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中 石 化 煉 化 工 程 ( 集 團 ) 股 份 有 限 公 司

**SINOPEC Engineering (Group) Co., Ltd.\***

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

**(Stock Code: 2386)**

## **2021 Interim Results Announcement**

### **1 Important Notice**

- 1.1** This announcement is extracted from the content of the 2021 interim report (the “**Interim Report**”) of SINOPEC Engineering (Group) Co., Ltd. (“**SINOPEC SEG**” or the “**Company**”), which is also published on the websites of the The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) ([www.hkex.com.hk](http://www.hkex.com.hk)) and SINOPEC SEG ([www.segroup.cn](http://www.segroup.cn)). The investors should read the Interim Report for more details.
- 1.2** The interim financial statements for the six months ended 30 June 2021 (the “**Reporting Period**”) of SINOPEC SEG and its subsidiaries (the “**Group**”), prepared in accordance with the International Financial Reporting Standards (“**IFRS**”), were audited by BDO Limited, which has issued standard unqualified auditor’s report.

\* For identification purposes only

## 2 Basic Information of the Company

### 2.1 Company Profile

Stock Name of H Shares	:	SINOPEC SEG
Stock Code of H Shares	:	2386
Place of Listing of H Shares	:	Hong Kong Stock Exchange
Legal Representative	:	Mdm. SUN Lili
Authorised Representatives	:	Mr. JIANG Dejun, Mr. JIA Yiqun
Company Secretary	:	Mr. JIA Yiqun
Place of Business and Correspondence Address	:	Building 8, Shenggujiayuan, Shenggu Middle Road, Chaoyang District, Beijing, the PRC (Postcode: 100029)
Telephone	:	+86 10 5673 0522
Website	:	www.segroup.cn
E-mail address	:	seg.ir@sinopec.com

### 2.2 Principal Financial Data and Indicators

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

Unit: RMB’000

Items	As at 30 June 2021	As at 31 December 2020	Changes from the end of 2020 (%)
Total assets	72,210,511	71,465,327	1.0
Consolidated equity attributable to equity holders of the Company	28,770,273	28,251,172	1.8
Net assets per share of equity holders of the Company (RMB)	6.50	6.38	1.8

Unit: RMB'000

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

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

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

### 3 Business Review and Prospects

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

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

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

In the first half of 2021, the Group adhered to engineering innovation and value creation, and fully exerted the advantages of integrated engineering service: taking engineering technology as the leading advantage, the Group made the MTO plant process package design contract signed for natural gas chemical complex of Uzbekistan, achieving SMT0 technology went abroad for the first time; taking engineering consultation as the link and engineering design as the main body, the Group signed engineering design contract of refined chemical project of North Huajin and melamine foundation design contract of Malaysia, laying a foundation for expansion of market share in the next step; taking engineering construction as the support, the Group signed the engineering, procurement and construction (“**EPC**”) contract of ethylene facilities of Hainan Refining & Chemical Ethylene and Refinery Expansion Project, the EPC contract of Wenzhou LNG receiving terminal project, and construction contract of ethylene facilities of AGCC project in Russia, etc.

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

### 3.1 Business Review

During the Reporting Period, the Group recognized the total revenue of RMB26.851 billion, with a period-on-period increase of 12.8%, and the net profit was RMB1.347 billion, with a period-on-period increase of 6.9%. Thanks to the group's business strategy of "taking engineering technology as the leading advantage, engineering consultation as the link, engineering design as the main body and engineering construction as the support", the revenue of the engineering, consulting and licensing segment continued to grow, and the revenue from the engineering, consulting and licensing business was RMB1.614 billion, representing an increase of 31.2% on a period-on-period basis. Thanks to the large projects such as Zhenhai Refining and Chemical Ethylene Expansion Project, Fujian Gulei Refining and Chemical Integration Project, Zhejiang Petrochemical Zhoushan Refining and Chemical Integration Project Phase II, Hainan Refining & Chemical Ethylene and Refinery Expansion Project and Crude Oil Storage Facility Project cluster have entered into peak construction periods during the Reporting Period, the revenue of the EPC contracting business was RMB16.265 billion, representing an increase of 4.7% on a period-on-period basis. Thanks to the large projects have entered into peak construction periods during the Reporting Period, the increased business volume in construction, the revenue of the construction business was RMB12.969 billion, representing an increase of 34.9% on a period-on-period basis. Thanks to the increased business volume in equipment manufacturing, the revenue of the equipment manufacturing business was RMB480 million, representing an increase of 81.5% on a period-on-period basis.

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

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

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

Note:

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

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

	Six-month periods ended 30 June				
	2021		2020		Change
	Revenue (RMB'000)	Percentage of total revenue (%)	Revenue (RMB'000)	Percentage of total revenue (%)	
Oil refining	5,354,175	19.9	5,524,808	23.2	(3.1)
Petrochemicals	15,050,970	56.1	14,428,401	60.6	4.3
New coal chemicals	528,703	2.0	2,204,020	9.3	(76.0)
Storage, transportation and others <sup>(1)</sup>	5,917,544	22.0	1,639,927	6.9	260.8
Subtotal	26,851,392	100.0	23,797,156	100.0	12.8

Note:

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

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

The following table sets forth the Group’s revenue generated in the PRC and overseas for the periods indicated:

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

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

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

	<b>Six-month periods ended 30 June 2021 (RMB'000)</b>	<b>Six-month periods ended 30 June 2020 (RMB'000)</b>	<b>Change (%)</b>
New contracts	36,662,979	36,638,023	0.1
	<b>As at 30 June 2021 (RMB'000)</b>	<b>As at 31 December 2020 (RMB'000)</b>	<b>Change (%)</b>
Backlog	115,466,194	105,654,607	9.3

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

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

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

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

### **3.2 Business Highlights**

#### ***Rapid and stable development of major projects***

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



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

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

SINOPEC SABIC Polycarbonate Project: please refer to the announcement dated 11 June 2018 published by the Company for further details. As at the end of the Reporting Period, the project is in the final stage of construction, and close to intermediate handover standard. The Group will ensure the smooth startup of operation of the project by the end of the year by providing better and better service.

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

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

### ***Forge ahead in market development***

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

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

### ***Strong support for engineering service***

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

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

### ***The quality and safety responsibility system is consistently implemented***

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

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

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

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

***New breakthroughs have been made in digital engineering***

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

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

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

### ***The advantages of engineering technology innovation domain***

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

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

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

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

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

In the field of energy saving and emission reduction, “CO<sub>2</sub> Chemical Chain Mineralization Utilization Pilot-scale Experiment Technology Development” is in the process of compilation of scientific research report; the technology development for “development and application of complete sets of technology for hydrogenation cracking device large-scale development and energy saving optimization” has completed, and the core equipment design and overall program optimization for the project test plants have been completed.

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

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

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

### ***Strategically guide and strengthen sustainable development***

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

### **3.3 Business Prospects**

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

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



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

In respect of technology research and development, in the second half of 2021, while strengthening and optimizing traditional refining and chemical businesses, the Group will closely center on the development vision of "building a world-leading technology-oriented engineering company", focus on promotion of scientific research and development in engineering and technical fields such as key core technologies and key core equipment, further strengthen technology source-seeking and cooperation, and actively expand the engineering development of energy saving technology, carbon capture technology and CO<sub>2</sub>-to-olefin technology related to "carbon emission reduction", while strengthening the technological innovation capabilities in the field of clean energy and new materials, give full play to the integration advantages of the Group in technology, improve the quality of engineering services through technological innovation, building a technical brand reputation with high quality service, exerting the excellent genes of technology-based enterprise and innovation for development, and enhancing the new momentum for innovation and development of the Group.

## **4 Management Discussion and Analysis**

### **4.1 Analysis of the reasons of the significant changes in the revenue structure compared to the same period of the last financial year**

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

#### **4.1.1 Revenue**

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

#### **4.1.2 Cost of sales**

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

#### **4.1.3 Gross profit**

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

#### **4.1.4 Other income**

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

#### **4.1.5 Selling and marketing expenses**

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



#### **4.1.6 Administrative expenses**

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

#### **4.1.7 Research and development costs**

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

#### **4.1.8 Other operating income**

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

#### **4.1.9 Other gains/(losses) – net**

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

#### **4.1.10 Operating profit**

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

#### **4.1.11 Financial income – net**

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

#### 4.1.12 Income tax expense

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

#### 4.1.13 Profit for the period

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

#### 4.1.14 Total comprehensive income for the period

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

### 4.2 Discussion on the backlog and new contracts

Backlog represents the total estimated contract value of work that remains to be completed pursuant to outstanding contracts as at a certain date, net of estimated value added tax, and is calculated based on the Group's assumption that the relevant contracts will be performed in accordance with their terms. Backlog is not a measure defined by generally accepted accounting principles. Any modification, termination or suspension of these contracts by the Group's clients may have a substantial and immediate effect on the Group's backlog. Projects may also remain in the Group's backlog for an extended period of time beyond what was initially anticipated due to various factors beyond the Group's control.

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

	As at 30 June 2021 (RMB'000)	As at 31 December 2020 (RMB'000)	Change (%)
Engineering, consulting and licensing	9,754,498	8,636,102	13.0
EPC Contracting	77,839,370	76,223,009	2.1
Construction	26,880,684	20,003,498	34.4
Equipment manufacturing	991,642	791,998	25.2
Total	<u>115,466,194</u>	<u>105,654,607</u>	9.3

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

	<b>As at 30 June 2021 (RMB'000)</b>	<b>As at 31 December 2020 (RMB'000)</b>	<b>Change (%)</b>
Oil refining	30,938,318	30,826,320	0.4
Petrochemicals	30,975,387	27,071,948	14.4
New coal chemicals	11,484,502	11,582,761	(0.8)
Storage, transportation and others <sup>(1)</sup>	<u>42,067,987</u>	<u>36,173,578</u>	16.3
<b>Total</b>	<b><u>115,466,194</u></b>	<b><u>105,654,607</u></b>	<b>9.3</b>

Note:

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

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

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

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

	<b>As at 30 June 2021 (RMB'000)</b>	<b>As at 31 December 2020 (RMB'000)</b>	<b>Change (%)</b>
Sinopec Group and its associates	61,562,192	58,420,185	5.4
Non-Sinopec Group and its associates	<u>53,904,002</u>	<u>47,234,422</u>	14.1
<b>Total</b>	<b><u>115,466,194</u></b>	<b><u>105,654,607</u></b>	<b>9.3</b>

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

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

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

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:

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

Note:

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

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

	<b>For the Six-month periods ended 30 June</b>		<b>Change (%)</b>
	<b>2021 (RMB'000)</b>	<b>2020 (RMB'000)</b>	
PRC	30,131,083	30,094,187	0.1
Overseas	6,531,896	6,543,836	(0.2)
<b>Total</b>	<b>36,662,979</b>	<b>36,638,023</b>	<b>0.1</b>

The following table sets forth the total value of new contracts entered into by the Group with the clients of each of (i) Sinopec Group and its associates, and (ii) non-Sinopec Group and its associates in the periods indicated:

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

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

#### 4.3 Assets, Liabilities, Equity and Cash Flows

##### 4.3.1 Assets, Liabilities and Equity

Unit: RMB'000

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

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

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

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

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

### 4.3.2 Cash Flows

During the Reporting Period, the net decrease in cash and cash equivalents was RMB1.823 billion and net cash used in operating activities was RMB1.978 billion. The following table sets forth the main items and their changes in the Group's consolidated cash flow statements for the six months ended 30 June 2021 and for the six months ended 30 June 2020.

Units: RMB'000

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

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

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

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

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

Based on the cash flows during the Reporting Period, the Group has adequate working capital. The Group will continue to strengthen the settlement of trade debts and control the use of working capital in operating activities. The Group will also continue to effectively manage the investment risk, as well as to expand the scale of investment and increase the return on capital.

### 4.3.3 Summary of Financial Ratios

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

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

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

$$(1) \quad \text{Return on assets} = \frac{\text{Profit for the period}}{(\text{Opening balance of total assets} + \text{Closing balance of total assets})/2}$$

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

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

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

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

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

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



### **Return on assets**

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

### **Return on equity**

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

### **Return on invested capital**

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

### **Gearing ratio**

The Group's gearing ratio increased to 1.2% from 1.1% at the end of 2020, mainly due to the increase in interest-bearing borrowings at the end of the Reporting Period.

### **Net debt to equity ratio**

The Group maintained positive net cash as at 30 June 2021 and as at 31 December 2020.

### **Current ratio**

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

### **Quick ratio**

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

## **5 Significant Events**

### **5.1 The Dividend Distribution Plan for six months period ended 30 June 2021**

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

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

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

In accordance with the Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法) and its implementation regulations, the Company is required to withhold and pay enterprise income tax at the rate of 10% on behalf of the non-resident enterprise Shareholders whose names appear on the register of members for H Shares when distributing the cash dividends. Any H Shares not registered under the name of an individual Shareholder, including HKSCC Nominees Limited, other nominees, agents or trustees, or other organisations or groups, shall be deemed as shares held by non-resident enterprise shareholders. Therefore, enterprise income tax shall be withheld from dividends payable to such Shareholders. If holders of H Shares intend to change their shareholder status, please enquire about the relevant procedures with their agents or trustees. The Company will strictly comply with the law and the requirements of the relevant government authority and withhold and pay enterprise income tax on behalf of the relevant Shareholders based on the register of members for H Shares as at Monday, 20 September 2021.

If the individual holders of H Shares are Hong Kong or Macau residents or residents of the countries which had an agreed tax rate of 10% for the cash dividends given to them under the relevant tax agreement with the PRC, the Company should withhold and pay individual income tax on behalf of the relevant Shareholders at a rate of 10%. Should the individual holders of H Shares be residents of the countries which had an agreed tax rate of less than 10% under the relevant tax agreement with the PRC, the Company shall withhold and pay individual income tax on behalf of the relevant shareholders at a rate of 10%. In that case, if the relevant individual holders of H Shares wish to reclaim the extra amount withheld due to the application of 10% tax rate, the Company can apply for the relevant agreed preferential tax treatment provided that the relevant Shareholders submit the information required by the notice of the tax agreement to the H share registrar of the Company. The Company will assist with the tax refund of the extra amount withheld after obtaining the approval of the competent tax authority. Should the individual holders of H Shares be residents of the countries which had an agreed tax rate of over 10% but less than 20% under the tax agreement with the PRC, the Company shall withhold and pay the individual income tax at the agreed actual rate in accordance with the relevant tax agreement. In the case that the individual holders of H Shares are residents of the countries which have had an agreed tax rate of 20% under the relevant tax agreement with the PRC, or which has not entered into any tax agreement with PRC, or otherwise, the Company shall withhold and pay the individual income tax at a rate of 20%.

For investors investing in the H Shares of the Company listed on the Hong Kong Stock Exchange through the Shanghai Stock Exchange or Shenzhen Stock Exchange (including enterprises and individuals) (the “**Southbound Trading**”), the Company has entered into the Agreement on Appropriation of Cash Dividends of H Shares for Southbound Trading (《港股通H股股票現金紅利派發協議》) with China Securities Depository and Clearing Corporation Limited, pursuant to which, China Securities Depository and Clearing Corporation Limited, as the nominee of the holders of H Shares for Southbound Trading, will receive all cash dividends distributed by the Company and distribute the cash dividends to the relevant investors of H Shares of Southbound Trading through its depository and clearing system. The cash dividends for the investors of H Shares of Southbound Trading will be paid in Renminbi.

Pursuant to the relevant requirements under the “Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect” (Caishui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) and the “Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect” (Caishui [2016] No. 127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)), for dividends received by domestic investors from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect, the company of such H shares shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The company of such H shares will not withhold and pay the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves.

## **5.2 Material litigation or arbitration events**

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

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

## **5.3 Repurchase, sale and redemption of shares**

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

## **5.4 Review of the interim results**

The audit committee of the Company has reviewed this interim report. The audit committee did not have any disagreement concerning the financial statements contained in this interim report.

The audit committee is comprised of all independent non-executive Directors, namely, Mr. YE Zheng, Mr. HUI Chiu Chung, Stephen and Mr. JIN Yong. Among them, Mr. YE Zheng has the appropriate professional qualifications (including being a member of the Hong Kong Institute of Certified Public Accountants) and more than 25 years of experience in auditing, internal control and consultancy.

## **5.5 Significant events affecting the Group after the Reporting Period**

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

## **6 Corporate Governance**

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

## **7 Financial Statements**

### **7.1 Auditor's opinion**

The interim financial statements for the six months ended 30 June 2021 of the Company, prepared in accordance with IFRS, were audited by BDO Limited, which has issued a standard unqualified auditors' report.

### **7.2 Accounting policies**

Details of the changes in the Company's accounting policies during the Report Period are set out in Note 3 to the financial statement in the Company's 2021 interim report.

### **7.3 Financial Statements**

The interim financial statements prepared in accordance with IFRS for the six months ended 30 June 2021:

### 7.3.1 Consolidated Statement of Profit or Loss and Other Comprehensive Income

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	(RMB'000)	(RMB'000)
<b>Revenue</b>	26,851,392	23,797,156
Cost of sales	<u>(24,327,041)</u>	<u>(21,605,381)</u>
<b>Gross profit</b>	2,524,351	2,191,775
Other income	46,685	210,475
Selling and marketing expenses	(50,754)	(50,426)
Administrative expenses	(491,040)	(494,146)
Research and development costs	(892,152)	(796,316)
Other operating income	17,953	89,177
Other gains/(losses) – net	<u>6,040</u>	<u>(86)</u>
<b>Operating profit</b>	<u>1,161,083</u>	<u>1,150,453</u>
Finance income	479,292	446,324
Finance expenses	<u>(40,479)</u>	<u>(43,958)</u>
<b>Finance income – net</b>	438,813	402,366
Share of (loss)/profit of a joint arrangement	(99)	7
Share of profit of associates	<u>11,412</u>	<u>9,997</u>
<b>Profit before taxation</b>	1,611,209	1,562,823
Income tax expense	<u>(263,926)</u>	<u>(302,470)</u>
<b>Profit for the period</b>	<u>1,347,283</u>	<u>1,260,353</u>
<b>Other comprehensive income/(expense) for the period, net of tax</b>		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	(91)	942
Item that will not be reclassified subsequently to profit or loss:		
Gains/(losses) on revaluation of retirement benefit plans obligations, net of income tax effect	<u>101</u>	<u>(45,491)</u>
<b>Other comprehensive income/(expense) for the period, net of tax</b>	<u>10</u>	<u>(44,549)</u>
<b>Total comprehensive income for the period</b>	<u><u>1,347,293</u></u>	<u><u>1,215,804</u></u>

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	(RMB'000)	(RMB'000)
<b>Profit attributable to:</b>		
Equity holders of the Company	1,347,127	1,260,191
Non-controlling interests	156	162
	<u>1,347,283</u>	<u>1,260,353</u>
<b>Profit for the period</b>	<u><u>1,347,283</u></u>	<u><u>1,260,353</u></u>
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Company	1,347,137	1,215,642
Non-controlling interests	156	162
	<u>1,347,293</u>	<u>1,215,804</u>
<b>Total comprehensive income for the period</b>	<u><u>1,347,293</u></u>	<u><u>1,215,804</u></u>
	(RMB)	(RMB)
<b>Earnings per share for profit attributable to equity holders of the Company during the period (expressed in RMB per share)</b>		
– Basic and diluted	<u><u>0.30</u></u>	<u><u>0.28</u></u>

### 7.3.2 Consolidated Statement of Financial Position

	As at 30 June 2021 (RMB'000)	As at 31 December 2020 (RMB'000)
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	3,941,161	3,881,466
Right-of-use assets	2,408,264	2,448,301
Intangible assets	205,015	218,959
Investment in a joint arrangement	2,376	2,475
Investment in associates	161,092	149,680
Deferred income tax assets	684,772	709,030
<b>Total non-current assets</b>	<u>7,402,680</u>	<u>7,409,911</u>
<b>Current assets</b>		
Inventories	1,653,854	1,348,122
Notes and trade receivables	8,002,054	8,424,388
Prepayments and other receivables	8,519,103	7,705,785
Contract assets	10,826,662	8,826,268
Loans due from the ultimate holding company	20,500,000	21,000,000
Restricted cash	43,404	36,661
Time deposits	8,692,752	8,273,435
Cash and cash equivalents	6,570,002	8,440,757
<b>Total current assets</b>	<u>64,807,831</u>	<u>64,055,416</u>
<b>Total assets</b>	<u><u>72,210,511</u></u>	<u><u>71,465,327</u></u>
<b>EQUITY</b>		
Share capital	4,428,000	4,428,000
Reserves	24,342,273	23,823,172
Equity attributable to equity holders of the Company	28,770,273	28,251,172
Non-controlling interests	5,022	4,866
<b>Total equity</b>	<u><u>28,775,295</u></u>	<u><u>28,256,038</u></u>



	As at 30 June 2021 (RMB'000)	As at 31 December 2020 (RMB'000)
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Lease liabilities	95,694	97,629
Retirement and other supplemental benefit obligations	2,173,197	2,252,789
Provision for litigation claims	189,561	186,593
<b>Total non-current liabilities</b>	<u>2,458,452</u>	<u>2,537,011</u>
<b>Current liabilities</b>		
Notes and trade payables	20,742,763	21,675,887
Other payables	2,979,332	2,897,093
Loan due to a fellow subsidiary	174,569	163,123
Contract liabilities	16,648,622	15,511,149
Lease liabilities	76,040	66,314
Current income tax liabilities	355,438	358,712
<b>Total current liabilities</b>	<u>40,976,764</u>	<u>40,672,278</u>
<b>Total liabilities</b>	<u>43,435,216</u>	<u>43,209,289</u>
<b>Total equity and liabilities</b>	<u><u>72,210,511</u></u>	<u><u>71,465,327</u></u>
<b>Net current assets</b>	<u><u>23,831,067</u></u>	<u><u>23,383,138</u></u>
<b>Total assets less current liabilities</b>	<u><u>31,233,747</u></u>	<u><u>30,793,049</u></u>

## 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:

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

### 7.4.2 Income Tax Expense

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

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

According to the normal statutory PRC corporate income tax and relevant rules, for the six months ended 30 June 2021 and 2020, certain subsidiaries of the Company have been qualified as new high-tech enterprises which can enjoy 15% preferential tax rate in the related period, other members of the Group are subject to 25% income tax rate.

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

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

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

### 7.4.3 Earnings Per Share

#### (a) Basic

The basic earnings per share for each of the six months ended 30 June 2021 and 2020 is calculated based on the profit attributable to the equity holders of the Company and the weighted average number of ordinary shares in issue.

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
Profit attributable to equity holders of the Company (RMB'000)	1,347,127	1,260,191
Weighted average number of ordinary shares in issue	4,428,000,000	4,428,000,000
Basic earnings per share (RMB)	<u>0.30</u>	<u>0.28</u>

**(b) Diluted**

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

**7.4.4 Dividends**

Dividends represented dividends declared by the Company during each of six months ended 30 June 2021 and 2020.

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

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

**8 Miscellaneous**

Copies of the Interim Report will be despatched to the Shareholders before 30 September 2021.

This announcement is published in both Chinese and English 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.**  
**Jia Yiqun**  
*Chief Financial Officer, Company Secretary*

Beijing, the PRC  
23 August 2021

*As at the date of this announcement, directors of the Company are: SUN Lili<sup>#</sup>, XIANG Wenwu<sup>#</sup>, WU Wenxin<sup>\*</sup>, JIANG Dejun<sup>#</sup>; HUI Chiu Chung, Stephen<sup>+</sup>, JIN Yong<sup>+</sup> and YE Zheng<sup>+</sup>.*

<sup>#</sup> *Executive Directors*

<sup>\*</sup> *Non-executive Director*

<sup>+</sup> *Independent non-executive Directors*

*This announcement is available on the website of Hong Kong Exchanges and Clearing Limited (www.hkex.com.hk) and on the website of the Company (www.segroup.cn).*