

Interim Report 2018



Wison Engineering Services Co. Ltd.

(Incorporated in the Cayman Islands with limited liability Stock Code: 2236)





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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ms. Rong Wei (*Chief Executive Officer*)*

Mr. Zhou Hongliang

Mr. Li Zhiyong

Mr. Dong Hua

Independent Non-executive Directors

Mr. Lawrence Lee

Mr. Feng Guohua

Mr. Tang Shisheng

AUDIT COMMITTEE

Mr. Lawrence Lee (*Chairman*)

Mr. Feng Guohua

Mr. Tang Shisheng

NOMINATION COMMITTEE

Mr. Tang Shisheng (*Chairman*)

Mr. Feng Guohua

Mr. Lawrence Lee

REMUNERATION COMMITTEE

Mr. Feng Guohua (*Chairman*)

Mr. Lawrence Lee

Mr. Tang Shisheng

GLOBAL HEADQUARTERS, PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PRC

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Ltd.
P.O. Box 1350
Clifton House
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Cayman Islands

* Appointed on 5 February 2018

Corporate Information

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Wan Chai
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COMPANY SECRETARY

Ms. Luk Wai Mei

AUTHORISED REPRESENTATIVES

Mr. Li Zhiyong
Ms. Luk Wai Mei

AUDITORS

Ernst & Young

PRINCIPAL BANKS

China CITIC Bank Corporation Limited
Bank of Communications Co., Ltd.
Bank of China Limited
China Minsheng Banking Corp., Ltd.
East West Bancorp, Inc

REGISTERED OFFICE

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STOCK CODE

2236

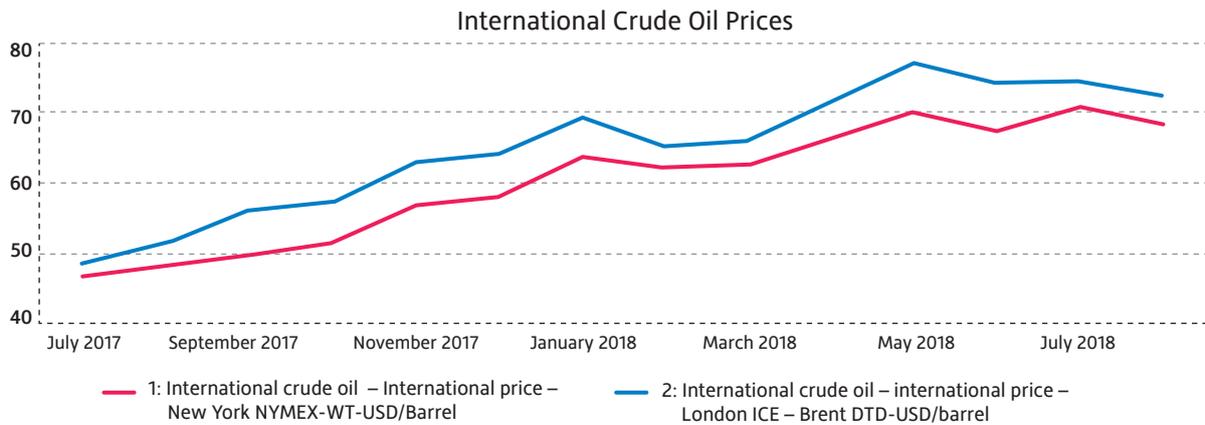
Business Overview

BUSINESS OVERVIEW

Overall Review

Since the second half of 2017, the global demand for crude oil has been growing stunningly, driving up the international crude oil prices. At the end of last year, the Brent Crude oil price climbed up quickly to US\$65/barrel, which was the highest closing price for the past two years. In the first half of 2018, the international crude oil prices hovered between US\$60/barrel and US\$80/barrel, which

was conducive to the development of the refining, petrochemical and coal-to-chemicals industries. Both the global economy and the Chinese economy continued to grow steadily during the first half of 2018, leading to a steady growth in the demand for refining products and chemical products. The capital expenditure in the energy and chemical industry has entered a cycle of recovery.



Resource: Sublime China Information

Business Overview

In a situation of overall recovery in the industry, the Group aggressively penetrated both the international and domestic markets relying on its technical competitiveness and project execution capability. With unremitting efforts, the Group achieved a substantial year-on-year growth of sales orders in the first half of 2018. During the six months ended 30 June 2018, the Group's new contracts amounted to RMB3,113.9 million (including estimated value-added tax), representing a significant increase as compared with the corresponding period of 2017. As at 30 June 2018, the Group's backlog value (net of estimated value-added tax, same as below) amounted to approximately RMB11,240.7 million (as at 31 December 2017: approximately RMB9,419.6 million).



In the first half of 2018, the Group continued to render outstanding performance in its on-going projects. In addition to stringently ensuring the high quality, safety, timely execution and delivery of the project as always, the Group attached remarkable significance to environmental protection during project execution. As we constantly pushed them to the limit, our projects set new records one after another.

While the global economy remained stable and our industry continued to recuperate, there was still a high level of uncertainty in the economic environment for days

to come. At the same time, along with the Group's on-going internationalization, we will be facing competition from leading enterprises around the world, in addition to the intensifying challenges in risk management. The Group believes that, only by continuously consolidating its industrial competitiveness and improving its management expertise can it seize the opportunities arising in the market and stand out in the fierce competition.

Financial Highlights

For the six months ended 30 June 2018 (the "Period under Review"), revenue of the Group amounted to approximately RMB1,254.7 million (six months ended 30 June 2017: RMB1,380.2 million), representing a year-on-year decrease of 9.1%. Such decrease in revenue was mainly due to the fact that a majority of the projects obtained in previous years have entered into the post-construction phase, while those projects obtained in this year have not entered into the principal construction phase, resulting in a year-on-year decrease of revenue recognised. The non-seasonality and project execution cycle typical in the energy engineering industry in which the Group operates may lead to fluctuation in the Group's revenue. Typically in the energy engineering industry, the project execution cycle is generally more than one year and therefore the revenue recognised using the percentage of completion method may fluctuate in light of the factors such as the progress of the projects and costs arising during the reporting period. Generally, in the early stage and the late stage of an energy engineering project, the proportion of costs is relatively small and therefore the proportion of revenue recognized is relatively insignificant. When a project enters into the principal construction phase involving installation and construction of large equipment, a substantial amount of costs will be incurred and a relatively significant amount of revenue will be recognised accordingly.

During the first half of the year, the Group recognised gross profit of approximately RMB203.6 million (six months ended 30 June 2017: approximately RMB249.9 million), with a gross profit margin of 16.2% (six months ended 30 June 2017: approximately 18.1%). The overall gross profit margin recorded a year-on-year decline of 1.9 percentage points, which was due to the fact that more revenue was derived from the projects with lower gross profit margin in the first half of 2018.

Business Overview

Profits attributable to owners of the parent amounted to approximately RMB8.3 million (six months ended 30 June 2017: approximately RMB40.5 million), representing a year-on-year decrease of 79.5%, which was mainly attributable to the decrease in the Group's revenue and gross profit in the Period under Review, while the overall expenses increased as compared with the corresponding period of last year.

The Company declared an interim dividend of RMB0.0006 (equivalent to HK\$0.0007) per ordinary share, which is another distribution of dividends since the 2013 interim dividend. Meanwhile, in light of the fact that no dividends were declared in the past few years, and to express the Group's heartfelt gratitude to investors for their on-going support and trust over the years, the Company decided to declare a special one-off dividend of RMB0.0583 (equivalent to HK\$0.0666) per ordinary share, totaling RMB0.0589 (equivalent to HK\$0.0673) per ordinary share, amounting to total dividend payment of approximately RMB239.7 million. The declaration of the interim dividend not only indicates that the management of the Group is very confident in the Company's prospects but also suggests that the Group anticipates to implement a stable dividend policy in the future to reward the shareholders on a regular basis.

BUSINESS AND OPERATIONS REVIEW

Enhancing Domestic Market:

The Group proactively explored the domestic market and consolidated its leading position and competitive edge in the market. During the Period under Review, the Group secured a total of 2 new domestic EPC projects with a total value of approximately RMB762.6 million. There were 5 EPC projects under construction.

During the Period under Review, the major large projects executed by the Group include:

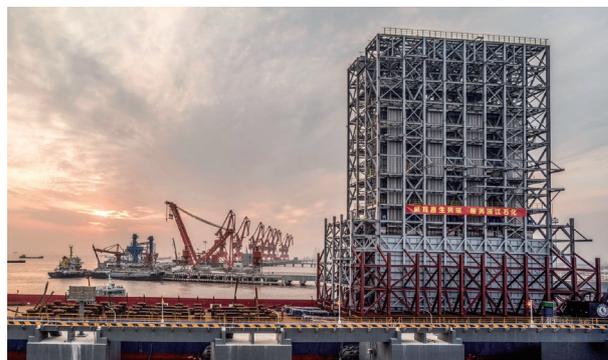
The contract for engineering management, procurement and construction of a 600kta methanol-to-olefins ("MTO") plant and a 100kta butadiene plant (collectively, the "Projects") from Nanjing Chengzhi Yongqing Energy Technology Co., Ltd (南京誠志永清能源科技有限公司). The MTO olefin separation technology and the butene oxidative dehydrogenation reaction technology independently developed by the Group, which had been mature enough for industrial application, were widely applied in the project. The project entered into the principal construction phase

during the Period under Review. In May 2018, the propylene rectifying tower, the first large-scale equipment of the project, was successfully hoisted in place. The successful installation of the tower marked an important milestone in the execution of the project.



Nanjing Chengzhi 600kta MTO Plant and 100kta Butadiene Plant

The supply order of ethylene unit cracking furnace for the 40,000kta Refining Chemical Integration Project (Phase I) from Zhejiang Petrochemical Co., Ltd. (浙江石油化工有限公司). The project, which is the largest ever delivered in the world with a single cracking furnace, adopted a pattern of factory prefabrication, assembly and holistic delivery. In March 2018, the first module of the cracking furnace for Zhejiang Petrochemical 40,000kta Refining Chemical Integration Project was shipped out. The single cracking furnace, with an annual capacity of 200,000 tons of ethylene, weighs 3,689 tons and is 53 meters in height. It will be transported in the ocean for approximately 50 nautical miles. It is the largest single liquid material cracking furnace in the world constructed and transported in modules, the successful delivery of which will set a benchmark for the Group's expertise in modularized delivery in China.



Zhejiang Petrochemical 1,400kta Ethylene Plant Cracking Furnace Unit Project

Business Overview

Exploring the International Markets:

With its investment and persistent efforts in recent years, the Group's internationalised operations have been significantly optimised with noticeable breakthroughs. Looking back on its internationalization process, the Group has developed from simply executing the overseas projects to the establishment of sales and project execution teams in different strategic regions and to the cultivation of local talents.

Middle East:

The Middle East is one of the few regions in which the Group first made its presence. Through the high standards of project delivery in the past, the Group has made outstanding accomplishments in the Middle East and earned a good reputation. During the Period under Review, the Group completed the mechanical work of its IBN ZAHR project for SABIC. The project was not only completed with high quality and standard, but also 52 days ahead of SABIC's schedule. The Group has won the trust of SABIC with its impressive performance. SABIC has become an important customer of the Group in the Middle East. Since 2012, the Group has continuously executed 7 projects for SABIC and all of them were delivered ahead of schedule. These achievements highlighted the Group's outstanding execution capability and competitive edge in the Middle East.

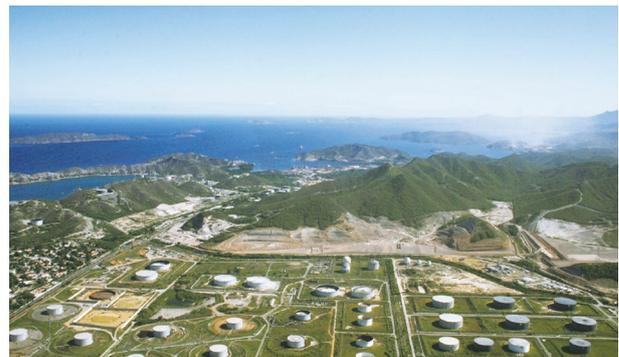


The Golden Key on Project Management awarded by SABIC

South America:

Since the deep cooperation with PDVSA Petróleo, S.A. ("PDVSA"), a national oil company in Venezuela, in respect of the site preparation for the Puerto La Cruz Refinery Deep Conversion Project in Venezuela (the Site Preparation Work) in the early years, the Group has

maintained a good partnership with PDVSA. In February 2018, the Group again received commendation and recognition from the project owner for its accomplishment of a record of 10 million safety man hours during the execution of project. Since oil is an important local resource in Venezuela, the potential of the local refining business should not be overlooked. Therefore, in addition to the Site Preparation Work, the Group's local teams have also been working closely with PDVSA to develop other large-scale petroleum engineering projects. In addition, through the execution of the Site Preparation Work over the past few years, the Group has not only built up its experience in overseas project execution, but also obtained a full comprehension of the unique economic environment and business practices in South America. With such experiences, the Group has obtained a head start and has been continuously exploring business opportunities in other countries in South America and steadily promoting the projects with a high possibility of winning local bids.



PDVSA's Puerto La Cruz Refinery Deep Conversion Project

North America:

After years of persistent efforts, the Group's penetration in North America has achieved initial success. In early 2018, the Group successfully secured a construction contract for the modularisation of the design and supply processes, bulk material procurement and on-site construction and installation for a petrochemical project in Texas, United States of America, with a total consideration of approximately US\$357 million. The project is the largest modularized project undertaken by a Chinese engineering company in the United States. In the second half of 2018, the project will gradually enter into principal construction phase with the Group's first modularized project, secured

Business Overview

in the US in the second half of last year. The kick-off of these two projects not only marked the official entry of the Group into the North American market, but also represented a milestone of the Group's execution of large-scale projects in modules outside China for the first time. By executing overseas projects in modules, the Group can control construction quality through prefabrication at the base, and reduce the local construction costs significantly, which is especially suitable for countries and regions with high labour costs. Meanwhile, with base prefabrication the Group can effectively control the progress of the project, and thus save the project owner a large amount of time, thus enabling it to benefit from heading into the production phase ahead of schedule. As of now, these two projects have been going smoothly. Specifically, the first batch of modules has been successfully delivered in January 2018. The successful execution of the project will not only generate considerable revenue to the Group in the future, but also demonstrate its capabilities of executing modularized projects overseas. In consideration of the inherent advantages in low manufacturing costs of the enterprises from China, other overseas customers will be attracted to choose them as their EPC contractors.



FPC LDPE Pipe Rack Modularization and Erection Project

Other regions:

In addition to the key areas mentioned above, the Group has also made significant presence in other regions of the world, e.g. dispatching professionals or establishing local branches. Such regions include the former Soviet Union, North Africa, the Far East, and Southeast Asia, which are known for their rich natural resources and along the "Belt and Road". The Group has secured certain pre-engineering contracts in these areas, and will enhance its reputation

with outstanding delivery of these contracts and continuous optimisation of its operations, aiming to achieve breakthroughs in these areas.

OUTLOOK

Heading into the 21st year of its history, the Group will keep up its efforts in creating value for the chemical industry. In order to outperform our competitors in the domestic and international market and build up a sustainable business structure, we must not only consolidate our foundation, but also make a breakthrough in the old management mindset prevailing in the energy and chemical engineering, as a right stance to embrace the future.

With Roots in China and a Global Vision:

With the recovery of the global economy and stabilization of oil prices, there emerged numerous opportunities in the energy and chemical market. According to our study, there is a market worth more than RMB4 trillion yet to be developed in China, with the international market worth over US\$1 trillion in five years.

In the domestic market, the Group has grown into a high profile brand. The Group will adhere to its technical leadership and excellent project execution ability as competitive advantage. While maintaining quality services for the old customers, the Group will aggressively acquire new customers, especially emerging companies in the chemical industry.

In the international market, the Group will adhere to its localization strategies. Our Middle East Operation Centre was officially launched in Saudi Arabia in the first half of 2018, aiming to quickly respond to the demands from local customers, promptly cope with the requests for quotation and project execution, and carried on a deep cultivation of the Middle East market. In the future, the Group will continue to penetrate the global mature energy market and strengthen its global presence.

In addition, in response to the challenges in the global economic environment and competition landscape, participants in the energy industry are eagerly carrying

Business Overview

out innovation in business models and execution schemes. As a pioneer of the domestic private EPC contractors, the Group is also striving to break through the traditional EPC execution model and explore for new models. One of such new models is the investment and financing EPC model, in which the EPC contractor acts as the core coordinator and is responsible for coordinating the resources of all parties, including customers, investors, and financial institutions, so that the project can proceed with adequate financial resources in a mutually-trusted environment, thereby greatly increasing its chances of success, through which the EPC contractor in turn will be able to secure more orders. In line with this development direction, the Group has been making active preparations over the past few years. To date, the Group has established an experienced investment and financing team, with extensive experience in investment and financing EPC services.

With an experienced sales team, project execution experts with proven achievements, patented technologies that have been widely applied in our industry, as well as the newly established investment and financing EPC team, the Group believe that it is well-positioned to make great achievements in this huge market.

Building an Ecosystem with Industry Extension:

In addition to the traditional EPC services, the customer's requirements on the contractors have extended to project planning, deployment, and even project financing, as well as startup and operations services after project delivery, which has raised higher and more comprehensive requirements on the contractor's capabilities. Faced with such new challenges, the Group, leveraging its advantages in coordination and quick reaction capabilities, has cooperated with the suppliers, subcontractors, distributors, and financial institutions to create an innovative industrial ecosystem, aiming to provide its customers with comprehensive, diverse, integrated services that cover the entire lifecycle of their projects.

In addition to the engineering projects, the Group has also made strategic extensions to the downstream sector of the chemical industry. It has established a team to closely follow the development trend of new chemical materials around the world, while deeply researching the industrial

outlook and business ecology of the new chemical materials. The Group's New Chemical Materials Research Institute is in preparation, aiming to conduct in-depth study of the process and engineering technology of new chemical materials. The strategic extension to the downstream industries will help the Group to develop with a comprehensive and sustainable business model.

Cutting-edge Technologies Driven by R&D:

Even with the most advanced patented technologies in the energy and chemical industry, an enterprise will never be able to achieve sustainable development without continuous technological innovation. Therefore, the Group has always placed significant resources on its innovation and R&D efforts in the chemical technologies. Following the successful verification for scientific and technological results of our "Development and Industrial Application of Oxidative Dehydrogenation of Butene to Butadiene (ODH) Technology and Catalyst" by the China Petroleum and Chemical Industry Federation in 2017, the Group continued to cooperate with the leading research institutions at home and abroad in the development of new catalysts, aiming to fill the gaps of the new technologies and processes in China.

In May 2018, the project of New Technologies in Efficient Synthesized Production of Important Chemicals with CO₂, in which the Group has taken an important part, was officially approved by the Ministry of Science and Technology of PRC following its public announcement. This is the first time the Group undertook a national key R&D project, which has clearly demonstrated its strength and expertise in undertaking national-level scientific research tasks.

Leveraging its existing professional laboratories and pilot testing base, the Group will continue to focus on its research and development of cutting-edge technologies, while actively carrying out the research and development of "New Process" and "Catalyst" on the main pipelines of "Energy and Chemical Engineering", "Clean Energy" and "Green Chemical Engineering", with an aim of becoming the developer and promoter of core technologies of domestic energy and chemical industry, as well as the leader and promoter of the development of new chemical materials.

Business Overview

Modularization and Digitization of Industrial Technologies:

Modularization has become a major trend in energy and chemical engineering. In a modularized management and execution mode, the project owner can not only significantly increase the scale of the project, but also easily introduce intelligent management. These two advantages will enable effective control of the quality of large-scale projects, while shortening the construction cycle to reduce the investment costs. The Group started to develop its capability to execute modularized project two years ago, and showed initial success in its two projects in North America and the Zhejiang Petrochemicals project in 2017 and 2018.

Digitalization is one of the key strategies of the Group. With the development of digitalization, the Group's capability to execute modularized project will be further strengthened and its internal management will be upgraded. The Group's 3D platform based on the cloud computing technology is the first in the energy and chemical engineering industry, through which we can optimize the engineering and budget with higher accuracy during the project research and study. During the project execution, such platform will enable the participants of the project, including customers, EPC contractors and suppliers, to collaborate efficiently, thus facilitating project management, and significantly improving the quality and safety of the project. While after project delivery, it will streamline operation in a more efficient manner. Therefore, the digital 3D cloud platform will greatly enhance the Group's competitiveness in the overseas and domestic markets.



Wison 3D Platform

During the first half of 2018, the Group entered into a strategic partnership with Microsoft. With its leading artificial intelligence, digital, cloud platform technology, in combination with the Group's superior project management capabilities, we carried out cooperation in 3 aspects, including digital engineering, digital factory and talents cultivation in digital transformation, aiming to create favourable conditions for the implementation of the Group's digitization strategy. In addition, the Group established the "Jiangsu University — Wison Engineering" Big Data Joint Laboratory with Jiangsu University, a high-ranking university in China. The laboratory has promoted cooperation between the two parties in the analysis of energy chemical product prices and the dynamic analysis of costs, aiming to establish the industry standards for the acquisition, storage, analysis and use of information about the prices of chemical product, and promote the transformation of scientific research achievements into productivity through the integration of production, education and research. These strategic measures are designed to lead the Group onto a path of digitalized development and develop its unique advantages.



The ceremony of "Jiangsu University — Wison Engineering" Big Data Joint Laboratory

Management Discussion and Analysis



FINANCIAL REVIEW

Overall Review

Revenue and Gross Profit

In the six months ended 30 June 2018, the comprehensive revenue of the Group amounted to RMB1,254.7 million, representing a decrease of RMB125.5 million, or 9.1%, from RMB1,380.2 million in the six months ended 30 June 2017.

Gross profit of the Group decreased by RMB46.3 million, or 18.5% from RMB249.9 million in the six months ended 30 June 2017 to RMB203.6 million in the six months ended 30 June 2018. The gross profit margins of the Group in the six months ended 30 June 2017 and 2018 were 18.1% and 16.2%, respectively.

Details of comprehensive revenue and gross profit breakdown by business segments are set out below:

	Segment revenue six months ended 30 June		Segment gross profit six months ended 30 June		Segment gross profit margin six months ended 30 June	
	2018 (RMB million) (unaudited)	2017	2018 (RMB million) (unaudited)	2017	2018 (%)	2017
EPC	1,168.6	1,348.4	181.9	245.0	15.6%	18.2%
Engineering, consulting and technical services	86.1	31.8	21.7	4.9	25.2%	15.4%
	1,254.7	1,380.2	203.6	249.9	16.2%	18.1%

Management Discussion and Analysis

Revenue of EPC decreased by RMB179.8 million, or 13.3%, from RMB1,348.4 million in the six months ended 30 June 2017 to RMB1,168.6 million in the six months ended 30 June 2018. The majority of the new projects obtained by the Group since the second half of 2017 were yet to enter the principal construction phase in the first half of 2018 while majority of the projects obtained by the Group in previous years are approaching their respective completion phases, leading to a significant drop in the revenue recognized for the six months ended 30 June 2018 (as compared with the corresponding period in 2017). Gross profit margin of EPC decreased from 18.2% in the six months ended 30 June 2017 to 15.6% in the six months ended 30 June 2018. The decrease was mainly because of the increase in proportion of revenue from the Group's coal-to-chemicals projects, which overall gross profit margins are relatively lower during the Period under Review.

Revenue of Engineering, Consulting and Technical Services increased by RMB54.3 million, or 170.8%, from RMB31.8 million in the six months ended 30 June 2017 to RMB86.1 million in the six months ended 30 June 2018. Gross profit margin of Engineering, Consulting and Technical Services increased from 15.4% in the six months ended 30 June 2017 to 25.2% in the six months ended 30 June 2018. The increase of revenue and gross profit margin of Engineering, Consulting and Technical Services was mainly attributable to the increase in number of engineering and service contracts executed in progress during the Period under Review, and these projects carried higher profitability.

Details of comprehensive revenue breakdown by industries in which our clients operate are set out below:

	Six months ended 30 June		Change (RMB million)	Change %
	2018 (RMB million) (unaudited)	2017 (RMB million) (unaudited)		
Petrochemicals	467.3	658.5	-191.2	-29.0%
Oil refineries	159.6	277.3	-117.7	-42.4%
Coal-to-chemicals	616.2	441.8	174.4	39.5%
Other products and services	11.6	2.6	9.0	346.2%
	1,254.7	1,380.2	-125.5	-9.1%

In petrochemicals, revenue decreased by RMB191.2 million, or 29.0%, from RMB658.5 million in the six months ended 30 June 2017 to RMB467.3 million in the six months ended 30 June 2018. The decrease was attributable to the decrease of contributable revenue from certain petrochemical projects of the Group located in the Middle East region, which was completed in previous years.

In oil refineries, revenue decreased by RMB117.7 million, or 42.4%, from RMB277.3 million in the six months ended 30 June 2017 to RMB159.6 million in the six months ended 30 June 2018. The decrease was mainly because the Group's major oil refinery projects have entered the late construction phase. The project progress is slowing down and recognised revenue decreased accordingly.

In coal-to-chemicals, revenue increased by RMB174.4 million, or 39.5%, from RMB441.8 million in the six months ended 30 June 2017 to RMB616.2 million in the six months ended 30 June 2018. The increase was mainly attributable to smooth progress of the Group's MTO project located in Nanjing which led to the increase in revenue recognised.

In other products and services, revenue increased by RMB9.0 million, or 346.2%, from RMB2.6 million in the six months ended 30 June 2017 to RMB11.6 million in the six months ended 30 June 2018.

Management Discussion and Analysis

Other Income

Other income decreased by RMB7.1 million, or 6.4%, from RMB111.7 million in the six months ended 30 June 2017 to RMB104.6 million in the six months ended 30 June 2018. Interest income decreased by RMB63.0 million, rental income increased by RMB5.6 million, gain on disposal of company classified as held for sale increased by RMB25.6 million and foreign exchange gain increased by RMB12.1 million. The significant decrease in interest income was attributed to the decrease in principal portion of the financing arrangement for certain projects, and interest income recognised according to the relevant accounting standards decreased accordingly. The increase in gain on disposal of company classified as held for sale was due to the disposal of the Group's wholly-owned subsidiary located in Yangzhou, Mainland China.

Selling and Marketing Expenses

Selling and marketing expenses increased by RMB17.8 million, or 60.3%, from RMB29.5 million in the six months ended 30 June 2017 to RMB47.3 million in the six months ended 30 June 2018. The increase was mainly because the Group has increased preliminary expenditure in order to expand domestic and foreign markets.

Administrative Expenses

Administrative expenses increased by RMB37.9 million, or 26.6%, from RMB142.3 million in the six months ended 30 June 2017 to RMB180.2 million in the six months ended 30 June 2018. Administrative expenses increased due to the increased staff costs during the Period under Review resulting from the increase in technical and project execution staff members employed by the Group for its existing projects and new projects expected to be entered into by the Group, as well as the recognition of expenses related to share options granted in November 2017.

Other Expenses

Other expenses decreased by RMB18.6 million, or 49.5%, from RMB37.6 million in the six months ended 30 June 2017 to RMB19.0 million in the six months ended 30 June 2018.

Finance Costs

Finance costs decreased by RMB64.9 million, or 72.7%, from RMB89.3 million in the six months ended 30 June 2017 to RMB24.4 million in the six months ended 30 June 2018. Interest on bank loans decreased by RMB3.5 million and interest on discounted bills decreased by RMB61.4 million. The decrease in interest on discounted bills was primarily due to the decrease in the principal portion of the financing arrangements for certain projects, and interest on discounted bills decreased accordingly.

Income Tax

Income tax increased by RMB13.0 million, or 103.2%, from RMB12.6 million in the six months ended 30 June 2017 to RMB25.6 million in the six months ended 30 June 2018.

Net Profit

Net profit decreased by RMB38.1 million, or 76.1%, from RMB50.1 million in the six months ended 30 June 2017 to RMB12.0 million in the six months ended 30 June 2018. The decrease in net profit was primarily due to the overall decrease in revenue and gross profits, as well as the increase in expenses during the Period under Review.

Management Discussion and Analysis

Trade and Bills Receivables

The Group's trading terms with its customers are mainly on credit where payment in advance is normally required. Trade receivables are non-interest-bearing and on credit terms of a period of 30 days or the respective contracts' retention period. As at 30 June 2018 and 31 December 2017, the Group had trade receivables of RMB1,844.4 million and RMB1,356.2 million, respectively and bills receivables of RMB595.0 million and RMB1,202.3 million, respectively. For details please refer to note 12 to the financial statements.

The Company has been actively communicating with the relevant project owners with a view to formulating plans for their prompt settlement of the overdue receivables. The Group has maintained a favourable long-term business relationship with these project owners and the negotiations between the Company and the project owners are satisfactory.

It is a characteristic of the industry in which the Group operates that a significant proportion of revenue derives from a limited number of clients in a given period of time. Given the nature of the industry, the Group generally has a relatively limited client base. If the Group fails to complete the construction work of major projects or if the projects with the Group's major clients are terminated before completion, the Group's business, results of operations and financial condition may be adversely affected. In order to further diversify the Group's sources of revenue and reduce the Group's reliance on major clients, the Company will continue to carry out various measures to cover more mid- to large-size petrochemical producers, expand the Group's business in the oil refineries and coal-to-chemicals business segments and expand into the international markets.

Financial Resources, Liquidity and Capital Structure

The Group meets its working capital and other capital requirements principally with cash generated from its operations and borrowings.

As at 30 June 2018, the Group's pledged and unpledged cash and bank balances included the following amounts:

	30 June 2018 (Million)	31 December 2017
Hong Kong Dollar	6.6	5.8
US Dollar	114.8	164.1
Renminbi	491.1	368.7
Saudi Riyal	7.0	1.0
Euro	3.7	0.1
Indonesian Rupiah	386.4	869.1
Venezuelan Bolivar	3,508.6	175.1
UAE Dirham	1.5	3.1
South African Rand	0.6	-

Management Discussion and Analysis

Interest-bearing bank and other borrowings of the Group as at 30 June 2018 and 31 December 2017 are set out in the table below. The short-term bank borrowings of the Group accounted for 100% of the total bank borrowings (31 December 2017: 100%).

	30 June 2018 (RMB million)	31 December 2017
Current		
Bank loans repayable within one year		
— secured	232.7	282.3
— unsecured	1.0	31.0
	233.7	313.3

Bank borrowings were denominated in RMB and USD at 31 December 2017 and 30 June 2018. At 30 June 2018, bank borrowings amounting to RMB55,407,235 (31 December 2017: RMB167,943,000) bore interest at fixed rates.

The effective interest rates of the Group's bank and other borrowings ranged as follows:

Six months ended 30 June 2018	3.86% to 5.22%
Year ended 31 December 2017	3.25% to 5.66%

The maturity profile of interest-bearing bank and other borrowings as at 31 December 2017 and 30 June 2018, based on contractual undiscounted payments, is as follows.

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	(RMB million)				
30 June 2018					
Interest-bearing bank and other borrowings	—	1.6	236.7	—	238.3
31 December 2017					
Interest-bearing bank and other borrowings	—	240.5	74.5	—	315.0

As at 30 June 2018, the gearing ratio of the Group, which was derived by dividing total debt by total equity, was 0.1x (31 December 2017: 0.1x). The ratio of total borrowings to total assets was 3.8% (31 December 2017: 4.1%).

Future Plans for Major Investments or Capital Assets

During the six months ended 30 June 2018, the Group did not have any plans for material investments and capital assets.

Management Discussion and Analysis

Material Acquisitions and Disposals

Reference is made to the voluntary announcement dated 28 December 2017 of the Company. The Company announced in that voluntary announcement that on 28 December 2017, Wisom Energy Engineering (Hong Kong) Limited (“Wisom Energy (HK)”) (an indirect wholly-owned subsidiary of the Company) entered into an equity transfer agreement with 上海輝翮實業發展有限公司 (“Shanghai Huihe”), pursuant to which Wisom Energy (HK) has agreed to sell, and Shanghai Huihe has agreed to purchase, the entire equity interest in 揚州盈實新材料有限公司 (“Yangzhou Yingshi”) (an indirect wholly-owned subsidiary of the Company, formerly known as 惠生(揚州)化工機械有限公司) at the consideration of RMB86,069,700 in cash (“Equity Disposal Transaction”). The Equity Disposal Transaction was not subject to any conditions and was completed during the six months ended 30 June 2018. The effect of the Equity Disposal Transaction to the Group has been reflected in the Group’s financial statements for the six months ended 30 June 2018.

Reference is made to the announcement dated 6 June 2018 of the Company. The Company announced in the announcement that on 6 June 2018, Ningbo Chuang Huan Investment Management Company Limited (寧波創煥投資管理有限公司) (“Ningbo Chuang Huan”, an indirect wholly-owned subsidiary of the Company) and Ningbo Wei Yu Shang Zhi Investment Management Partnership (Limited Partnership) (寧波威宇尚致投資管理合夥企業(有限合夥)) (“Ningbo Wei Yu”) entered into the Cooperation Conditions Transfer Agreement, pursuant to which Ningbo Wei Yu agreed to sell and Ningbo Chuang Huan agreed to acquire 25% of total equity interest of Wisom Engineering Ltd. (惠生工程(中國)有限公司) (“Wisom Engineering”, an indirectly non-wholly-owned subsidiary of the Company) (“Equity Acquisition Transaction”) at the total consideration of RMB350 million. As at 30 June 2018, the Equity Acquisition Transaction has obtained written shareholder’s approval but the Equity Acquisition Transaction has not yet been completed. Therefore, the financial statements for the six months ended 30 June 2018 of the Group has not yet reflected the effect of the Equity Acquisition Transaction to the Group. The Equity Acquisition Transaction has been completed in August 2018 and Wisom Engineering became an indirect wholly-owned subsidiary of the Company.

Capital Expenditure

During the six months ended 30 June 2018, the capital expenditure of the Group amounted to RMB13.5 million (six months ended 30 June 2017: RMB1.8 million).

Foreign Exchange Risk Control

The business transactions of the Group are mainly settled in Renminbi and US dollars. The Group is exposed to currency risks in relation to the bank balances denominated in currency other than the functional currencies of the relevant entities. At present, the Group has not maintained any hedging policy against the foreign currency risk. However, the management monitors the related foreign currency exposure closely and will consider hedging significant currency exposure should the need arise.

Asset Security

As at 30 June 2018, no asset of the Group was pledged as security for bank facilities of the Group.

Management Discussion and Analysis

Human Resources

As at 30 June 2018, the Group had 1,371 employees (31 December 2017: 1,339 employees). The Group reviews the salaries and benefits of the employees according to market practice and the performance of the employees on a regular basis. Also, the Group contributes to various social insurance schemes in the PRC and the Mandatory Provident Fund Scheme in Hong Kong for qualified employees and provides medical insurance, work injury insurance, maternity insurance and unemployment insurance pursuant to applicable laws and regulations in the PRC and Hong Kong, as well as additional business accident and medical insurance. In the six months ended 30 June 2018, the total staff cost of the Group (including salaries, bonuses, insurance and share option schemes) amounted to RMB257.0 million (in the six months ended 30 June 2017: RMB207.6 million).

The Group adopted the Pre-IPO Share Option Scheme and the Share Option Scheme on 30 November 2012 as encouragement and reward for the contributions of employees to the Company.

Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2018, the interests and short positions of the Directors or the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") were as follows:

Name of Director	Company/Name of Group Company	Capacity/ Nature of interest	Number of Shares ⁽¹⁾	Approximate percentage of shareholding ⁽⁴⁾
Mr. Zhou Hongliang	Company	Beneficial owner	6,290,000(L) ⁽²⁾	0.15%
Mr. Dong Hua	Company	Beneficial owner	5,100,000(L) ⁽³⁾	0.13%
Mr. Lawrence Lee	Company	Beneficial owner	1,000,000(L) ⁽⁵⁾	0.02%
Mr. Tang Shisheng	Company	Beneficial owner	1,000,000(L) ⁽⁵⁾	0.02%
Mr. Feng Guohua	Company	Beneficial owner	1,000,000(L) ⁽⁵⁾	0.02%

Notes:

- (1) The letter "L" denotes the person's long position in such Shares.
- (2) These 6,290,000 shares include options granted under the pre-IPO share option scheme of the Company entitling Mr. Zhou Hongliang to subscribe for 3,040,000 shares.
- (3) These 5,100,000 shares include options granted under the pre-IPO share option scheme of the Company entitling Mr. Dong Hua to subscribe for 2,660,000 shares.
- (4) As at 30 June 2018, the Company had 4,070,395,400 ordinary shares in issue.
- (5) Shares in respect of options granted under the share option scheme of the Company.

Save as disclosed above, as at 30 June 2018, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information

SHARE OPTION SCHEMES

Share option scheme of the Company

On 30 November 2012, a share option scheme (the "Share Option Scheme") of the Company was approved and adopted by the shareholders of the Company. The Share Option Scheme will remain in force for a period to be notified by the Board, such period shall not exceed the period of ten years from the adoption date.

The purposes of the Share Option Scheme are to attract and retain the best available personnel, to provide additional incentive to employees, directors, consultants and advisers of our Group and to promote the success of the business of our Group. Pursuant to the Share Option Scheme, the Board may offer any employee (whether full-time or part-time), Director, consultant or adviser of our Group (the "Eligible Person") options to subscribe for Shares. Upon acceptance of the option, the grantee shall pay HK\$1.00 to the Company as consideration for the grant.

Further details of the principal terms of the Share Option Scheme are set out in the prospectus of the Company dated 13 December 2012.

Particulars of the outstanding options granted under the Share Option Scheme are set out below:

Categories of participants	Exercise price per share (HK\$)	No. of shares involved in the options outstanding at 1 January 2018	Exercised during the period	Lapsed during the period	Granted during the period	No. of Shares involved in the options outstanding at 30 June 2018
Directors, chief executive or substantial shareholders of the Company, or their respective associates						
Lawrence Lee	1.744	1,000,000	–	–	–	1,000,000
Tang Shisheng	1.744	1,000,000	–	–	–	1,000,000
Feng Guohua	1.744	1,000,000	–	–	–	1,000,000
Directors, chief executive or substantial shareholders of the Company's subsidiaries, or their respective associates						
	1.744	2,500,000 ⁽¹⁾	–	–	–	2,500,000
Employees of the Group	1.744	128,700,000 ⁽¹⁾	–	–	–	128,700,000
Total		134,200,000	–	–	–	134,200,000

Note:

- (1) A then employee of the Group at the beginning of the period, who became a director of a subsidiary of the Company during the period. Options representing 1,250,000 shares held by the then employee were reclassified from employees of the Group.

Other Information

SHARE OPTION SCHEMES *(Continued)*

Share option scheme of the Company *(Continued)*

The outstanding options granted under the Share Option Scheme above were granted on 14 November 2017. No options were granted under the Share Option Scheme during the six months ended 30 June 2018. Subject to the satisfaction of certain performance targets by the relevant grantees of the options for the year immediately preceding each vesting date, 25% of such options shall be vested and become exercisable on the trading day immediately following each of the 12th, 24th, 36th and 48th month after the date of grant. Vested options shall be exercisable until the expiry of a five-year period from the date of grant. The closing price per share immediately before the date of grant of such options is HK\$1.77.

Pre-IPO share option scheme of the Company

On 30 November 2012, a Pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") of the Company was approved and adopted by the shareholders of the Company. No further pre-IPO options shall be offered under the Pre-IPO Share Option Scheme after the date on which dealings in the Shares of the Company commenced on the main board of the Stock Exchange of Hong Kong Limited but the provisions of this Pre-IPO Share Option Scheme shall in all other respects remain in full force and effect to the extent necessary to give effect to the exercise of any pre-IPO options granted prior thereto or otherwise as may be required in accordance with the provisions of this Pre-IPO Share Option Scheme and pre-IPO options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with the Pre-IPO Share Option Scheme.

The purpose of the Pre-IPO Share Option Scheme is to enable our Company to grant pre-IPO options to eligible participants, including directors, senior management and employees of the Group and certain employees, executives and officers of Wisou Group Holding Limited ("Wisou Holding"), our controlling shareholder, and its subsidiaries as recognition and acknowledgement of the contributions that such eligible participants have made or may make to our Group or any affiliates.

Each of the grantees to whom a pre-IPO option has been granted under the Pre-IPO Share Option Scheme shall be entitled to exercise his/her pre-IPO option at any time during the option period or such period as may be specified by the Board at the time of grant.

Save as disclosed below, no Directors, substantial shareholders or other connected persons or their respective associates have been granted options under the Pre-IPO Share Option Scheme.

Other Information

SHARE OPTION SCHEMES (Continued)

Pre-IPO share option scheme of the Company (Continued)

Particulars of the outstanding options granted under the Pre-IPO Share Option Scheme are set out below:

Category of participants	Exercise price per share (HK\$)	No. of Shares involved in the options outstanding at 1 January 2018	Exercised during the period	Lapsed during the period	Reassigned during the period (Note)	No. of Shares involved in the options outstanding at 30 June 2018
The Group						
Directors, chief executive or substantial shareholders of the Company, or their respective associates						
Zhou Hongliang	0.837	3,040,000	–	–	–	3,040,000
Dong Hua	0.837	2,660,000	–	–	–	2,660,000
Directors, chief executive or substantial shareholders of the Company's subsidiaries, or their respective associates	0.837	6,574,000 ⁽²⁾	–	–	–	6,574,000
Employees of the Group	0.837	97,535,800 ⁽²⁾	(3,665,600)	(744,800)	760,000 ⁽³⁾	93,885,400
Wison Holding and its subsidiaries						
Liu Haijun	0.837	3,040,000 ⁽¹⁾	–	–	–	3,040,000
Employees, executives and officers of Wison Holding or any of its subsidiaries	0.837	30,632,000	(163,600)	(182,400)	(760,000) ⁽³⁾	29,526,000
Total		143,481,800	(3,829,200)	(927,200)	–	138,725,400

Notes:

- (1) Mr. Liu Haijun resigned as a director of the Company on 5 February 2018 and became an employee of Wison Group Holding Limited ("Wison Holding") upon his resignation.
- (2) An employee of the Group at the beginning of the period, who became a director of a subsidiary of the Company during the period. Options representing 646,000 Shares held by the employee were reclassified from employees of the Group.
- (3) Options representing 760,000 Shares were held by certain then employees of Wison Group Holding Limited ("Wison Holding") or its subsidiaries at the beginning of the period, who became employees of the Group during the period.

Other Information

SHARE OPTION SCHEMES (Continued)

Pre-IPO share option scheme of the Company (Continued)

The outstanding options granted under the Pre-IPO Share Option Scheme above were granted on 30 November 2012. No further option has been granted under the Pre-IPO Share Option Scheme after the listing of the Company. During the six months ended 30 June 2018, options representing 3,829,200 Shares have been exercised by the holders, options representing 927,200 Shares have been lapsed, and no options have been cancelled. The weighted average closing price of the Shares immediately before the dates on which the options were exercised is HK\$1.398.

Pursuant to the Pre-IPO Share Option Scheme, outstanding and unexercised options may be exercisable in tranches during the option period (which shall expire on the last business day of the 96th month after the date on which dealings in the shares of the Company commenced on the Stock Exchange ("the Listing Date") such that 20% of such options shall be exercisable at any time on or after the first business day following each of the 36th, 48th, 60th, 72th and 84th month after the Listing Date.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2018, the following persons (other than the Directors or the chief executive of the Company) has interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name	Company/Name of Group Company	Capacity/ Nature of interest	Number of Shares directly or indirectly held ⁽¹⁾	Approximate percentage of shareholding ⁽⁵⁾
Wisun Engineering Investment Limited ("Wisun Investment")	Company	Beneficial owner	3,088,782,146(L)	75.88%
Wisun Holding ⁽²⁾	Company	Interest in controlled corporation	3,088,782,146(L)	75.88%
Mr. Hua Bangsong ⁽³⁾	Company	Interest in controlled corporation	3,088,782,146(L)	75.88%
Ms. Huang Xing ⁽⁴⁾	Company	Interest of spouse	3,088,782,146(L)	75.88%

Notes:

- (1) The letter "L" denotes the person's long position in such Shares.
- (2) Wisun Holding, as the sole shareholder of Wisun Investment, is deemed or taken to be interested in the Shares which are owned by Wisun Investment.
- (3) Mr. Hua Bangsong, as the sole shareholder of Wisun Holding, is deemed or taken to be interested in the Shares which are beneficially owned by Wisun Holding.
- (4) Ms. Huang Xing is the spouse of Mr. Hua Bangsong. Under the SFO, Ms. Huang Xing is deemed to be interested in the same number of Shares in which Mr. Hua Bangsong is interested.
- (5) As at 30 June 2018, the Company had 4,070,395,400 ordinary shares in issue.

Other Information

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

Save as disclosed above, as at 30 June 2018, no persons (other than the Directors or the chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

PURCHASES, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

INTERIM DIVIDEND AND SPECIAL DIVIDEND

The board of directors of the Company has resolved to declare an interim dividend of RMB0.0006 (equivalent to HK\$0.0007) per ordinary share and a special one-off dividend of RMB0.0583 (equivalent to HK\$0.0666) per ordinary share, totaling RMB0.0589 (equivalent to HK\$0.0673) per ordinary share, amounting to total dividend payment of approximately RMB239.7 million. The interim dividend and the special dividend have not been reflected as a dividend payable in the condensed consolidated interim financial information, but will be reflected as an appropriation of retained profits for the year ending 31 December 2018.

The interim dividend and the special dividend will be paid in Hong Kong dollars based on the rate of HK\$1.00 to RMB0.8753, being the official exchange rate of Hong Kong dollars against Renminbi as quoted by the People's Bank of China on 24 August 2018. The interim dividend and the special dividend will be paid on or around 15 November 2018 to shareholders whose names appear on the register of members of the Company on 3 October 2018.

CLOSURE OF REGISTER OF MEMBERS FOR THE ENTITLEMENT OF INTERIM DIVIDEND AND SPECIAL DIVIDEND

The Register of Members of the Company will be closed from 29 September 2018 to 3 October 2018 (both days inclusive), for the purpose of determining shareholders' entitlements to the interim dividend and special dividend. In order to qualify for the interim dividend and the special dividend, all transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 28 September 2018.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") (the "Code") during the six months ended 30 June 2018.

Other Information

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. All directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code for the six months ended 30 June 2018.

AUDIT COMMITTEE

The Company established an Audit Committee with written terms of reference in compliance with the Code. As at the date of this report, the Audit Committee comprises the three independent non-executive directors of the Company, namely, Mr. Lawrence Lee, Mr. Tang Shisheng and Mr. Feng Guohua. Mr. Lawrence Lee is the Chairman of the Audit Committee.

The Audit Committee has reviewed and discussed the unaudited interim results for the six months ended 30 June 2018.

CHANGE IN DIRECTORS' BIOGRAPHICAL DETAILS UNDER RULE 13.51B(1) OF THE LISTING RULES

Mr. Tang Shisheng has resigned as the chairman of Hodojou Technology Co., Ltd. (華多九州科技股份有限公司), formerly known as Beijing HODOJOU Technology Co., Ltd (北京華多九州科技有限公司) (a company listed on National Equities Exchange and Quotations, Stock Code: 834567) in July 2018. He remains as a director of Hodojou Technology Co., Ltd. (華多九州科技股份有限公司).

Save as disclosed above, there is no other change in the directors' biographical details which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2017 annual report of the Company.

Unaudited Financial Statements

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



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To the Board of Directors of
Wison Engineering Services Co. Ltd.
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the accompanying interim financial information set out on pages 27 to 62, which comprises the interim condensed consolidated statement of financial position of Wison Engineering Services Co. Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 June 2018 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six months then ended, and explanatory notes.

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of the interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Unaudited Financial Statements

Conclusion

Based on our review, nothing has come to our attention that caused us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young

Certified Public Accountants

Hong Kong

29 August 2018

Unaudited Financial Statements

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the six months ended 30 June	
		2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
REVENUE	4	1,254,691	1,380,186
Cost of sales		(1,051,029)	(1,130,320)
GROSS PROFIT		203,662	249,866
Other income and gains	5	104,617	111,720
Selling and marketing expenses		(47,319)	(29,463)
Administrative expenses		(180,166)	(142,281)
Other expenses		(19,015)	(37,588)
Finance costs	6	(24,381)	(89,288)
Share of profit/(loss) of an associate		218	(209)
PROFIT BEFORE TAX	7	37,616	62,757
Income tax	8	(25,649)	(12,624)
PROFIT FOR THE PERIOD		11,967	50,133
Attributable to:			
Owners of the parent		8,315	40,535
Non-controlling interests		3,652	9,598
		11,967	50,133
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
— Basic	10	RMB0.2 cent	RMB1.00 cent
— Diluted		RMB0.2 cent	RMB1.00 cent

Unaudited Financial Statements

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

	For the six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
PROFIT FOR THE PERIOD	11,967	50,133
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(2,299)	(3,835)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	(2,299)	(3,835)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	(2,299)	(3,835)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	9,668	46,298
Attributable to:		
Owners of the parent	6,250	36,700
Non-controlling interests	3,418	9,598
	9,668	46,298

Unaudited Financial Statements

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	897,801	917,334
Investment property		12,069	12,396
Prepaid land lease payments		151,043	152,948
Goodwill		15,752	15,752
Intangible assets		13,128	4,364
Investment in an associate		1,496	1,278
Long-term prepayments		25,932	654
Deferred tax assets		42,200	11,986
Total non-current assets		1,159,421	1,116,712
CURRENT ASSETS			
Inventories		38,379	24,515
Contract assets		633,055	–
Gross amounts due from contract customers		–	2,051,469
Trade receivables	12	1,844,430	1,356,157
Bills receivable		595,041	1,202,274
Due from a related company	17	102,110	–
Due from fellow subsidiaries	17	37,310	34,277
Prepayments, deposits and other receivables		469,444	335,671
Pledged bank balances and time deposits	13	691,602	542,269
Cash and bank balances	13	607,588	916,153
		5,018,959	6,462,785
Assets of a disposal company classified as held for sale	14	–	33,374
Total current assets		5,018,959	6,496,159

Unaudited Financial Statements

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
CURRENT LIABILITIES			
Contract liabilities		594,304	–
Gross amounts due to contract customers		–	398,697
Trade and bills payables	15	2,716,481	3,516,007
Other payables and accruals		180,289	773,624
Interest-bearing bank and other borrowings	16	233,732	313,332
Due to fellow subsidiaries	17	40,373	–
Due to an associate	17	630	630
Dividends payable		–	81,984
Tax payable		141,965	139,146
		3,907,774	5,223,420
Liabilities directly associated with assets classified as held for sale	14	–	6,556
Total current liabilities		3,907,774	5,229,976
NET CURRENT ASSETS		1,111,185	1,266,183
TOTAL ASSETS LESS CURRENT LIABILITIES		2,270,606	2,382,895
NON-CURRENT LIABILITIES			
Deferred tax liabilities		16,099	18,499
Government grants		4,921	5,014
Total non-current liabilities		21,020	23,513
NET ASSETS		2,249,586	2,359,382
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Share capital	18	330,281	329,968
Share premium		860,586	850,993
Other reserves		894,861	1,002,063
		2,085,728	2,183,024
Non-controlling interests		163,858	176,358
TOTAL EQUITY		2,249,586	2,359,382

Unaudited Financial Statements

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent									Total	Non-controlling interests	Total equity
	Share capital	Share premium	Share option reserve*	Capital reserve*	Redemption reserve*	Statutory surplus reserves*	Statutory expansion reserve*	Exchange fluctuation reserve*	Retained profits*			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2018	329,968	850,993	265,449	84,936	1	39,437	30,620	2,994	578,626	2,183,024	176,358	2,359,382
IFRS 9 adjustment on retained profits (note 2.2)	-	-	-	-	-	-	-	-	(136,239)	(136,239)	(15,918)	(152,157)
As at 1 January 2018 (adjusted)	329,968	850,993	265,449	84,936	1	39,437	30,620	2,994	442,387	2,046,785	160,440	2,207,225
Profit for the period	-	-	-	-	-	-	-	-	8,315	8,315	3,652	11,967
Exchange differences related to foreign operations	-	-	-	-	-	-	-	(2,065)	-	(2,065)	(234)	(2,299)
Total comprehensive income for the period	-	-	-	-	-	-	-	(2,065)	8,315	6,250	3,418	9,668
Disposal of a subsidiary	-	-	-	-	(1)	(8,819)	-	-	8,820	-	-	-
Transfer to the statutory reserves	-	-	-	-	-	-	-	-	-	-	-	-
Exercise of share options	313	9,593	(7,290)	-	-	-	-	-	-	2,616	-	2,616
Equity-settled share option arrangements	-	-	30,077	-	-	-	-	-	-	30,077	-	30,077
As at 30 June 2018 (Unaudited)	330,281	860,586	288,236	84,936	-	30,618	30,620	929	459,522	2,085,728	163,858	2,249,586

* As at 30 June 2018, these reserve accounts represent the total consolidated other reserves of RMB894,861,000 (31 December 2017: RMB1,002,063,000) in the interim condensed consolidated statement of financial position.

	Attributable to owners of the parent									Total	Non-controlling interests	Total equity
	Share capital	Share premium	Share option reserve	Capital reserve	Redemption reserve	Statutory surplus reserves	Statutory expansion reserve	Exchange fluctuation reserve	Retained profits			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2017	329,809	846,250	242,818	-	1	35,514	26,697	33,114	511,484	2,025,687	202,490	2,228,177
Profit for the period	-	-	-	-	-	-	-	-	40,535	40,535	9,598	50,133
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(3,835)	-	(3,835)	-	(3,835)
Total comprehensive income for the period	-	-	-	-	-	-	-	(3,835)	40,535	36,700	9,598	46,298
Transfer to the statutory reserves	-	-	-	-	-	3,923	3,923	-	(7,846)	-	-	-
Exercise of share options	6	177	(132)	-	-	-	-	-	-	51	-	51
Equity-settled share option arrangements	-	-	10,007	-	-	-	-	-	-	10,007	-	10,007
Dividends declared	-	-	-	-	-	-	-	-	-	-	(42,715)	(42,715)
As at 30 June 2017 (Unaudited)	329,815	846,427	252,693	-	1	39,437	30,620	29,279	544,173	2,072,445	169,373	2,241,818

Unaudited Financial Statements

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	For the six months ended 30 June	
		2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		37,616	62,757
Adjustments for:			
Depreciation of property, plant and equipment and investment property	7	23,085	25,341
Amortisation of intangible assets	7	1,289	1,730
Amortisation of prepaid land lease payments	7	1,905	2,079
Recognition of government grants		(11,315)	(1,068)
Share of (profit)/loss of an associate		(218)	209
Net foreign exchange gains		516	–
Loss on disposal of items of property, plant and equipment	7	43	252
Loss on disposal of items of intangible assets	7	138	–
Impairment of trade receivables	7	37,154	–
Reversal of Impairment of contract assets	7	(28,993)	–
Impairment of other receivables	7	1,061	–
Gain on disposal of a subsidiary	5,7	(25,567)	–
Equity-settled share option expense	7	30,077	10,007
Finance costs	6	24,381	89,288
Interest income	5	(13,727)	(76,724)
		77,445	113,871
Increase in inventories		(13,864)	(22,247)
Decrease/(increase) in trade and bills receivables		93,331	(22,138)
Increase in prepayments, deposits and other receivables		(113,402)	(46,257)
(Increase)/decrease in long-term prepayments		(25,274)	1,619
Decrease in amounts due from contract customers		–	767,533
Decrease in amounts due to contract customers		–	(242,119)
Decrease in contract assets		1,260,457	–
Decrease in contract liabilities		(111,456)	–
Increase in amounts due from fellow subsidiaries		(3,033)	(5,330)
Decrease in an amount due from a related company		–	256
Decrease in trade and bills payables		(799,526)	(265,622)
Decrease in other payables and accruals		(320,358)	(256,328)
Increase in amounts due to fellow subsidiaries		40,373	–
Increase in an amount due from a related company		(102,110)	–
(Increase)/decrease in pledged bank balances and time deposits		(149,333)	80,545
Cash (used in)/generated from operations		(166,750)	103,783
Interest received		2,202	1,929
Interest paid		(12,856)	(14,493)
Tax paid		(20,334)	(58,370)
Net cash flows (used in)/from operating activities		(197,738)	32,849

Unaudited Financial Statements

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Notes	For the six months ended 30 June	
		2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(5,611)	(1,812)
Proceeds from disposal of items of property, plant and equipment		21	1,106
Purchase of intangible assets		(7,869)	(19)
Government grants received		11,222	1,003
Disposal of a subsidiary		50,894	–
Net cash flows from investing activities		48,657	278
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of new shares		2,616	51
New bank loans		231,090	392,987
Repayment of bank loans		(311,764)	(329,189)
Dividend paid		(81,984)	(258,417)
Net cash flows used in financing activities		(160,042)	(194,568)
NET DECREASE IN CASH AND CASH EQUIVALENTS			
		(309,123)	(161,441)
Cash and cash equivalents at beginning of period		916,153	701,000
Effect of foreign exchange rate changes, net		558	–
CASH AND CASH EQUIVALENTS AT END OF PERIOD		607,588	539,559
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		607,588	539,559
Unpledged time deposits with original maturity of more than three months when acquired		–	–
Unpledged time deposits with original maturity of less than three months when acquired		–	–
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF FINANCIAL POSITION	13	607,588	539,559
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF CASH FLOWS		607,588	539,559

Unaudited Financial Statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The registered office address of the Company is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands.

Wison Engineering Investment Limited (“Wison Investment”) is the immediate holding company of the Company. In the opinion of the directors, Wison Group Holding Limited (“Wison Holding”) is the ultimate holding company of the Company. Wison Holding and Wison Investment are exempted companies with limited liability incorporated in the British Virgin Islands.

The Group is principally engaged in the provision of project solutions to petrochemical and coal-to-chemicals producers in terms of design, building and commissioning of their production facilities through technology consultancy, engineering, procurement and construction management services in the People’s Republic of China (the “PRC”) and overseas.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP’S ACCOUNTING POLICIES

Basis of preparation

The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2018 (the “Interim Financial Information”) have been prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting issued by the International Accounting Standards Board.

The Interim Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2017.

All intra-group transactions and balances have been eliminated on consolidation.

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the Interim Financial Information are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards and amendments effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

In the current interim period, the Group has applied, for the first time, the following new standards and amendments to International Financial Reporting Standards (“IFRSs”, which also include International Accounting Standards (“IASs”) and interpretations) that are relevant to the Group’s operation for the preparation of the Group’s interim condensed consolidated financial statements:

IFRS 9	<i>Financial Instruments</i>
IFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to IFRS 15	<i>Clarifications to IFRS 15 Revenue from Contracts with Customers</i>
IFRIC 22	<i>Foreign Currency Transactions and Advance Consideration</i>
Amendments to IFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to IFRS 4	<i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</i>
Amendments to IAS 40	<i>Transfers of Investment Property</i>
<i>Annual Improvements 2014-2016 Cycle</i>	<i>Amendments to IFRS 1 and IAS 28</i>

Unaudited Financial Statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES *(Continued)*

New standards, interpretations and amendments adopted by the Group *(Continued)*

The Group applies, for the first time, IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments*. As required by IAS 34, the nature and effect of these changes are disclosed below.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the modified retrospective method of adoption. The effect of adopting IFRS 15 is as follows:

- The comparative information for each of the primary financial statements would be presented based on the requirements of IAS 11, IAS 18 and related interpretations and;
- As required for the interim condensed consolidated financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Refer to note 4 for the disclosure on disaggregated revenue. Disclosures for the comparative period in the notes to the financial statements would also follow the requirements of IAS 11, IAS 18 and related Interpretations. As a result, the disclosure of disaggregated revenue in note 4 would not include comparative information under IFRS 15.

IFRS 9 *Financial Instruments*

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* and is effective for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2017 was reported under IAS 39 and was not comparable to the information presented for the six months ended 30 June 2018.

Changes to classification and measurement

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

Unaudited Financial Statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES *(Continued)* IFRS 9 *Financial Instruments (Continued)*

Changes to classification and measurement (Continued)

The IAS 39 measurement categories of financial assets, including financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial investments and held-to-maturity investments have been replaced by:

- Debt instruments at amortised cost;
- Debt instruments at fair value through other comprehensive income, with gains or losses recycled to profit or loss on derecognition;
- Equity instruments at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition; and
- Financial assets at fair value through profit or loss.

The accounting for financial liabilities remains largely the same as it was under IAS 39.

As of 1 January 2018, loans and receivables under IAS 39, including cash and bank balances, pledged bank balances and time deposits, trade and bills receivables, contract assets, financial assets included in prepayments, deposits and other receivables, amounts due from fellow subsidiaries and an amount due from a related company, were transferred to debt instruments at amortised cost under IFRS 9.

Changes to the impairment calculation

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model. The Company applies the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its accounts and notes receivables. The Company applies the general approach of trade and bills receivables, contract assets financial assets included in prepayments, deposits and other receivables, amounts due from fellow subsidiaries and an amount due from a related company.

All the other amendments and interpretation were applied for the first time in 2018, but did not have an impact on the interim condensed consolidated financial statements of the Company.

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Unaudited Financial Statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (Continued) Impacts on opening condensed consolidated statement of financial position arising from the application of new standards

As a result of the changes in the Group's accounting policies above, the opening condensed consolidated statement of financial position had to be adjusted. The following table shows the adjustments recognised for each individual line item.

	31 December 2017 RMB'000 (Audited)	IFRS 15 RMB'000	IFRS 9 RMB'000	1 January 2018 RMB'000 (Adjusted)
Non-current assets				
Deferred tax assets	11,986	–	28,090	40,076
Current assets				
Gross amounts due from contract customers	2,051,469	(2,051,469)	–	–
Contract assets	–	2,051,469	(186,950)	1,864,519
Prepayments, deposits and other receivables	335,671	–	(317)	335,354
Current liabilities				
Gross amounts due to contract customers	398,697	(398,697)	–	–
Contract liabilities	–	705,760	–	705,760
Other payables and accruals	773,624	(307,063)	–	466,561
Non-current liabilities				
Deferred tax liabilities	18,499	–	(7,020)	11,479
Equity attributable to owners of the parent	2,183,024	–	(136,239)	2,046,785
Non-controlling interests	176,358	–	(15,918)	160,440

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

- Engineering, procurement and construction (“EPC”); and
- Engineering, consulting and technical services

Unaudited Financial Statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

3. OPERATING SEGMENT INFORMATION (Continued)

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, share of profit/(loss) of an associate, finance costs, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude property, plant and equipment, investment properties, prepaid land lease payments, goodwill, intangible assets, an investment in an associate, deferred tax assets, an amount due from a related company, amounts due from fellow subsidiaries, deposits and other receivables, assets of a disposal company classified as held for sale, pledged bank balances and time deposits and cash and bank balances as these assets are managed on a group basis.

Segment liabilities exclude other payables and accruals, interest-bearing bank and other borrowings, an amount due to an associate, amounts due to fellow subsidiaries, dividends payable, tax payable, liabilities directly associated with the assets classified as held for sale, government grants and deferred tax liabilities as these liabilities are managed on a group basis.

Operating segments

For the six months ended 30 June 2018 (Unaudited)	EPC RMB'000	Engineering, consulting and technical services RMB'000	Total RMB'000
Segment revenue			
Sales to external customers	1,168,561	86,130	1,254,691
Intersegment sales	2,944	2,420	5,364
Total revenue	1,171,505	88,550	1,260,055
<i>Reconciliation:</i>			
Elimination of intersegment sales			(5,364)
Revenue			1,254,691
Segment results	181,877	21,785	203,662
<i>Reconciliation:</i>			
Imputed interest income from an EPC contract	10,824	–	10,824
Interest on discounted letters of credit	(10,824)	–	(10,824)
Unallocated income			93,793
Unallocated expenses			(246,500)
Share of profit of an associate			218
Finance costs			(13,557)
Profit before tax			37,616

Unaudited Financial Statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

3. OPERATING SEGMENT INFORMATION *(Continued)*

Operating segments *(Continued)*

For the six months ended 30 June 2017 (Unaudited)	EPC RMB'000	Engineering, consulting and technical services RMB'000	Total RMB'000
Segment revenue			
Sales to external customers	1,348,403	31,783	1,380,186
Intersegment sales	5,813	–	5,813
Total revenue	1,354,216	31,783	1,385,999
<i>Reconciliation:</i>			
Elimination of intersegment sales			(5,813)
Revenue			1,380,186
Segment results	244,954	4,912	249,866
<i>Reconciliation:</i>			
Unallocated income			111,720
Unallocated expenses			(209,332)
Share of loss of an associate			(209)
Finance costs			(89,288)
Profit before tax			62,757

Unaudited Financial Statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

3. OPERATING SEGMENT INFORMATION (Continued)

Operating segments (Continued)

30 June 2018 (Unaudited)	EPC RMB'000	Engineering, consulting and technical services RMB'000	Total RMB'000
Segment assets	3,477,951	68,166	3,546,117
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(38,001)
Corporate and other unallocated assets			2,670,264
Total assets			6,178,380
Segment liabilities	3,308,398	40,851	3,349,249
<i>Reconciliation:</i>			
Elimination of intersegment payables			(38,464)
Corporate and other unallocated liabilities			618,009
Total liabilities			3,928,794
31 December 2017 (Audited)	EPC RMB'000	Engineering, consulting and technical services RMB'000	Total RMB'000
Segment assets	4,945,487	6,716	4,952,203
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(14,547)
Corporate and other unallocated assets			2,675,215
Total assets			7,612,871
Segment liabilities	4,168,427	69,687	4,238,114
<i>Reconciliation:</i>			
Elimination of intersegment payables			(16,347)
Corporate and other unallocated liabilities			1,031,722
Total liabilities			5,253,489

Unaudited Financial Statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

3. OPERATING SEGMENT INFORMATION (Continued)

Operating segments (Continued)

For the six months ended 30 June 2018 (Unaudited)	EPC RMB'000	Engineering, consulting and technical services RMB'000	Total RMB'000
Other segment information			
Share of profit of an associate Unallocated			218
Depreciation and amortisation Unallocated			26,279
Investment in an associate Unallocated			1,496
Capital expenditure* Unallocated			13,480

For the six months ended 30 June 2017 (Unaudited)	EPC RMB'000	Engineering, consulting and technical services RMB'000	Total RMB'000
Other segment information			
Share of loss of an associate Unallocated			(209)
Depreciation and amortisation Unallocated			29,150
Investment in an associate Unallocated			2,299
Capital expenditure* Unallocated			1,831

* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

Unaudited Financial Statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

3. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

Revenue from external customers

	For the six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Mainland China	796,427	470,274
Venezuela	159,631	277,485
Saudi Arabia	150,209	498,190
The United States	142,325	–
United Arab Emirates	1,077	134,237
Others	5,022	–
	1,254,691	1,380,186

The revenue information above is based on the locations of the customers.

As over 90% of the Group's non-current assets are located in Mainland China, no further geographical information of Group's non-current assets is presented.

Information about major customers

Revenue from major customers which individually amounted to 10% or more of the Group's revenue is set out below:

	For the six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Customer A (EPC segment)	32.3%	N/A
Customer B (EPC segment)	12.7%	20.1%
Customer C (EPC segment)	12.6%	12.4%

Unaudited Financial Statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Revenue		
Construction contracts	1,168,561	1,348,403
Rendering of services	86,130	31,783
	1,254,691	1,380,186

With the adoption of IFRS 15 from 1 January 2018, the disaggregation of the Company's revenue from contracts with customers, including sales of goods above is as follows:

For the six months ended 30 June 2018 (Unaudited)	Engineering, consulting and technical services		Total RMB'000
	EPC RMB'000	services RMB'000	
Segments			
Type of goods or services			
Construction contracts	1,168,561	–	1,168,561
Service contracts	–	86,130	86,130
Total revenue from contracts with customers	1,168,561	86,130	1,254,691
Geographical markets			
Mainland China	713,893	82,534	796,427
Venezuela	159,631	–	159,631
Saudi Arabia	150,209	–	150,209
The United States	142,325	–	142,325
United Arab Emirates	1,077	–	1,077
Others	1,426	3,596	5,022
	1,168,561	86,130	1,254,691
Timing of revenue recognition			
Services transferred over time	1,168,561	86,130	1,254,691

Unaudited Financial Statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

4. REVENUE (Continued)

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

	EPC RMB'000	Engineering, consulting and technical services RMB'000	Total RMB'000
Revenue			
Sales to external customers	1,168,561	86,130	1,254,691
Intersegment sales	2,944	2,420	5,364
Adjustments and eliminations	(2,944)	(2,420)	(5,364)
Total revenue from contracts with customers	1,168,561	86,130	1,254,691

5. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Other income		
Government grants*	11,315	1,068
Interest income	13,727	76,724
Rental income	38,097	32,487
Gain on disposal of a subsidiary	25,567	–
Others	3,810	1,441
	92,516	111,720
Gains		
Foreign exchange gains	12,101	–
	104,617	111,720

* Government grants have been received from the local governments as incentives to promote and accelerate development in the local province. There are no unfulfilled conditions or contingencies relating to these grants.

Unaudited Financial Statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Interest on bank and other loans	6,989	10,454
Interest on discounted bills and letter of credit	17,392	78,834
	24,381	89,288

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Cost of services provided	1,051,029	1,130,320
Depreciation of property, plant and equipment and investment property	23,085	25,341
Research and development costs	1,878	8,856
Amortisation of prepaid land lease payments	1,905	2,079
Amortisation of intangible assets	1,289	1,730
Impairment of trade receivables	37,154	–
Reversal of impairment of contract assets	(28,993)	–
Impairment of other receivables	1,061	–
Loss on disposal of items of property, plant and equipment	43	252
Loss on disposal of items of intangible assets	138	–
Gain on disposal of a subsidiary	(25,567)	–
Minimum lease payments under operating leases	10,273	7,544
Auditors' remuneration	3,432	1,289
Employee benefit expense (including directors' remuneration):		
Wages and salaries	202,522	176,790
Retirement benefit scheme contributions	24,404	20,847
Equity-settled share options	30,077	10,007
	257,003	207,644
Foreign exchange differences, net	(12,101)	46,938

Unaudited Financial Statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

8. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate.

	For the six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current		
— Mainland China	—	4,420
— Elsewhere	23,153	3,976
Deferred	2,496	4,228
Total tax charge for the period	25,649	12,624

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group was not subject to any income tax in the Cayman Islands and British Virgin Islands. The Group was not liable for income tax in Hong Kong, Indonesia, Saudi Arabia, United Arab Emirates and the United States of America as the Group did not have any assessable income arising in Hong Kong, Indonesia, Saudi Arabia, United Arab Emirates and the United States of America for the six months ended 30 June 2018 and 2017.

惠生工程（中國）有限公司 (Wison Engineering Limited, "Wison Engineering") was qualified as a "High and New Technology Enterprise" and was entitled to a preferential corporate income tax ("CIT") rate of 15% from 2014 to 2016. In accordance with the requirements of the tax regulations in the PRC, Wison Engineering reapplied "High and New Technology Enterprise" and obtained the certification on 23 October 2017 which will be effective for another three years from 1 January 2017. Therefore, Wison Engineering was subject to CIT at a rate of 15% for the six months ended 30 June 2018 and 2017.

Unaudited Financial Statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

8. INCOME TAX *(Continued)*

A reconciliation of income tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and its subsidiaries are domiciled to the income tax expense at the effective income tax rate for the six months ended 30 June 2018 and 2017, is as follows:

	For the six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Profit before tax	37,616	62,757
At the statutory income tax rates	12,131	15,689
Lower tax rate enacted by local authority	1,696	(2,234)
Effect of different tax rates of branches operating in other jurisdictions	5,807	(7,452)
Tax losses not recognised	948	646
Tax losses utilised from previous periods	(323)	–
Effect of withholding taxes on distributable profits of the subsidiaries in Mainland China	4,860	4,232
Additional tax deduction	(141)	(6,160)
Income not subject to tax	(901)	–
Expenses not deductible for tax	1,572	7,903
Tax charge for the period	25,649	12,624

The share of tax attributable to an associate amounting to RMB13,000 (six months ended 30 June 2017: RMB55,000) is included in "Share of profit/(loss) of an associate" in the interim condensed consolidated statement of profit or loss and other comprehensive income.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. At 30 June 2018, there was no significant unrecognised deferred tax liability (2017: Nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted due to the availability of double taxation relief.

Unaudited Financial Statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

9. DIVIDENDS

During the six months ended 30 June 2018 and 2017, the directors did not declare any interim dividend.

Pursuant to a resolution dated 29 August 2018, the board of directors of the Company declared an interim dividend of RMB0.0006 (equivalent to HK\$0.0007) per ordinary share and a special one-off dividend of RMB0.0583 (equivalent to HK\$0.0666) per ordinary share, totaling RMB0.0589 (equivalent to HK\$0.0673) per ordinary share, amounting to total dividend payment of approximately RMB239.7 million.

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the six months ended 30 June 2018 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,067,766,806 (six months ended 30 June 2017: 4,064,692,057) in issue during the period.

The calculation of the diluted earnings per share amount is based on the profit for the six months period ended 30 June 2018 attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the six months ended 30 June 2018, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations:	8,315	40,535
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculations	4,067,766,806	4,064,692,057
Effective of dilution-weighted average number of ordinary shares	43,729,907	–
	4,111,496,713	4,064,692,057

Unaudited Financial Statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

11. PROPERTY, PLANT AND EQUIPMENT

	RMB'000 (Unaudited)
At 1 January 2018	917,334
Additions	5,611
Depreciation	(22,758)
Disposal	(64)
Written off	(2,322)
At 30 June 2018	897,801

At 30 June 2018, the Group's buildings are situated in Mainland China and are held under long term leases except for the buildings with a net book value of RMB868,536,000 (31 December 2017: RMB899,352,000) which are held under a medium term lease.

12. TRADE RECEIVABLES

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Trade receivables	1,923,157	1,397,730
Impairment	(78,727)	(41,573)
	1,844,430	1,356,157

The Group's trading terms with its customers are mainly on credit. Trade receivables are non-interest-bearing and on credit terms of a period of 30 days or the respective retention periods in the contracts. The Group seeks to maintain strict control over its outstanding receivables and minimise credit risk. Overdue balances are reviewed regularly by management.

Unaudited Financial Statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

12. TRADE RECEIVABLES (Continued)

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date, and net of provision for doubtful debts, is as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Trade receivables:		
Within 1 month	868,391	924,364
2 to 12 months	807,335	424,201
Over 1 year	168,704	7,592
	1,844,430	1,356,157

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
At 1 January	41,573	41,573
Impairment loss recognised	37,154	–
At 30 June/31 December	78,727	41,573

The individually impaired trade receivables relate to customers that were in default in principal payments and only a portion of the receivables is expected to be recovered.

The ageing analysis of the trade receivables that are not considered to be impaired is as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Neither past due nor impaired	870,051	926,364
Less than 12 months past due	805,835	424,201
Over 1 year past due	168,544	5,592
	1,844,430	1,356,157

Unaudited Financial Statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

12. TRADE RECEIVABLES (Continued)

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

13. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Cash and bank balances	1,145,391	1,339,976
Time deposits with original maturity of less than three months	121,309	–
Time deposits with original maturity of more than three months	32,490	118,446
	1,299,190	1,458,422
Less: Pledged bank balances and time deposits	(691,602)	(542,269)
	607,588	916,153

At 30 June 2018, bank balances and time deposits of RMB523,824,000 (31 December 2017: RMB296,209,000) were placed as guarantee deposits for performance of certain construction contracts and for the tendering process.

At 30 June 2018, bank balances of RMB38,825,000 (31 December 2017: RMB7,037,000) were pledged to a bank as security to obtain a letter of credit facility for the purchase of imported equipment.

At 30 June 2018, bank balances and time deposits of RMB128,953,000 (31 December 2017: RMB180,188,000) were pledged as security for bill facilities granted by the banks.

At 31 December 2017, bank balances of RMB58,835,000 were pledged to a bank as a security for bank loans (note 16).

At 30 June 2018, the cash and bank balances of the Group denominated in RMB amounted to RMB491,081,000 (31 December 2017: RMB368,735,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Unaudited Financial Statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

13. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (Continued)

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time-deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The carrying amounts of cash and cash equivalents and the pledged bank balances and time deposits approximate to their fair values.

14. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

On 28 December 2017, the Group entered into a share transfer agreement with a third party, whereby the Group agreed to sell its entire interest in 揚州盈實新材料有限公司 (Yangzhou Yingshi New Material Co. Ltd., ("Yangzhou Yingshi"), formerly known as 惠生(揚州)化工機械有限公司), a wholly owned subsidiary of the Group for a consideration of RMB86,070,000. The assets and liabilities of Yangzhou Yingshi, which was expected to be sold within twelve months, have been classified as a disposal subsidiary held for sale and are presented separately in the consolidated statement of financial position as at 31 December 2017. The disposal, as set out in note 21, was completed in February 2018.

15. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Less than 1 year	2,030,367	2,035,822
1 to 2 years	231,057	969,286
2 to 3 years	231,714	192,315
Over 3 years	223,343	318,584
	2,716,481	3,516,007

The amount due to a related company included in the trade payables is as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
江蘇新華化工機械有限公司 (Jiangsu Xinhua Chemical Engineering Co., Ltd., "Jiangsu Xinhua")	6,397	1,743

The trade payables are non-interest-bearing and repayable on demand.

Unaudited Financial Statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

16. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Current		
Bank loans repayable within one year		
— secured	232,732	282,332
— unsecured	1,000	31,000
	233,732	313,332

An analysis of foreign currency loans (in original currency) is as follows:

	30 June 2018 US\$'000 (Unaudited)	31 December 2017 US\$'000 (Audited)
US\$ denominated	26,800	22,250

The effective interest rates of the Group's bank and other borrowings ranged as follows:

Six months ended 30 June 2018	3.86% to 5.22%
Year ended 31 December 2017	3.25% to 5.66%

Certain of the Group's bank loans are secured by the following assets:

	Note	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Bank deposits	13	—	58,835

As at 30 June 2018, 惠生(中國)投資有限公司 ("Wison (China) Investment"), a fellow subsidiary of the Company, executed guarantees to certain banks in respect of bank facilities to the Group of RMB562,000,000 (31 December 2017: RMB1,000,000,000). As at 30 June 2018, the loans were drawn down to the extent of RMB232,732,000 (31 December 2017: RMB227,332,000) (note 17).

The carrying amounts of the interest-bearing bank borrowings approximate to their fair values.

Unaudited Financial Statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

17. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed elsewhere in this Interim Financial Information, the Group had the following transactions with related parties during the six months ended 30 June 2018:

	Notes	For the six months ended 30 June	
		2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Related companies:			
Purchase of products	(a)(i)	8,787	2,726
Rental income	(a)(ii)	–	201
Rendering of services	(a)(ii), (a)(xviii)	39,826	33
Fellow subsidiaries:			
Rental income	(a)(iii), (a)(iv)	3,913	3,926
Rendering of services	(a)(iii), (a)(iv)	672	667
Services received	(a)(x), (a)(xi), (a)(xii)	99,257	–

Name of related parties	Relationship
寧波威宇尚致投資管理合夥企業(有限合夥) (Ningbo Wei Yu Shang Zhi Investment Management Partnership (Limited Partnership), "Ningbo Weiyu Shangzhi")	Chinese joint venture partner of Wiscon Engineering effective from 5 June 2018
Jiangsu Xinhua	Fellow subsidiary of Ningbo Weiyu Shangzhi and formerly as Chinese joint venture partner of Wiscon Engineering
上海新華通訊技術有限公司 (Shanghai Xinhua Telecommunication Technology Company Limited ("Xinhua Telecommunication"), formerly known as 上海惠生通訊技術有限公司)	Subsidiary of Jiangsu Xinhua
Wiscon Holding	Wholly owned by Mr. Hua Bangsong (the controlling shareholder of the Company) and the ultimate holding company of the Company
惠生(南通)重工有限公司 (Wiscon (Nantong) Heavy Industry Co., Ltd "Wiscon Nantong")	Indirectly wholly owned by Wiscon Holding and is a fellow subsidiary of the Company

Unaudited Financial Statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

17. RELATED PARTY TRANSACTIONS *(Continued)*

Name of related parties	Relationship
Wison (China) Investment	Indirectly wholly owned by Wison Holding and is a fellow subsidiary of the Company
Wison Investment (Hong Kong) Limited ("Wison Investment (HK)")	Indirectly wholly owned by Wison Holding and is a fellow subsidiary of the Company
舟山惠生海洋工程有限公司 (Zhoushan Wison Offshore & Marine Co., Ltd. "Zhoushan Wison")	Indirectly wholly owned by Wison Holding and is a fellow subsidiary of the Company
Wison Offshore & Marine (Hong Kong) Limited ("Wison Offshore & Marine")	Indirectly wholly owned by Wison Holding and is a fellow subsidiary of the Company
泰興天馬化工有限公司 (Taixing Tianma Chemical Engineering Co., Ltd. "Taixing Tianma")	Indirectly owned as to 15% by Wison Holding and was a related company from 4 January 2018

Notes:

(a)(i) The Group and Jiangsu Xinhua entered into a renewed framework agreement effective on 25 April 2017 based on the framework agreement entered into between the Group and Jiangsu Xinhua on 26 March 2014 for a term of three years whereby the Group will purchase anchor, refractory support plunge hook and other ancillary accessories from Jiangsu Xinhua. Under the renewed framework agreement, the annual consideration payable by Wison Engineering to Jiangsu Xinhua for the year ended 31 December 2017 and the years ending 31 December 2018 and 2019 will not be more than RMB12,000,000. During the six months ended 30 June 2018, the Group's purchases from Jiangsu Xinhua amounted to RMB8,787,000 (six months ended 30 June 2017: RMB2,726,000). The purchases were made by reference to the published prices and conditions offered by Jiangsu Xinhua to its customers. The trade payables relating to Jiangsu Xinhua are set out in note 15.

(a)(ii) On 12 December 2013, the Group and Xinhua Telecommunication entered into a lease agreement, pursuant to which the Group leased out office space in its office building to Xinhua Telecommunication for RMB730,000 per annum for a three-year period commencing from 1 January 2014.

On 12 December 2013, the Group and Xinhua Telecommunication entered into a property management services agreement, pursuant to which the Group would provide property management services in relation to the premises leased to Xinhua Telecommunication for RMB132,000 per annum, for a three-year period commencing from 1 January 2014.

On 19 December 2016, the Group and Xinhua Telecommunication have renewed the aforementioned lease agreement and property management services agreement. The rental has been increased to RMB803,000 per annum and the property service fee is kept at RMB132,000 per annum. Each of the renewed lease agreement and property management services agreement shall be for a 24-month period commencing from 1 January 2017. On 28 March 2017, the Group and Xinhua Telecommunication entered into a lease termination agreement to terminate the above lease agreement and property management services agreement dated 19 December 2016 from 1 April 2017.

The rental income and service income for the six months ended 30 June 2017 from Xinhua Telecommunication amounted to RMB201,000 and RMB33,000, respectively.

Unaudited Financial Statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

17. RELATED PARTY TRANSACTIONS (Continued)

Notes: (Continued)

- (a)(iii) On 24 August 2016, the Group entered into a lease agreement with Wilson Nantong for RMB4,818,000 per annum for a 28-month period commencing from 1 September 2016. On the same date, the Group entered into a new property management services agreement with Wilson Nantong for RMB792,000 per annum for a 28-month period commencing from 1 September 2016.

On 24 March 2017, the Group entered into supplemental agreements with Wilson Nantong to amend certain terms of the previous lease agreement and property management services agreement both dated 24 August 2016, effective from 1 April 2017. The rental has been adjusted proportionally from RMB4,818,000 per annum to RMB4,015,000 per annum, and the property management services fee has been adjusted proportionally from RMB792,000 per annum to RMB690,000 per annum, by reference to the size of the reduced gross floor area of the subject premises.

The rental income and service income for the six months ended 30 June 2018 from Wilson Nantong amounted to RMB2,008,000 (six months ended 30 June 2017: RMB2,189,000) and RMB345,000 (six months ended 30 June 2017: RMB371,000), respectively.

- (a)(iv) On 19 December 2016, the Group and Wilson (China) Investment entered into a lease agreement, pursuant to which the Group leased out office space in its office building to Wilson (China) Investment for RMB3,212,000 per annum for a two-year period commencing from 1 January 2017.

On 19 December 2016, the Group and Wilson (China) Investment entered into a property management services agreement, pursuant to which the Group would provide property management services in relation to the premises leased to Wilson (China) Investment for RMB528,000 per annum for a two-year period commencing from 1 January 2017.

On 24 March 2017, the Group entered into supplemental agreements with Wilson (China) Investment to amend certain terms of the previous lease agreement and property management services agreement both dated 19 December 2016, effective from 1 April 2017. The rental has been adjusted proportionally from RMB3,212,000 per annum to RMB3,809,000 per annum, the property management services fee has been adjusted proportionally from RMB528,000 per annum to RMB655,000 per annum, by reference to the size of the increased gross floor area of the subject premises.

The rental income and service income for the six months ended 30 June 2018 from Wilson (China) Investment amounted to RMB1,905,000 (six months ended 30 June 2017: RMB1,737,000) and RMB327,000 (six months ended 30 June 2017: RMB296,000), respectively.

- (a)(v) On 12 January 2018 and 28 February 2018, Wilson Holding, as licensor, entered into trademark licensing agreements with the Group to grant the rights to use the trademarks by the Group in China and certain territories, such as Hong Kong, Russia, the United States of America, Australia, European Union and Venezuela, respectively, on a perpetual and non-exclusive basis for nil consideration.

- (a)(vi) During the six months ended 30 June 2018, Wilson (China) Investment executed guarantees to certain banks for bank facilities to the Group of RMB562,000,000 (six months ended 30 June 2017: RMB1,000,000,000) at nil consideration. As at 30 June 2018, the loans were drawn down to the extent of RMB232,732,000 (31 December 2017: RMB227,332,000) (note 16).

- (a)(vii) During the six months ended 30 June 2017, Wilson Nantong pledged its property, plant, and equipment and land use right and Zhoushan Wilson pledged its land use right to execute guarantees for bank facilities of RMB500,000,000 to the Group. As at 30 June 2017, the loans were drawn down to the extent of RMB54,328,000.

- (a)(viii) On 30 November 2012, Wilson Holding and the Company entered into a domain name licence agreement (the "Domain Name Licence Agreement") in respect of the right to use the domain name "wison-engineering.com" registered under the name of Wilson Holding (the "Domain Name"). Pursuant to the Domain Name Licence Agreement, Wilson Holding has agreed to grant the Company, and the Company has accepted, a royalty-free licence to use the Domain Name on an exclusive basis at nil consideration. The Domain Name Licence Agreement is for a perpetual term and may be terminated in certain circumstances, such as if Wilson Holding ceases to be a shareholder of the Company.

Unaudited Financial Statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

17. RELATED PARTY TRANSACTIONS *(Continued)*

Notes: *(Continued)*

- (a)(ix) On 11 May 2017, Wison Engineering and Wison Nantong entered into a processing and assembling contract, pursuant to which Wison Engineering engaged Wison Nantong to process and assemble the piping pre-fabrication parts in the PRC for a project of the Group at the contract price of RMB13,500,000. The relevant transaction amount incurred during the six months ended 30 June 2018 was nil (six months ended 30 June 2017: Nil).
- (a)(x) On 13 June 2017, Wison Engineering and Wison Nantong entered into the prefabrication and supply contract, pursuant to which the Group engaged Wison Nantong to design the structure, procure paint materials, prefabricate and assemble certain chemical equipment modules for a third-party project in the PRC at a total contract price of RMB102,860,000. The relevant transaction amount incurred during the six months ended 30 June 2018 was RMB45,213,000 (six months ended 30 June 2017: Nil).
- (a)(xi) On 22 August 2017, Wison Petrochemicals (NA), LLC, an indirectly wholly-owned subsidiary of the Company and Wison Nantong entered into a sales and purchases contract, pursuant to which the Group engaged Wison Nantong to supply piperack modules and spare parts for its construction project in Texas, the United States of America, at a total contract price of US\$7,376,000. The relevant transaction amount incurred during the six months ended 30 June 2018 was US\$7,376,000 (equivalent to RMB48,075,000).
- (a)(xii) On 11 May 2018, Wison Petrochemicals (NA), LLC, Wison Offshore & Marine and Wison Nantong entered into the Pipe and Structural Steel Fabrication Work Contract, pursuant to which Wison Petrochemicals (NA), LLC engaged Wison Offshore & Marine and Wison Nantong to perform the pipe and structural steel fabric work for a field erection of low density polyethylene (LDPE) outside battery limits (OSBL) equipment and piping installation project in the Texas, the United States of America, at a total contract price of US\$1,850,000. The relevant transaction amount incurred during the six months ended 30 June 2018 was US\$916,000 (equivalent to RMB5,969,000).
- (a)(xiii) On 11 May 2018, Wison Petrochemicals (NA), LLC and Wison Offshore & Marine entered into the Module, Stick-built Steel Structure and Piping Spool Fabrication Contract, pursuant to which Wison Petrochemicals (NA), LLC engaged Wison Offshore & Marine to perform the module, stick-built steel structure and piping spool fabrication work for an ethylene glycol plant in Texas, United States, at a total contract price of US\$26,000,000. The relevant transaction amount incurred during the six months ended 30 June 2018 was nil.
- (a)(xiv) On 25 May 2018, Wison (China) Investment issued a letter of comfort for which Wison (China) Investment agreed to provide continuing financial support to the Company, from the date of letter of comfort to 31 December 2019 in order to enable the Company to continue its operations in the ordinary course of business and to meet its obligations for nil consideration.
- (a)(xv) On 6 June 2018, the Group and Ningbo Weiyu Shangzhi has signed a cooperation conditions transfer agreement, under which Ningbo Weiyu Shangzhi will transfer 25% of the total equity interests of Wison Engineering to the Group with a total consideration of RMB350,000,000. The share transfer has been completed as at the date of interim report.
- (a)(xvi) On 26 June 2018, Wison (China) Investment entered into the Technical Consulting Services Framework Agreement with Wison Engineering, pursuant to which Wison Engineering shall provide technical consulting services to Wison (China) Investment for its projects which is effective from 1 January 2018 and has a term of three years. The annual cap for consulting fees payable to Wison Engineering under the Technical Consulting Services Framework Agreement is RMB30,000,000. The relevant transaction amount incurred during the six months ended 30 June 2018 was nil.
- (a)(xvii) On 26 June 2018, Wison Investment (HK) entered into the Service Agreement with Wison Petrochemicals (NA), LLC, pursuant to which Wison Petrochemicals (NA), LLC shall provide consulting, marketing and new business development services in oil and gas and petrochemical fields to Wison Investment (HK) in relation to its current and proposed operations which has a term of one year from 7 June 2018 and the fee payable to Wison Petrochemicals (NA), LLC is determined based on the amount of time incurred in providing the services and is charged at an hourly rate of US\$218.75, plus out-of-pocket expenses. The annual cap for fees payable to Wison Petrochemicals (NA), LLC under the Service Agreement is US\$617,000. The relevant transaction amount incurred during the six months ended 30 June 2018 was nil.

Unaudited Financial Statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

17. RELATED PARTY TRANSACTIONS (Continued)

Notes: (Continued)

(a)(xviii) On 26 September 2017, Wison Engineering entered into a general engineering procurement construction contract with Taixing Tianma, pursuant to which Taixing Tianma engaged Wison Engineering to undertake the construction of its copolymerization hydrogenated oleoresin project which has a tentative term from 20 September 2017 to 28 February 2018, with a total consideration of RMB125,420,000, which was later increased to RMB133,777,000. The relevant transaction amount incurred during the six months ended 30 June 2018 was RMB39,826,000.

In the opinion of the directors of the Company, the transactions between the Group and Ningbo Weiyu Shangzhi, Jiangsu Xinhua, Xinhua Telecommunication, Wison Nantong, Wison Holding, Wison (China) Investment, Wison Offshore & Marine, Wison Investment (HK), Zhoushan Wison and Taixing Tianma were conducted based on mutually agreed terms.

(b) Balances with related parties:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Due from fellow subsidiaries:		
Wison Nantong	–	34,277
Wison Offshore & Marine	37,308	–
Wison (China) Investment	2	–
	37,310	34,277
Due from a related company:		
Taixing Tianma	102,110	–
Due to fellow subsidiaries:		
Wison Nantong	40,369	–
Zhoushan Wison	4	–
	40,373	–
Due to an associate:		
河南創思特工程監理諮詢有限公司("Henan Chuangsite")	630	630

The balances with a related company, fellow subsidiaries and an associate are unsecured, interest-free and repayable on demand. The carrying amounts of the balances with the related parties approximate to their fair values.

Unaudited Financial Statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

18. SHARE CAPITAL

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Number of ordinary shares Authorised:		
Ordinary shares of HK\$0.1 each	20,000,000,000	20,000,000,000
Issued:		
Ordinary shares of HK\$0.1 each	4,070,395,400	4,066,566,200

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Authorised:		
Ordinary shares of HK\$0.1 each	1,622,757	1,622,757
Issued:		
Ordinary shares of HK\$0.1 each	330,281	329,968

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000	Share premium account RMB'000	Total RMB'000
At 1 January 2018	4,066,566,200	329,968	850,993	1,180,961
Share options exercised	3,829,200	313	9,593	9,906
At 30 June 2018	4,070,395,400	330,281	860,586	1,190,867

The subscription rights attaching to 3,829,200 share options were exercised at the subscription price of HK\$0.837 per share, resulting in the issue of 3,829,200 shares for a total cash consideration, before expenses, of HK\$3,205,000 (equivalent to RMB2,616,000) and a share premium of HK\$2,822,000 (equivalent to RMB2,303,000). An amount of RMB7,290,000 was transferred from the share option reserve to share premium account upon the exercise of the share options.

Unaudited Financial Statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

19. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases its properties under operating lease arrangements, with leases negotiated for terms ranging from two to ten years.

At the end of the reporting period, the Group had total future minimum lease receivables under non- cancellable operating leases with its tenants falling due as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within one year	43,703	53,017
In the second to fifth years, inclusive	22,236	36,459
After five years	17	24
	65,956	89,500

As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

At the end of the reporting period, the Group had total future minimum lease payments under non- cancellable operating leases falling due as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within one year	17,748	11,068
In the second to fifth years, inclusive	4,996	12,420
	22,744	23,488

Unaudited Financial Statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash balances, pledged bank balances and time deposits, an amount due from a related company, amounts due from fellow subsidiaries, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, trade and bills payables, financial liabilities included in other payables and accruals, interest-bearing bank borrowings, dividends payable, amounts due to fellow subsidiaries and an amount due to an associate approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the board of directors of the Company. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the board of directors. The valuation process and results are discussed with the board of directors twice a year for interim and annual financial reporting.

21. DISPOSAL OF A SUBSIDIARY

In February 2018, the Group disposed of the entire equity interests in Yangzhou Yingshi, which was classified as assets and liabilities held for disposal at 31 December 2017. The disposal was completed on 6 February 2018.

The net assets disposed of in the transaction were as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Net assets disposed of:		
Property, plant and equipment	31,108	–
Prepaid land lease payment	1,998	–
Cash and bank balances	748	–
Trade receivables	9,746	–
Prepayments and other receivables	23,286	–
Trade payables	(23)	–
Other payables and accruals	(6,360)	–
	60,503	–
Gain on disposal of a subsidiary	25,567	–
	86,070	–
Satisfied by:		
Other receivables	34,428	–
Cash	51,642	–
	86,070	–

Unaudited Financial Statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

21. DISPOSAL OF A SUBSIDIARY *(Continued)*

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Cash consideration	51,642	–
Cash and bank balances disposed of	(748)	–
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	50,894	–

22. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements was approved and authorised for issue by the Board of Directors on 29 August 2018.