WISON ENGINEERING SERVICES CO. LTD.
惠生工程技術服務有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2236)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

HIGHLIGHTS:

- Our revenue for the six months ended 30 June 2022 amounted to approximately RMB2,210,967,000, representing a decrease of 13.4% from approximately RMB2,553,031,000 recorded in the corresponding period in 2021.

- Our gross profit for the six months ended 30 June 2022 amounted to approximately RMB-12,474,000, representing a decrease of 105.0% from approximately RMB249,387,000 recorded in the corresponding period in 2021.

- Our loss for the period for the six months ended 30 June 2022 and 2021 amounted to approximately RMB256,038,000 and RMB90,834,000, respectively.

- Loss attributable to owners of the parent for the six months ended 30 June 2022 and 2021 amounted to approximately RMB255,608,000 and RMB90,759,000, respectively.

- Our total new contracts (net of estimated value added tax) for the six months ended 30 June 2022 and 2021 amounted to approximately RMB1,341,470,000 and RMB3,875,776,000, respectively.

- Our total backlog value (net of estimated value added tax) as at 30 June 2022 and 31 December 2021 amounted to approximately RMB20,200,582,000 and RMB25,529,301,000, respectively.

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**" and each a "**Director**") of Wison Engineering Services Co. Ltd. (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2022 (the "**Period**" or "**Period under Review**") together with selected explanatory notes and the relevant comparative figures for the corresponding period in 2021.

In this announcement, "we ", " us ", " our " and "Wison Engineering" refer to the Company and where the context otherwise requires, the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET AND RESULTS OVERVIEW

In the first half of 2022, upholding the strategy of "leading by innovation, focusing on principal operations and establishing global presence", Wison Engineering gave full play to its advantages of the rapid and flexible mechanism of a private enterprise, moved forward with a pragmatic and pioneering attitude, calmly responded to market changes and the impact of the pandemic. During the Period under Review, the Company streamlined its structure, strengthened fine management, tightened risk control, enhanced its digital and modular capabilities, and consolidated its core competitiveness. In the face of new challenges and opportunities, the Company deepened its presence in the field of energy and chemical engineering and accelerated its pace to tap into the fields of new energy and new materials, in a bid to seize opportunities to open up new markets. The Company continuously improved operation and management benefits and created value for customers. It is committed to growing into a world-class energy and chemical engineering company.

During the Period under Review, global energy prices surged to new highs amid geopolitical tensions. As the conflict between Russia and Ukraine simmered, western countries accelerated their energy decoupling from Russia and imposed sanctions on Russian gas and oil exports. Lack of additional capacity of Organization of the Petroleum Exporting Countries ("**OPEC**") and the limited upstream capital expenditures worldwide have led to tight international energy supply. Crude oil prices exceeded US$130/barrel at one time, and at the same time coal prices rose sharply, which further pushed chemical prices to a ten-year high. In addition, with the price of raw materials rising to a relatively high level, the local COVID-19 outbreaks occurred, resulting in a lack of strong support for demand for chemical products. The gap in prices of chemical products gradually shrank.

China's energy resources are characterised by "rich coal, lack of oil and little gas". Coal occupies a dominant position in energy consumption. The development of coal chemical industry is in line with the country's resource endowment situation, which is conducive to reducing dependence on foreign oil. Moreover, China, which resolutely implements the "carbon peak, carbon neutrality" policy, promoted the elimination of backward production capacity, and popularised advanced technology and facilitated plant transformation and upgrading. It encouraged the accelerated application of new energy such as hydrogen energy, wind power and photovoltaic energy, stimulated the development of new materials such as degradable plastics, and promoted the optimised combination of green coal chemicals and new energy to bring new opportunities to the engineering service market.

In the first half of 2022, due to the resurgence of COVID-19 in China, major cities including Shanghai, Beijing and Shenzhen implemented strict anti-pandemic measures, including a series of restrictions on mobility and travel. In the context of economic slowdown and weak demand, the impact of the pandemic has put enormous pressure on economic recovery. Coupled with insufficient consumption and export momentum, external liquidity has deteriorated, which poses greater challenges for the development of the economy and some industries. The resurgence of COVID-19 hindered the progress of the Company's certain projects and market development activities, resulting in a decrease in the Group's revenue and the number of newly signed projects.

During the Period under Review, the Group recorded revenue of approximately RMB2,211.0 million (for the six months ended 30 June 2021: approximately RMB2,553.0 million), a year-on-year decrease of 13.4%; gross profit of approximately RMB-12.5 million (for the six months ended 30 June 2021: approximately RMB249.4 million), a year-on-year decrease of 105.0%; and loss attributable to owners of the parent company of approximately RMB255.6 million (for the six months ended 30 June 2021: loss attributable to owners of the parent company of approximately RMB90.8 million). In the first half of 2022, the total value of new contracts secured by the Group amounted to approximately RMB1,341.5 million (net of estimated value added tax), representing a year-on-year decrease of 65.4%. As at 30 June 2022, the Group's total backlog value was approximately RMB20,200,6 million (net of estimated value added tax), representing a decrease of 20.9% compared with that as at 31 December 2021.

In 2012, the Group entered into an EPC contract with a customer in respect of environment unit, auxiliary units and revamp of the atmospheric distillation units of the deep refinery conversion project located in America. Pursuant to the termination agreement entered into in 2022 between the Group and the counterparties, the EPC project was agreed to be terminated. The relevant contract amount of RMB4,720.6 million has been excluded from the total current backlog of the Group.

Focusing on Principal Business to Cement Energy and Chemical Markets

During the Period under Review, Wison Engineering continuously consolidated its core business market and maintained the leadership in terms of traditional competitive products, including ethylene, cracking furnace, propane dehydrogenation (PDH), coal gasification, methanol to olefin (MTO), synthetic ammonia and melamine. Meanwhile, Wison Engineering actively explored emerging fields and stepped up technological research and development in the new energy and new materials fields to accelerate the penetration into new markets. Continuous breakthroughs were made in areas such as oxidative dehydrogenation of ethane (ODHE) to ethylene, degradable plastics (PGA), methyl methacrylate (MMA), methylcyclohexane (MCH), hydrogen energy, green coal chemical industry, butadiene and other processes and catalysts.

The Company overcame the impact of COVID-19 to ensure the implementation of various domestic and international projects. It made progress in the following major projects:

The 1 million-ton/year light hydrocarbon comprehensive utilisation project of Shandong Jinhai Chemical: The project has entered into the stages of mid-term delivery and trial run, with 92.4% of the project completed. The central control room, substation, air compressor station, loop water field and other public works facilities have been successively put into use. The main installation has been completed. At present, pipeline pressure tests and instrument loop checks are carried out. It cooperated with the property owner to purge the system and conduct an airtightness test, etc.

The phase II ammonia-to-hydrogen production project of Fujian Shenyuan: With mid-term delivery on 28 April 2022, the project was successfully put into operation at the end of June 2022, opening up the whole process and producing standard hydrogen and liquid ammonia products.

The PDH plant in C3, C4 comprehensive utilisation project of Shandong Binhua New Material: The installation of the project has been completed, and pipeline pressure testing and purging, instrument tunning and other work are being carried out. It is scheduled to be ready for operation on 31 October 2022.

The syngas project of Yangmei Qilu First Fertilizer: The detailed design has been completed, and 50% of the equipment and 65% of the pipes and valves have been delivered. The civil construction for the process plant has been completed, and the main body of steel structures has been installed. With large equipment hoisted, other civil construction and installation work is underway. Generally, the project is 62% completed.

The new gasifier project of CNOOC Huizhou Petrochemical Co., Ltd.: With detailed design available, the civil construction has been basically completed, and the steel structure of the slag water frame has been installed. The prefabrication of the gasified steel structure module is 70% completed. Equipment, process pipes, electrical utilities and instruments are being installed. The project is 68% completed.

The hydrogen and ammonia project of Henan Shenma: With 90% of the models designed, the design is 78% completed. Construction drawings have been released. Around 38% of the procurement has been completed, and long-cycle equipment will be available in the second half of the year. Construction is 16% completed. The pile foundation has been constructed. Civil construction is underway. Installers are ready to work. The project is 30% completed.

The DPCU project in the Middle East: The project is 21.5% completed. The first batch of construction drawings (pipe gallery foundation and operators' lounge) have been sent to the property owner for approval. Around 60% of the models have been 80% completed, and 72% of the equipment was purchased. The module manufacturing and civil construction subcontract was signed, and the civil construction workers have moved to the site. The project is expected to be mechanically completed in October 2024.

The natural-gas-to-hydrogen project in Thailand: Detailed design model review is 60% completed, and 90% of the models are being made. The ordering for process equipment has been basically completed, and electrical instruments and bulk materials have been ordered successively. Pile foundation construction is underway. The project is 32% completed. The project is scheduled to be put into use in January 2024.

The project of SP Chemicals: The civil construction of the VCM plant is coming to an end and the installation has entered into the peak period. The work in all aspects is in full swing. The installation is expected to be basically completed at the end of September 2022. The civil construction of the PS plant is at the peak period. The air separation unit and the external PVC pipe related to the operation of the VCM plant are being installed. It is expected to be delivered at the end of September 2022. The project is 51% completed.

Continuously Enhancing Project Management Competence

During the Period under Review, aligning itself closely with the strategic goals of leading by innovation (technology + engineering), focusing on principal operations (energy + chemicals) and establishing global presence (domestic + international markets), Wison Engineering strengthened the pre-project planning and continuously enhanced project management capacity via fine management. Especially for overseas engineering projects, the Company stepped up efforts on contract management and risk control, optimised management systems and processes, and strengthened communication and coordination with property owners. In the process of project implementation, the Company's functional departments increased support and improved management of projects, and issued an early warning and controlled various risks to ensure that projects achieve various goals on schedule.

Extraordinary Achievement in QHSE Management

During the Period under Review, the Company continuously built up Quality, Health, Safety and Environment ("**QHSE**") management and paid due consideration to the prevention and control of the COVID-19 pandemic and production activities in the context of the on-going pandemic through formulating and implementing anti-pandemic measures tailored for international and domestic projects. The Company strengthened the concept of QHSE among all employees, and upgraded the QHSE management module. It promoted the joint establishment of a management system with suppliers, subcontractors and other strategic partners to improve the emergency management and response capability amid local outbreaks, under extreme weather events and other conditions. Wison Engineering continuously promoted the standardisation of QHSE management in projects and facilitated the implementation of model projects/special processes to present the brand image of QHSE management.

In 2022, Wison Engineering achieved stable and orderly QHSE management. It recorded 11.60 million man-hours of safety operation in international and domestic projects in the first half of 2022. It saw 11 million man-hours of safety operation in the project of Shandong Jinhai Chemical and 8 million man-hours of safety operation in the STC project. The Production Safety Responsibility System was formulated and released to supervise the implementation of all employees' responsibility for safe production; standardise HSE funds of construction subcontracts, clarify payment methods and usage requirements, and ensure the exclusive use of the funds; and increase efforts on the review of the first-time, large-scale and influential projects undertaken by the Company. It promoted the informatisation and launched the intelligent QHSE management platform to further increase the efficiency of QHSE management. Wison Engineering is committed to delivering high-quality projects to customers. With excellent quality and safety management, the Company's projects have been recognised by customers.

Establishing Global Presence for Full Exploration of Domestic and International Markets

With the pandemic under control and the steady recovery of the international economy, the demand for energy gradually increased, the demand for oil and gas products and chemicals continuously went up, and domestic investment in energy and chemicals picked up. Wison Engineering adheres to the strategy of "establishing global presence" and implements the globalisation strategy covering both "domestic and international markets". During the Period under Review, the Company secured total new contract value of approximately RMB1.3 billion.

In the domestic market, Wison Engineering focused on principal operations, strengthened the core products, seized business opportunities arising from key customers, and improved the quality of orders. During the Period under Review, the Company continued giving full play to the competitive advantages of core products in the petrochemical and coal chemical industries, and won a number of design projects regarding competitive products, including Wanhua Chemical's phase II ethylene project and Henan Jinkong Tianqing's melamine project. At the same time, Wison Engineering also developed new competitive products, especially in the fields of new energy and new materials. During the Period under Review, it signed the general contract on Inner Mongolia Rongxin's PGA project and started the execution of the general contract on Qingdao Benzo's MMA project. While developing new customers, it strengthened close cooperation with long-term high-quality customers, including Wanhua Chemical, Dongming Petrochemical, Shandong Binhua, Chengzhi and Huayi, to actively grasp the secondary business opportunities.

Foreign customers' investment projects in China are also the focus of Wison Engineering's attention. During the Period under Review, the Company concentrated on tracking and participating in the investment projects of BASF, SABIC, SK, COVESTRO and other multinational companies in China. It won the overall design bid for COVESTRO's new project.

Wison Engineering has been deeply rooted in overseas markets for many years and accumulated rich project experience. It has established good partnerships with many international engineering companies and suppliers, and has the experience and ability to provide high-quality and differentiated services to customers in different countries and regions by giving full play to its own modular design and manufacturing advantages.

The Middle East is a key market for Wison Engineering, where the Company has deep presence for more than a decade and has established a deep foundation for business development. During the Period under Review, a consortium of Tecnicas Reunidas and Wison Engineering signed an engineering, procurement and construction ("**EPC**") contract on the construction of a sulphur treatment plant with QatarEnergy. In the meantime, the Company kept close track of many business opportunities in Qatar, Saudi Arabia and other regions, and has already made quotations.

In addition to the Middle East and other traditional chemical markets, the Company actively made its presence in emerging markets by closely following up petrochemical, new coal chemical, new energy, new material and other projects in regions including Russia, Southeast Asia, North America and Africa, with an aim to obtain additional market space.

During the Period under Review, Wison Engineering secured the FEED contract of the PDH project from SIBUR in Russia, which promoted the execution of the project. Meanwhile, Wison Engineering paid continuous attention to the opportunities from methanol projects and modular projects in the United States, and has been following up closely. The Company will provide high-quality services to meet customer needs, which will lay the foundation for subsequent general contracting projects.

Boosting Technological and Engineering Capacity Driven by Innovation

Reinforcing Independent Research and Development and Strategic Cooperation to Accelerate Penetration into New Energy Business

Actively adhering to the national development strategy of "carbon peak and carbon neutrality" and industry trends, the Company regards new energy as its new strategic business field. It accelerated the pace to develop technologies, explore business formats and operate businesses in the entire hydrogen energy industry chain, industrial exhaust carbon capture, CO2 chemical fixation, biomass fuel and other fields. Active efforts were made to expand new opportunities from dual-carbon business, including chemical hydrogen storage, hydrogen liquefaction, combination of green/blue hydrogen with traditional energy and chemicals, methanol/petroleum product synthesis from CO2 hydrogenation, and fuel synthesis from waste oil. It aims to provide support and guarantee for sustainable and green development.

It strengthened the integration of external technical resources. During the Period under Review, the Company signed a strategic cooperation agreement with Hanxing Energy to complement each other's advantages in CCUS from industrial gas, chemical energy storage, green hydrogen, etc., empower industry customers and provide technical solutions concerning high-value utilisation system of industrial exhaust gas, the pain point associated with the strategy of "carbon peak and carbon neutrality". It signed strategic cooperation agreements with the leading Chinese research institutions of carbon capture and purification technology. They are jointly committed to the technology licensing and engineering project implementation in overseas carbon dioxide capture and purification field.

During the Period under Review, the Company signed a strategic cooperation framework agreement with the Academy of Aerospace Propulsion Technology, a research institution focusing on aerospace liquid power under the China Aerospace Science and Technology Corporation. The two parties set up a close cooperation mechanism, under which they will focus on green hydrogen liquefaction and storage technology, and carry out research and application on hydrogen technology research and development, project implementation and major equipment manufacturing. They launched a pilot programme for comprehensive cooperation on a liquid hydrogen project in the first half of 2022.

Moreover, relying on several front-end projects on synthesis of methanol/ethanol/jet fuel from carbon dioxide hydrogenation and conversion of waste oil into jet fuel, Wison Engineering is expected to further consolidate technical reserves in the fields of carbon dioxide chemical utilisation and renewable energy, and continuously build core competitive advantages in technology and market. This will promote the Company's performance contribution to and growth in the implementation of the "dual carbon" strategy.

Remarkable Achievements in Research and Development of New Materials and New Processes

The development and utilisation of new processes and technologies such as new materials and degradable plastics is the development trend of the industry and also a development focus of Wison Engineering. With research and development investment and technology accumulation throughout the years, Wison Engineering made breakthroughs in several key technologies during the Period under Review.

The Company participated in the development of and won the EPC general contract of Panjin Sanli's 50,000 tons/year MMA project, the first engineering project of new green ethylene-based MMA technology, which has entered into the stage of on-site implementation. The project is China's first MMA industrialisation plant based on ethylene, which adopts leading olefin hydroformylation technology and new technology of one-step oxidative esterification of methacrolein with complete intellectual property rights. Through innovative, green and sustainable technical solutions, the project effectively solves the problems of high pollution and high energy consumption in domestic processes of producing MMA via acetone cyanohydrin.

In addition, in terms of the development and industrialisation of innovative technologies concerning degradable plastics, Wison Engineering continuously pushed forward with the industrialisation of polyglycolic acid (PGA). It signed a new technology cooperation agreement on PGA and the general contract on a pilot study with Inner Mongolia Rongxin Chemical Co., Ltd. on 1 May 2022. At present, the three-dimensional model design is 60% completed. Major equipment was procured, and the construction of the pilot plant commenced. The Company leveraged independent innovation technology to build the pilot plant and proactively promote engineering scale-up and industrialisation of new technologies. It signed a contract on the preparation of a feasibility study report about 100,000-ton/year PGA project with Anhui Haoyuan Chemical Group Co., Ltd. on 25 March 2022. The feasibility study report about a new high-performance coal-based material project (including 200,000-ton/year PGA plant) of Jiangsu Jinkong Equipment New Hengsheng Chemicals Co., Ltd. that was compiled in the first half of this year was reviewed and approved in the chemical agglomeration area in Xinyi. Moreover, Wison Engineering is actively exploring new engineering markets in the field of other degradable materials. On 7 March 2022, Wison Engineering signed a contract on the preparation of a feasibility study report about 200,000-ton/year butadiene-to-BDO project with Nanjing Chengzhi Clean Energy Co., Ltd., marking a new breakthrough it has made in the field.

During the Period under Review, the new technology of catalytic oxidative dehydrogenation of ethane to ethylene (ODHE), jointly developed by the Company and the Dalian Institute of Chemical Physics, Chinese Academy of Sciences, began to be commercialised. The Company entered into a letter of intent on technical demonstration and application with some domestic enterprises. This technology is of a breakthrough significance to ethylene production. It is in line with the global trend of using light olefin raw materials and has broad application prospects.

The Company proactively promoted the catalyst and complete set of technology for the oxidative dehydrogenation of butene to butadiene. The commercial plant that uses the catalyst and complete set of technology for the oxidative dehydrogenation of butene to butadiene shows outstanding operation effect, and the technology has been unanimously recognised and is leading domestically and internationally. So far, 16 domestic and foreign enterprises have in-depth communication with Wison Engineering, showing the promising commercialisation of the Company's technology. At the same time, the Company is committed to optimising and upgrading butadiene technology. This year, it is developing a new generation of energy-saving catalysts for oxidative dehydrogenation of butene and reaction technology, energy-saving and eco-friendly butadiene extraction technology, and heavy hydrocarbon hydrogenation technology, which can better maintain the Company's leading edge and competitiveness in the field of butadiene technology. In addition, its butadiene business department carried out technical cooperation on the production of vinyl-acetate from ethylene, 1,4-butanediol, etc., which are expected to become new technical highlights. The Company is developing technology regarding butadiene and new materials, which will greatly enhance the technological progress and development of the industry.

During the Period under Review, Wison Engineering obtained 9 new licensed patents and applied for 3 new patents, and continuously consolidated its intellectual property rights and technical reserves. In addition, the Shanghai Green Chemical and Energy Conservation Engineering Technology Research Centre built by the Company passed the evaluation organised by Shanghai Municipality. The technology research centre specialises in the technology development and cooperation in the fields of carbon dioxide use, degradable materials, used plastic recycling and high-end new materials, and the engineering application of such new technologies, with an aim to promote the green and high-quality development of the industry. Moreover, Wison Engineering continuously improved the design, implementation and management standards of engineering projects, and gained wide recognition in the industry. The Company has won many awards for its projects. The provincial and ministerial industry awards are as follows: The Research and Application of Modular Construction Technology of Large-scale Ethylene Cracking Furnace was awarded the first prize of the 2022 China Installation Association Science and Technology Progress Award. Wanhua Chemical's 1-million-ton/year ethylene plant, a polyurethane industry chain integration-ethylene project, was awarded the first prize of the 2022 provincial and ministerial excellent survey and design award. Nanjing Chengzhi Yongqing Energy Technology Co., Ltd.'s 600,000-ton/year methanol-to-olefins (MTO) plant won the second prize of the 2022 provincial and ministerial excellent survey and design award.

Advancing Digital Application and Accelerating the Process of Intelligence

2022 is a critical year for the rapid advancement of the Company's digitalisation. With the goal of digitalisation and intelligence reaching the advanced level of the industry, the Company kept an eye on domestic and foreign peers, and fully identified the needs of domestic and foreign owners for digitalisation and intelligence. It focused on business data governance, improving quality and efficiency, reducing costs and increasing benefits. It sorted out business needs and comprehensively promoted the overall digitalisation and intelligence level through system selection, configuration development and online application.

During the Period under Review, the Company completed the overall structure of the project management system and sorted out EPC master data. The first-stage budget, schedule integration and WBS/CBS/EBS for the project management platform have been available. It launched the first-stage design and management function for the document control and management platform, and determined the second-stage needs for project management, digital delivery and AI integrated development. The development of the platform is scheduled to be completed within this year. The optimised development of integrated material management system is 80% completed. The Company is mulling over a plan to set up a digital construction process management system. It is developing an auxiliary design system concerning professional and technical standards.

Strengthening Modular Capacity to Enhance Core Competitiveness

Modular delivery is one of the core competencies of Wison Engineering, which effectively promotes the Company's market expansion and is of vital importance to the expansion of overseas markets and domestic foreign-funded projects. During the Period under Review, the Company accelerated the building of modular design capability and improved project execution quality and efficiency, providing customers with competitive modular schemes and attaining maximal modular advantages and value.

During the Period under Review, the Company accelerated the development of the third-generation module technology, and optimised and updated the process package through process system integration. The use of standardised modules reduced project costs. The combination of digitalisation and modularisation maximised the shortening of the design cycle, thereby further cutting costs. Meanwhile, Wison Engineering further promoted modular delivery to overseas implementation projects. In AP's synthetic ammonia project in the United States, modularisation brought cost advantages to property owners. In terms of Juhua's modular project of fluorination and chlor-alkali chemical plant in Abu Dhabi, modularisation enables "Belt and Road" enterprises to go global. As for Saudi Aramco's DPCU project, despite harsh conditions at the construction site, modularisation solved the problems, including resource organisation difficulties and low efficiency of on-site construction. The implementation of the three process modularisation projects further improved the Company's process module design capabilities. It began to build a processing and transportation supplier ecosystem, laying a good foundation for further reducing costs and becoming an industry benchmark in the future.

Continuously Introducing New Talents and Optimising Organisational Structure and Mechanism

In the first half of 2022, Wison Engineering adhered to the talent strategy centred on technology and design, selected the best for talent introduction, and introduced 6 academic leaders and process experts, aiming to further deepen the technical strength of core product lines in fluidized bed, oil reduction and chemical increase, plant design, PP/PE, etc.

There are 40 newly recruited employees with bachelor's, master's and doctoral degrees this year. According to the rapid changes in business and environment, the Company optimised the talent structure, adopted a flexible employment model based on project progress, introduced more talents with international project management experience, and further leveraged the advantages of flexible platforms and mechanisms. As at 30 June 2022, the Company has a total of 1,300 employees, the number of which is steadily increasing.

OUTLOOK

2022 has been a critical year for China to deepen the goal of "carbon peak and carbon neutrality", and also an important period for the transformation of the global energy structure. In the short term, the global economy and the energy and chemical market are still affected by a series of uncertainties. Factors, such as energy sanctions and geopolitical tensions caused by the conflict between Russia and Ukraine, OPEC's capacity to increase production, and the United States' shale oil extraction rate, will all directly affect the international crude oil supply and prices, and will reshape the international basket and chemical market. In addition, the resurgence, variation and local outbreaks of the pandemic, as well as the global economic inflation trend, will affect the supply and demand of the energy and chemical market, and at the same time stifle the driving force on upstream capital expenditure.

At the end of the second quarter of 2022, as the pandemic situation in Shanghai and Beijing was gradually brought under control, work and production resumed in an orderly manner. Besides, as the government implemented a basket of measures to stabilise the economy, safeguard the market, safeguard employment and protect people's livelihoods, the domestic economy regained its upward momentum and the energy and chemical industry saw gradual turnaround. In the long run, as the pandemic is gradually brought under control, the relaxation of anti-pandemic measures and the release of economic revitalisation measures in various countries will boost the global economic recovery. China will continuously play the leading role.

China will stick to the principle of seeking progress while maintaining economic stability, and promote the effective implementation of the "dual carbon" policy. Energy reform and long-term deep emission reduction will become the development trend. Great efforts will be made to promote the rapid development of low-emission technologies and boost the higher-quality and sustainable development of the petroleum and chemical industry. As clearly stated in the development plan for petrochemical industry during the 14th Five-Year Plan period, China will accelerate the establishment of a modern petroleum and chemical industry system, move forward from a big petrochemical country to a powerful petrochemical country, and transform and upgrade the chemical industry toward the production of high-end new materials. The upgrading of the energy and chemical industry requires higher technology and innovation capabilities. Engineering companies will act as a bridge for the commercialisation of new technologies, which will facilitate the industry transformation and upgrade, and achieve low-carbon and green goals. It is a challenge and a new opportunity for engineering companies.

Wison Engineering will adhere to the three major strategies of "leading by innovation, focusing on principal operations and establishing global presence", further leverage the advantages of systems and mechanisms, and focus on improving technical capabilities and production benefits. The Company will further focus on core products, deepen cooperation with high-quality customers, and intensify efforts to develop markets. It will enhance technical management, research and development and cooperation, and strengthen talent team building. Its design capacity building will be improved. Through the development of a main data service platform, the Company launched the project management platform, the document control and management platform and the construction management system, systematically improving its digital design, digital and intelligent management of projects, improving quality and efficiency, and preventing and controlling risks. The Company will comprehensively improve project management level and core competitiveness. It is committed to growing into a world-class energy and chemical engineering company.

Insisting on innovation. It strives to build an innovation system with technological innovation and project management innovation at its core. The Company will continuously strengthen the research and development of independent technology, deepen cooperation on the research and development of new technology, make investment in research and development resources, talent introduction and training, strengthen the management research and development process, and improve research and development efficiency. Meanwhile, it will enhance cooperation with world-renowned patentees regarding its competitive products, new energy, new materials, etc. to achieve a win-win situation. Taking advantage of engineering companies as a bridge for the commercialisation of new technologies, the Company will boost its core competitiveness toward the target of becoming a world-leading technology-based engineering company.

Insisting on principal operations. Based on its foothold in the fields of energy and chemicals engineering, the Company will make full use of the advantages of existing competitive products to reinforce its presence in the market. It will optimise products, technologies and services, and improve its market share in the traditional competitive products, such as ethylene and downstream products, MTO, PDH, PTA, coal gasification, butadiene, synthetic ammonia, melamine and industrial furnace. In the meantime, it will develop new competitive products, quicken the pace to make presence in the fields of new energy and new materials, and promote the implementation of projects, laying the foundation for future sustainable development.

The Company will be committed to enhancing comprehensive competitiveness and strengthening its capacity on EPC project management which focuses on design. It will improve design to reduce project costs and create value for customers. The Company will establish a globally unified procurement platform to enhance the process, reduce the costs and improve the efficiency of procurement. With a well-established resources management system for subcontractors in place, it will carry out professional subcontracting of construction projects, improve on-site construction management capacity, build device start-up and service capacity, and establish an efficient and robust project management system, so as to keep the whole process of safety, quality, progress and costs under control.

Insisting on establishing global presence. On the back of domestic market, the Company marches into overseas markets, which achieves the coordinated development of domestic and foreign markets. While developing new customers, the Company will further consolidate cooperation with existing customers and deepen the partnership with foreign customers, with focus on foreign customers in China. The Company leverages its experience and edge in implementing international projects. It will increase efforts to expand overseas markets, deepen presence in the Middle East and North America, and accelerate the pace to explore emerging markets including Russia, Central Asia and Southeast Asia, aiming to create new performance growth points for the Company.

Furthermore, in response to the current challenging business environment under the ongoing COVID-19 pandemic and volatile international economic conditions stemmed from geopolitical conflicts, Wison Engineering will closely monitor the market conditions and make necessary adjustments to its strategies and operations to improve efficiency and profitability and achieve strategic objectives as early as possible to reward shareholders for their long-term support.

FINANCIAL REVIEW

Revenue and Gross Profit

During the Period under Review, revenue of the Group amounted to approximately RMB2,211.0 million (for the six months ended 30 June 2021: approximately RMB2,553.0 million), representing a year-on-year decrease of 13.4%. Gross profit of the Group amounted to approximately RMB-12.5 million (for the six months ended 30 June 2021: approximately RMB249.4 million), representing a year-on-year decrease of 105.0%.

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**	
	2022	2021	**2022**	2021	**2022**	2021
	RMB million (Unaudited)		***RMB million*** (Unaudited)		**%**	
EPC	**2,130.1**	2,444.8	**-31.5**	209.6	**-1.5%**	8.6%
Engineering, consulting and technical services	**80.9**	108.2	**19.0**	39.8	**23.5%**	36.8%
	2,211.0	2,553.0	**-12.5**	249.4	**-0.6%**	9.8%

The revenue of EPC of the Group decreased by 12.9% from RMB2,444.8 million in the corresponding period of last year to RMB2,130.1 million during the Period under Review. The EPC segment recorded a negative gross profit margin of 1.5%, as opposed to gross profit margin of 8.6% recorded in the corresponding period in 2021. The decrease in revenue and gross profit of EPC was mainly because the number of new projects awarded to the Group decreased. Moreover, due to the structural change in gross profit margin of different contract types, as well as the delay in project progress and the increase in project construction cost arising from the COVID-19 pandemic, the recognizable revenue and gross profit decreased relatively significantly during the Period under Review.

The revenue of engineering, consulting and technical services of the Group decreased by 25.2% from RMB108.2 million in the corresponding period of last year to RMB80.9 million during the Period under Review. The gross profit margin of engineering, consulting and technical services of the Group decreased from 36.8% in the corresponding period of last year to 23.5% during the Period under Review. The decrease in revenue and gross profit of engineering, consulting and technical services was mainly because of higher contract amount and gross profit margin during the corresponding period of last year.

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

	Six months ended 30 June			
	2022	2021	Change	Change
	RMB million	*RMB million*	*RMB million*	%
	(Unaudited)	(Unaudited)		
Petrochemicals	**1,461.1**	1,858.9	-397.8	-21.4%
Coal-to-chemicals	**436.6**	356.8	79.8	22.4%
Oil refineries	**10.0**	49.7	-39.7	-79.9%
Public infrastructure	**2.5**	198.5	-196.0	-98.7%
Other products and services	**300.8**	89.1	211.7	237.6%
	2,211.0	2,553.0	-342.0	-13.4%

The revenue of petrochemical business segment decreased by 21.4%. This was mainly due to the decrease in number of new petrochemical projects awarded to the Group during the Period under Review. Moreover, due to the structural changes in gross profit margin of different contract types, as well as the increase in project construction cost arising from the COVID-19 pandemic, the gross profit margin of petrochemical projects decreased, which resulted in the decrease in recognizable revenue during the Period under Review.

The revenue of coal-to-chemicals business segment increased by 22.4%. This was mainly because the coal-to-chemicals projects located in Shandong and Henan entered into the principal construction phase, resulting in the increase in revenue.

The revenue of oil refineries business segment decreased by 79.9%. This was mainly due to the fact that the Group's oil refinery projects located in Abu Dhabi has approached to the completion stage.

The revenue of public infrastructure business segment decreased by 98.7%. This was mainly due to the fact that the Group's domestic water conservancy and sewage infrastructure projects has approached to the completion phase.

The revenue of other products and services business segment increased by 237.6%. This was mainly because of the kick-off of the new materials project located in Xinjiang, resulting in recognition of revenue.

Details of comprehensive revenue breakdown by geographic locations of our projects are set out below:

	Six months ended 30 June			
	2022		2021	
	Revenue *RMB'million*	**Percentage of total revenue** *(%)*	Revenue *RMB'million*	Percentage of total revenue *(%)*
Mainland China	**1,945.6**	**88.0%**	2,073.3	81.2%
America	**62.9**	**2.8%**	48.2	1.9%
Middle East	**160.4**	**7.3%**	417.0	16.3%
Others	**42.1**	**1.9%**	14.5	0.6%
	2,211.0	**100.0%**	2,553.0	100.0%

The revenue from overseas projects of the Group accounted for approximately 18.8% of the total revenue in the corresponding period of last year, whereas during the Period under Review, revenue from overseas projects accounted for approximately 12.0% of the total revenue. The decrease in percentage weighting of revenue from overseas projects during the Period under Review was mainly because the new large-scale orders entered into by the Group in recent years were primarily domestic projects.

Other Income and Gains

Other income and gains increased by 4.5% from RMB93.2 million in the corresponding period of last year to RMB97.4 million during the Period under Review, which was mainly due to the increase in rental income and exchange gains during the Period under Review.

Selling and Distribution Expenses

Selling and distribution expenses decreased by 45.3% from RMB47.9 million in the corresponding period of last year to RMB26.2 million during the Period under Review, which was mainly because of the decrease in sales and marketing activities as a result of domestic pandemic.

Administrative Expenses

Administrative expenses decreased by 20.5% from RMB147.5 million in the corresponding period of last year to RMB117.2 million during the Period under Review, which was mainly due to the decrease in administrative staff cost.

Other Expenses

Details of other expenses breakdown are set out below:

	Six months ended 30 June	
	2022	2021
	RMB million	*RMB million*
	(Unaudited)	(Unaudited)
Research and development costs	**76.0**	63.4
Expenses in relation to operating lease income	**6.8**	11.1
Consultancy expenses	**–**	1.6
Others	**0.7**	(0.4)
	83.5	75.7

Other expenses increased by 10.3% from RMB75.7 million in the corresponding period of last year to RMB83.5 million during the Period under Review.

Finance Costs

Finance costs increased by 24.9% from RMB36.1 million in the corresponding period of last year to RMB45.1 million during the Period under Review, which was mainly due to the increase in interest expenses relating to payables.

Income Tax

Income tax increased by 51.7% from RMB14.9 million in the corresponding period of last year to RMB22.6 million during the Period under Review. This was mainly due to the decrease in deferred tax assets during the Period under Review.

Loss for the Period

Based on the reasons mentioned above, the loss for the period increased by 181.9% from RMB90.8 million for the corresponding of last year to RMB256.0 million for the Period under Review. The Group's net profit margin was -3.6% for the corresponding period of last year, and decreased to -11.6% during the Period under Review.

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 to 90 days or the respective contracts' retention period. As at 30 June 2022 and 31 December 2021, the Group's total trade and bills receivables amounted to RMB876.2 million and RMB857.7 million, respectively, representing an increase of approximately 2.2%.

Liquidity and Capital Structure

As at 30 June 2022, the Group's cash and bank balances amounted to RMB342.4 million, representing approximately 6.9% of the Group's current assets (as at 31 December 2021: RMB931.3 million, representing approximately 15.6% of the Group's current assets).

The major items of Interim Condensed Consolidated Statement of Cash Flows of the Group during the Period under Review are set out below:

	Six months ended 30 June	
	2022	2021
	RMB million	*RMB million*
	(Unaudited)	(Unaudited)
Net cash flows from operating activities	**-555.8**	251.7
Net cash flows from investing activities	**13.3**	43.3
Net cash flows from financing activities	**-45.0**	131.6

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

As at 30 June 2022, the Group's pledged and unpledged cash and bank balances included the following amounts:

	30 June 2022	31 December 2021
	RMB million	*RMB million*
Hong Kong Dollar	**8.5**	14.2
US Dollar	**183.7**	193.6
Renminbi	**690.1**	1,327.5
Saudi Riyal	**3.3**	46.8
Euro	**14.0**	4.3
South African Rand	**1.9**	1.9
UAE Dirham	**1.6**	1.3

The Asset-Liability Ratio of the Group, which was derived by dividing average total liabilities by average total assets, is set out below.

	31 December 2019	31 December 2020	30 June 2021	31 December 2021	**30 June 2022**
Asset-Liability Ratio	69.0%	61.6%	58.9%	60.8%	**62.9%**

Interest-bearing bank and other borrowings of the Group as at 30 June 2022 and 31 December 2021 were set out in the table follow. The short-term bank borrowings of the Group accounted for 100.0% of the total bank borrowings (31 December 2021: 100.0%).

	30 June 2022 *RMB million*	31 December 2021 *RMB million*
Current		
Bank loans repayable within one year		
— Secured	**331.3**	336.5
— Unsecured	**100.0**	100.0
Current portion of long-term bank loans		
— Secured	**706.5**	736.5
	1,137.8	1,173.0

Bank borrowings at 30 June 2022 and 31 December 2021 were denominated in Renminbi and US dollars. As at 30 June 2022, bank borrowings amounting to RMB1,137.8 million (31 December 2021: RMB1,173.0 million) bore interest at fixed rates.

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

For the six months ended 30 June 2022	3.70% to 5.88%
For the year ended 31 December 2021	2.60% to 5.88%

The maturity profile of interest-bearing bank and other borrowings as at 30 June 2022 and 31 December 2021, based on contractual undiscounted payments, was as follows:

	On demand	**Less than 3 months**	**3 to 12 months** *RMB million*	**Over 1 year**	**Total**
30 June 2022					
Interest-bearing bank and other borrowings	**1,079.3**	**60.1**	**–**	**–**	**1,139.4**
31 December 2021					
Interest-bearing bank and other borrowings	747.3	90.7	344.8	–	1,182.8

The Group incurred a net loss attributable to owner of the Company of RMB255.6 million during the six months ended 30 June 2022 and the Group had net current assets of RMB225.8 million as at 30 June 2022. As a result of net loss recorded by the Group, the Group is in breach of financial covenant with certain bank (the "**Bank**") which is entitled to demand for immediate repayment of the principal amount of RMB706.5 million and accrued interest as at 30 June 2022 as stipulated in the clauses of the loan agreement.

The default of the foregoing bank borrowings has triggered cross default provisions of the bank facilities with other banks of the Group. Accordingly, other banks have the right to demand immediate repayment for loans as at 30 June 2022 with an aggregate outstanding principal amount of RMB371.3 million.

In order to improve the Group's operating and financial position, the Directors have taken certain measures. For details, please refer to note 2.2 of the Interim Condensed Consolidated Financial Statements.

The Directors have reviewed the Group's cash flow forecast covering a period of twelve months from the end of the Period under Review. The Directors are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future.

As at the date of this announcement, the Bank has not raised any demand for immediate repayment.

Interim Dividend

The Directors did not recommend paying an interim dividend for the Period under Review (for the six months ended 30 June 2021: nil).

Capital Expenditure

During the Period under Review, the capital expenditure of the Group amounted to RMB7.5 million (for six months ended 30 June 2021: RMB3.4 million).

Material Acquisitions and Disposals

On 21 April 2022, Wison Engineering Limited (the "**Vendor**"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Beijing Rongshuxia Property Service Management Company Limited (the "**Purchaser**"), an independent third party, pursuant to which the Vendor agreed to sell and the Purchaser agreed to buy an office unit located at Chaoyang District, Beijing, PRC at the aggregate consideration of RMB40,000,000.

For details, please refer to the Company's announcements dated 21 April 2022 and 26 April 2022. As at the date of this announcement, the transaction has been completed.

Save as disclosed above, during the Period under Review, the Group had no material acquisitions and disposals.

Contingent Liabilities

(1) During 2019, a sub-contractor of Wison Engineering Limited ("**Wison Engineering China**", a wholly-owned subsidiary of the Company) applied for arbitration in the Shanghai Arbitration Committee for an additional payment of construction costs, guarantee deposits, loss expenses and the interest arising from the overdue payment of the foregoing mentioned expenses of approximately RMB48,966,000.

(2) During 2020, a sub-contractor of Jiangsu Wison Construction Technology Co., Ltd. ("**Jiangsu Wison**", a wholly-owned subsidiary of the Company) filed a claim to the Jiangsu Province's People's Court in Mainland China against Jiangsu Wison for additional payment of construction costs and the interest arising from the overdue payment of construction costs of approximately RMB17,655,000. As at 30 June 2022, a certain bank account of Jiangsu Wison of RMB20,000,000 was frozen by Jiangsu Province's People's Court for property preservation.

(3) During 2021, a sub-contractor of Wison Engineering China filed a claim to the People's Court of Zhuhai City, Jinwan District in Mainland China against Wison Engineering China for additional payment of construction costs and loss expenses of approximately RMB3,341,000.

(4) During 2021, a customer of Wison Engineering China filed a claim to the People's Court of Beijing in Mainland China against Wison Engineering China for additional payment of liquidated damages of approximately RMB2,101,000.

(5) During 2022, a sub-contractor of Wison engineering China filed a claim to the People's Court of Taixing City in Mainland China against Wison Engineering China for additional payment of construction costs and the interest arising from the overdue payment of construction costs of approximately RMB680,000.

(6) During 2022, a sub-contractor of Jiangsu Wison filed a claim to the People's Court of Hekou District, Dongying City in Mainland China against Wison Engineering China and Jiangsu Wison for an additional payment of construction costs and liquidated damages of approximately RMB3,561,000. As at 30 June 2022, a certain bank account of Jiangsu Wison of RMB3,580,000 was frozen by the People's Court of Hekou District for property preservation.

As at the date of approval of the financial statements, for cases (1), (2), (4) and (5), Wison Engineering China, Jiangsu Wison and their respective sub-contractors have completed the first pre-trial evidence exchange in court and cross-examination, and trials are yet to be scheduled. The rest trials are yet to be scheduled.

The Directors are of the opinion that additional provision has been made for case (1) and case (5). For the other four cases which are without merits, the possibility for the Group being subject to additional payment claims is expected to be remote on the basis of the available evidence and legal advice obtained, the Directors are of the opinion that no additional provision is required.

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. The Group has formulated and strictly adheres to a currency hedging policy against the foreign currency risk.

Pledge of Assets

As at 30 June 2022, bank balances of RMB7.1 million, certain building and leasehold land of RMB3,452.7 million, as well as future years right of receiving rental income from certain properties, were pledged as security for bank facilities of the Group.

Employee and Emolument Policy

In response to market changes, the Group has continuously introduced new talents, improved its internal management level and continuously optimized its organizational structure. Each department has a clear division of labor and each has its own responsibilities.

As at 30 June 2022, the Group had 1,300 employees (31 December 2021: 1,323 employees). The Group's total employee costs (including remuneration, bonuses, pensions and benefits) amounted to RMB277.2 million, representing 12.5% of the Group's income during the Period (for the six months ended 30 June 2021: 10.7%). The Company has formulated a salary policy based on the principles of fairness, competition, incentive and legality, dynamically adjusting the salary according to the performance of the Company, employees' performance and working ability, etc.

As at 30 June 2022, the Group had granted a total of 126,500,000 outstanding share options to eligible employees under the Share Option Scheme adopted on 30 November 2012, so as to enhance the attractiveness of the Company's remuneration package and to encourage employees to perform better. For details, please refer to the Company's announcements dated 14 November 2017 and 1 April 2021.

The Company makes training plans according to the Group's strategic plan, annual operation approach and plan. The Group provides orientation training and on-the-job education for employees' development. Orientation training covers corporate culture and policies, professional ethics and quality, major products and businesses, quality management, occupational safety and other aspects. On-the-job education includes mandatory training for applicable laws and regulations, such as environment, health and safety management systems, as well as specialized training covering all levels and categories of personnel. To meet the needs of the Company's strategic planning, the Group carries out in-service cadres training projects, reserve cadre training projects and key technical personnel training projects for all levels of management cadre, key business and technical personnel and talent with high potentials. The Group also taps into different kinds of education resources, such as mini class, mini study and live stream, via online channels, so as to further improve training and talent development system, provide a solid talent pool for the stable operation and transformation and upgrade of the Company, and promote the high-quality development of the Company.

Purchase, Sale and Redemption of Listed Securities of the Company

The Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the Period under Review.

Events after Reporting Period

No significant event of the Group has taken place subsequent to 30 June 2022 and up to the date of this announcement.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2022

	Notes	**2022 (Unaudited) *RMB'000***	2021 (Unaudited) *RMB'000*
REVENUE	*4*	**2,210,967**	2,553,031
Cost of sales		**(2,223,441)**	(2,303,644)
Gross (loss)/profit		**(12,474)**	249,387
Other income and gains		**97,435**	93,228
Selling and distribution expenses		**(26,217)**	(47,948)
Administrative expenses		**(117,160)**	(147,478)
Impairment losses on financial and contract assets, net		**(48,346)**	(111,734)
Other expenses		**(83,524)**	(75,715)
Finance costs		**(45,098)**	(36,061)
Share of profits and losses of associates		**1,979**	340
LOSS BEFORE TAX	*5*	**(233,405)**	(75,981)
Income tax expense	*6*	**(22,633)**	(14,853)
LOSS FOR THE PERIOD		**(256,038)**	(90,834)
Attributable to:			
Owners of the parent		**(255,608)**	(90,759)
Non-controlling interests		**(430)**	(75)
		(256,038)	(90,834)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
— Basic		**RMB(6.27) cents**	RMB(2.23) cents
— Diluted		**RMB(6.27) cents**	RMB(2.23) cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
LOSS FOR THE PERIOD	**(256,038)**	(90,834)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**6,908**	(1,746)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**6,908**	(1,746)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**78,844**	61,137
Income tax effect	**(4,502)**	–
	74,342	61,137
Share of other comprehensive income of an associate	**(1,547)**	–
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**72,795**	61,137
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**79,703**	59,391
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**(176,335)**	(31,443)
Attributable to:		
Owners of the parent	**(175,905)**	(31,368)
Non-controlling interests	**(430)**	(75)
	(176,335)	(31,443)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2022

	Notes	**30 June 2022 (Unaudited)** *RMB'000*	31 December 2021 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**1,424,080**	1,448,510
Investment property		**–**	9,800
Right-of-use assets		**2,112,549**	2,150,814
Goodwill		**15,752**	15,752
Intangible assets		**22,266**	25,035
Investments in associates		**213,454**	213,022
Equity investments designated at fair value through other comprehensive income		**321,541**	242,697
Deferred tax assets		**–**	29,887
Total non-current asset		**4,109,642**	4,135,517
CURRENT ASSETS			
Inventories		**118,444**	218,351
Trade receivables	*10*	**794,478**	684,479
Bills receivable		**81,693**	173,221
Contract assets		**2,258,048**	2,697,171
Prepayments, other receivables and other assets		**730,758**	560,865
Due from fellow subsidiaries		**56,091**	37,855
Dividends receivable		**8,910**	–
Pledged bank balances and time deposits	*11*	**561,420**	659,694
Cash and bank balances	*11*	**342,361**	931,268
		4,952,203	5,962,904
Investment property classified as held for sale		**9,584**	–
Total current assets		**4,961,787**	5,962,904
CURRENT LIABILITIES			
Trade and bills payables	*12*	**2,505,453**	3,306,846
Other payables and accruals		**908,170**	1,042,938
Interest-bearing bank and other borrowings	*13*	**1,137,827**	1,173,038
Lease Liabilities		**9,664**	16,602
Due to fellow subsidiaries		**192**	82
Due to an associate		**630**	630
Tax payable		**174,091**	174,763
Total current liabilities		**4,736,027**	5,714,899

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2022

	Notes	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
NET CURRENT ASSETS		**225,760**	248,005
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,335,402**	4,383,522
NON-CURRENT LIABILITIES			
Lease liabilities		**466**	3,328
Long-term payables		**468,753**	336,413
Deferred tax liabilities		**391,530**	392,626
Government grants		**4,023**	4,116
Total non-current liabilities		**864,772**	736,483
Net assets		**3,470,630**	3,647,039
EQUITY			
Equity attributable to owners of the parent			
Share capital	*14*	**330,578**	330,578
Share premium		**869,201**	869,201
Other reserves		**2,271,833**	2,447,812
		3,471,612	3,647,591
Non-controlling interests		**(982)**	(552)
Total equity		**3,470,630**	3,647,039

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

1. CORPORATE INFORMATION

The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, 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, construction 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.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated 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 2021.

2.2 BASIS OF PRESENTATION

The Group incurred a net loss attributable to owners of the Company of RMB255,608,000 during the period ended 30 June 2022 and the Group had net current assets of RMB225,760,000 as at 30 June 2022. As a result of the net loss recorded by the Group for the years ended 31 December 2021 and 2020, the Group is in breach of financial covenant with a certain bank (the "**Bank**") which is entitled to demand for immediate repayment of the principal amount of RMB706,500,000 and accrued interest as at 30 June 2022 as stipulated in the clauses of the loan agreement. As a result of the default, other banks have the right to demand immediate repayment for loans at 30 June 2022 with an aggregate outstanding principal amount of RMB371,327,000.

In order to improve the Group's operating and financial position, the directors of the Company have taken the following measures:

1. Subsequent to 30 June 2022, the Group has been granted an extended repayment period of a bank loan of RMB60,000,000 and a new bank loan of RMB40,000,000 to be matured after 30 June 2023;

2. Up to the date of this report, the Group had unused credit facilities of RMB200,000,000 from a fellow subsidiary of the Group; and

3. The Group continues to take actions to tighten cost controls over various operating expenses and is actively seeking new investments and business opportunities aiming to attain profitable and positive cash flow operations.

The directors have reviewed the Group's cash flow forecast covering a period of twelve months from the end of the reporting period. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendment to IFRS 16	*COVID-19-Related Rent Concessions beyond 30 June 2021*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*
Annual Improvements to IFRSs 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

The nature and impact of the revised IFRSs are described below:

(a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to IFRSs Standards 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.

- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

3. OPERATING SEGMENT INFORMATION

Six months ended 30 June 2022	Engineering, procurement and construction ("EPC") *RMB'000* (Unaudited)	Engineering, consulting and technical services *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Segment revenue *(note 4)*			
Sales to external customers	**2,130,128**	**80,839**	**2,210,967**
Intersegment sales	**12,524**	**–**	**12,524**
	2,142,652	**80,839**	**2,223,491**
Reconciliation:			
Elimination of intersegment sales			**(12,524)**
Revenue			**2,210,967**
Segment results	**(31,446)**	**18,972**	**(12,474)**
Reconciliation:			
Unallocated income			**97,435**
Unallocated expenses			**(275,650)**
Unallocated finance costs (other than interest on lease liabilities)			**(44,695)**
Share of profits and losses of associates			**1,979**
Loss before tax			**(233,405)**

Six months ended 30 June 2021	EPC	Engineering, consulting and technical services	Total
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue *(note 4)*			
Sales to external customers	2,444,858	108,173	2,553,031
Intersegment sales	27,175	1	27,176
	2,472,033	108,174	2,580,207
Reconciliation:			
Elimination of intersegment sales			(27,176)
Revenue			2,553,031
Segment results	209,583	39,804	249,387
Reconciliation:			
Unallocated income			93,228
Unallocated expenses			(383,698)
Unallocated finance costs (other than interest on lease liabilities)			(35,238)
Share of profits and losses of associates			340
Loss before tax			(75,981)

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2022 and 31 December 2021.

30 June 2022	**EPC**	**Engineering, consulting and technical services**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
Segment assets	**3,828,658**	**103,177**	**3,931,835**
Reconciliation:			
Elimination of intersegment receivables			**(34,526)**
Corporate and other unallocated assets			**5,174,120**
Total assets			**9,071,429**
Segment liabilitie	**3,553,856**	**45,902**	**3,599,758**
Reconciliation:			
Elimination of intersegment payables			**(33,401)**
Corporate and other unallocated liabilities			**2,034,442**
Total liabilities			**5,600,799**

31 December 2021	EPC	Engineering, consulting and technical services	Total
	RMB'000	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited)
Segment assets	4,193,994	104,970	4,298,964
Reconciliation:			
Elimination of intersegment receivables			(38,825)
Corporate and other unallocated assets			5,838,282
Total assets			10,098,421
Segment liabilities	4,320,796	38,263	4,359,059
Reconciliation:			
Elimination of intersegment payables			(33,140)
Corporate and other unallocated liabilities			2,125,463
Total liabilities			6,451,382

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	**2,210,967**	2,553,031

<u>Disaggregated revenue information for revenue from contracts with customers</u>

For the six months ended 30 June 2022

<u>Segments</u>	**EPC**	**Engineering, consulting and technical services**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
Type of services			
Construction contracts	**2,130,128**	**–**	**2,130,128**
Design, feasibility research, consulting and technical services	**–**	**80,839**	**80,839**
Total revenue from contracts with customers	**2,130,128**	**80,839**	**2,210,967**
Geographical markets			
Mainland China	**1,891,186**	**54,340**	**1,945,526**
Middle East	**160,383**	**–**	**160,383**
America	**62,869**	**–**	**62,869**
Others	**15,690**	**26,499**	**42,189**
Total revenue from contracts with customers	**2,130,128**	**80,839**	**2,210,967**
Timing of revenue recognition			
Services transferred over time	**2,130,128**	**80,839**	**2,210,967**

For the six months ended 30 June 2021

Segments	EPC	Engineering, consulting and technical services	Total
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Type of services			
Construction contracts	2,444,858	–	2,444,858
Design, feasibility research, consulting and technical services	–	108,173	108,173
Total revenue from contracts with customers	2,444,858	108,173	2,553,031
Geographical markets			
Mainland China	1,979,850	93,417	2,073,267
Middle East	416,982	–	416,982
America	48,026	231	48,257
Others	–	14,525	14,525
Total revenue from contracts with customers	2,444,858	108,173	2,553,031
Timing of revenue recognition			
Services transferred over time	2,444,858	108,173	2,553,031

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

For the six months ended 30 June 2022

Segments	**EPC**	**Engineering, consulting and technical services**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
Revenue from contracts with customers			
External customers	**2,130,128**	**80,839**	**2,210,967**
Intersegment sales	**12,524**	**–**	**12,524**
Intersegment adjustments and eliminations	**(12,524)**	**–**	**(12,524)**
Total revenue from contracts with customers	**2,130,128**	**80,839**	**2,210,967**

For the six months ended 30 June 2021

<u>Segments</u>	EPC *RMB'000* (Unaudited)	Engineering, consulting and technical services *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Revenue from contracts with customers			
External customers	2,444,858	108,173	2,553,031
Intersegment sales	27,175	1	27,176
Intersegment adjustments and eliminations	(27,175)	(1)	(27,176)
Total revenue from contracts with customers	2,444,858	108,173	2,553,031

5. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2022 ***RMB'000*** **(Unaudited)**	2021 *RMB'000* (Unaudited)
Cost of services provided*	**2,223,441**	2,303,644
Depreciation of property, plant and equipment and investment property	**29,449**	24,482
Research and development costs	**75,988**	63,453
Depreciation of right-of-use assets	**38,265**	40,132
Amortisation of intangible assets	**3,088**	2,903
Government grants	**(1,467)**	(869)
Impairment of financial and contract assets, net		
Impairment of trade receivables, net	**42,956**	147,496
Impairment of contract assets, net	**3,505**	(35,122)
Impairment of financial assets included in prepayments and other receivables	**1,885**	(640)
Gain on disposal of items of property, plant and equipment	**(64)**	(35)
Lease payments not included in the measurement of lease liabilities	**2,252**	4,721
Gain on modifications of financial liabilities that do not result in derecognition	**(11,039)**	(20,008)
Gain on derecognition of a financial asset at fair value through profit or loss mandatorily classified as such, including that held for trading	**670**	–
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries (including social welfare)	**251,154**	244,761
Retirement benefit scheme contributions	**26,161**	24,560
Equity-settled share option expenses	**(74)**	3,579
	277,241	272,900
Foreign exchange differences, net	**(7,737)**	2,015

* Amounts of RMB159,905,000 of employee benefit expenses were included in the cost of services provided during the six months ended 30 June 2022 (30 June 2021: RMB128,471,000).

6. 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	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current — Mainland China		
Charge for the period	**–**	6,530
Current — Elsewhere		
Overprovision in prior periods	**(1,655)**	13,310
Deferred	**24,288**	(4,987)
Total tax charge for the period	**22,633**	14,853

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, South Africa, Japan, Mexico, United Arab Emirates and Singapore as the Group did not have any assessable income arising in Hong Kong, Indonesia, South Africa, Japan, Mexico, United Arab Emirates and Singapore for the six months ended 30 June 2022 and 2021.

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 2020 to 2022.

江蘇惠生建設科技有限公司 (Jiangsu Wison Construction Technology Co. Ltd., "**Jiangsu Wison**") is subject to corporate income tax at a rate of 25%.

Wison USA, LLC is subject to federal income tax at a rate of 21% and state income tax at a rate of 0.75%.

Income taxes arising in other jurisdictions are calculated at the rates prevailing in the relevant jurisdictions in which the Group operates.

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 2022, there was no significant unrecognised deferred tax liability (31 December 2021: 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.

7. DIVIDENDS

No interim dividends were paid, declared or proposed during the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,073,767,800 (2021: 4,073,767,800) in issue during the period.

The calculation of the diluted loss per share amount is based on the loss for the period 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 period, as used in the basic loss 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.

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2022 and 2021 in respect of a dilution as the share options in issue during those years had an anti-dilutive effect on the basic loss per share amounts presented.

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

	2022 ***RMB'000*** **(Unaudited)**	2021 *RMB'000* (Unaudited)
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculations	**(255,608)**	(90,759)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculations	**4,073,767,800**	4,073,767,800

9. PROPERTY, PLANT AND EQUIPMENT

	RMB'000
At 1 January 2022 (audited)	1,448,510
Additions	2,797
Depreciation	(29,233)
Exchange realignment	2,006
At 30 June 2022 (unaudited)	1,424,080

At 30 June 2022, the Group's buildings are situated in Mainland China and are held under medium-term leases with a book value of RMB1,379,481,000 (31 December 2021: RMB1,399,744,000).

Except for the buildings situated in Mainland China which are stated at valuation, all other property, plant and equipment are stated at cost less accumulated depreciation.

As at 31 December 2021, the Group's buildings and leasehold land situated in Mainland China were revalued based on valuations performed by Shanghai Orient Appraisal Co., Ltd., an independent firm of professionally qualified valuers, at RMB3,530,948,000. The land portion of RMB2,131,204,000 was measured as right-of-use assets. In the opinion of the directors, the fair values of buildings and leasehold land did not differ materially from their carrying amounts at 30 June 2022.

Had the Group's buildings and leasehold land situated in Mainland China been carried at cost less accumulated depreciation, the carrying amounts would have been approximately RMB765,842,000 and RMB138,940,000, respectively (31 December 2021: RMB777,570,000 and RMB140,958,000, respectively).

At 30 June 2022, certain of the Group's buildings and leasehold land with an aggregate net book value of approximately RMB3,452,736,000 (31 December 2021: RMB3,502,897,000) were pledged to secure general banking facilities granted to the Group.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's buildings and leasehold land situated in Mainland China:

	Fair value measurement as at 30 June 2022 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Buildings	**–**	**–**	**1,379,481**	**1,379,481**
Leasehold land	**–**	**–**	**2,100,686**	**2,100,686**
	–	**–**	**3,480,167**	**3,480,167**

	Fair value measurement as at 31 December 2021 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited)	(Audited)
Buildings	–	–	1,399,744	1,399,744
Leasehold land	–	–	2,131,204	2,131,204
	–	–	3,530,948	3,530,948

The movements in fair value measurements within Level 3 during the period are as follows:

	Buildings	**Leasehold land**
	RMB'000	***RMB'000***
At 1 January 2022	**1,399,744**	**2,131,204**
Depreciation charge	**(20,263)**	**(30,518)**
At 30 June 2022	**1,379,481**	**2,100,686**

	Buildings	Leasehold land
	RMB'000	*RMB'000*
At 1 January 2021	1,339,350	2,291,741
Depreciation charge	(18,846)	(31,903)
At 30 June 2021	1,320,504	2,259,838

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Set out below is a summary of the valuation techniques used and the key inputs to the valuation of buildings and leasehold land:

	Valuation technique	**Significant unobservable inputs**	**Weighted average**
			2021
Building and leasehold land *(note a)*	Income method	Market daily rental (RMB) (per square metre)	5.86
		Long-term vacancy rate	4%
		Yield rate	4%
Building *(note b)*	Direct comparison method	Market transaction price (RMB) (per square metre)	11,700
		Adjustment on quality of the building	5%

Notes:

(a) The valuation of the building and the leasehold land was determined using the income method. The most significant inputs to this valuation approach are the market daily rental of comparable properties nearby, long-term vacancy rate of the building and yield rate of the rentals.

The fair value measurement is positively correlated to the market daily rental and yield rate, and negatively correlated to the long-term vacancy rate.

(b) The valuation of the building was determined using the direct comparison approach. The most significant inputs to this valuation approach are the market transaction prices of comparable properties nearby and the adjustment on quality of the building.

The fair value measurement is positively correlated to the market transaction price and negatively correlated to the adjustment on quality of the building.

10. TRADE RECEIVABLES

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month	**17,408**	25,013
2 to 12 months	**124,200**	173,479
Over 1 year	**652,870**	485,987
	794,478	684,479

The amounts due from related companies included in the trade receivables are as follows:

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Related companies		
Wison (Taizhou) New Material Technology Co., Ltd.	**331,583**	70,321
Taixing Bohui Environmental Technology Development Co., Ltd.	**104,791**	104,791
Taixing Tianma Chemical Engineering Co., Ltd.	**76,697**	76,697
	513,071	251,809

11. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2022 *RMB'000* **(Unaudited)**	31 December 2021 *RMB'000* (Audited)
Cash and bank balances	**595,286**	931,268
Time deposits with original maturity of less than three months (inclusive)	**–**	403,556
Time deposits with original maturity of more than three months	**308,495**	256,138
	903,781	1,590,962
Less: Pledged bank balances and time deposits	**561,420**	659,694
Unpledged cash and cash equivalents	**342,361**	931,268
Less: Frozen and unpledged bank balances	**34,080**	40,200
Unpledged and unfrozen cash and cash equivalents	**308,281**	891,068

At 30 June 2022, bank balances and time deposits of RMB425,179,000 (31 December 2021: RMB469,117,000) were placed as guarantee deposits for the performance of certain construction contracts and for the tendering process.

At 30 June 2022, bank balances of RMB4,980,000 (31 December 2021: RMB3,189,000) were pledged to a bank as security to obtain a letter of credit facility for the purchase of imported equipment.

At 30 June 2022, bank balances and time deposits of RMB124,122,000 (31 December 2021: RMB172,520,000) were pledged as security for bill facilities granted by the banks.

At 30 June 2022, bank balances of RMB3,000 (31 December 2021: RMB3,000) were pledged to a bank as security for forward foreign exchange contracts.

At 30 June 2022, bank balances of RMB7,136,000 (31 December 2021: RMB14,865,000) were pledged to a bank as security to obtain a banking facility (note 13).

At 30 June 2022, certain bank accounts of the Group of RMB34,080,000 (31 December 2021: RMB40,200,000) were frozen by courts for certain claims in disputes for preservation.

At 30 June 2022, the cash and bank balances of the Group denominated in RMB amounted to RMB690,071,000 (31 December 2021: RMB1,327,475,000). 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.

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.

12. 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 2022	31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Less than 1 year	**1,724,699**	2,796,589
1 to 2 years	**638,920**	272,823
2 to 3 years	**249,151**	94,561
Over 3 years	**359,292**	478,260
	2,972,062	3,642,233
Less: Non-current portion	**466,609**	335,387
Current portion	**2,505,453**	3,306,846

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 90 days other than those suppliers granting an extended credit period for more than one year.

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current		
Bank loans repayable within one year — secured	**331,327**	336,538
Bank loans repayable within one year — unsecured	**100,000**	100,000
Current portion of long-term bank loans — secured	**706,500**	736,500
	1,137,827	1,173,038

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

	30 June 2022	31 December 2021
	'000	*'000*
US$ denominated	**3,708**	–

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

Six months ended 30 June 2022	3.70% to 5.88%
Year ended 31 December 2021	2.60% to 5.88%

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**1,137,827**	1,173,038

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

	Note	**30 June 2022**	31 December 2021
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
Building and leasehold land	*9*	**3,452,736**	3,502,897

A bank has granted credit facilities to the Group for which the right of receiving rental income from a property of the Group for the future years and the related bank account with bank balances of RMB7,136,000 as at 30 June 2022 (note 11) (31 December 2021: RMB14,865,000) have been pledged as security.

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

As at 30 June 2022, the Group had borrowings with the Bank of RMB706,500,000 (31 December 2021: RMB736,500,000) with an original maturity date on 20 August 2034, which requires the Company to maintain profitable financial performance during a financial year. The Group was in breach of the financial covenants under the loan agreement due to the net loss recorded by the Group for years ended 31 December 2021 and 2020. The Bank is entitled to demand and accelerate the repayment of the principal amount of RMB706,500,000 (31 December 2021: RMB736,500,000) and accrued interest as at 30 June 2022 as stipulated in the clauses of the loan agreement. As at 30 June 2022, the non-current bank loan amounting to RMB648,000,000 (31 December 2021: RMB678,000,000) was reclassified as the current portion of interest-bearing bank and other borrowings.

The default of the foregoing bank borrowings has triggered cross default provisions of the bank facilities with other banks of the Group. Accordingly, other banks have the right to demand immediate repayment for loans at 30 June 2022 with an aggregate outstanding principal amount of RMB371,327,000.

Up to the date of the interim condensed consolidated financial information, the Group has yet to receive any waiver nor any demand for the immediate repayment from the banks in respect of the breach of covenants.

14. SHARE CAPITAL

	30 June 2022 (Unaudited)	31 December 2021 (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	**4,073,767,800**	4,073,767,800

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Authorised:		
Ordinary shares of HK$0.1 each	**1,622,757**	1,622,757
Issued:		
Ordinary shares of HK$0.1 each	**330,578**	330,578

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

	Number of shares in issue	**Share capital**	**Share premium account**	**Total**
		RMB'000	*RMB'000*	*RMB'000*
At 31 December 2021, 1 January 2022 and 30 June 2022	4,073,767,800	330,578	869,201	1,199,779

15. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The unaudited interim condensed consolidated financial information was approved and authorised for issue by the Board of Directors on 29 August 2022.

CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2022, the Company has complied with the applicable code provisions as set out in the Corporate Governance Code contained in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry, all Directors confirmed that they have complied with the required standard set out in the Model Code during the Period under Review.

AUDIT COMMITTEE REVIEW

The Company has established an audit committee which is accountable to the Board and the primary duties of which include the review and supervision of the Group's financial reporting process and internal control measures. For the Period under Review, the audit committee comprised of three independent non-executive Directors, namely, Mr. Lawrence Lee, Mr. Tang Shisheng and Mr. Feng Guohua. Mr. Lawrence Lee serves as the chairman of the audit committee of the Company, who has the professional qualification and experience in financial matters in compliance with the requirements of the Listing Rules.

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited condensed consolidated interim financial statements of the Group for the Period under Review. They considered that the unaudited interim financial statements of the Group for the Period under Review are in compliance with the relevant accounting standards, rules and regulations and that appropriate disclosures have been made.

PUBLICATION OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE AND THE COMPANY

This results announcement is required to be published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.wison-engineering.com), respectively. The interim report of the Company for the Period will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

By Order of the Board
Wison Engineering Services Co. Ltd.
Yan Shaochun
Executive Director and Chief Executive Officer

Hong Kong, 29 August 2022

As at the date of this announcement, the executive directors of the Company are Mr. Yan Shaochun, Mr. Zhou Hongliang and Mr. Zheng Shifeng; the non-executive director and Chairman of the Company is Mr. Liu Hongjun; and the independent non-executive directors of the Company are Mr. Lawrence Lee, Mr. Tang Shisheng and Mr. Feng Guohua.