billion, representing an increase of 28.5% as compared to RMB2,688 billion in the same period in 2012. This increase was mainly due to the Kazakhstan Atyrau Refinery Aromatics EPC Project, the Saudi Kayan NDA Project, the SABIC PET Project in Saudi Arabia and the Singapore Lubricant Oil/Grease Project. In particular, over 70 percent of the Kazakhstan Atyrau Refinery Aromatics EPC Project was completed, with engineering, procurement and construction conducted in full force. The project was in its peak construction stage in the Reporting Period. The Saudi Kayan NDA Project and the SABIC PET Project entered their final stage, with most of the progress made in the Reporting Period. The Singapore Lubricant Oil/Grease Project was fully completed in the Reporting Period, also contributing to the Company's overseas revenue.

As the end of the Reporting Period, the backlog of the Company amounted to RMB101.485 billion, representing an increase of 33.4% as compared to RMB76.051 billion as at 31 December 2012, or 2.6 times of the total revenue of RMB38.526 billion in 2012. During the Reporting Period, the value of new contracts amounted to RMB45.080 billion, representing an increase of 244.2% as compared to RMB13.097 billion in the same period of 2012.

Representative domestic projects with new contracts signed during the Reporting Period include: (i) the DMTO-II unit for the 700 Ktpa coal-to-olefin project of Pucheng Clean Energy Chemical Co., Ltd., with an EPC contract value of RMB2.398 billion; (ii) the DMTO unit for the 300 Ktpa polyethylene project and the 390 Ktpa polypropylene project of Zhejiang Xingxing New Energy Co., Ltd., with an EPC contract value of RMB1.819 billion; (iii) the tank farm project for Shandong LNG receiving terminal project of Sinopec Qingdao LNG Co., Ltd., with an EPC contract value of RMB1.665 billion; and (iv) the 400 Ktpa phenol-acetone project of Shanghai Sinopec Mitsui Chemical Co., Ltd., with an EPC contract value of RMB1.23 billion. Representative overseas projects with new contracts signed during the Reporting Period include: (i) the USA PTA and PET project, with an EPC contract value of USD1.150 billion; and (ii) the Engineering, Procurement, Construction, Commissioning/Start-Up Contracting ("EPCC") contract for the Kazakhstan KPI project, with a contract value of USD1.850 billion.

The capital expenditure of the Company would usually be used for facility expansion, upgrade of technology and procurement of equipment. In the Reporting Period, our capital expenditure was approximately RMB209 million, which was for the construction of production bases and procurement of large construction equipment. It decreased significantly as compared to the capital expenditure of RMB736 million for the same period of 2012, which was principally for the purchase of land use rights for a number of parcels of land.

5.2 Business Highlights

1 Successful Implementation of Major Projects

Jingbian Coal Chemical Complex: This complex mainly involves units for 1.5 Mtpa of residue fluid catalytic cracking, 600 Ktpa of polyethylene, and 600 Ktpa of polypropylene, etc. During the Reporting Period, the engineering, procurement and construction of the project were completed and pending further commissioning.

Yulin Coal Chemical Complex: The first phase of this complex involves the units for 1.8 Mtpa of MTO, 300 Ktpa of polyethylene, 300 Ktpa of polypropylene, and the unit for the comprehensive utilization of C4. Currently, the overall completion progress of all the units has exceeded fifty percent and the safety, quality and progress of the complex are all under control of the Company.

Wuhan Ethylene Complex: This complex mainly involves units for 800 Ktpa of ethylene, 550 Ktpa of gasoline hydrofining unit, 350 Ktpa of aromatics extraction, 300 Ktpa of high density polyethylene and 300 Ktpa of linear low density polyethylene, etc. Currently, all the units have been delivered and the complex is going through commissioning and start-up phase.

Sinochem Quanzhou Complex: The major processing units of this complex consist of 12 Mtpa CDU/VDU unit, 2 Mtpa continuous catalytic reforming unit, 1.6 Mtpa delayed coking unit, 3.3 Mtpa residue desulfurisation unit, 3.4 Mtpa fluid catalytic cracking unit, 2.6 Mtpa wax oil hydrocracking unit, and hydrogen production unit with a capacity of 140,000 normal cubic meter per hour. Currently, the design of the complex has been almost completed and all the major equipment and materials have been purchased. The safety, quality and progress of the complex are all under control of the Company.

Shijiazhuang Oil Refining and Chemical Complex: The crude oil processing capacity of this project expanded from 4 Mtpa to 8 Mtpa. Adaptability improvement was implemented for processing of heavy crude oil and the upgrade of the gasoline and diesel products, in order to meet the requirements for motor gasoline and diesel under the National Phase-IV Emission Standard. Currently, seventy percent of the complex has been successfully completed.

2 Excellent Results in Market Development

In 2013, due to the impact of the international and domestic macro environment, the energy and chemical engineering market has slowed down and the pressure caused by market competition has been intensifying. The new coal chemical industry has seen remarkable growth in the PRC with the development of new coal chemical technology and its cost advantages. While maintaining our market edges in conventional industries, e.g. the oil refining and chemical industry, the Company strove to explore the domestic coal chemical markets and strengthened overseas marketplace exploration. During the Reporting Period, the value of new contracts was RMB45.080 billion, including RMB22.443 billion for domestic projects and RMB22.637 billion for overseas projects.

Domestically, the Company signed contracts for a number of large projects during the Reporting Period, including the EPC contracting for the continuous catalytic reforming and gasoline separation project of Dalian West Pacific Petrochemical Co., Ltd., the project of the tank farm for the LNG receiving terminal in Qingdao of Shandong and Dapeng of Guangdong, the EPC contracting for the butadiene unit of SECCO and the EPC contracting for the phenol-acetone unit of Sinopec Mitsui. In the new coal chemical industry, the Company signed contracts for the following projects: the polypropylene unit of China Coal Mengda, the olefin separation plant of Shenhua Shaanxi, the DMTO unit of Zhejiang Xingxing Energy and the DMTO unit in Pucheng. The significant increase in new contracts clearly indicates that the conventional petrochemical industry is still the primary business of the Company. There was also a continuous increase in the number of new contracts signed for new coal chemical projects, contributing to a total contract value of RMB9.069 billion during the Reporting Period. During the Reporting Period, the permit for the new coal chemical projects in Zhijin of Guizhou Province and Hebi of Henan Province which the Company had been following up closely was granted by the NDRC to commence early stage work. The ethylene and oil refining revamping and expansion project of Hainan Refining Chemical Co., Ltd. and the integration project for Phase II of CNOOC Huizhou Refining have also been approved by the NDRC. In addition to the above projects, the Company is also pursuing a number of significant projects, and expects an optimistic prospect for the market development.

Overseas, the Company signed an EPC contract on 11 January 2013 with Italian M&G for the 1.2 Mtpa PTA and the 1 Mtpa PET complex located in Texas, the United States. The contract value is USD 1.15 billion with a construction period of 36 months. Upon completion, the plant will become the largest manufacturer of PET for packing material in the United States. Responsibilities of the Company for this project include assisting the owner in obtaining USD350 million of Chinese export credit and providing procurement service for relevant Chinese equipments and materials. The Company is also responsible for managing and supervising the project as a general contractor. On 10 June 2013, the Company entered into an EPC contract with Kazakhstan Petrochemical Industry Inc ("KPI"). The project is located in the region of Karabatan, Atyrau State, Kazakhstan. The Company's scope of work under the contract includes the general contracting of the engineering, procurement, construction, commissioning and performance assessment (EPCC) for a 500 Ktpa propane dehydrogenation unit (PDH) and polypropylene unit (PP) as well as the utilities required by the two units above and the related infrastructures. The project will be implemented upon satisfaction of certain conditions. The construction period of the project is expected to be 36 months, with a total contract value of approximately USD1.85 billion (approximately RMB11.4 billion).

3 Leading Technologies

Steady progress of the R&D of major technologies developed along with the key projects. Satisfactory progress has been made in 35 major technological R&D projects. Following successful adoption in Sinopec Shijiazhuang Refining & Chemical Company, the technology of liquid-phase cyclic hydrogenation of diesel was also adopted by Sinopec Zhanjiang Petrochemical Company which has successfully commenced operations. With licensed technologies employed by eight core units, the Wuhan Ethylene Complex will start commissioning soon. The projects that will be commissioned in the second half of 2013 include : (i) Sinopec Hainan Petrochemical Company 480 Ktpa polyester raw material project, which uses proprietary technology, (ii) Sinopec Hubei Chemical Fertilizer 200 Ktpa coal-to-glycol project, and (iii) the hydrogen production project (Dongfang gasifier) of Sinopec Yangzi Petrochemical Company. The industrialisation of a number of technologies have entered the construction stage, including the residual desulfurisation on floating bed, propylene epoxide production using hydrogen peroxide method, and wet process flue gas desulfurisation. Good progress has been made on key projects, including Yuanba Natural Gas Purification Plant and the sewage treatment of Sinopec Nanjing Chemical Industrial Co., Ltd.. The successful implementation of the aforesaid new technological projects has made positive contribution to the Company's business.

Remarkable achievements in licensing. During the Reporting Period, 39 new technology licensing contracts were signed, amounting to RMB199 million. In addition to the conventional advantageous projects, e.g. polypropylene, cracking furnace, MTO, styrene and acrylonitrile, licensing has also been completed for the oil refining projects of CNOOC Taizhou Refining Units and Sinopec Yangzi Petrochemical Company Refining Project.

Good momentum kept in patent applications. During the Reporting Period, the Company submitted 202 new patent applications, of which 121 patents were granted. In particular, 5 affiliated engineering companies, including Sinopec Engineering Incorporation, Sinopec Luoyang Petrochemical Engineering Corporation, Sinopec Shanghai Engineering Co., Ltd., Sinopec Ningbo Engineering Company Limited and Sinopec Nanjing Engineering & Construction Incorporation, submitted 187 patent applications. Of these 187 patent applications, 120 were invention patents, which accounted for approximately two-thirds of the total number of patent applications, reflecting the high quality of the Company's patent applications.

During the Reporting Period, the Company won 22 provincial/ministerial or higher level awards for scientific and technological progress. The "safe and efficient development technology for the industrialized application of mega-sized and ultra-deep gas field of high sulfur compounds" project won the 2012 National Special Award for Scientific and Technological Progress; the "development and application of packaged technology for 650 Ktpa ethylbenzene", "development of the application technology for the capacity expansion and quality upgrading of the hydrocracking unit", "development of packaged technology for 300 Ktpa vinyl acetate made from natural gas by acetylene method" and "development and industrial application of packaged technology for catalytic oxidation of PO/SM flue gas" won first prize for Scientific and Technological Progress awarded by Sinopec Group; the "creation and industrial application of catalyst for binderless composite molecular sieve" won the first prize for Scientific and Technological Progress awarded by the People's Government of Shanghai; the "demo plant for producing 500 Ktpa of olefin using residue catalytic pyrolysis process ("CPP") won the first prize for Scientific and Technological Progress awarded by China Petroleum and Chemical Industry Federation ("CPCIF"); and the "1 Mtpa ethylene project of Sinopec Zhenhai" won a gold medal of National Premium Project Award.

4 Intensifying Enterprise Reform

The Company has been actively pursuing corporate reform focusing on the developmental goal of "building the world's top-tier energy and chemical engineering company" and the developmental mode of "integrated operation and group-oriented management and control". The Company has continued to reorganise its businesses and push forward specialization reform and has been in the process of establishing Sinopec Heavy Lifting and Transportation Ltd. ("SLT"), and resolving the issue of "scattered and poor business" and "homogenous competition" of its subsidiaries (especially the construction enterprises). With a focus on "streamlining and efficiency". The Company has further optimized organizational structure and functionality and established Procurement Department, QHSE Management Department and IT Management Department. The Company has also sought methods to carry out mechanism and institutional reform, enhance corporate governance under a different situation and establish effective institutions, mechanisms, and a Group-oriented management system which accomodates the development of the Company during its upward development.

5 Sustained Safe Operation

During the Reporting Period, the Company has strengthened the implementation and accountability in QHSE management, establishing the philosophy of "Safety comes first, Life above all else", adhering to the guiding principle of "Safety first, prevention foremost and comprehensive treatment",actively introducing modern management concepts and methods, complying with management requirements of "all-member participation, assignment of responsibility, perfection of systems, continuous improvement, process control and serving clients". The Company has additionally enhanced the quality, HSE training and inspection for projects under construction.

As at the end of the Reporting Period, the accumulated safe man-hours amounted to 119.74 million hours, with no quality or operational safety incidents occurred.

6 Other Aspects

On 25 June 2013, the Company signed a strategic cooperation agreement with China CAMC Engineering Co., Ltd. and also signed an agreement for exclusive cooperation in one overseas coal-to-gas project. China CAMC Engineering Co., Ltd. has an extensive business network and maintains a good relationship with local government as well as significant experience in EPC Contracting management of international projects. The cooperation with China CAMC Engineering Co., Ltd will benefit both parties through enhanced information sharing and mutual cooperation.

5.3 Business Prospect

1 Realising the synergies of reorganization

1) Joint EPC contracting. The Company actively encourages its affiliated engineering companies and construction enterprises to carry out joint EPC contracting for projects and has undertaken pilot experiments for such projects such as Beihai LNG and Tianjin LNG. The joint EPC contracting has further streamlined project management structure, reduced management costs and avoided waste of resources. In addition, construction enterprises can step in at the early stage of a project to carry out constructability studies and create conditions for subsequent construction to ensure the safety, quality and efficient implementation of the project.

2) Market development. The Company will further strengthen its coordination in market development, eliminate vicious competition, realize orderly development and healthy competition; assist its subsidiaries in enhancing the efficiency of market development outside Sinopec Group under the principle of maximizing the benefits of the Company; require full considerations of risk factors associated with market development projects and be cautious before participating in "build, operate and transfer" ("BOT") projects and projects with questionable credit standing to ensure that the risks in project implementation are under control.

3) Standardized engineering, standardized procurement, modularized construction. The approach can shorten construction period, reduce costs, ensure safety construction, improve profitability and provide better services to owners and thus is the route that must be taken for engineering companies. The Company will further promote this approach by facilitating the combination between modularized construction and design and carrying out constructability studies in the early stage of a project so as to optimize design, lower construction cost, enhance work efficiency and increase the profitability of the project and the Company.

4) Management of large-scale hoisting equipment. The Company now has 36 large and ultra-large hoisting equipments with lifting capacity of over 200 tons. After the establishment of SLT, the Company will further optimize the allocation of resources and adopt the centralized management and unified allocation to take full advantage of the equipment and turn the segment into a new profit driver of the Company.

5) Manufacturing business. Ningbo Tianyi Petrochemical Heavy Equipment Manufacturing Co., Ltd. ("Ningbo Tianyi") is the only manufacturing enterprise affiliated with the Company. In order to turn manufacturing business into one of the profit drivers of the Company, the Company will help Ningbo Tianyi continuously strengthen its just-in-time management and internationalized operations to foster Ningbo Tianyi into an internationalized manufacturing enterprise.

2 Creating an integrated new coal chemical industrial chain

The new coal chemical business is one of the highlights of the Company in its future development. Currently, the Company boasts technical equipment and engineering achievements in aspects such as coal gasification, syngas to natural gas, syngas to methanol, syngas to glycol, methanol to olefin, polyolefin, indirect/direct coal liquefaction. Through coordination and optimization, these can contribute to the formation of a technical industrial chain with complete upstream and downstream support. Combined with the Company's advantages in the conventional engineering service segment, the Company can provide a complete industrial service chain including the licensing of process technology, engineering, procurement, construction and start-up services, becoming extremely competitive in the new coal chemical market and providing owners with a set of complete EPC services. For the next step, the Company will set up a leading group, a task force and a marketing team for the new coal chemical sector to introduce the new coal chemical industrial chain EPC services to the Company's key clients.

3 Continuing to increase investment in R&D

Following the development objective of "consolidating the traditional technical advantages in oil refining and chemical engineering, advancing the technology of alternative petroleum resources", the R&D investment will focus on the following aspects:

1) Create a new coal chemical technological chain;

2) Consolidate the results of the common growth with the technological development of Sinopec Group;

3) Strengthen external technical cooperation with industry experts, universities, research and engineering institutes by "using IPR as link and pursuing win-win outcome" to seek new sources of technology, expand business and improve the level of technology;

4) Leverage the Company's advantages in traditional petrochemical business to expand business in new resources and new energy;

5) Fully utilize the key laboratory in Luoyang and make it an innovation base of the Company and a bridge for the industrialization of laboratory achievements so that it can support the competitiveness enhancement and business growth of the Company.

4 Steadily developing overseas markets

The Company plans to optimize its deployment for overseas market exploration, continuously improve the existing organisational structure and divide the global market into five regions (i.e. Southeast Asia and India, Central Asia, Middle East, America and Africa). The Company will establish overseas affiliates in each region to extend market development and operational functions and enhance the efficiency of market development. Meanwhile, to suit the current characteristics of overseas markets, the Company has established development strategies which are driven by the financing assistance and technology, to consolidate the construction and the preliminary stage of projects, and to strengthen international cooperation, strive for differentiation, and compete with low-cost strategy when appropriate.

5 Establishing modern HR management system and management incentive mechanism

1) Establishing a competitive remuneration system that reflects each position's unique feature that combines with job responsibility. The Company will gradually build a remuneration system that is based on jobs, pegged to competence and led by performance, continuously improve the dual mechanism of salary determination and total compensation package evaluation, straighten out the remuneration strategy of talents at all levels and provide institutional support for building a team of talents;

2) Establishing medium and long-term incentives that can inspire the enthusiasm and creativity of the employees. The Company will constantly motivate the key members of the Company, and providing appropriate incentives for those who are qualified for medium and long-term incentives, inspire the value creativity of talents and promote the industrial upgrading and sound development of the Company;

3) Establishing a performance-led management system. The Company will focus on management by objectives ("MBO") to establish a performance appraisal mechanism closely related to the remuneration system based on each position's unique feature, enhance the standardization, operability and measurability of performance management system and strive for a positive incentive result;

4) Establishing and improving a talent fostering and development system. The Company will carry out targeted multi-tiered and multi-class training to quickly enhance the professional proficiency of employees, conduct the staff training work steadily and properly, and build talent teams composed of 4 kinds of talents: international talents, project management talents, engineering design talents and professional construction talents.

5) Studying and developing a medium and long-term incentive mechanism for the management. Fully utilize and leverage the Company's management's business intelligence and decision-making capabilities.

6 Building an IT management platform

To facilitate the efficient and safe operation of its core business, the Company expects to fully enhance the comprehensive corporate management and core competitiveness through IT construction that focuses on integrated and intelligent systems. The Company plans to strengthen the top-level design of IT construction in the near future, speed up the intensive ERP pilot runs, enhance sharing services, accelerate the establishment and improvement of the organizational structure and incentive system for IT construction, with focus on building "One main line, Two integrations, Three platforms and Four systems".

One main line means the main line of providing SINOPEC SEG with IT support and effective enterprise control for the complete business chain that comprises engineering consulting, engineering, procurement, construction, project management and equipment manufacturing.

Two integrations mean the integration of collaboration designs for the construction of digitalized factories and the integration of business with project management as the core.

Three platforms mean the operation management platform centered on ERP construction; the project execution platform comprises standardized engineering, standardized procurement and modularized construction; and the infrastructure cloud platform supported by a global network system.

Four systems mean an effective information organization and control system; a unified information standardization system; a stable information operation and maintenance system; and a powerful and effective risk control information security system.

5.4 The analysis of the reasons of the significant changes in the revenue structure compared to last financial year

Parts of the financial data below, unless otherwise stated, were extracted from the Company's audited financial statements prepared according to the IFRS.

5.4.1 Revenue

The revenue of the Company increased by 16.3% from RMB16.888 billion for the six months ended 30 June 2012 to RMB19.645 billion for the six months ended 30 June 2013. The increase was mainly due to a number of large EPC Contracting projects, such as Jingbian Coal Chemical Complex, Yulin Coal Chemical Complex, Wuhan Ethylene Complex, Sinochem Quanzhou Complex and Shijiazhuang Oil Refining and Chemical Complex, entering their peak construction stage this year, as well as the settlement of many engineering projects.

5.4.2 Cost of sales

The cost of sales of the Company increased by 15.8% from RMB13.811 billion for the six months ended 30 June 2012 to RMB16.000 billion for the six months ended 30 June 2013, primarily due to the increased direct costs including labor cost and expenditure on procurement of materials, machinery and equipment caused by the increase of revenue.

5.4.3 Gross profit

The gross profit of the Company increased by 18.5% from RMB3.077 billion for the six months ended 30 June 2012 to RMB3.646 billion for the six months ended 30 June 2013, due to the larger increase in the Company's revenue than in the Company's cost of sales.

5.4.4 Other income

The other income of the Company decreased by 26.0% or RMB8 million from RMB31 million for the six months ended 30 June 2012 to RMB23 million for the six months ended 30 June 2013.

5.4.5 Sales and marketing expenses

The sales and marketing expenses of the Company remained stable and slightly increased by 4.7% from RMB37 million for the six months ended 30 June 2012 to RMB38 million for the six months ended 30 June 2013.

5.4.6 Administrative expenses

The administrative expenses of the Company declined by 6.6% from RMB453 million for the six months ended 30 June 2012 to RMB423 million for the six months ended 30 June 2013, mainly due to the multiple cost control measures taken by the Company.

5.4.7 Research and development costs

The research and development costs of the Company increased by 22.4% from RMB208 million for the six months ended 30 June 2012 to RMB255 million for the six months ended 30 June 2013, mainly due to the efforts made by the Company to strengthen the integration of technologic resources and intensify R&D efforts.

5.4.8 Other operating expenses

The other operating expenses of the Company increased by 34.2% from RMB100 million for the six months ended 30 June 2012 to RMB134 million for the six months ended 30 June 2013, mainly due to the rising exchange losses.

5.4.9 Other gains/(losses) - net

The net other gains/(losses) of the Company changed from a loss of RMB42 million for the six months ended 30 June 2012 to a gain of RMB2 million for the six months ended 30 June 2013, mainly because in 2012, the Company recorded a loss of RMB31.4 million from the sale of land use right that was disposed of by an affiliated company but no similar loss was incurred.

5.4.10 Operating profit

As a result of the reasons above, the operating profit of the Company increased by 24.3% from RMB2.270 billion for the six months ended 2012 to RMB2.821 billion for the six months ended 30 June 2013.

5.4.11 Financial income - net

The net financial income of the Company declined by 66.1% from RMB309 million for the six months ended 2012 to RMB105 million for the six months ended 30 June 2013, mainly due to a decline in the interest income receivable from the ultimate holding company as compared with the same period of the previous year.

5.4.12 Income tax expense

The income tax expense of the Company increased by 22.4% from RMB585 million for the six months ended 2012 to RMB716 million for the six months ended 30 June 2013. The main reason was that the Company's profit before taxation increased from RMB2.584 billion for the six months ended 2012 to RMB2.930 billion for the six months ended 30 June 2013, while the effective income tax rate rose from 22.65% for the six months ended 2012 to 24.44% for the six months ended 30 June 2013 . The change in the effective income tax rate was due to fluctuations in the profit of some affiliated companies.

5.4.13 Profit for the period

Due to the above reasons, the net profit in the Reporting Period increased by 10.8% from RMB1.999 billion for the six months ended 30 June 2012 to RMB2.214 billion.

5.4.14 Total comprehensive income for the period

As a combined result of the reasons above and the contributions of other comprehensive income of the Company, the total amount of the comprehensive income of the Company increased by 5.6% from RMB2.145 billion for the six months ended 30 June 2012 to RMB2.265 billion.

5.5 Assets, Liabilities, Equity and Cash Flows

The Company's funds mainly come from operating activities and are primarily used for working capital and capital expenditure.

5.5.1 Assets, Liabilities and Equity

Units: RMB'000

	As at 30 June 2013	As at 31 December 2012	Changes
Total assets	47,428,498	37,130,025	10,298,473
Current assets	39,449,721	29,051,247	10,398,474
Non-current assets	7,978,777	8,078,778	(100,001)
Total liabilities	27,518,067	30,048,775	(2,530,708)
Current liabilities	24,400,342	26,762,416	(2,362,074)
Non-current liabilities	3,117,725	3,286,359	(168,634)
Minority interests	3,286	3,265	21
Total equity	19,910,431	7,081,250	12,829,181
Total equity attributable to shareholders of the Company	19,907,145	7,077,985	12,829,160
Share capital	4,428,000	3,100,000	1,328,000
Reserves	15,479,145	3,977,985	11,501,160

As at 30 June 2013, the total assets of the Company were RMB47.428 billion, the total liabilities were RMB27.518 billion, the minority interests were RMB3 million, and the equity attributable to the shareholders of the Company was RMB19.907 billion. The changes in the assets and liabilities as compared with that at the end of 2012 and the main reasons are as follows:

The total assets were RMB47.428 billion, up by RMB10.298 billion as compared with that at the end of 2012. In particular, the current assets were RMB39.450 billion, up by RMB10.398 billion as compared with that at the end of 2012, mainly due to the increase of cash and cash equivalents and time deposits. Non-current assets were RMB7.979 billion, which remained relatively stable.

The total liabilities were RMB27.518 billion, down by RMB2.531 billion as compared with that at the end of 2012. In particular, the current liabilities were RMB24.400 billion, down by RMB2.362 billion as compared with that at the end of 2012, mainly due to the decrease in amounts due to clients for contract work by RMB1,099 billion, the decrease in notes and trade payables by RMB821 million and the repayment of loans due to fellow subsidiaries by RMB157 million. Non-current liabilities were RMB3.118 billion, down by RMB169 million as compared with that at the end of 2012, mainly due to the decline in retirement and other supplementary benefit obligations by RMB142 million.

Total equity attributable to shareholders of the Company was RMB19.907 billion, up by RMB12.829 billion as compared with that at the end of 2012, primarily as the result of the proceeds from the Company's initial public offering on the Main Board of The Stock Exchange of Hong Kong ("HK IPO") and the net profit in the Reporting Period.

5.5.2 Cash Flow

During the Reporting Period, the net increase in cash and cash equivalents was RMB2.279 billion and net cash flow from operating activities was RMB905 million. The following table sets forth the main items and their changes in the Company's consolidated cash flow statements for the six months ended 30 June 2013 and for the six months ended 30 June 2012.

Units: RMB'000

Major items of cash flow	**Six month periods ended 30 June**	
	2013	**2012**
Net cash generated from/(used in) operating activities	(905,213)	(2,668,792)
Net cash generated from/(used in) investing activities	(7,418,495)	477,712
Net cash generated from/(used in) financing activities	10,602,411	(906,650)
Net increase/(decrease) in cash and cash equivalents	2,278,703	(3,097,730)

During the Reporting Period, the profit before taxation was RMB2.93 billion, and the profit was RMB3.181 billion after adjusting the items in expenses that did not affect the cash flow in operating activities (non-cash expense items). The main non-cash expense items were: RMB289 million of depreciation and amortization and RMB2 million of losses on the disposal of property, plant buildings and equipment. The cash outflow in operating receivables and payables increased by RMB3.464 billion. In particular, due to the rise in purchasing costs brought by growing business volume and a drop in account payables, etc., the cash flew out by RMB1.576 billion; as construction projects proceeded, cash used for contract work-in-progress increased, causing a cash outflow of RMB2.572 billion; the Company strengthened its management of working capital, cleared up more account receivables, reduced the occupation of funds by current assets and cut account receivables, note receivables, inventories and other net current assets, which resulted in a cash inflow of RMB684 million.

After adjusting non-cash expenses and receivables and payables for the profit before taxation, and after deducting the paid income tax amounting to RMB631 million, the net cash used in operating activities was RMB905 million.

Net cash used in investing activities was RMB7.418 billion, mainly including a cash outflow of RMB7.403 billion as time deposits in a third-party financial institutions by the Company.

Net cash generated from financing activities was RMB10.602 billion, mainly due to proceeds from the Company's HK IPO during the Reporting Period.

Based on the Company's cash flow during the Reporting Period, the Company has adequate working capital. The Company will continue to closely monitor the account receivables for efficient use of working capital. The Company will also continue to effectively manage the investment risk, expand the scale of investment and increase the return on investment.

5.5.3 Summary of Financial Ratios

The following table sets forth the Company's key financial ratios for the periods indicated.

	Six-month periods ended 30 June	
Main financial ratios	**2013**	**2012**
Net profit margin (%)	11.27	11.83
Return on assets (%)(1)	5.24	5.25
Return on equity (%)(2)	11.12	35.59
Return on invested capital (3)	11.24	35.35

	Six-month periods ended 30 June	
	As at 30 June	**As at 31 December**
Main financial ratios	**2013**	**2012**
Gearing ratio (%)(4)	0.00	2.22
Net debt to equity ratio (%)(5)	net cash	net cash
Current ratio (6)	1.62	1.09
Quick ratio (7)	1.59	1.06

(1) Return on assets equals the profit for the year divided by the arithmetic mean of the opening and closing balances of total assets of the relevant half year expressed as a percentage.

(2) Return on equity equals the profit for the period divided by total equity at the end of the period.

(3) Return on invested capital is calculated by Earnings before Interest and Tax (EBIT) multiplied by one minus the tax rate, divided by invested capital.

Invested capital equals shareholders' equity plus interest-bearing liabilities, excluding credit loans.

(4) Gearing ratio is calculated based on total interest bearing debt divided by total equity plus total interest bearing debt at the end of the respective period.

(5) Net debt to equity ratio is calculated based on net debt divided by total equity at the end of the respective period.

(6) Current ratio is calculated by dividing current assets by current liabilities.

(7) Quick ratio is calculated by dividing current assets less inventories by current liabilities.

Return on assets

The Company's return on assets slightly decreased to 5.24%, which remained stable.

Return on equity

The Company's return on equity decreased from 35.59% for the same period in 2012 to 11.12%, mainly due to the increase in equity with the proceeds from the HK IPO.

Return on invested capital

The Company's return on invested capital decreased from 35.35% for the same period in 2012 to 11.24% for the same reason as for the decrease in return on equity.

Gearing ratio

The Company's gearing ratio decreased from 2.22% as at 31 December 2012 to 0 as at 30 June 2013 because the Company did not have any borrowings as at 30 June 2013.

Net debt to equity ratio

The Company maintained a positive net cash both as at 31 December 2012 and 30 June 2013.

Current ratio

The Company's current ratio increased from 1.09 as at 31 December 2012 to 1.62 as at 30 June 2013, primarily due to the increase in current assets during the Reporting Period.

Quick ratio

The Company's quick ratio increased from 1.06 as at 31 December 2012 to 1.59 as at 30 June 2013. The Company's inventories accounted for a minor percentage of current assets. The change in the quick ratio was due to the same reason as that for the increase in the current ratio.

5.6 Discussion on the backlog and new contracts

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

	As at 30 June 2013 (RMB'000)	**As at 31 December 2012** (RMB'000)	**Change** (%)
Engineering, consulting and licensing	6,173,551	4,992,705	23.7
EPC Contracting	79,567,421	56,809,988	40.1
Construction	15,487,163	13,992,728	10.7
Equipment manufacturing	256,968	255,318	0.6
Total	101,485,103	76,050,739	33.4

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

	As at 30 June 2013 (RMB'000)	**As at 31 December 2012** (RMB'000)	**Change** (%)
Oil refining	22,360,412	24,081,504	(7.1)
Petrochemicals	41,090,729	20,329,113	102.1
New coal chemicals	29,068,653	23,686,369	22.7
Other industries	8,965,309	7,953,753	12.7
Total	101,485,103	76,050,739	33.4

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

	As at 30 June 2013 (RMB'000)	**As at 31 December 2012** (RMB'000)	**Change** (%)
PRC	54,046,000	47,792,690	13.1
Overseas	47,439,103	28,258,049	67.9
Total	101,485,103	76,050,739	33.4

As at 30 June 2013, the value of the Company's backlog totaled RMB101.485 billion, up by 33.4% as compared with that as at 31 December 2012, representing 2.6 times of the annual revenue of RMB38.526 billion in 2012.

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

	Six-month periods ended 30 June		
	2013	2012	Change
	(RMB'000)		(%)
Engineering, consulting and licensing	3,412,328	1,663,133	105.2
EPC Contracting	33,352,244	6,782,867	391.7
Construction	8,066,671	4,319,994	86.7
Equipment manufacturing	248,537	330,846	(24.9)
Total	45,079,780	13,096,840	244.2

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

	Six-month periods ended 30 June		
	2013	2012	Change
	(RMB'000)		(%)
Oil refining	3,408,555	2,937,497	16.0
Petrochemicals	29,387,247	4,189,071	601.5
New coal chemicals	9,068,972	3,891,976	133.0
Other industries	3,215,006	2,078,296	54.7
Total	45,079,780	13,096,840	244.2

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

	Six-month periods ended 30 June		
	2013	2012	Change
	(RMB'000)		(%)
PRC	22,443,268	12,906,340	73.9
Overseas	22,636,512	190,500	11,782.7
Total	45,079,780	13,096,840	244.2

During the Reporting Period, the value of the Company's new contracts was RMB45.08 billion, representing an increase of 244.2% as compared with RMB13.097 billion for the same period of 2012.

6 Other Significant Events

6.1 Corporate governance

SINOPEC SEG is committed to the establishment of a modern corporate governance structure where the shareholders' meeting, the Board of Directors, the Board of Supervisors and senior management adopt an effective check and balance system and operate independently in accordance with relevant regulatory requirements.

During the period from the date of listing of the Company to 30 June 2013, SINOPEC SEG complied with all provisions in the Code on Corporate Governance Practices set out in Appendix 14 to the Hong Kong Listing Rules.

General meeting of shareholders and the Board of Directors of the Company

During the Reporting Period, SINOPEC SEG held one general meeting of shareholders, during which the shareholders reviewed and approved the Waiver from the Period of Notification for the First Extraordinary General Meeting of Shareholders in 2013, the Election of Members of the First Session of the Board of Directors, the Modifications to the Rules of Procedure for the Shareholders' Meeting, the Modifications to the Rules of Procedure for the Board of Directors, the Annual Profit Distribution Plan for 2012, the Formulation of the Profit Distribution Policy, the Establishment of the Liability Insurance System of Directors, Supervisors and Members of Senior Management, Credit of Commercial Bank for 2013 and other resolutions.

During the Reporting Period, SINOPEC SEG held three meetings of the Board of Directors, during which the Directors reviewed and approved the Approval of the Annual Financial Report and Audit Report for 2010-2012, the Provision of Guarantee for the Waste Treatment Project of the Subsidiary Middle East (Saudi Arabia) Limited in Sadara in Saudi Arabia, the Provision of Guarantee for the Petrokemya ABS Project of the Subsidiary Middle East (Saudi Arabia) Limited in Saudi Arabia, the Election of Members of the First Session of the Board of Directors and the Appointment of President, the Appointment of the Company's Authorized Representatives, the Setting of the Organization of the Company's Headquarters, the Establishment of the Company's Internal Control System, the Modifications to the Rules of Procedure for the Shareholders' Meeting and for the Board of Directors, the Setting of the Upper Limit to Performance Guarantee by the Parent Company for 2013, the Annual Profit Distribution Plan for 2012, the Formulation of the Profit Distribution Policy, the Establishment of the Liability Insurance System of Directors, Supervisors and Members of Senior Management and Purchase of the First Liability Insurance after Listing, Credit of Commercial bank for 2013, the Convening of the First Extraordinary General Meeting of Shareholders in 2013, the Waiver of Period of Notification for the First Extraordinary General Meeting of Shareholders in 2013, Relevant Matters on H Share IPO and Listing, the Amendment to the Company's Articles of Association (H Shares), the Appointment of Members of the Special Committees under the Board of Directors, the Approval of the Terms of Reference for the Special Committees under the Board of Directors, and other resolutions.

Independent non-executive directors

The Company has, under the Hong Kong Listing Rules, appointed a sufficient number of independent non-executive directors who have appropriate professional qualifications or appropriate accounting or relevant financial management expertise. The Company has appointed three independent non-executive directors, including Mr. HUI Chiu Chung, Stephen, Mr. JIN Yong, and Mr. YE Zheng.

Special committees

During the Reporting Period, the Board of Directors of SINOPEC SEG established four special committees, which include the Audit Committee, the Remuneration Committee, the Nomination Committee, and the Strategy and Development Committee. The Company's management established two special committees, namely the Risk Control Committee and the Confidentiality Committee.

Amendments to the Company's Articles of Association

On 22 April 2013, at the seventh meeting of the first session of the Board of Directors, the Directors considered and approved the proposal to amend the Company's Articles of Association. The amendments included the listing of and trading in unlisted shares overseas, the transfer of state-owned shares, the procedures for convening an extraordinary general meeting of shareholders, and other matters.

The Company's internal control system

The Company officially initiated the formulation of the Internal Control Manual and the establishment of a relevant institutional system in October 2012 in order to (i) facilitate the establishment and improvement of all management systems, (ii) standardize management practices, (iii) strengthen internal control, (iv) guard against operational risks, and (v) raise the management level of the Company.

To formulate the internal control manual, the Company organized and set up a working group for preparing the internal control manual that consists of corporate internal control experts, intermediary internal control consultants, and heads of all departments. Following the Company's general idea of "integrated operation, group management and control" and in line with the principle of "reflecting the Company's characteristics, controlling major risks, meeting regulatory requirements, taking into account cost effectiveness, facilitating practical operation, and focusing on control effects", they prepared a detailed implementation plan of work and established weekly meetings, which effectively ensured that preparation work was carried out smoothly. On 10 April 2013, the Internal Control Manual (2013 Edition) was officially issued and implemented after approval at the sixth meeting of the first session of the Board of Directors.

In terms of the rule system establishment, the formulation of 119 rules were completed as planned on the basis of (i) drawing up the implementation plan of rules establishment, (ii) advancing the rules establishment in an orderly way, and (iii) laying stress on the progress and quality control during rules formulation in accordance with the relevant regulatory requirements for preparation for the listing. Among them, there are 19 basic rules for standardizing the corporate governance structure, and 100 enterprise rules for regulating the Company's operation.

Organizational reform

To better adapt to the development and management needs of a listed company, the headquarters of the Company set up a new QHSE Management Department and an individual Information Management Department for the six months ended 30 June 2013 by studying the organizational structures of comparable Chinese and foreign enterprises. At the same time, the Technology Development and Licensing Center was renamed the Technology Department, and the Global Procurement Center was renamed the Procurement Department. After optimization and adjustment, the headquarters of the Company has 14 departments working together to ensure comprehensive business, complete functions and smooth operation.

6.2 The issuance of H shares and listing

The Company officially issued 1.328 billion H shares to global investors in May 2013, and the offering price was HK$10.5 per share. The H shares have been trading on the Hong Kong Stock Exchange since 23 May 2013.

6.3 The dividend distribution plan for the six-month period ended 30 June 2013

After approval at the sixth meeting of the first session of SINOPEC SEG's Board of Directors, the net profit of RMB363 million attributable to shareholders of the Company for the period from the date immediately after our assets were valued for the establishment of our Company (30 June 2012) to the date of our establishment (28 August 2012), as special dividend, was distributed to the initial state-owned shareholders on 10 April 2013.

The eighth meeting of the first session of SINOPEC SEG's Board of Directors approved the dividend distribution plan for the six-month period ended 30 June 2013. An interim cash dividend of RMB0.134 (inclusive of applicable taxes) per share would be distributed based on 4,428,000,000 shares, being the total share capital of SINOPEC SEG as at 30 June 2013. The distribution plan will be implemented after review and approval at SINOPEC SEG's extraordinary general meeting of shareholders for the second half of 2013.

The proposed dividend will be denominated and declared in RMB and distributed to domestic shareholders in Renminbi and to foreign shareholders in Hong Kong dollars. The exchange rate for dividends to be paid in Hong Kong dollars shall be based on the average benchmark exchange rate of Renminbi against Hong Kong dollars as published by the People's Bank of China one week preceding the date of declaration of dividends.

6.4 Connected transaction

Connected transaction agreements between the Company and Sinopec Group

During the Reporting Period, the Company and Sinopec Group entered into certain continuing connected transactions or agreements, the transactions under which constitute continuous connected transaction:

(1) The Engineering and Construction Services Framework Agreement.

(2) The Financial Services Framework Agreement; and

(3) The Technology R&D Framework Agreement;

(4) The General Services Framework Agreement;

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

(6) Counter-guarantees provided by Sinopec Group;

(7) Safe Production Insurance;

(8) The Trademark Licensing Agreement;

Please refer to the section headed "Connected Transactions" in the prospectus dated 10 May 2013 posted on the website of the Hong Kong Stock Exchange or of the Company for more details.

Connected transactions incurred

The aggregate amount of connected transactions incurred of the Company during the Reporting Period was RMB7.806 billion. In particular, expenses amounted to RMB373 million, and the revenue amounted to RMB7.433 billion (including RMB7.224 billion of sales of products and services and RMB155 million of interest income), satisfying the exemption conditions specified by the Hong Kong Stock Exchange.

During the Reporting Period, the engineering and construction services (supply of equipment and materials, procurement services and equipment leasing, technology licensing and other engineering-related services) provided by Sinopec Group to the Company amounted to RMB351 million, less than 19.5% of the exempted cap. The engineering and construction services (preliminary consulting, technology licensing, engineering design, EPC contracting, construction and equipment manufacturing, etc.) provided by the Company to Sinopec Group amounted to RMB7.224 billion, less than 34.4% of the exempted cap.

During the Reporting Period, the expenses relating to the settlement of entrustment loans and other financial services between the Company and Sinopec Finance Co., Ltd. and Sinopec Century Bright Capital Investment Limited were RMB10 million, less than 38.5% of the exempted cap. The daily maximum balance of deposits and interest income was RMB2.402 billion, less than 43.7% of the exempted cap. The daily maximum balance of entrusted loans was RMB9.1 billion, less than 82.7% of the exempted cap.

During the Reporting Period, the technology R&D services provided by the Company to Sinopec Group amounted to RMB53 million, less than 52.5% of the exempted cap.

During the Reporting Period, the counter-guarantees provided by Sinopec Group to the Company amounted to USD206 million, less than 66.7% of the exempted cap.

During the Reporting Period, the general services provided by Sinopec Group to the Company amounted to RMB4 million, less than 28.4% of the exempted cap.

During the Reporting Period, the land use right and property lease contracts provided by the Company to Sinopec Group amounted to RMB3 million, controlled within less than 38.4% of the exempted cap.

During the Reporting Period, the land use right and property lease contracts provided by Sinopec Group to the Company amounted to RMB2 million, controlled within less than 28.2% of the exempted cap.

In terms of the premium payable under the documents on safe production funds, the amount payable by the Company shall be no less than the amount specified in these documents.

The above mentioned connected transactions were approved during the Reporting Period, at the eighth meeting of the first session of the Board of Directors of SINOPEC SEG.

Views of independent non-executive directors on the deposits and entrustment loan transactions under the Financial Services Framework Agreement

The independent non-executive directors of the Company have reviewed and confirmed the transactions relating to the deposits and entrustment loans under the Financial Services Framework Agreement, based on the following:

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

(b) one of the following items was met:

  (i) the transaction was entered into on normal commercial terms;

  (ii) if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, the transactions under the agreement 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 no appropriate assessment can be made to determine whether the transactions meet the conditions under (i) and (ii) above, they are entered into on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole; and

(c) The amounts under the transactions pursuant to the agreement shall not exceed the respective annual caps.

6.5 Litigation or arbitration events

The Company is currently litigating claims which arose in connection with the collapse of a partially completed oil storage tank of the oil and gas storage tank project in Alberta, Canada on 24 April 2007, which resulted in the deaths of two workers and injuries of four others. There was no progress in the litigation during the Reporting Period.

Save as disclosed in the Interim Report, there were no other litigation or arbitration events during the Reporting Period.

6.6 Other material contracts

Save as disclosed in the Interim Report, the Company had no other significant contracts which should be disclosed during the Reporting Period.

6.7 Repurchase, sale and redemption of shares

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

6.8 Reserves

During the Reporting Period, movements in the reserves of the Company were as set out in the Consolidated Statement of Changes in Shareholders' Equity of the financial report prepared under IFRS in the interim report.

6.9 Use of IPO Proceeds

The Company raised a total gross proceeds of HKD13.944 billion from the H share IPO in May 2013. The net proceeds amounted to HKD13.667 billion after the deduction of various listing fees and expenses. A total amount of HKD9.759 billion was remitted to Mainland China during the Reporting Period, and the remaining HKD3.908 billion was deposited with the Bank of China (Hong Kong) Limited. None of the IPO proceeds was used or applied during the Reporting Period.

6.10 Review of interim report

The Audit Committee of the Company has reviewed and confirmed the Interim Report. The Audit Committee does not have different views on the financial statement.

7 Financial statements

7.1 Auditors' opinion

Financial statements	☐ Unaudited	√ Audited
Auditors' opinion	√ Standard unqualified opinion	☐ Not standard opinion

7.2 Compared to the last financial statements, where there are any significant changes in accounting policies and estimates, a statement to that fact must be made.

☐ Applicable √ Not applicable

7.3 Financial Statements

The interim financial statements prepared in accordance with IFRS for the six months ended 30 June 2013

7.3.1 Consolidated Statement of Comprehensive Income

	Six month periods ended 30 June	
	2013	**2012**
	RMB'000	RMB'000
Revenue	19,645,416	16,888,392
Cost of sales	(15,999,600)	(13,811,156)
Gross profit	3,645,816	3,077,236
Other income	23,271	31,468
Selling and marketing expenses	(38,243)	(36,511)
Administrative expenses	(422,935)	(452,789)
Research and development costs	(254,823)	(208,164)
Other operating expenses	(133,639)	(99,614)
Other gains/(losses), net	1,963	(41,828)
Operating profit	2,821,410	2,269,798
Finance income	159,441	371,705
Finance expenses	(54,703)	(62,634)
Finance income, net	104,738	309,071

	Six month periods ended 30 June	
	2013	**2012**
	RMB'000	RMB'000
Share of losses of joint arrangements	(112)	(896)
Share of profits of associates	4,251	5,916
Profit before taxation	2,930,287	2,583,889
Income tax expense	(716,132)	(585,307)
Profit for the period	2,214,155	1,998,582
Other comprehensive income for the period, net of tax		
Item that may be reclassified subsequently to profit or loss:		
Fair value (losses)/gains on available-for-sale financial assets	(268)	2,611
Item that will not be reclassified to profit or loss:		
Gains on revaluation of retirement benefit plans obligations	51,105	143,713
	50,837	146,324
Total comprehensive income for the period	2,264,992	2,144,906
Profit attributable to:		
Equity holders of the Company	2,214,134	1,998,504
Non-controlling interests	21	78
Profit for the period	2,214,155	1,998,582
Total comprehensive income attributable to:		
Equity holders of the Company	2,264,971	2,144,828
Non-controlling interests	21	78
Total comprehensive income for the period	2,264,992	2,144,906
	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	0.66	0.64

7.3.2 Consolidated Statement of Financial Position

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	3,762,034	3,834,150
Land use rights	2,888,035	2,866,761
Intangible assets	446,497	476,763
Investment in joint arrangements	5,483	7,666
Investment in associates	88,869	84,618
Available-for-sale financial assets	14,707	15,065
Deferred income tax assets	773,152	793,755
Total non-current assets	7,978,777	8,078,778
Current assets		
Inventories	734,835	747,117
Notes and trade receivables	4,701,605	6,074,402
Prepayments and other receivables	5,304,644	4,658,720
Amounts due from customers for contract work	6,057,223	4,584,264
Loans due from the ultimate holding company	8,100,000	8,140,000
Restricted cash	11,131	24,254
Time deposits	7,403,007	—
Cash and cash equivalents	7,137,276	4,822,490
Total current assets	39,449,721	29,051,247
Total assets	47,428,498	37,130,025

	At 30 June 2013	At 31 December 2012
	RMB'000	RMB'000
EQUITY		
Share capital	4,428,000	3,100,000
Reserves	15,479,145	3,977,985
Consolidated equity attributable to equity holders of the Company	19,907,145	7,077,985
Non-controlling interests	3,286	3,265
Total equity	19,910,431	7,081,250
LIABILITIES		
Non-current liabilities		
Retirement and other supplemental benefit obligations	2,735,241	2,877,632
Provision for litigation claims	343,091	369,244
Deferred income tax liabilities	39,393	39,483
Total non-current liabilities	3,117,725	3,286,359
Current liabilities		
Trade payables	7,545,303	8,366,282
Other payables	11,436,797	11,801,526
Amounts due to customers for contract work	5,143,235	6,242,041
Loans due to fellow subsidiaries	—	157,138
Current income tax liabilities	275,007	195,429
Total current liabilities	24,400,342	26,762,416
Total liabilities	27,518,067	30,048,775
Total equity and liabilities	47,428,498	37,130,025
Net current assets	15,049,379	2,288,831
Total assets less current liabilities	23,028,156	10,367,609

7.3.3 Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company								
	Share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Investment revaluation reserve RMB'000	Specific reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At January 1, 2012	400,000	2,147,721	–	7,317	46,574	128,495	2,730,107	3,301	2,733,408
Profit for the period	–	–	–	–	–	1,998,504	1,998,504	78	1,998,582
Other comprehensive income:									
Fair value change of available-for-sale financial assets – gross	–	–	–	3,482	–	–	3,482	–	3,482
Fair value change of available-for-sale financial assets – tax	–	–	–	(871)	–	–	(871)	–	(871)
Defined benefits obligation revaluation of actuarial gain and loss – gross	–	–	–	–	–	186,131	186,131	–	186,131
Defined benefits obligation revaluation of actuarial gain and loss – tax	–	–	–	–	–	(42,418)	(42,418)	–	(42,418)
Total comprehensive income	–	–	–	2,611	–	2,142,217	2,144,828	78	2,144,906
Transactions with owners:									
Assets transferred from the Group to Sinopec Group	–	(19,448)	–	–	–	–	(19,448)	–	(19,448)
Capital contributions by Sinopec Group to subsidiaries of the Company	–	243,628	–	–	–	–	243,628	–	243,628
Assets transferred from Sinopec Group to subsidiaries of the Company	–	513,199	–	–	–	–	513,199	–	513,199
Acquisition of non-controlling interests of subsidiaries	–	–	–	–	–	(60)	(60)	(335)	(395)
Appropriation of specific reserve	–	–	–	–	63,603	(63,603)	–	–	–
Utilisation of specific reserve	–	–	–	–	(52,672)	52,672	–	–	–
Total transactions with owners	–	737,379	–	–	10,931	(10,991)	737,319	(335)	736,984
At June 30, 2012	400,000	2,885,100	–	9,928	57,505	2,259,721	5,612,254	3,044	5,615,298

	Attributable to equity holders of the Company								
	Share capital RMB'000	**Capital reserve** RMB'000	**Statutory surplus reserve** RMB'000	**Investment revaluation reserve** RMB'000	**Specific reserve** RMB'000	**Retained earnings** RMB'000	**Total** RMB'000	**Non-controlling interests** RMB'000	**Total equity** RMB'000
At January 1, 2013	3,100,000	519,472	191,517	8,261	98,753	3,159,982	7,077,985	3,265	7,081,250
Profit for the period	—	—	—	—	—	2,214,134	2,214,134	21	2,214,155
Other comprehensive income:									
Fair value change of available-for-sale financial assets – gross	—	—	—	(358)	—	—	(358)	—	(358)
Fair value change of available-for-sale financial assets – tax	—	—	—	90	—	—	90	—	90
Defined benefits obligation revaluation of actuarial gain and loss – gross	—	—	—	—	—	65,895	65,895	—	65,895
Defined benefits obligation revaluation of actuarial gain and loss – tax	—	—	—	—	—	(14,790)	(14,790)	—	(14,790)
Total comprehensive income	—	—	—	(268)	—	2,265,239	2,264,971	21	2,264,992
Transactions with owners:									
Issuance of ordinary shares for Listing, net	1,328,000	9,599,488	—	—	—	—	10,927,488	—	10,927,488
Special dividends					—	(363,299)	(363,299)	—	(363,299)
Appropriation of specific reserve	—	—	—	—	55,582	(55,582)	—	—	—
Utilisation of specific reserve	—	—	—	—	(39,888)	39,888	—	—	—
Total transactions with owners	1,328,000	9,599,488	—	—	15,694	(378,993)	10,564,189	—	10,564,189
At June 30, 2013	4,428,000	10,118,960	191,517	7,993	114,447	5,046,228	19,907,145	3,286	19,910,431

7.3.4 Consolidated Statement of Cash Flows

	Six month periods ended 30 June	
	2013	**2012**
	RMB'000	RMB'000
Cash flows from operating activities		
Cash used in operations	(283,586)	(1,254,173)
Income tax paid	(630,740)	(1,437,080)
Interest received	9,113	22,461
Net cash used in operating activities	(905,213)	(2,668,792)
Cash flows from investing activities		
Purchase of property, plant and equipment	(148,101)	(231,970)
Purchase of intangible assets	(8,499)	(14,756)
Purchase of land use rights	(52,151)	(459,392)
Acquisition of non-controlling interests	—	(395)
Interest income on loan to the ultimate holding company	150,328	349,244
Proceeds from disposal of property, plant and equipment	2,806	59,102
Proceeds from disposal of land use rights	—	25,174
Dividends received from joint arrangements	129	705
Increase in time deposits	(7,403,007)	—
Loans to the ultimate holding company	(7,100,000)	(9,450,000)
Repayments of loans from the ultimate holding company	7,140,000	10,200,000
Net cash (used in)/ generated from investing activities	(7,418,495)	477,712
Cash flows from financing activities		
Proceeds from global offering	11,128,846	—
Payment of fees relating to Listing	(2,960)	—
Borrowings from fellow subsidiaries	499,774	335,096
Repayments of borrowings from fellow subsidiaries	(656,912)	(289,634)
Interest paid	(3,038)	(2,157)
Dividends paid	(363,299)	(374,248)
Repayments to fellow subsidiaries	—	(562,847)
Financing costs paid	—	(12,860)
Net cash generated from/(used in) financing activities	10,602,411	(906,650)
Net increase/(decrease) in cash and cash equivalents	2,278,703	(3,097,730)
Cash and cash equivalents at beginning of period	4,822,490	5,575,335
Exchange gains/ (losses) on cash and cash equivalents	36,083	(8,422)
Cash and cash equivalents at end of period	7,137,276	2,469,183

7.4 NOTES TO THE INTERIM FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IFRS.

7.4.1 Revenue

The Group's revenue is set out below (consistent with revenue from principal operations):

	Six month periods ended 30 June	
	2013	**2012**
	RMB'000	RMB'000
Engineering, consulting and licensing	2,231,482	1,677,822
EPC Contracting	10,594,811	8,331,527
Construction	6,572,236	6,539,066
Equipment manufacturing	246,887	339,977
	19,645,416	16,888,392

7.4.2 Income Tax Expense

	Six month periods ended 30 June	
	2013	**2012**
	RMB'000	RMB'000
Current tax		
PRC enterprise income tax	634,713	561,894
Overseas enterprise income tax	31,900	4,797
Under-provision for PRC enterprise income tax in prior periods	43,706	34,567
	710,319	601,258
Deferred tax		
Origination and reversal of temporary differences	5,813	(15,951)
Income tax expense	716,132	585,307

According to the Corporate Income Tax Law of the PRC, the applicable income tax for the six months ended June 30, 2013 and 2012 is 25%.

According to the normal statutory PRC corporate income tax and relevant rules, apart from a certain subsidiaries of the Company subjected to the relevant development zone policy or participation in technology development and China's western development project can enjoy 15-24% preferential tax rate. For the six months ended June 30, 2013 and 2012, the majority of the members of the Group is subject to 25% income tax rate.

The tax of other countries (mainly Saudi Arabia, Federal Republic of Nigeria, Singapore and United Kingdom) is based on the nation's tax laws, where the relevant company of the Group operates in.

The difference between the actual income tax charge in the consolidated statement of 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 June 30,	
	2013	**2012**
	RMB'000	RMB'000
Profit before taxation	2,930,287	2,583,889
Taxation calculated at the statutory tax rate	732,572	645,972
Income tax effects of:		
Preferential income tax treatments of certain companies	(87,842)	(121,364)
Difference in overseas income tax rates	(6,129)	(1,199)
Non-deductible expenses	27,647	29,340
Income not subject to tax	(1,534)	(1,255)
Tax losses for which no deferred income tax asset was recognized	7,721	3,230
Unrecognized deferred tax losses in prior periods utilised	(9)	(3,984)
Under provision for enterprise income tax in prior periods	43,706	34,567
Income tax expense	716,132	585,307
Effective income tax rate (i)	24%	23%

Note:

(i) The changes of effective income tax rate were primarily attributable to the fluctuation in profitability and different expirations of preferential income tax treatments of certain companies now comprising the Group.

7.4.3 Earnings Per Share

(a) Basic

The basic earnings per share for each of the six months ended 30 June 2013 and 2012 is calculated based on the profit attributable to the equity holders of the Company and the weighted average number of ordinary shares in issue, and on the assumption that 3,100,000,000 shares issued upon the transformation of the Company from a limited liability company to a joint stock company with limied liability had been in issue since 1 January 2012.

On 23 May 2013, the Company newly issued 1,328,000,000 ordinary shares at HK$10.50 per share as the result of the Listing.

	Six month periods ended 30 June	
	2013	**2012**
Profit attributable to equity holders of the Company (RMB'000)	2,214,134	1,998,504
Weighted average number of ordinary shares in issue	3,378,806,630	3,100,000,000
Basic earnings per share (RMB)	0.66	0.64

(b) Diluted

As the Company had no dilutive ordinary shares for each of the six months ended June 30, 2013 and 2012, dilutive earnings per share for the six months ended June 30, 2013 and 2012 are the same as basic earnings per share.

7.4.4 Dividends

Dividends represented dividends declared by the Company during each of the six months ended 30 June 2013 and 2012.

	Six month periods ended 30 June	
	2013	**2012**
	RMB'000	RMB'000
Dividends attributable to the then equity owners [i]	363,299	—
Proposed of RMB0.134 per ordinary share (2012: Nil) [ii]	593,352	—

(i) According to the interim regulation about the management of state-owned capital and the accounting treatment during the enterprise corporate restructuring published by Ministry of Finance of PRC on February 27, 2002 (<企業公司制改建有國有資本管理與財務管理的暫行規定>(財企[2002]313號)) and the notice forwarded by the General Office of the State Council about the suggestion of further regulating the reorganization of the state-owned enterprise published by State-owned Assets Supervision and Administration Commission of the State Council (<國務院辦公廳轉發國資委關於進一步規範國有企業改制工作實施意見的通知>(國辦發[2005]60號)), an increase of net assets coming from profit should be distributed to its state-owned shareholder or transfer to state-owned equity after the approval of its state-owned shareholder. The special distribution was the increase of net assets of the Group from June 30, 2012 to August 28, 2012 which was to be distributed to the original state-owned shareholder. As at December 31, 2012, the amount of the special distribution was RMB363,299,000 which had not been declared and distributed and was included in the retained earnings. On April 10, 2013, the special distribution was declared and approved to distribute to the original state-owned shareholders.

(ii) According to the Company's Articles of Association, the amount of retained earnings available for distribution to equity shareholders of the Company is the lower of the amount determined in accordance with the accounting policies complying with "Accounting Standards for Business Enterprises" ("ASBE") and the amount determined in accordance with the accounting policies complying with IFRS. At June 30, 2013, the amount of retained earnings available for distribution was RMB1,982,000,000, being the amount determined in accordance with the accounting policies complying with the ASBE.

Pursuant to a resolution passed at the Directors' meeting on August 16, 2013, the Directors authorised to declare the interim dividends for the year ending December 31, 2013 of RMB0.134 (2012:Nil) per share totalling RMB593,352,000 (2012:Nil). Dividends declared after the end of the reporting period are not recognised as a liability at the end of the reporting period.

8 Rounding

Certain amounts and percentages figures included in this announcement have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies between totals and sums of amounts listed in any table are due to rounding.

9 Language

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

Yours faithfully,
By order of the Board
SINOPEC ENGINEERING (GROUP) CO., LTD.
Cai Xiyou
Chairman

Beijing, PRC
August 16, 2013

As of the date of this announcement, the executive director is Yan Shaochun, the non-executive directors are Cai Xiyou, Zhang Kehua, Lei Dianwu, Ling Yiqun and Chang Zhenyong and the independent non-executive directors are Hui Chiu Chung, Stephen, Jin Yong and Ye Zheng.

* *For identification purposes only*