Interim Report 2023

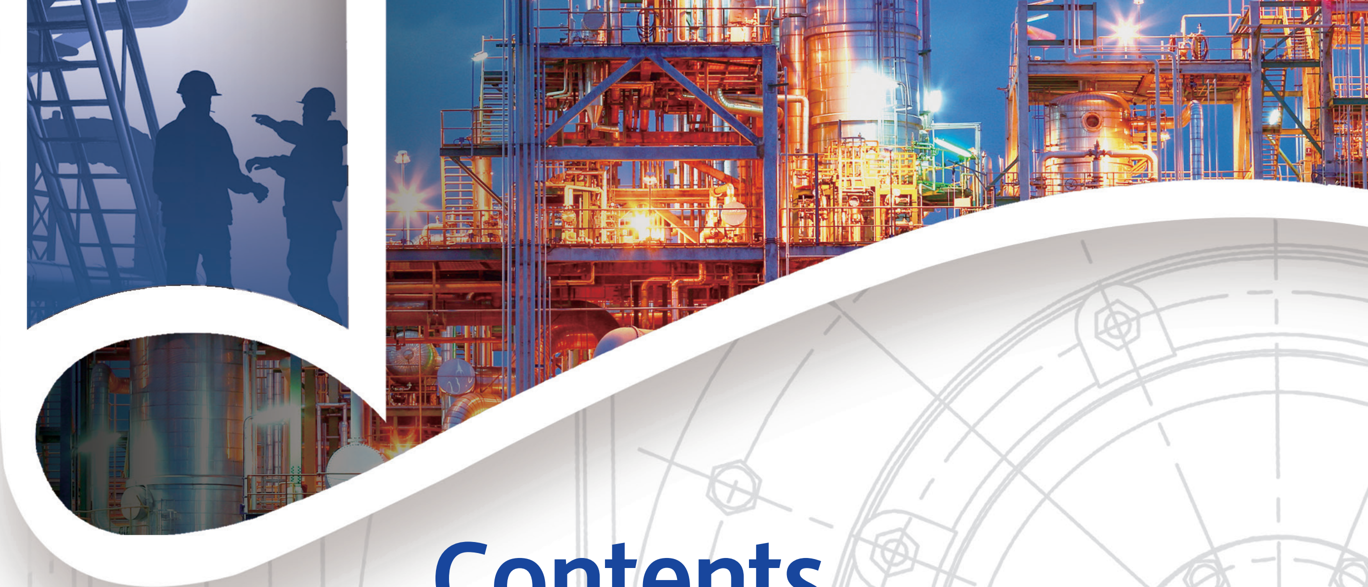
Wison Engineering
Builds a Better World

Wison Engineering Services Co. Ltd.

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

WISON ENGINEERING

CHINA'S LEADING ENERGY AND CHEMICAL ENGINEERING EPC SERVICE AND TECHNOLOGY INTEGRATION SOLUTION PROVIDER



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Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Zhou Hongliang *(Chief Executive Officer)*
Mr. Zheng Shifeng

Non-executive Director
Mr. Liu Hongjun *(Chairman)*

Independent Non-executive Directors
Mr. Lawrence Lee
Mr. Tang Shisheng
Mr. Feng Guohua

AUDIT COMMITTEE

Mr. Lawrence Lee *(Chairman)*
Mr. Feng Guohua
Mr. Tang Shisheng

NOMINATION COMMITTEE

Mr. Tang Shisheng *(Chairman)*
Mr. Feng Guohua
Mr. Lawrence Lee

REMUNERATION COMMITTEE

Mr. Feng Guohua *(Chairman)*
Mr. Lawrence Lee
Mr. Tang Shisheng

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

633 Zhongke Road
Zhangjiang Hi-Tech Park
Pudong New Area
Shanghai 201210
PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1–1111
Cayman Islands

Corporate Information

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17/F, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

COMPANY SECRETARY

Ms. Tsang Chi Ka

AUTHORISED REPRESENTATIVES

Mr. Zhou Hongliang
Ms. Tsang Chi Ka

AUDITORS

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

PRINCIPAL BANKS

China CITIC Bank Corporation Limited
Bank of China Limited
East West Bancorp, Inc
China Merchants Bank Co., Ltd
Industrial and Commercial Bank of China Limited
Shanghai Pudong Development Bank Co., Ltd

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1–1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 2507, 25/F
Central Plaza
18 Harbour Road
Wan Chai
Hong Kong

COMPANY'S WEBSITE

www.wison-engineering.com

STOCK CODE

2236

Management Discussion and Analysis

MARKET AND RESULTS OVERVIEW

In the first half of 2023, upholding the strategy of "leading by innovation, focusing on principal operations and establishing global presence", Wison Engineering moved forward with a pragmatic and pioneering attitude, and calmly responded to market changes. During the six months ended 30 June 2023 (the "**Period**" or "**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. The Company insisted on deepening 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, the global and Chinese economic recovery faced many challenges due to the successive interest rate hikes announced by the central banks in Europe and the Federal Reserve of the United States, high inflation rate in the overseas, Renminbi depreciation, the rising of global debt level, as well as the ongoing trade disputes and geopolitical conflicts. China's economic recovery and growth in the post-pandemic era proceeded in a tortuous process. The first half of 2023 showed clear pullback trends in macroeconomy, in which the first round of release of pent-up demand provided a strong momentum for economic recovery in the first quarter, yet economic recovery in China slowed down in the second quarter due to unfavorable factors, among others the weaker-than-expected recovery of domestic demand, the international geopolitical tension, continued pressure on the real estate industry and local governments' debt problems.

In the first half of 2023, international oil prices fluctuated at a high level, mainly due to the overestimated effect of the European Union's sanctions against Russian oil and interest rate hikes announced by the Federal Reserve, while the banking crisis in Europe and the United States also triggered market concerns about a long-term economic downturn. In April 2023, OPEC+ unexpectedly announced an oil production cut of 1.65 million barrels per day (bpd). The cut came into effect in May 2023 and will run until the end of 2023. The decision to cut oil production pushed up international oil prices, but later the prices went down due to market concerns about insufficient demand. The chemical industry also showed sluggish performance in the first half of 2023. Although earnings of refinery enterprises picked up in the second quarter of 2023, they still came under pressure due to high oil prices.

During the Period under Review, the Group recorded revenue of approximately RMB1,893.6 million (for the six months ended 30 June 2022: approximately RMB2,211.0 million), representing a year-on-year decrease of 14.4%. Gross profit amounted to approximately RMB144.1 million (gross loss for the six months ended 30 June 2022: approximately RMB12.5 million), representing a year-on-year increase of approximately RMB156.5 million. Loss attributable to owners of the parent amounted to approximately RMB104.7 million (for the six months ended 30 June 2022: loss attributable to owners of the parent of approximately RMB255.6 million). In the first half of 2023, the total value of new contracts secured by the Group amounted to approximately RMB251.3 million (net of

Management Discussion and Analysis

estimated value added tax), representing a year-on-year decrease of 81.3%. As at 30 June 2023, the total value of the Company's outstanding contracts was approximately RMB24,773.9 million (net of estimated value-added tax), representing a decrease of 7.3% from the total value of outstanding contracts as at 31 December 2022.

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**"), and synthetic ammonia. Meanwhile, Wison Engineering further 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 oxidative dehydrogenation of ethane ("**ODHE**") to ethylene, degradable plastics (i.e. polyglycolic acid) ("**PGA**"), methyl methacrylate ("**MMA**"), hydrogen energy, green coal chemical industry, butadiene and other processes and catalysts.

The Company smoothly implemented various projects domestically and overseas. Progresses were made in the following major projects:

Shandong Jinhai Chemical's 1 million-ton-per-year light hydrocarbon comprehensive utilisation project: The light hydrocarbon plant successfully started up with its first try and produced qualified products on 4 March 2023. On 15 March 2023, high-density polyethylene (HDPE), butadiene and other facilities opened up all processes and produced qualified products. The facilities operate smoothly.

Shandong Binhua New Material's PDH plant in C_3, C_4 comprehensive utilisation project: On 30 June 2023, the plant successfully came into operation with its first try and produced high-quality propylene products with a concentration of over 99.6%.

Fujian Shenyuan's phase II ammonia-to-hydrogen production project: With mid-term delivery on 28 April 2022, the project was successfully put into production at the end of June 2023, opening up the entire process. Performance assessment on the plant has now been completed.

CNOOC Huizhou Petrochemical Co., Ltd.'s new gasifier project: With mechanical completion and mid-term delivery on 5 January 2023, the project successfully started up with its first try on 10 March 2023.

Henan Shenma's hydrogen and ammonia project: Pipe installation for the gasification plant completed critical stage on 15 May 2023. Mid-term delivery was completed with high standard on 5 July 2023 as agreed on contract. Currently, the Company is assisting the owner for the production preparations.

SP Chemicals' PS project: Equipment installation was 100% completed, pipe installation was 98% completed, and pressure testing was 40% completed. Approximately 93% of electrical cables and 80% of instrumentation cables were laid. Commissioning of instrument loops started. The "three checks and four determinations" for the project commenced.

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Xinjiang Weigerui: The project is 97.71% completed. Process Plant I was mechanically completed on 15 May 2023. The project owner carried out commissioning prior to the start-up. Installation of equipment for Process Plant II was accomplished, with pipe installation 90% completed, pipe pressure testing 10% completed, and electrical bridges installed. Insulation of static equipment commenced.

Panjin Sanli's MMA project: Gas generation and MMA facilities met the conditions for a 90% model review. The structures of 11 buildings were topped out, and the installation of storage tanks in the whole plant is 75% completed. The steel structure of the hazardous chemical warehouse was installed. Approximately 348 tons of steel structures for the pipe gallery were installed. Five sets of static equipment for the air separation unit were installed, and five compressors were in place.

Inner Mongolia Rongxin's PGA project: Pipe welding of the plant was finished, pipe pressure testing was 87.4% completed, and pipe insulation commenced. A solo test run of the motor and instrument loop tests were in full swing.

Turnkey project for cracking furnaces of Wanhua Chemical Group Co., Ltd.'s 1.2 million-ton-per-year ethylene plant: The project was 17.9% completed, the design was 70% completed, and the radiation chambers of 7 furnaces were installed. Pipes and materials were gradually delivered.

The natural-gas-to-hydrogen project in Thailand: The project was 86% completed, with design changes in construction drawings and finalisation of detailed design. The ordering for equipment and materials have been fully completed, with 73% of the equipment and materials delivery rate. All steel structures and pipe materials have been delivered. Installation of instrument bridges was 17% completed and the distributed control system cabinet was in place.

Saudi Aramco's DPCU project: The project was 54% completed, with design finished. Orders for all equipment and materials have been placed, and steel structures have been delivered. Excavation for the foundation of a compressor (K-0009) was completed, and main steel structures for pipe gallery modules (PRM301~304) were prefabricated.

Qatar's EPC4 sulphur-handling project: The project was 15.62% completed. Hazard and operability study/safety integrity level (HAZOP/SIL) review comments were closed and a 30% model review was performed. Preparations were made for the construction of a test pile. Engineering, procurement and construction ("**EPC**") bidding, clarifications and technical evaluation in the tank farm were conducted. It had interviews with 4 contractors in respect of mechanical, electrical and instrumentation (MEI) in August 2023. Remaining deviations were closed.

EPSS project for Russia SIBUR's PDH2 & PP Units: The project was 18.51% completed, with a piping and instrumentation diagram (P&ID) for propane dehydrogenation/polypropylene ("**PDH/PP**") plants passing a 30% model review. The ordering for static and dynamic equipment for 2024 was completed.

Management Discussion and Analysis

FARABI's Lab4 project in Saudi Arabia: The project was 4.42% completed, with hazard and operability study (HAZOP) reviews for design performed. Procurement is underway as scheduled. On the construction side, the civil construction bidding was finished. The main body of the temporary office was built. The construction meeting and the pre-construction meeting for the tank farm were rounded off.

Extraordinary Achievement in QHSE Management

During the first half of 2023, the Company continued to strengthen the management of quality, health, safety and environment ("**QHSE**") on projects, kept promoting the standardisation of health, safety and environment ("**HSE**") management on projects, and improved the management of model projects and special processes. The Company has established the "top ten safety concepts of Wison" in order to, among others, "pursue safety throughout the life cycle of a project". Internally, it deepened the concept of QHSE and the awareness of assuming primary quality and safety responsibilities, and promoted the work standard of "systematisation of day-to-day operations and day-to-day systematic management". Externally, continuous efforts were made to promote the "1+3 co-construction" in QHSE management with project builders, suppliers, construction contractors and strategic partners to create a good ecosystem of QHSE management for integration, collaboration, improvement and mutually beneficial results.

During the Period under Review, the Company completed the mid-term delivery and start-up of three EPC projects, namely Quanzhou Grand Pacific's 660,000-ton-per-year PDH heating furnace project, Henan Shenma's hydrogen and ammonia project, and Xinjiang Weigerui's newly-built Phase I 240,000-ton-per-year biodegradable polyester resin project, mid-term delivery of which were all completed. A total of six projects, namely Dongming Petrochemical 1-million-ton-per-year light hydrocarbon comprehensive utilisation project, Oriental Energy (Maoming) alkane resource utilisation project, optimisation project for CNOOC Huizhou Petrochemical's Phase II hydrogen production facility, Junchen New Material Technology's 500,000-ton-per-year styrene industry chain integration technological upgrading project, Shandong Binhua's 600,000-ton-per-year propane dehydrogenation project, and ADNOC's SRU project, achieved a successful start-up with their first try. This fully validates the Company's project design capability, procurement capability and quality and safety management capability during project execution.

The Company achieved smooth and orderly HSE management in the first half of 2023, with a total of 7,402,174 man-hours of safety operation in domestic and overseas projects. All HSE management indicators fell within the target control range set at the beginning of the year. During the Period under Review, the Company released the revised Vehicle Management Rules, Management Rules for Resource Allocation in Projects' HSE Management and Site Security Management Rules, in a bid to strengthen the HSE management on projects. Based on the Comprehensive Assessment Report on Overseas Public Security (2023 Edition), the Company's branches and project departments updated and prepared the Public Security Emergency Plan, in order to strengthen the risk control over overseas operations.

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The Company is deeply aware that HSE management and corporate social responsibility are mutually reinforcing. Accordingly, it is constantly committed to green construction and sustainable development, and projects are optimised at the design stage to save energy and reduce emissions. The concept of green construction runs through the project execution phase. For instance, the Company used clean energy in the dew point control units ("**DPCU**") project in the Middle East, advocated the reuse of waste materials, and organised the "one-hour power cut" activity on the Earth Day. On the occasion of Safety Month and World Environment Day, the Company's headquarters and departments of projects under construction launched a wide range of safety and environmental activities, such as the headquarters' "Tracking plastics on the seawall and reducing plastics for the environment" activity, which was the World Environment Day cum Corporate Social Responsibility thematic activity; the "Clean Up Drive" activity in the desert initiated by the DPCU project department, with the participation of representatives of Saudi Aramco, the project management team, the project inspection division team and subcontractors; environmental clean-up activities organised by the Panjin Sanli project department in Liaoning and the SP Chemicals project department in Jiangsu for their management staff; and the World Environment Day-themed publicity and question-and-answer contest organised by the Henan Shenma project department.

During the Period under Review, the Company continued to maintain audits on the QHSE system for all types of projects, and conducted internal audits on the QHSE management system for a total of 15 projects regarding research and development, consultation, design and EPC. Through audits on management systems, the Company continued to enhance its business capability and project management level.

Meanwhile, the Company continued to strengthen its quality management. In terms of design quality management, the Company's three design institutes assigned persons to be responsible for design quality inspections, normalising design quality inspections and strengthening the design quality management. According to the Provisions for Supervision and Administration on the Fulfillment of Primary Quality and Safety Responsibility by Special Equipment Manufacturers, Decree No. 73 of the State Administration for Market Regulation, the Company has completed the compilation and publication of a document titled "Pressure Vessel (Equipment) Quality Assurance System", which further improved its pressure vessel design quality assurance system and the primary responsibility system of the safety management position. It appointed a quality and safety director for pressure vessels and quality and safety officers for pressure vessels.

In respect of procurement quality management, the Company broadened the cooperation resources and cooperation projects with internationally-renowned third-party inspection companies, and increased human resources for equipment supervision and delivery reminder, thus enhancing the quality of the procured materials. With regard to project construction quality management, the focus was placed on the quality management of projects. The project construction quality has been well controlled through the duplication and creation of model projects and the management of special processes (such as welding management for special material 911, duplication of model projects and unification of standards). In the first half of 2023, the projects under construction achieved more than 99% in key quality management indicators, such as the first-time passing rate in welding, the first-time passing rate in acceptance check of the inspection and test plan ("**ITP**") control point, and the first-time passing rate in acceptance check of material warehousing.

Management Discussion and Analysis

Establishing Global Presence for Full Exploration of Domestic and International Markets

With the fading of the pandemic effects 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 continued to pick up. New market opportunities began to emerge. Wison Engineering adheres to the strategy of "establishing global presence" and effectively implements the globalisation strategy covering both domestic and international markets. During the Period under Review, there were delays in investment in projects followed up by the Company due to the investment decisions of clients. The total amount of newly signed contracts in the first half of 2023 amounted to approximately RMB270 million.

In the domestic market, Wison Engineering focused on principal operations by strengthening the core products and locking in business opportunities arising from key clients, and was committed to improving the quality of orders. During the Period under Review, the Company fully leveraged its competition advantages in core petrochemical and coal chemical products, tracked opportunities from a number of ethylene, MTO and other projects, actively assisted project owners in accelerating the implementation of projects. Turnkey contracts on certain early-stage projects and ongoing technical contracts are expected to be signed in the second half of this year. 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, the Company signed contracts on Datang Duolun's wind/solar-to-hydrogen integrated demonstration project and technical consulting for the compilation of an industrial plan for (JISCO) Honghui's emission reduction and carbon reduction industrial chain extension project. Moreover, with the start of pilot tests on PGA and MMA plants, the future market is full of opportunities.

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 clients 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. The Company focused on its competitive projects like ethylene and PDH/PP projects, and maintained its stable partnerships with Saudi Arabia's Basic Industries Corporation (SABIC)/Saudi Aramco. Meanwhile, the Company followed up on Chinese-funded investment projects in Qatar and Saudi Arabia, which entered the quotation stage. In view of the emerging renewable energy market in the Middle East and the business opportunities from green hydrogen and green ammonia, Wison Engineering established cooperation with a number of domestic partners and international patent dealers, in order to obtain achievements and seize market opportunities in the renewable energy market.

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In addition to the Middle East and other traditional chemical markets, the Company actively established 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. During the Period under Review, Wison Engineering secured the preliminary consultation contract for refinery project of African Refinery Port Harcourt Limited (ARPHL) in Nigeria and participated in the pre-front-end engineering design (pre-FEED) quotation for Sterling's chemical project, with a view to further expanding the incremental space of the international market.

In the first half of 2023, Wison Engineering was awarded the process design package and front-end engineering design (PDP+FEED) contract for the CIC ethylene project in Russia, which will have a positive effect on the many sets of ethylene cracking furnaces, ethylene renovation, new ethylene plants and polyolefin projects that are currently tracked by us. Meanwhile, Wison Engineering continued to focus on renewable energy, methanol and modular construction opportunities in the United States, and has participated in the EPF quotation for the Milwood Green Ammonia Project which it has been closely following up. The Company will provide high-quality services to meet customer needs, which will lay the foundation for subsequent general contracting projects.

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

The development and utilization of new processes and new technologies, such as new materials and degradable plastics, is the future development trend of the industry, and it is also the key development direction 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 and won the EPC general contract of Panjin Sanli's 50,000 tons/year MMA project, which is the first industrial project of new green ethylene-based MMA technology and the design of which has been completed. The installation of on-site equipment and pipelines has been fully implemented, and it is expected that the installation will be completed and the intermediate handover will be accomplished in this year. 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 domestic 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 innovative technology development and industrialisation of degradable plastics, Wison Engineering has accelerated the industrialisation of PGA. The 1,000-ton pilot plant of PGA built in cooperation with Inner Mongolia Rongxin Chemical Co., Ltd. was put into operation at the end of July 2023, and it is planned to complete the experimental research of the pilot plant during the year and to launch the commercial promotion of the technical achievements.

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During the Period under Review, the Company's research on the catalytic ODHE to ethylene technology in collaboration the Dalian Institute of Chemical Physics, Chinese Academy of Sciences, continued to deepen, and a total of 17 patents were applied for in respect of the core process. The new technology has entered into the commercialisation and promotion stage. Technology demonstration and application intentions were reached among a number of domestic enterprises. The technology is suitable for ethylene production from various ethane feedstocks, and its investment costs, energy consumption and carbon emission are significantly lower than those of traditional technologies, which is of breakthrough significance for ethylene production and fits the global trend of lightening olefin feedstocks, and has a broad application prospect.

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, several 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 was committed to the optimisation and upgrading of butadiene technology, and has completed the development of a new generation of energy-saving butene oxidation and dehydrogenation catalysts and reaction technology, as well as the optimisation and development of the N-methylpyrrolidone (NMP) based butadiene extraction technology, of which, as compared with the existing butadiene production technology via butene oxidation and dehydrogenation, steam consumption is significantly reduced, energy consumption is further reduced by 30%, and wastewater is reduced by 40% with further improved yield and the cost of production per tons of butadiene reduced by approximately RMB1,400, which marks a disruptive progress of the development of energy-saving butadiene production technology via oxidation and dehydrogenation of butene. At present, the new technology has passed the single-tube experiment and entered the promotion stage, arousing high interest from the industry, which is expected to realise the transformation of the original oxidation and dehydrogenation device and significantly improve the economic performance of the device. The successful development of this new technology further maintained the Company's leading position and competitiveness in the field of butadiene technology.

The catalyst for ethylene-based vinyl acetate developed by our butadiene division has achieved initial results and will soon enter into industrial trials and marketing stage. Butadiene division adopts a new technology process when independently developing 1,3-propanediol catalyst and a complete set of process technology packaging. If successfully developed, this technology will be very competitive, and is expected to become another major technological highlight of Wison Engineering. The Company is developing technology regarding butadiene and new materials, which will greatly enhance the technological progress and development of the industry.

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During the Period under Review, Wison Engineering obtained 7 new licensed patents and applied for 4 new patents, and continuously consolidated its intellectual property rights and technical reserves. Meanwhile, the Company continuously improved the design, implementation and management standards of engineering projects, and gained wide recognition in the industry. The Company won many new industry awards. Specifically, our "Wanhua Chemical's polyurethane industry chain integration-ethylene project's 1 million tons/year ethylene plant" won the Second Class Award for Excellent Engineering Survey and Design in Petroleum and Chemical Industry in 2023; "Shandong Yang Coal Hengtong's 300,000-ton methanol to olefin project" won the First Class Award of Provincial and Ministerial Excellent Engineering Survey and Design Award (Industrial Category); "Henan Billions Advanced Material Co., Ltd.'s 200,000 tons/year titanium dioxide chloride production line project" and "Nanjing Chengzhi Yongqing Energy Science and Technology Co., Ltd.'s 600,000 tons/year MTO product optimisation project and 100,000 tons/year butadiene device" won the Second Class Award of Provincial Excellent Survey and Design; and "Xinjiang Xinlianxin Coal Head Project's annual production capacity of 280,000 tons of synthetic ammonia project" won the Third Class Award of Excellent Engineering Survey and Design Award (Industrial Category).

Focus on Green Hydrogen, Green Ammonia, Green Alcohol, Carbon Emission Reduction and CO_2 Utilisation, and Accelerate the Expansion of New Energy and New Business

In response to domestic and international "dual-carbon" development strategies and industry trends, Wison Engineering is actively exploring market opportunities for combining new energy sources with traditional hydrogen-using industries such as coal chemical and iron and steel. It has also fully utilised its technological advantages and system integration capabilities in the chemical fields of hydrogen, ammonia and alcohols to steadily expand its customer base in the power and energy sectors, providing plant-wide engineering solutions to transform unstable green power off-grid/weak off-grid into hydrogen, ammonia and alcohols locally, which has assisted the development of the power and energy industries and has solved the bottleneck of new energy power generation for local consumption. The Company actively helps our customers optimise their carbon emission reduction and supports the sustainable development of enterprises. It will accelerate research and business deployment in the hydrogen energy industry chain, industrial exhaust carbon capture, carbon dioxide ("**CO_2**") chemical fixation, biomass fuel and other fields, and expand new opportunities in dual-carbon business, such as combining green/blue hydrogen with traditional energy and chemicals, and methanol/petroleum product synthesis from CO_2 hydrogenation. Meanwhile, focusing on the development trend of green ammonia and green alcohol in the European and American markets, Wison Engineering continues to develop modularised green ammonia and green alcohol technology solutions with competitive advantages in system optimisation, cost, and progress to provide support and guarantee for the sustainable and green development of our clients.

It is expected that green ammonia and green alcohol will be used as marine fuels in the next 5 to 8 years, which is an important transition period. Wison Engineering grasps the development opportunities of the industry and cooperates with our subsidiary, Shanghai Wison Offshore & Marine Co., Ltd., to jointly promote the technical reserve research of floating green ammonia and green alcohol productisation solutions.

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Wison Engineering took the potential project of green ammonia production by a full off-grid wind and photovoltaic power as an opportunity, and took the green ammonia production and ammonia consumption as the starting point of the project demonstration, and sought the project solution of green ammonia production by wind, photovoltaic and power integration through the close cooperation with the client and the power design institute. Feasibility study is now conducted on this project. In addition, Wison Engineering has embarked on several preliminary engineering projects for carbon dioxide hydrogenation to synthesise methanol/ethanol/jet fuel, which are expected to result in a breakthrough this year.

During the Period under Review, Wison Engineering completed a feasibility study on a project combining off-grid wind and solar hydrogen production with an existing coal chemical industry, with a view to successfully implement the project within the year. Wison Engineering completed a number of consulting technical proposals and feasibility studies for multi-scene applications of wind and solar hydrogen production, further expanding the technology reserve for multiple applications. At the same time, researches on the related policies of full life cycle carbon footprint in multi-scene applications and international carbon footprint certification standards prepared us have provided clients with the full life cycle solutions under the dual-carbon policy.

Accelerate the application of digital project management system and continuously enhance the level of integrated design

During the Period under Review, the data management-based project management system for progress, cost, contract and change was implemented in a number of projects such as SIBUR, FARABI and Wanhua Cracker, realising project budget refinement planning, process data classification, aggregation, analysis and forecasting. The document control collaboration management system was in use in projects such as FARABI. It will be promoted for use in new design projects during the year as the design deliverables planning system is developed and materialised. The digital construction and installation management system has been widely applied in domestic and overseas projects, which enhances the prediction, supervision and control of the construction process. Upon the development of the construction process ITP management system, it will be used in projects such as FARABI.

During the Period under Review, our Engineering Data Centre (EDW) has been deployed and applied to the SIBUR project, which has realised the digitisation of design documents with 100% accuracy of attribute matching, improved the quality of digital deliverables, and significantly enhanced the efficiency. The development of data linkage between MARIAN, MCMS and WEP was 90% completed and launched at the end of July 2023. We decided to use MARIAN as a database to develop an integrated procurement/supply chain platform from sourcing, online inquiry and quotation, contracting, delivery monitoring, logistics and transportation data. Upon the completion of planning, research and fulfilment of requirements, the phase I platform is expected to be launched at the end of November 2023.

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Continue to expand the design team and cultivate international talents

In the first half of 2023, Wison Engineering adhered to the talent strategy of cultivating design talents as the priority and international talents as the core. It proactively promoted the transformation of talent structure according to the rapid changes in the external market environment, and expanded the international project execution team. The Company's technical and design team will reach 1,000 members in the year, and at the same time, we have introduced more professionals with experience in international projects, as well as foreign senior technical and managerial personnel in the countries and regions where the international projects are taking place, so as to further leverage the advantages of the Company's flexible platform and mechanism.

OUTLOOK

Looking ahead to the second half of the year, under the current situation in China, the first wave of rapid economic rebound brought about by the concentrated release of pent-up demand after the pandemic has come to an end, but it does not mean that the general trend of overall economic recovery and rebound has come to a full stop. At this stage, the economic recovery will rely more on the role of the economy's endogenous power, which may be slow to materialise, and will also need to be supported by the policy to expand the domestic demand. Recently, policies related to stabilising growth in China have been released intensively. It is clear that policies are designed to help the real economy and promote residents' consumption. It is expected that in the second half of 2023, under the stimulation of various policy measures, the momentum of China's economic recovery will gradually turn stronger.

In the second half of the year, as the uncertainty of crude oil supply will be relatively large, and the concern of overseas economic recession will suppress the increase in oil price, the crude oil price may continue to oscillate. The price of Brent crude oil is expected to be in the range of US$75-85/barrel. The raw material will no longer be the key element to the industry's profitability, which will depend on the recovery of downstream demand. Under the stimulation of various policies, China's macroeconomic recovery is expected to accelerate, and terminal demand will recover, which will in turn drive the downstream industries to pick up the demand for chemicals. It is expected that the chemical industry will gradually complete the active de-stocking, and turn into passive de-stocking. Industry performance is expected to have a continuous improvement, and refining and chemical enterprise earnings are expected to further recover. At present, constructions in progress in the petrochemical industry maintain at a high level. Fixed assets continue to increase. Refining and chemical integration projects are still at the peak of the expansion of production. In the future, with the gradual recovery of downstream demand, new projects continue to be put into production to bring incremental growth, impact of which will keep extending to new energy materials, fine chemicals, degradable plastics and other fields.

Management Discussion and Analysis

Wison Engineering will closely monitor the global macroeconomic situation and make timely adjustments to its development strategies to cope with market fluctuations. Moreover, 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. The Company 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. 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 resource management system for sub-contractors in place, we carry out professional sub-contracting of construction projects, improve on-site construction management capacity, create 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.

Management Discussion and Analysis

Insist 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. Leveraging the Company's experience and strengths in executing overseas 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, Southeast Asia and Africa, aiming to create new performance growth points for the Company.

As there will be both opportunities and challenges in the petrochemical market in the future, Wison Engineering will continue to pay close attention to the market situation and, taking into account the market demand and its own development, make necessary adjustments to its strategies and operations in a timely manner to enhance its efficiency and profitability, and to achieve its strategic objectives as soon as possible, so as to reward its shareholders for their long-term support.

FINANCIAL REVIEW

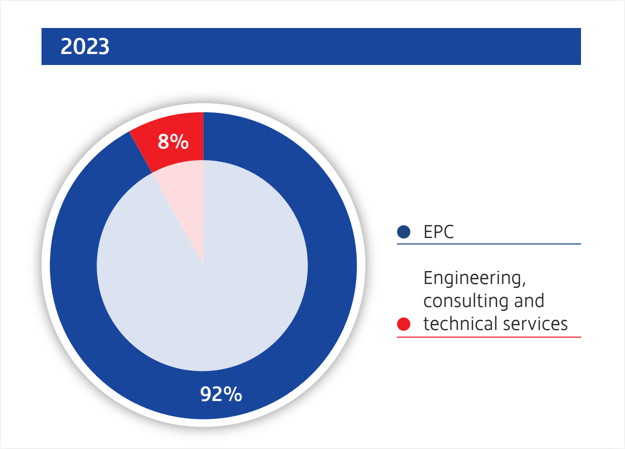
Revenue and Gross Profit

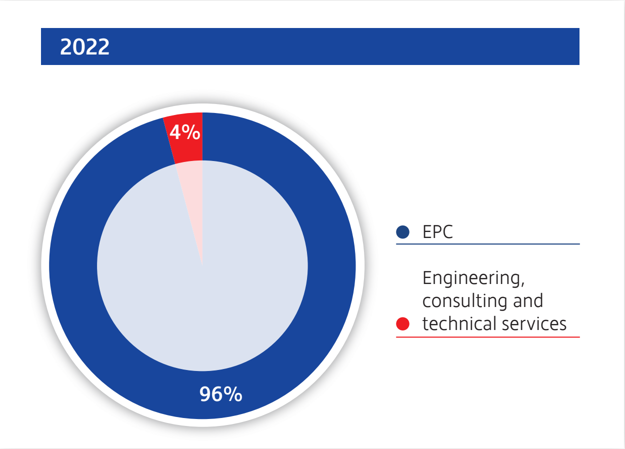
During the Period under Review, revenue of the Group amounted to approximately RMB1,893.6 million (for the six months ended 30 June 2022: approximately RMB2,211.0 million), representing a year-on-year decrease of 14.4%. Gross profit of the Group amounted to approximately RMB144.1 million (gross loss for the six months ended 30 June 2022: approximately RMB12.5 million), representing an increase of approximately RMB156.5 million.

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	
	2023	2022	**2023**	2022	**2023**	2022
	RMB million (Unaudited)		**RMB million (Unaudited)**		**%**	
EPC	**1,748.4**	2,130.1	**98.8**	-31.5	**5.7%**	-1.5%
Engineering, consulting and technical services	**145.2**	80.9	**45.3**	19.0	**31.2%**	23.5%
	1,893.6	2,211.0	**144.1**	-12.5	**7.6%**	-0.6%

Management Discussion and Analysis





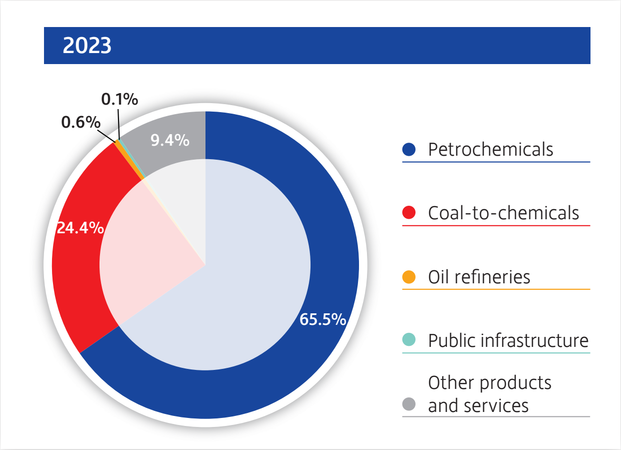
The revenue of EPC of the Group decreased by 17.9% from RMB2,130.1 million in the corresponding period of last year to RMB1,748.4 million during the Period under Review. The decrease in revenue of EPC was mainly because those projects newly acquired in 2022 are still in the preliminary stage and have not yet entered into the main construction period. As a result, their contribution to revenue are limited. The EPC segment recorded gross profit margin of 5.7%, as opposed to negative gross profit margin of 1.5% recorded in the corresponding period in 2022. In the corresponding period of last year, the Group's EPC project costs increased significantly as a result of project delay and increased project subcontracting fee, freight and overhead expense arising due to the COVID-19 pandemic.

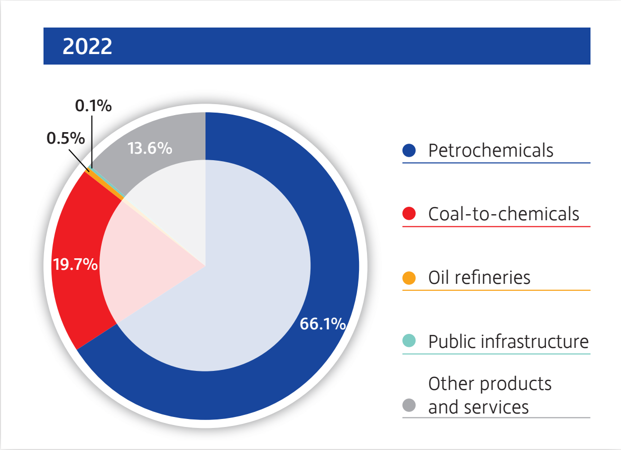
The revenue of engineering, consulting and technical services of the Group increased by 79.5% from RMB80.9 million in the corresponding period of last year to RMB145.2 million during the Period under Review. The gross profit margin of engineering, consulting and technical services of the Group increased from 23.5% in the corresponding period of last year to 31.2% during the Period under Review. The increase in revenue and gross profit of engineering, consulting and technical services was mainly because of higher contract amount and gross profit margin during the Period under Review.

Management Discussion and Analysis

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

	Six months ended 30 June			
	2023	2022	Change	Change
	RMB million	RMB million	RMB million	%
	(Unaudited)	(Unaudited)		
Petrochemicals	**1,241.0**	1,461.1	-220.1	-15.1%
Coal-to-chemicals	**461.7**	436.6	25.1	5.7%
Oil refineries	**11.9**	10.0	1.9	19.0%
Public infrastructure	**0.5**	2.5	-2.0	-80.0%
Other products and services	**178.5**	300.8	-122.3	-40.7%
	1,893.6	2,211.0	-317.4	-14.4%





The revenue of petrochemicals business segment decreased by 15.1%, this was mainly because the Group's petrochemical projects acquired in 2022 were still in preliminary construction phase, hence the revenue contribution was limited during the Period under Review.

The revenue of coal-to-chemicals business segment increased by 5.7%, basically the same as that in the corresponding period of last year.

The revenue of oil refineries business segment increased by 19.0%. The Group's refinery project located in Abu Dhabi is in the final stage of completion, and revenue was recognised accordingly.

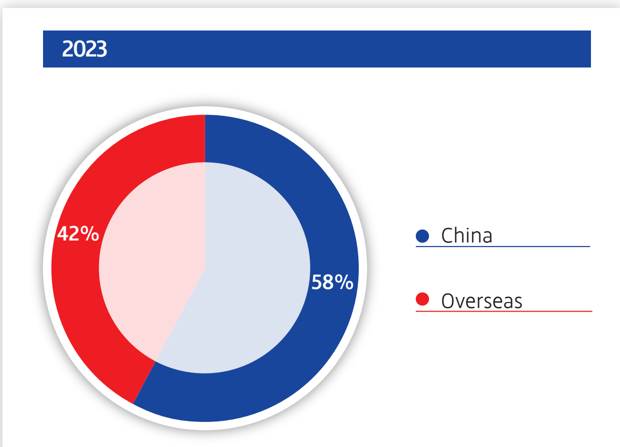
The revenue of public infrastructure business segment decreased by 80.0%. The decrease in revenue during the Period under Review was mainly due to the slowdown of progress of the Group's domestic sewage treatment project.

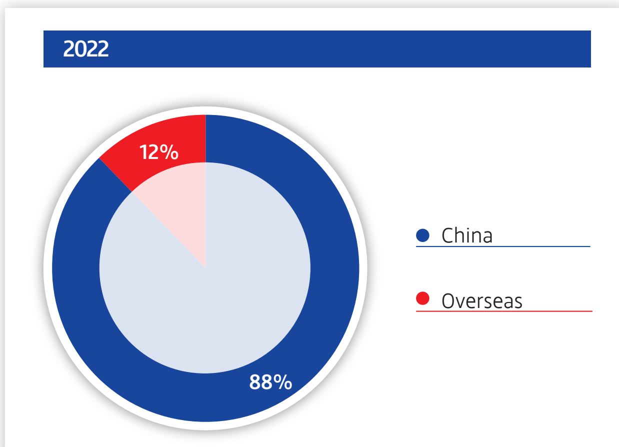
Management Discussion and Analysis

The revenue of other products and services business segment decreased by 40.7%, because the Group's new materials project located in Xinjiang is approaching to the end of construction stage, resulting in a decrease in revenue contribution.

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

	Six months ended 30 June			
	2023		2022	
	Revenue RMB'million (Unaudited)	**Percentage of total revenue %**	Revenue RMB'million (Unaudited)	Percentage of total revenue %
Mainland China	**1,100.7**	**58.1%**	1,945.6	88.0%
America	**2.1**	**0.1%**	62.9	2.8%
Middle East	**375.4**	**19.8%**	160.4	7.3%
Southeast Asia	**358.5**	**18.9%**	15.7	0.7%
Eastern Europe	**50.9**	**2.7%**	22.0	1.0%
Others	**6.0**	**0.4%**	4.4	0.2%
	1,893.6	**100.0%**	2,211.0	100.0%





The revenue from overseas projects of the Group accounted for approximately 12.0% of the total revenue in the corresponding period of last year, whereas during the Period under Review, revenue from overseas projects accounted for approximately 41.9% of the total revenue. The increase in percentage weighting of revenue from overseas projects during the Period under Review was mainly because the Group's EPC projects located in the Middle East and Southeast Asia entered into main construction phase.

Management Discussion and Analysis

Other Income and Gains

Other income and gains decreased by 6.4% from RMB97.4 million in the corresponding period of last year to RMB91.2 million during the Period under Review.

Selling and Distribution Expenses

Selling and distribution expenses decreased by 21.7% from RMB26.2 million in the corresponding period of last year to RMB20.5 million during the Period under Review, which was mainly because the Group focused its sales and marketing resources on those projects with higher competitive advantages during the Period under Review.

Administrative Expenses

Administrative expenses increased by 2.2% from RMB117.2 million in the corresponding period of last year to RMB119.8 million during the Period under Review, which was basically the same as that in the corresponding period of last year.

Other Expenses

Details of other expenses breakdown are set out below:

	Six months ended 30 June	
	2023	2022
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Research and development costs	**58.7**	76.0
Expenses in relation to operating lease income	**9.3**	6.8
Consultancy expenses	**0.5**	–
Fines and estimated compensation losses	**9.2**	–
Others	**0.5**	0.7
	78.2	83.5

Other expenses decreased by 6.3% from RMB83.5 million in the corresponding period of last year to RMB78.2 million during the Period under Review.

Finance Costs

Finance costs increased by 13.7% from RMB45.1 million in the corresponding period of last year to RMB51.3 million during the Period under Review, which was mainly due to the increase in interest expenses relating to payables.

Management Discussion and Analysis

Income Tax

Income tax decreased by 47.3% from RMB22.6 million in the corresponding period of last year to RMB11.9 million during the Period under Review. This was mainly due to the decrease in the Group's deferred tax assets during the corresponding period of last year.

Loss for the Period

Based on the reasons mentioned above, the loss for the period decreased by 57.8% from RMB256.0 million for the corresponding of last year to RMB108.0 million for the Period under Review. The Group's net profit margin was -11.6% for the corresponding period of last year, and improved to -5.7% 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 2023 and 31 December 2022, the Group's total trade and bills receivables amounted to RMB518.3 million and RMB611.0 million, respectively, representing a decrease of approximately 15.2%.

Liquidity and Capital Structure

As at 30 June 2023, the Group's cash and bank balances amounted to RMB760.2 million, representing approximately 13.9% of the Group's current assets (as at 31 December 2022: RMB383.6 million, representing approximately 7.8% 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	
	2023	2022
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Net cash flows from operating activities	**411.1**	-555.8
Net cash flows from investing activities	**6.7**	13.3
Net cash flows from financing activities	**-39.8**	-45.0

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

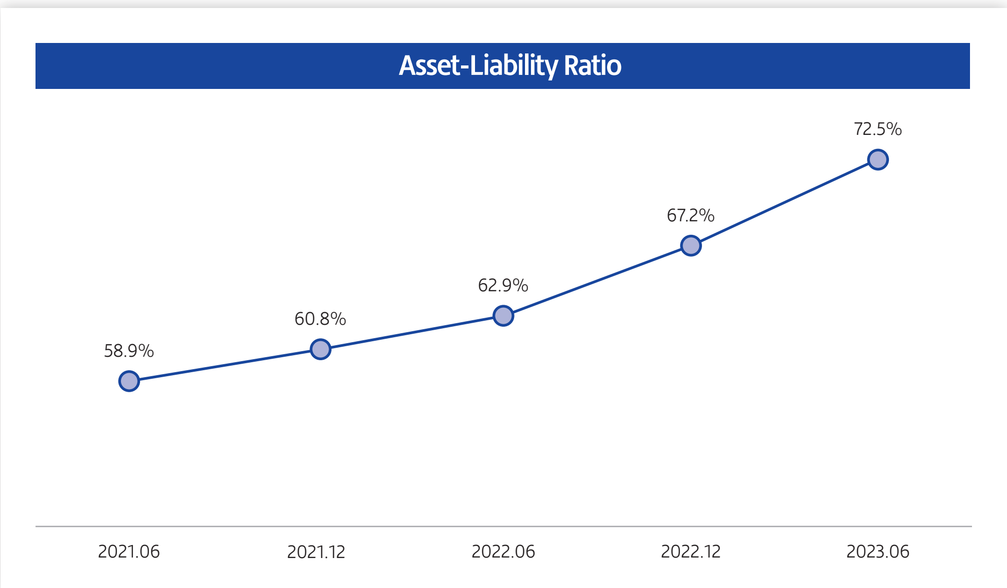
Management Discussion and Analysis

As at 30 June 2023, the Group's pledged and unpledged cash and bank balances included the following amounts:

	30 June 2023 RMB million	31 December 2022 RMB million
Hong Kong Dollar	**7.1**	5.7
US Dollar	**299.3**	272.2
Renminbi	**1,105.5**	602.2
Saudi Riyal	**27.5**	82.6
Euro	**36.3**	3.9
South African Rand	**0.6**	1.7
UAE Dirham	**0.8**	0.8
Qatar Riyal	**1.5**	0.6
Russian Ruble	**0.4**	0.8
Thailand Baht	**1.0**	0.2
Others	**–**	0.2

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

	30 June 2021	31 December 2021	30 June 2022	31 December 2022	30 June 2023
Asset-Liability Ratio	58.9%	60.8%	62.9%	67.2%	**72.5%**



Management Discussion and Analysis

Interest-bearing bank and other borrowings of the Group as at 30 June 2023 and 31 December 2022 were set out in the table follow. The short-term bank borrowings of the Group accounted for 48.8% of the total bank borrowings (31 December 2022: 100.0%).

	30 June 2023 RMB million (Unaudited)	31 December 2022 RMB million (Audited)
Current		
Bank loans repayable within one year		
— Secured	**358.7**	258.6
— Unsecured	**143.1**	249.6
Current portion of long-term bank loans		
— Secured	**59.3**	679.1
	561.1	1,187.6
Non-current		
Bank loans repayable after one year		
— Secured	**589.5**	–
	1,150.6	1,187.6

Bank borrowings at 30 June 2023 and 31 December 2022 were denominated in Renminbi and US dollars. As at 30 June 2023, bank borrowings amounting to RMB461.1 million (31 December 2022: RMB1,087.5 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 2023	3.80% to 4.80%
For the year ended 31 December 2022	3.70% to 5.88%

Management Discussion and Analysis

The maturity profile of interest-bearing bank and other borrowings as at 30 June 2023 and 31 December 2022, based on contractual undiscounted payments, was as follows:

	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
			RMB million		
30 June 2023					
Interest-bearing bank and other borrowings	**–**	**83.5**	**477.6**	**589.5**	**1,150.6**
31 December 2022					
Interest-bearing bank and other borrowings	989.4	2.1	181.7	–	1,173.2

Interim Dividend

The Directors did not recommend paying an interim dividend for the Period under Review (for the six months ended 30 June 2022: nil).

Capital Expenditure

During the Period under Review, the capital expenditure of the Group amounted to RMB16.9 million (for the six months ended 30 June 2022: RMB7.5 million).

Material Acquisitions and Disposals

During the Period under Review, the Group had no material acquisitions and disposals.

Contingent Liabilities

(1) During years 2022 and 2023, certain subcontractors of Jiangsu Wison Construction Technology Co., Ltd. ("**Jiangsu Wison**", a wholly-owned subsidiary of the Company) filed claims to the People's Courts in China against Jiangsu Wison for additional payments of construction costs and liquidation damages with an aggregate amount of approximately RMB10,532,000.

(2) During years 2022 and 2023, certain subcontractors of Wison Engineering Limited ("**Wison Engineering China**", a wholly-owned subsidiary of the Company) filed claims to the People's Courts in China against Wison Engineering China for additional payments of construction costs, interests and liquidation damages with an aggregate amount of approximately RMB37,763,000.

As at the date of this report, for the cases above, Jiangsu Wison, Wison Engineering China and their respective subcontractors have completed the first pre-trial evidence exchange in court and cross-examination.

Management Discussion and Analysis

The Directors are of the opinion that additional provision has been made for case (2). For case (1), which is without merit, 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 2023, bank balances of RMB55.6 million, certain building and leasehold land of RMB3,442.6 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 2023, the Group had 1,443 employees (31 December 2022: 1,370 employees). The Group's total employee costs (including remuneration, bonuses, pensions and benefits) amounted to RMB294.2 million, representing 15.5% of the Group's income during the Period (for the six months ended 30 June 2022: 12.5%). 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.

The Group adopted the 2022 share option scheme on 20 December 2022 as encouragement and reward for the contributions of employees to the Company. No share option has been granted under the 2022 share option scheme since its adoption.

Management Discussion and Analysis

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.

Events after Reporting Period

No significant event of the Group has taken place subsequent to 30 June 2023 and up to the date of this report.

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

As at 30 June 2023, the interests and short positions of the Directors or the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") were as follows:

(a) Long position in the ordinary shares of the Company (the "Shares")

Name of Director	Company/Name of Group Company	Capacity/ Nature of interest	Number of Shares(1)	Approximate percentage of shareholding
Zhou Hongliang	Company	Beneficial owner	3,250,000 (L)	0.08%
Zheng Shifeng	Company	Beneficial owner	2,250,000 (L)	0.06%
Liu Hongjun	Company	Beneficial owner	1,000,000 (L)	0.02%

Note:

(1) The letter "L" denotes the person's long position in such Shares.

Disclosure of Interests

Save as disclosed above, as at 30 June 2022, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

On 20 December 2022, a share option scheme (the "**2022 Share Option Scheme**") of the Company was approved and adopted by the shareholders of the Company. The 2022 Share Option Scheme shall be valid and effective for a period of ten years commencing from its adoption date. As at the date of this report, the remaining life of the 2022 Share Option Scheme is approximately nine years and three months.

The purpose of the 2022 Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees and directors of the Group and to promote the success of the business of the Group. Pursuant to the 2022 Share Option Scheme, the Board may offer to grant an option to subscribe for such number of Shares as the Board may determine to an employee (whether full-time or part-time) or a director of the Company or any of its subsidiaries (the "**Eligible Persons**").

Further details of the principal terms of the 2022 Share Option Scheme are set out in the circular of the Company dated 5 December 2022.

As at 1 January 2023 and 30 June 2023, the total number of options available for grant under the scheme mandate of the 2022 Share Option Scheme is 407,376,780, representing approximately 10% of the issued share capital of the Company as at the date of this report.

During the Period, no option had been granted, exercised, cancelled or lapsed pursuant to the 2022 Share Option Scheme, and no Shares may be issued in respect of any options and awards granted under all schemes of the Company.

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

As at 30 June 2023, the following persons (other than the Directors or the chief executive of the Company) has interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name	Company/Name of Group Company	Capacity/ Nature of interest	Number of Shares directly or indirectly held[(1)]	Approximate percentage of shareholding[(5)]
Wison Engineering Investment Limited ("**Wison Investment**")	Company	Beneficial owner	3,088,782,146(L)	75.82%
Wison Group Holding Limited ("**Wison Holding**")[(2)]	Company	Interest in controlled corporation	3,088,782,146(L)	75.82%
Mr. Hua Bangsong[(3)]	Company	Interest in controlled corporation	3,088,782,146(L)	75.82%
Ms. Huang Xing[(4)]	Company	Interest of spouse	3,088,782,146(L)	75.82%

Notes:

(1) The letter "L" denotes the person's long position in such Shares.

(2) Wison Holding, as the sole shareholder of Wison Investment, is deemed or taken to be interested in the Shares which are owned by Wison Investment.

(3) Mr. Hua Bangsong, as the sole shareholder of Wison Holding, is deemed or taken to be interested in the Shares which are beneficially owned by Wison Holding.

(4) Ms. Huang Xing is the spouse of Mr. Hua Bangsong. Under the SFO, Ms. Huang Xing is deemed to be interested in the same number of Shares in which Mr. Hua Bangsong is interested.

(5) As at 30 June 2023, the Company had 4,073,767,800 ordinary shares in issue.

Save as disclosed above, as at 30 June 2023, no persons (other than the Directors or the chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

Corporate Governance and Other Information

CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2023, 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 Listing Rules.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted 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.

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.

INTERIM DIVIDEND

The Directors did not recommend paying an interim dividend for the Period under Review (for the six months ended 30 June 2022: nil).

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.

Report on Review of Interim Financial Information

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

Tel : +852 2846 9888
Fax : +852 2868 4432
www.ey.com

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

電話 :+852 2846 9888
傳真 :+852 2868 4432

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

Introduction

We have reviewed the interim financial information set out on pages 33 to 76, which comprises the condensed consolidated statement of financial position of Wison Engineering Services Co. Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 June 2023 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six- month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Report on Review of Interim Financial Information

Conclusion

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

Ernst & Young
Certified Public Accountants
Hong Kong
25 August 2023

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2023

	Notes	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
REVENUE	4	**1,893,621**	2,210,967
Cost of sales		**(1,749,563)**	(2,223,441)
Gross profit/(loss)		**144,058**	(12,474)
Other income and gains		**91,151**	97,435
Selling and distribution expenses		**(20,538)**	(26,217)
Administrative expenses		**(119,824)**	(117,160)
Impairment losses on financial and contract assets, net		**(64,902)**	(48,346)
Other expenses		**(78,219)**	(83,524)
Finance costs		**(51,337)**	(45,098)
Share of profits and losses of associates		**3,542**	1,979
LOSS BEFORE TAX	5	**(96,069)**	(233,405)
Income tax expense	6	**(11,925)**	(22,633)
LOSS FOR THE PERIOD		**(107,994)**	(256,038)
Attributable to:			
Owners of the parent		**(104,732)**	(255,608)
Non-controlling interests		**(3,262)**	(430)
		(107,994)	(256,038)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
— Basic and diluted		**RMB(2.57) cents**	RMB(6.27) cents

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2023

	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
LOSS FOR THE PERIOD	**(107,994)**	(256,038)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(3,654)**	6,908
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**(3,654)**	6,908
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	**24,832**	78,844
Income tax effect	**(426)**	(4,502)
	24,406	74,342
Share of other comprehensive income of an associate	**(5,012)**	(1,547)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**19,394**	72,795
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**15,740**	79,703
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**(92,254)**	(176,335)
Attributable to:		
Owners of the parent	**(88,992)**	(175,905)
Non-controlling interests	**(3,262)**	(430)
	(92,254)	(176,335)

Interim Condensed Consolidated Statement of Financial Position

30 June 2023

	Notes	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	**1,435,026**	1,452,129
Other non-current assets		**149,399**	141,817
Right-of-use assets		**2,077,603**	2,113,636
Goodwill		**15,752**	15,752
Intangible assets		**23,648**	22,380
Investments in associates		**255,983**	258,972
Long-term prepayments		**8,262**	–
Equity investments designated at fair value through other comprehensive income		**34,141**	32,803
Total non-current assets		**3,999,814**	4,037,489
CURRENT ASSETS			
Equity investments designated at fair value through other comprehensive income		**216,495**	213,072
Inventories		**110,562**	126,347
Trade receivables	10	**435,278**	529,681
Bills receivable		**82,987**	81,331
Contract assets		**2,053,829**	2,157,779
Prepayments, other receivables and other assets		**1,013,475**	737,584
Due from fellow subsidiaries	15	**87,744**	89,321
Pledged bank balances and time deposits		**719,781**	587,349
Cash and bank balances	11	**760,224**	383,592
Total current assets		**5,480,375**	4,906,056
CURRENT LIABILITIES			
Trade and bills payables	12	**2,324,883**	2,269,185
Other payables and accruals		**2,072,115**	1,158,964
Interest-bearing bank borrowings	13	**561,093**	1,187,632
Lease liabilities		**11,664**	8,413
Due to fellow subsidiaries	15	**874**	151
Due to an associate	15	**630**	630
Tax payable		**172,453**	172,846
Total current liabilities		**5,143,712**	4,797,821

Interim Condensed Consolidated Statement of Financial Position

30 June 2023

	Notes	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
NET CURRENT ASSETS		**336,663**	108,235
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,336,477**	4,145,724
NON-CURRENT LIABILITIES			
Lease liabilities		**19,522**	23,511
Interest-bearing bank borrowings	13	**589,500**	–
Long-term payables		**576,057**	876,292
Deferred tax liabilities		**392,645**	398,019
Government grants		**3,893**	3,986
Other non-current liabilities		**271,513**	268,315
Total non-current liabilities		**1,853,130**	1,570,123
Net assets		**2,483,347**	2,575,601
EQUITY			
Equity attributable to owners of the parent			
Share capital	14	**330,578**	330,578
Share premium		**869,201**	869,201
Other reserves		**1,299,282**	1,388,274
		2,499,061	2,588,053
Non-controlling interests		**(15,714)**	(12,452)
Total equity		**2,483,347**	2,575,601

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Attributable to owners of the parent										
	Share capital RMB'000 (note 14)	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Asset revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2023 (audited)	330,578	869,201	(101,206)	107,321	(1,807)	2,235,483	(4,603)	(846,914)	2,588,053	(12,452)	2,575,601
Loss for the period	–	–	–	–	–	–	–	(104,732)	(104,732)	(3,262)	(107,994)
Other comprehensive income for the period:											
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	24,406	–	–	–	24,406	–	24,406
Share of other comprehensive income of an associate	–	–	–	–	(5,012)	–	–	–	(5,012)	–	(5,012)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(3,654)	–	(3,654)	–	(3,654)
Total comprehensive income for the period	–	–	–	–	19,394	–	(3,654)	(104,732)	(88,992)	(3,262)	(92,254)
Depreciation transfer for properties and land	–	–	–	–	–	(32,865)	–	32,865	–	–	–
Transfer of statutory reserve	–	–	–	(1,963)	–	–	–	1,963	–	–	–
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income	–	–	–	–	(492)	–	–	492	–	–	–
At 30 June 2023 (unaudited)	330,578	869,201	(101,206)	105,358	17,095	2,202,618	(8,257)	(916,326)	2,499,061	(15,714)	2,483,347

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	Attributable to owners of the parent											
	Share capital RMB'000 (note 14)	Share premium RMB'000	Share option reserve RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Asset revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021 (audited)	330,578	869,201	97,999	(101,206)	87,791	(107,802)	2,202,808	(7,857)	276,079	3,647,591	(552)	3,647,039
Loss for the period	–	–	–	–	–	–	–	–	(255,608)	(255,608)	(430)	(256,038)
Other comprehensive income for the period:												
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	–	74,342	–	–	–	74,342	–	74,342
Share of other comprehensive income of an associate	–	–	–	–	–	(1,547)	–	–	–	(1,547)	–	(1,547)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	6,908	–	6,908	–	6,908
Total comprehensive income for the period	–	–	–	–	–	72,795	–	6,908	(255,608)	(175,905)	(430)	(176,335)
Depreciation transfer for properties and land	–	–	–	–	–	–	(37,035)	–	37,035	–	–	–
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income	–	–	–	–	–	60,000	–	–	(60,000)	–	–	–
Equity-settled share option arrangements	–	–	(74)	–	–	–	–	–	–	(74)	–	(74)
At 30 June 2022 (unaudited)	330,578	869,201	97,925	(101,206)	87,791	24,993	2,165,773	(949)	(2,494)	3,471,612	(982)	3,470,630

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	Notes	**2023 (Unaudited) RMB'000**	2022 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(96,069)**	(233,405)
Adjustments for:			
Depreciation of property, plant and equipment	5	**26,743**	29,449
Depreciation of right-of-use assets	5	**38,099**	38,265
Amortisation of intangible assets	5	**3,542**	3,088
Recognition of government grants		**(93)**	(93)
Share of profits and losses of associates		**(3,542)**	(1,979)
Net foreign exchange (losses)/gains		**(22,236)**	2,958
Dividend income from equity investments designated at fair value through other comprehensive income		**(9,256)**	(8,910)
Gain on modifications of financial liabilities that do not result in derecognition	5	**–**	(11,039)
Gain on disposal of items of property, plant and equipment	5	**(2,037)**	(64)
Gain on derecognition of financial assets at fair value through profit or loss, net	5	**–**	(670)
Write-down of inventories to net realisable value	5	**4,602**	–
Impairment of trade receivables, net	5	**50,192**	42,956
Impairment of contract assets, net	5	**17,939**	3,505
(Reversal of)/provision for impairment of other receivables, net	5	**(3,229)**	1,885
Equity-settled share option expenses	5	**–**	(74)
Finance costs		**51,337**	45,098
Interest income		**(8,239)**	(5,732)
		47,753	(94,762)
Decrease in inventories		**11,183**	99,907
Decrease/(increase) in trade and bills receivables		**42,555**	(61,427)
Increase in prepayments, other receivables and other assets		**(275,005)**	(161,910)
Decrease in contract assets		**78,429**	435,618
Decrease/(increase) in amounts due from fellow subsidiaries		**1,577**	(18,236)
Decrease in trade and bills payables		**(266,261)**	(671,276)
Increase/(decrease) in other payables and accruals		**917,990**	(159,257)
Increase in amounts due to fellow subsidiaries		**723**	110
Increase/(decrease) in long-term payables		**50**	(1,090)
(Increase)/decrease in pledged bank balances and time deposits, and frozen balances		**(108,312)**	104,394

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	Notes	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Cash generated from/(used in) operations		**450,682**	(527,929)
Interest received		**8,239**	5,732
Interest paid		**(29,663)**	(30,746)
Tax paid		**(18,118)**	(2,874)
Net cash flows from/(used in) operating activities		**411,140**	(555,817)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(10,073)**	(6,495)
Purchase of intangible assets		**(6,820)**	(977)
Proceeds from disposal of items of property, plant and equipment		**2,047**	64
Proceeds from disposal of an investment property		**–**	20,000
Proceeds from disposal of equity investments designated at fair value through other comprehensive income		**20,071**	–
Proceeds from disposal of financial assets at fair value through profit or loss		**–**	402,670
Purchases of financial assets at fair value through profit or loss		**–**	(402,000)
Dividend received from an associate		**1,519**	–
Net cash flows from investing activities		**6,744**	13,262
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**112,954**	124,789
Repayment of bank loans		**(149,993)**	(160,000)
Principal portion of lease payments		**(2,751)**	(9,800)
Net cash flows used in financing activities		**(39,790)**	(45,011)
NET INCREASE/(DECREASE)IN CASH AND CASH EQUIVALENTS		**378,094**	(587,566)
Cash and cash equivalents at beginning of year		**347,972**	891,068
Effect of foreign exchange rate changes, net		**22,658**	4,779

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	Notes	**2023 (Unaudited) RMB'000**	2022 (Unaudited) RMB'000
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**748,724**	308,281
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**760,224**	342,361
CASH AND CASH EQUIVALENTS AS STATED IN THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	11	**760,224**	342,361
Frozen and unpledged cash balances		**(11,500)**	(34,080)
CASH AND CASH EQUIVALENTS AS STATED IN THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS		**748,724**	308,281

Notes to Interim Condensed Consolidated Financial Information

30 June 2023

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 2023 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 2022.

2.2 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 2022, except for the adoption of the following new and revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

IFRS 17	*Insurance Contracts*
Amendments to IFRS 17	*Insurance Contracts*
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 — Comparative Information*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform — Pillar Two Model Rules*

Notes to Interim Condensed Consolidated Financial Information

30 June 2023

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

The nature and impact of the new and revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

(b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases that occurred on or after 1 January 2022. The amendments did not have any impact on the financial position or performance of the Group.

Notes to Interim Condensed Consolidated Financial Information

30 June 2023

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

The nature and impact of the new and revised IFRSs that are applicable to the Group are described below: *(continued)*

(d) Amendments to IAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

Notes to Interim Condensed Consolidated Financial Information

30 June 2023

3. OPERATING SEGMENT INFORMATION

Six months ended 30 June 2023	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	**1,748,402**	**145,219**	**1,893,621**
Intersegment sales	**9,306**	**59**	**9,365**
	1,757,708	**145,278**	**1,902,986**
Reconciliation:			
Elimination of intersegment sales			**(9,365)**
Revenue			**1,893,621**
Segment results	**29,364**	**28,168**	**57,532**
Reconciliation:			
Unallocated income			**91,151**
Unallocated expenses			**(219,373)**
Unallocated finance costs (other than interest on lease liabilities)			**(28,921)**
Share of profits and losses of associates			**3,542**
Loss before tax			**(96,069)**

Notes to Interim Condensed Consolidated Financial Information

30 June 2023

3. OPERATING SEGMENT INFORMATION *(continued)*

Six months ended 30 June 2022	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	(84,429)	20,324	(64,105)
Reconciliation:			
Unallocated income			86,396
Unallocated expenses			(227,304)
Unallocated finance costs (other than interest on lease liabilities)			(30,371)
Share of profits and losses of associates			1,979
Loss before tax			(233,405)

Notes to Interim Condensed Consolidated Financial Information

30 June 2023

3. OPERATING SEGMENT INFORMATION *(continued)*

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2023 and 31 December 2022.

30 June 2023	EPC RMB'000 (Unaudited)	Engineering consulting and technical services RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment assets	**3,639,370**	**145,945**	**3,785,315**
Reconciliation:			
Elimination of intersegment receivables			**(19,875)**
Corporate and other unallocated assets			**5,714,749**
Total assets			**9,480,189**
Segment liabilities	**4,756,506**	**83,578**	**4,840,084**
Reconciliation:			
Elimination of intersegment payables			**(21,866)**
Corporate and other unallocated liabilities			**2,178,624**
Total liabilities			**6,996,842**

Notes to Interim Condensed Consolidated Financial Information

30 June 2023

3. OPERATING SEGMENT INFORMATION *(continued)*

31 December 2022	EPC RMB'000 (Audited)	Engineering consulting and technical services RMB'000 (Audited)	Total RMB'000 (Audited)
Segment assets	3,547,672	111,803	3,659,475
Reconciliation:			
Elimination of intersegment receivables			(39,153)
Corporate and other unallocated assets			5,323,223
Total assets			8,943,545
Segment liabilities	4,024,291	72,030	4,096,321
Reconciliation:			
Elimination of intersegment payables			(38,839)
Corporate and other unallocated liabilities			2,310,462
Total liabilities			6,367,944

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2023 **RMB'000** **(Unaudited)**	2022 RMB'000 (Unaudited)
Revenue from contracts with customers	**1,893,621**	2,210,967

Notes to Interim Condensed Consolidated Financial Information

30 June 2023

4. REVENUE *(continued)*

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2023

Segments	EPC RMB'000 (Unaudited)	Engineering consulting and technical services RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Types of services			
Construction services	1,748,402	–	1,748,402
Design, feasibility research, consulting and technical services	–	145,219	145,219
Total revenue from contracts with customers	1,748,402	145,219	1,893,621
Geographical markets			
Mainland China	974,584	126,106	1,100,690
Middle East	374,325	1,032	375,357
Southeast Asia	358,516	–	358,516
Eastern Europe	40,977	9,932	50,909
America	–	2,109	2,109
Others	–	6,040	6,040
Total revenue from contracts with customers	1,748,402	145,219	1,893,621
Timing of revenue recognition			
Services transferred over time	1,748,402	145,219	1,893,621

Notes to Interim Condensed Consolidated Financial Information

30 June 2023

4. REVENUE *(continued)*

Disaggregated revenue information for revenue from contracts with customers *(continued)*

For the six months ended 30 June 2022

Segments	EPC RMB'000 (Unaudited)	Engineering consulting and technical services RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Types of services			
Construction services	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

Notes to Interim Condensed Consolidated Financial Information

30 June 2023

4. REVENUE *(continued)*

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 2023

Segments	EPC RMB'000 (Unaudited)	Engineering consulting and technical services RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue from contracts with customers			
External customers	**1,748,402**	**145,219**	**1,893,621**
Intersegment sales	**9,306**	**59**	**9,365**
Intersegment adjustments and eliminations	**(9,306)**	**(59)**	**(9,365)**
Total revenue from contracts with customers	**1,748,402**	**145,219**	**1,893,621**

For the six months ended 30 June 2022

Segments	EPC RMB'000 (Unaudited)	Engineering consulting and technical services RMB'000 (Unaudited)	Total RMB'000 (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

Notes to Interim Condensed Consolidated Financial Information

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5. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of services provided*	**1,749,563**	2,223,441
Depreciation of property, plant and equipment	**26,743**	29,449
Research and development costs	**58,708**	75,988
Depreciation of right-of-use assets	**38,099**	38,265
Amortisation of intangible assets	**3,542**	3,088
Government grants	**(1,461)**	(1,467)
Impairment of financial and contract assets, net:		
Impairment of trade receivables, net	**50,192**	42,956
Impairment of contract assets, net	**17,939**	3,505
(Reversal of)/provision for impairment of financial assets included in prepayments, other receivables and other assets	**(3,229)**	1,885
Write-down of inventories to net realisable value	**4,602**	–
Gain on disposal of items of property, plant and equipment	**(2,037)**	(64)
Lease payments not included in the measurement of lease liabilities	**6,694**	2,252
Gain on modifications of financial liabilities that do not result in derecognition	**–**	(11,039)
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)	**267,935**	251,154
Retirement benefit scheme contributions	**26,258**	26,161
Equity-settled share option expenses	**–**	(74)
	294,193	277,241
Foreign exchange differences, net	**(422)**	(7,737)

* Amounts of RMB196,481,000 of employee benefit expenses were included in the cost of services provided during the six months ended 30 June 2023 (six months ended 30 June 2022: RMB159,905,000).

Notes to Interim Condensed Consolidated Financial Information

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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	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current — Elsewhere		
Charge for the period	**17,653**	–
Underprovision/(overprovision) in prior periods	**72**	(1,655)
Deferred	**(5,800)**	24,288
Total tax charge for the period	**11,925**	22,633

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, Russia, Mexico, Thailand, the United Arab Emirates, Saudi Arabia and Singapore as the Group did not have any assessable income arising in Hong Kong, Indonesia, South Africa, Japan, Russia, Mexico, Thailand, the United Arab Emirates, Saudi Arabia and Singapore for the six months ended 30 June 2023 and 2022.

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 2023.

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%.

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

Notes to Interim Condensed Consolidated Financial Information

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6. INCOME TAX *(continued)*

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 2023, there was no significant unrecognised deferred tax liability (31 December 2022: 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 2023 (six months ended 30 June 2022: 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 (2022: 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.

During the six months ended 30 June 2023, there was no option outstanding under the Company's share option scheme.

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

Notes to Interim Condensed Consolidated Financial Information

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8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(continued)*

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

	2023 **RMB'000** **(Unaudited)**	2022 RMB'000 (Unaudited)
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculations	**(104,732)**	(255,608)

	Number of shares **2023**	2022
Shares		
Weighted average number of ordinary shares in issue during the periods 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 2023 (audited)	**1,452,129**
Additions	**7,009**
Disposals	**(10)**
Depreciation	**(26,743)**
Exchange realignment	**2,641**
At 30 June 2023 (unaudited)	**1,435,026**

At 30 June 2023, the Group's buildings are situated in Mainland China and are held under medium-term leases with a book value of RMB1,419,601,000 (31 December 2022: RMB1,441,077,000).

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.

Notes to Interim Condensed Consolidated Financial Information

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9. PROPERTY, PLANT AND EQUIPMENT *(continued)*

As at 31 December 2022, 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 RMB3,521,714,000. The land portion of RMB2,080,637,000 was recognised 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 2023.

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 RMB743,348,000 and RMB134,903,000, respectively (31 December 2022: RMB754,813,000 and RMB136,922,000, respectively).

At 30 June 2023, certain of the Group's buildings and leasehold land with an aggregate net book value of approximately RMB3,442,632,000 (31 December 2022: RMB3,494,142,000) 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 2023 using			
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Buildings	–	–	1,419,601	1,419,601
Leasehold land	–	–	2,049,964	2,049,964
	–	–	3,469,565	3,469,565

Notes to Interim Condensed Consolidated Financial Information

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9. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Fair value hierarchy *(continued)*

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

	Fair value measurement as at 31 December 2022 using			
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	Total RMB'000 (Audited)
Buildings	–	–	1,441,077	1,441,077
Leasehold land	–	–	2,080,637	2,080,637
	–	–	3,521,714	3,521,714

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

	Buildings RMB'000	**Leasehold land RMB'000**
At 1 January 2023 (audited)	**1,441,077**	**2,080,637**
Depreciation charge	**(21,476)**	**(30,673)**
At 30 June 2023 (unaudited)	**1,419,601**	**2,049,964**

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

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9. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Fair value hierarchy *(continued)*

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 2022
Building and leasehold land (note a)	Income method	Average market daily rent (RMB/per square meter)	5.91
		Long term vacancy rate	4%
		Yield rate	4%
Building (note b)	Direct comparison method	Market transaction price (RMB/square metre)	11,500
		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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 1 month	**8,635**	37,149
2 to 12 months	**129,372**	153,182
Over 1 year	**297,271**	339,350
	435,278	529,681

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Related companies (as defined in note 15)		
Wison (Taizhou)	**345,624**	347,271
Taixing Bohui	**120,567**	120,567
Taixing Tianma	**76,719**	76,832
Wison Offshore Marine Shanghai	**66,345**	7,815
Wison (China) Investment	**50**	50
	609,305	552,535

Notes to Interim Condensed Consolidated Financial Information

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11. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Cash and bank balances	**1,207,137**	663,242
Time deposits with original maturity of less than three months (inclusive)	**460**	791
Time deposits with original maturity of more than three months	**272,408**	306,908
	1,480,005	970,941
Less: Pledged bank balances and time deposits	**719,781**	587,349
Unpledged cash and cash equivalents	**760,224**	383,592
Less: Frozen and unpledged bank balances	**11,500**	35,620
Unpledged and unfrozen cash and cash equivalents	**748,724**	347,972

At 30 June 2023, bank balances and time deposits of RMB534,041,000 (31 December 2022: RMB455,568,000) were placed as guarantee deposits for the performance of certain construction contracts and for the tendering process.

At 30 June 2023, bank balances and time deposits of RMB7,141,000 (31 December 2022: RMB13,880,000) were pledged to a bank as security to obtain a letter of credit facility for the purchase of imported equipment.

At 30 June 2023, bank balances and time deposits of RMB122,902,000 (31 December 2022: RMB110,561,000) were pledged as security for bill facilities granted by the banks.

Notes to Interim Condensed Consolidated Financial Information

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11. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS *(continued)*

At 30 June 2023, bank balances of RMB1,000 (31 December 2022: RMB1,000) were pledged to a bank as security for forward foreign exchange contracts.

At 30 June 2023, bank balances of RMB55,590,000 (31 December 2022: RMB7,339,000) were pledged to a bank as security to obtain a banking facility (note 13).

At 30 June 2023, bank balances of RMB106,000 (31 December 2022: Nil) were pledged for salary payments to workers according to relevant government regulation.

At 30 June 2023, certain bank accounts of the Group of RMB11,500,000 (31 December 2022: RMB35,620,000) were frozen by courts for certain claims in disputes for preservation.

At 30 June 2023, the cash and bank balances of the Group denominated in RMB amounted to RMB1,105,529,000 (31 December 2022: RMB602,159,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and 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 pledged bank balances and time deposits approximate to their fair values.

Notes to Interim Condensed Consolidated Financial Information

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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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Less than 1 year	**1,330,602**	1,262,239
1 to 2 years	**1,186,154**	1,554,769
2 to 3 years	**320,235**	235,999
Over 3 years	**61,705**	90,276
	2,898,696	3,143,283
Less: Non-current portion	**573,813**	874,098
Current portion	**2,324,883**	2,269,185

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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Current		
Bank loans repayable within one year — secured	**358,704**	258,603
Bank loans repayable within one year — unsecured	**143,078**	249,929
Current portion of long-term bank loans — secured	**59,311**	679,100
	561,093	1,187,632
Non-current		
Bank loans repayable over one year — secured	**589,500**	–
	1,150,593	1,187,632

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

Six months ended 30 June 2023	3.80% to 4.80%
Year ended 31 December 2022	3.70% to 5.88%

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**561,093**	1,187,632
In the second year	**58,500**	–
In the third to fifth years, inclusive	**175,500**	–
Beyond five years	**355,500**	–
	1,150,593	1,187,632

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13. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

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

	Note	**30 June 2023 RMB'000 (Unaudited)**	31 December 2022 RMB'000 (Audited)
Building and leasehold land	9	**3,442,632**	3,494,142

As at 30 June 2023, the Group had borrowings with a certain bank (the "Bank") of RMB648,000,000 (31 December 2022: RMB678,000,000) with an original maturity date on 20 August 2034. The Group was in breach of financial covenant with the Bank due to the net loss recorded by the Group for the year ended 31 December 2022. The Bank is entitled to demand and accelerated repayment of the principal amount of RMB678,000,000 and accrued interest as at 31 December 2022 as stipulated in the clauses of the loan agreement. As at 31 December 2022, the non-current bank loan amounting to RMB619,500,000 was reclassified as current interest-bearing bank and other borrowings. On 16 March 2023, the Group succeeded to enter into a supplementary credit facility agreement with the Bank to withdraw the foregoing financial covenant. Accordingly, the Group rectified the covenant breach and the repayment period of the relevant bank loan was pertained to original term.

The 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 RMB55,590,000 as at 30 June 2023 (note 11) (31 December 2022: RMB7,339,000) have been pledged as security.

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

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14. SHARE CAPITAL

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Number of ordinary shares		
Authorised:		
Ordinary shares of HK$0.1 each	**20,000,000,000**	20,000,000,000
Issued and fully paid:		
Ordinary shares of HK$0.1 each	**4,073,767,800**	4,073,767,800

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Authorised:		
Ordinary shares of HK$0.1 each	**1,622,757**	1,622,757
Issued and fully paid:		
Ordinary shares of HK$0.1 each	**330,578**	330,578

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15. RELATED PARTY TRANSACTIONS

The Group had the following transactions with related parties during the six months ended 30 June 2023:

		For the six months ended 30 June	
		2023	2022
		RMB'000	RMB'000
	Note	**(Unaudited)**	(Unaudited)
Fellow subsidiaries:			
Rental income from the properties and conference facilities, and income from the provision for property management services	(a)(i)	**16,645**	12,759
Rendering of services	(a)(v),(a)(vi)	**61,836**	21,948
	(a)(v),(a)(vi)		
Services received	(a)(viii)	**4,729**	98,976
Collections and payments of utility charges and catering services	(a)(i)	**2,236**	604
Loan	(a)(ix)	**440**	–
Borrowing	(a)(ix)	**500**	–
Interest income	(a)(ix)	**14**	–
Associate:			
Rendering of services	(a)(vii)	**–**	1,060

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15. RELATED PARTY TRANSACTIONS *(continued)*

Name of related parties	Relationship
Wison Holding	Wholly owned by Mr. Hua Bangsong (the beneficial controlling shareholder of the Company) and is the ultimate holding company of the Company
惠生（南通）重工有限公司 (Wison (Nantong) Heavy Industry Co., Ltd., "Wison Nantong")	Fellow subsidiary
惠生（中國）投資有限公司 ("Wison (China) Investment")	Fellow subsidiary
Wison Investment (Hong Kong) Limited ("Wison Investment (HK)")	Fellow subsidiary
舟山惠生海洋工程有限公司 (Zhoushan Wison Offshore & Marine Co., Ltd., "Zhoushan Wison")	Fellow subsidiary
Wison Offshore & Marine (Hong Kong) Limited ("Wison Offshore Marine")	Fellow subsidiary
泰興天馬化工有限公司 (Taixing Tianma Chemical Engineering Co., Ltd., "Taixing Tianma")	Indirectly owned as to 15% by Wison Holding
上海惠生海洋工程有限公司 (Shanghai Wison Offshore & Marine Co., Ltd., "Wison Offshore Marine Shanghai")	Fellow subsidiary
惠生（泰州）新材料科技有限公司 (Wison (Taizhou) New Material Technology Co., Ltd., "Wison Taizhou")	Fellow subsidiary
泰興博惠環保科技發展有限公司 (Taixing Bohui Environmental Technology Development Co., Ltd., "Taixing Bohui")	An associate of the Company

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15. RELATED PARTY TRANSACTIONS *(continued)*

Name of related parties	Relationship
惠旭能源(江蘇)有限公司 (Huixu Energy (Jiangsu) Co. Ltd., "Huixu Energy")	Fellow subsidiary
Wison Offshore & Marine (Russia) Limited ("Wison Offshore Marine (Russia)")	Fellow subsidiary
Wison Clean Energy (Singapore) PTE. LTD. ("Wison Clean Energy")	Fellow subsidiary
河南創思特工程監理諮詢有限公司 (Henan Chuangsite Supervisory Consulting Co., Ltd., "Henan Chuangsite")	An associate of the Company

Notes:

(a)(i) On 30 June 2020, the Group entered into the property leasing framework agreement with Wison Holding and its affiliates, pursuant to which the Group leases properties and provides property management services and utility services for the premises of the Group and/or rents the conference facilities at the properties to Wison Holding and its affiliates.

On 22 December 2022, the Group entered into a new property leasing framework agreement with Wison Holding and its affiliates to renew the aforesaid property leasing framework agreement. The new property leasing framework agreement shall be for a term of three years commencing from 1 January 2023 and expiring on 31 December 2025.

The aggregate income of the rentals, property management fees and conference facilities inclusive of value-added tax during the six months ended 30 June 2023 from Wison (China) Investment, Wison Offshore Marine Shanghai and Huixu Energy under the property leasing framework agreement was RMB16,645,000 (six months ended 30 June 2022: RMB12,759,000).

The collection and payment of utility charges and catering services with Wison (China) Investment and Wison Offshore Marine Shanghai during the six months ended 30 June 2023 were RMB2,236,000 (six months ended 30 June 2022: RMB604,000).

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

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

(a)(iv) On 1 March 2021, Wison (China) Investment granted a credit facility to the Group with an amount of RMB200,000,000 covering the period from 1 March 2021 to 30 September 2022. On 31 July 2022, the Group has been granted a foregoing credit facility with an extended period from 1 October 2022 to 31 March 2024. As at 30 June 2023, the Group had unused credit facilities of RMB200,000,000.

15. RELATED PARTY TRANSACTIONS *(continued)*

Notes: *(continued)*

(a)(v) Wison Offshore Marine Shanghai, Wison Nantong, Wison Taizhou, Wison (China) Investment and Taixing Tianma entered into construction service agreements with the Group, respectively. The relevant revenue recognised by the Group during the six months ended 30 June 2023 was RMB56,846,000 (six months ended 30 June 2022: RMB17,422,000). There was no cost of service fee incurred by the Group for services rendered during the six months ended 30 June 2023 (six months ended 30 June 2022: RMB98,976,000). The trade receivables relating to Wison (Taizhou), Taixing Tianma, Wison Offshore Marine Shanghai and Wison (China) Investment were set out in note 10 and contract assets with Wison Taizhou were RMB9,279,000 (31 December 2022: RMB107,213,000). The trade payables relating to Wison Nantong were RMB2,574,000 (31 December 2022: RMB2,488,000).

(a)(vi) On 23 January 2020, the Company entered into a service agreement with Wison Holding. Pursuant to the agreement, the Group shall provide to Wison Holding and its subsidiaries ("Wison Group") consulting, marketing and new business development services in oil and gas and petrochemical areas in relation to the current and proposed business operations of Wison Group, and Wison Group shall provide to the Group information technology services and legal and compliance services. The term of the service agreement commences on 23 January 2020 and expires on 31 December 2022. The fees payable to the Group by Wison Group and the fees payable by the Group to Wison Group under the service agreement are determined based on the amount of time incurred by the qualified personnel assigned to provide the relevant services at hourly rates determined with reference to market rates for the remuneration of such qualified personnel, plus out-of-pocket expenses and general and administrative expenses actually incurred.

On 22 December 2022, the Company entered into a new service agreement with Wison Holding to renew the aforementioned service agreement. The term of the service agreement commences on 1 January 2023 and expires on 31 December 2025.

The service fee revenue recognised by the Group during the six months ended 30 June 2023 from Wison Group was RMB4,990,000 (six months ended 30 June 2022: RMB4,526,000). The cost of the service fee incurred by the Group for services rendered by Wison Group during the six month ended 30 June 2023 was RMB2,216,000 (six months ended 30 June 2022: Nil).

(a)(vii) The Group entered into the construction service agreement with Taixing Bohui. The relevant revenue recognised by the Group during the six months ended 30 June 2023 was nil (six months ended 30 June 2022: RMB1,060,000). The trade receivable relating to Taixing Bohui is set out in note 10 and contract assets with Taixing Bohui were RMB62,243,000 (31 December 2022: RMB62,434,000).

(a)(viii) On 22 December 2022, the Group and Wison Holdings entered into the entrustment guarantee agreement in relation to the guarantee provided by Wison Holding for the Group in favour of Zapsibneftekhim LLC, and the Group shall pay a guarantee fee to Wison Holding calculated based on 0.5% per annum of the total principal amount of the guarantee liability stated in the entrustment guarantee agreement. The maximum guarantee fee is RMB30,150,000 with the guarantee period from 1 January 2023 to 31 December 2028. The relevant guarantee fee incurred by the Group during the six months ended 30 June 2023 was RMB2,513,000. As at 30 June 2023, the long-term prepayments paid to Wison Holdings was RMB7,488,000 (2022: RMB10,000,000).

(a)(ix) During the six months ended 30 June 2023, the Group borrowed RMB500,000 (six months ended 30 June 2022: Nil) from Wison Clean Energy, and loaned RMB440,000 (six months ended 30 June 2022: Nil) to Wison Offshore Marine (Russia) and the interest income recognised by the Group was RMB14,000 (six months ended 30 June 2022: Nil).

In the opinion of the directors of the Company, the transactions between the Group and Wison Holding, Wison Nantong, Wison (China) Investment, Wison Investment (HK), Zhoushan Wison, Wison Offshore Marine, Wison Offshore Marine Shanghai, Wison Taizhou, Huixu Energy, Taixing Tianma, Wison Offshore Marine (Russia), Wison Clean Energy and Taixing Bohui were conducted based on mutually agreed terms.

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15. RELATED PARTY TRANSACTIONS *(continued)*

Notes: *(continued)*

(b) Balances with related parties:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Due from fellow subsidiaries:		
Wison (China) Investment	**34,206**	38,171
Wison Investment (HK)	**15,075**	12,687
Wison Offshore Marine Shanghai	**13,954**	17,786
Wison Offshore Marine	**12,942**	9,596
Wison Taizhou	**6,320**	6,320
Huixu Energy	**4,714**	4,714
Wison Offshore Marine (Russia)	**440**	–
Wison Nantong	**93**	47
	87,744	89,321

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Due to fellow subsidiaries:		
Wison Clean Energy	**500**	–
Wison (China) Investment	**374**	147
Zhoushan Wison	**–**	4
	874	151
Due to an associate:		
Henan Chuangsite	**630**	630

The balances with fellow subsidiaries and an associate are unsecured, interest-free and repayable on demand except the loan to Wison Offshore Marine (Russia). The carrying amounts of the balance with the related parties approximate to their fair values.

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15. RELATED PARTY TRANSACTIONS *(continued)*

Notes: *(continued)*

(c) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short term employee benefits	**3,760**	6,533
Equity-settled share option expenses	**–**	(74)
Total compensation paid to key management personnel	**3,760**	6,459

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2023	31 December 2022	**30 June 2023**	31 December 2022
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Financial assets				
Equity investments designated at fair value through other comprehensive income	**250,636**	245,875	**250,636**	245,875
Financial liabilities				
Interest-bearing bank borrowings	**648,811**	–	**646,318**	–

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

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16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

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

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values of those financial assets and liabilities measured at fair value:

The fair values of the non-current portion of trade payables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments designated at fair value through other comprehensive income have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as price to book ("P/B") multiple and price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the price per share of the comparable company by net assets value, earnings per share and sales per share. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value.

The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the interim condensed consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

For the fair value of the unlisted equity investments at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2023 and 31 December 2022:

	Valuation technique	Significant unobservable input	Range/ratio	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Average P/B multiple of peers	30 June 2023: 0.74 to 3.65 (31 December 2022: 0.77 to 2.08)	10% (31 December 2022: 10%) increase/decrease in multiple would result in increase/decrease in fair value by RMB4,502,000 (31 December 2022: RMB4,739,000)
		Average P/E multiple of peers	30 June 2023: 12.40 to 49.46 (31 December 2022: 11.33 to 198.02)	10% (31 December 2022: 10%) increase/decrease in multiple would result in increase/decrease in fair value by RMB3,051,000 (31 December 2022: RMB2,935,000)
		Discount for lack of marketability	30 June 2023: 20% to 25% (31 December 2022: 20% to 25%)	10% (31 December 2022: 10%) increase/decrease in discount would result in decrease/increase in fair value by RMB2,319,000 (31 December 2022: RMB2,406,000)

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16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Equity investments designated at fair value through other comprehensive income	**171,556**	**–**	**79,080**	**250,636**

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	Total RMB'000 (Audited)
Equity investments designated at fair value through other comprehensive income	165,678	–	80,197	245,875

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16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy *(continued)*

Assets measured at fair value: ***(continued)***

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

	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Equity investments at fair value through other comprehensive income		
At 1 January	**80,197**	87,964
Total (losses)/gains recognised in other comprehensive income	**(1,117)**	24,213
At 30 June	**79,080**	112,177

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 for both financial assets and financial liabilities (six months ended 30 June 2022: Nil).

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at 30 June 2023 and 31 December 2022.

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17. CONTINGENT LIABILITIES

The Group had the following significant pending litigations at the end of the reporting period:

(1) During years 2022 to 2023, certain sub-contractors of Jiangsu Wison filed claims to the People's Courts in Mainland China against Jiangsu Wison for additional payments of construction costs and liquidation damages with an aggregate amount of approximately RMB10,532,000.

(2) During years 2022 to 2023, certain sub-contractors of Wison Engineering filed claims to the People's Courts in Mainland China against Wison Engineering for additional payments of construction costs, interests and liquidation damages with an aggregate amount of approximately RMB37,763,000.

As of the date of approval of the interim condensed consolidated financial information, for the cases above, Wison Engineering, Jiangsu Wison and their respective subcontractors have completed the first pre-trial evidence exchange in court and cross-examination.

The directors of the Company are of the opinion that additional provision has been made for item (2). For item (1), which is without merit, 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 of the Company are of the opinion that no additional provision is required.

18. 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 25 August 2023.