The following discussion should be read in conjunction with our audited consolidated financial statements as of and for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012 and the Notes thereto included in the Accountants' Report in Appendix I (the "Accountants' Report") included elsewhere in this prospectus. The consolidated financial statements have been prepared in accordance with IFRS.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Actual results may differ from those anticipated in these forward-looking statements as a result of any number of factors, including those set forth in "Risk Factors".

OVERVIEW

Business Overview

We were the largest private sector chemical engineering EPC service provider in China in terms of revenue in 2011, as estimated by CMAI, an independent industry consultant. In addition, based on the industry rankings compiled by the China Exploration & Design Association, we ranked 17th among all PRC EPC service providers, eighth among all PRC chemical EPC service providers and first among all private sector chemical EPC service providers in the PRC, by 2011 contract revenue.[1] The term "chemical EPC service provider" includes companies that provide EPC services to, among others, the petrochemicals, oil refining and coal-to-chemicals conversion processing industries, the three industry segments we principally service. We provide a broad range of integrated services spanning the project lifecycle from feasibility studies, consulting services, provision of proprietary technologies, design, engineering, raw materials and equipment procurement and construction management to maintenance and post-sale technical support. Our wide range of services is primarily offered to the following industries:

- Petrochemicals: Petrochemical products can broadly be classified into two categories: (i) olefins, including ethylene and propylene; and (ii) aromatics, including benzene, toluene and xylene isomers. These base chemicals can be further processed to manufacture thousands of downstream petrochemical products used in daily life.

- Oil refineries: Oil refining is a process where crude oil is processed and refined into more useful petroleum products, which can be grouped into three categories: (i) light distillates, including liquefied petroleum gas, gasoline and naphtha; (ii) middle distillates, including kerosene and diesel; and (iii) heavy distillates and residuum, including heavy fuel oil, lubricating oils, wax and asphalt.

- Coal-to-chemicals: Coal-to-chemicals refers to the process of producing chemicals from coal. The major coal-to-chemicals processes utilized in China include coal-to-methanol, coal-to-olefins, coal-to-PVC, coal-to-aromatics and coal-to-ammonia/urea. Recently, the focus in China has been shifted to MTO and

Note:

(1) We are not aware of any more recent ranking provided by China Exploration & Design Association and we have no reason to believe that the latest ranking is no longer accurate.

MTP processes that produce the same chemical products, such as ethylene and propylene, as the petrochemical facilities, due to better cost efficiencies and greater demand for these chemicals.

We also provide EPC and PC services, on an ad hoc basis, to other industries, such as steel and marine engineering projects. Our subsidiary, Wison Yangzhou, manufactures heat-resistant alloy tubes and fittings for the projects we undertake, in addition to supplying to third party purchasers, primarily in the petrochemicals industry.

In the provision of our wide range of services described above, our role on a project is typically to act as a "general contractor". We do not consider ourselves to be a construction firm and we typically sub-contract construction work to specialized construction sub-contractors. Our employees are principally involved in engineering, design implementation, procurement of raw materials and equipment and supervision of construction. We can provide complete solutions based on the EPC service model or a part of it, such as engineering and procurement (EP) or procurement and construction management (PC), corresponding to specific client needs. We can also provide project management construction (PMC) services, where we charge a fee for our project management services while our clients assume the cost of procurement and construction.

We believe we have maintained a high level of client satisfaction, completing almost all of our major construction projects during the three years ended December 31, 2011 and the six months ended June 30, 2012 on or ahead of clients' expectations, with a high safety record, while meeting the technical specifications required by our clients. We have also actively sought the development of long-term relationships with our key clients, who have principally been affiliates of the industry leaders in the PRC petrochemicals market. By working as a partner with our key clients on many of their production facilities, we have increased our understanding of their overall business needs, as well as the unique technical requirements of their projects. This relationship approach also helps us understand the risks and specific requirements inherent in their projects, which in turn allows us to better satisfy their specific requirements and manage the risks specific to each project.

RECENT DEVELOPMENTS

The following table sets forth certain of our unaudited financial information, for the eight months ended August 31, 2012 as extracted by us from the August 2012 Financial Statements.

	Eight months ended August 31, 2012
	(unaudited, RMB in millions, except percentage)
Revenue by business segments:	
Petrochemicals	194.0
Oil refineries	156.8
Coal-to-chemicals	1,064.5
Other products and services	224.7
Total Revenue	1,640.0
Gross Profit	359.0
Gross Profit Margin	21.9%

The following table sets forth our unaudited backlog as of August 31, 2012.

	As of August 31, 2012
	(unaudited, RMB in millions)
Backlog by business segments:	
Petrochemicals	5,583.6
Oil refineries	5,931.7
Coal-to-chemicals	17,300.6
Other products and services	1,088.2
Total	29,904.1

In the eight months ended August 31, 2012, coal-to-chemicals was our largest business segment by revenue, followed by other products and services, petrochemicals and oil refineries. Our unaudited total revenue, exclusive of inter-segment sales, in the eight months ended August 31, 2012, was RMB1,640.0 million, comprising RMB194.0 million, RMB156.8 million, RMB1,064.5 million and RMB224.7 million, respectively, for each of our petrochemicals, oil refineries, coal-to-chemicals and other products and services business segments, compared to the eight months ended August 31, 2011 where our unaudited total revenue, exclusive of inter-segment sales, was RMB2,361.3 million, comprising RMB791.1 million, RMB1,322.3 million, RMB236.8 million and RMB11.1 million, respectively, for each of our petrochemicals, oil refineries, coal-to-chemicals and other products and services business segments. The decrease in revenue for our petrochemicals business segment was primarily due to Projects 24 (Dushanzi Polybutadiene Rubber Plant Project), 20 (PetroChina Sichuan LLDPE Plant Project) and 21 (PetroChina Sichuan Ethylene Plant Project) completing their principal construction phases by the end of 2011. As a result, the contract revenue of our projects in the petrochemicals business segment decreased significantly in the eight months ended August 31, 2012. The decrease in oil refineries was primarily due to Projects 37 (PetroChina Sichuan Continuous Reforming Plant and PX Plant Project), 38 (PetroChina Sichuan Gasoil Hydrocracking Plant Project), 39 (PetroChina Sichuan Sulfur Recovery Plant Project) and 40 (PetroChina Sichuan Refinery and Petrochemical Complex Utilities Project) completing their principal construction phase by the end of 2011. As a result, the contract revenue of our projects in the oil refineries business segment also decreased significantly in the eight months ended August 31, 2012. The increase in coal-to-chemicals was primarily due to our commencing Projects 46 (Baoji Methanol Project) in March 2011, 52 (Erdos Guotai Chemical Coal-to-Methanol Project) in December 2011 and 54 (Pucheng Polyethylene Plant Project) in March 2012. As a result, while Project 46 (Baoji Methanol Project), 52 (Erdos Guotai Chemical Coal-to-Methanol Project) and 54 (Pucheng Polyethylene Plant Project) did not contribute or did not contribute significantly to our revenue in the eight months ended August 31, 2011, they contributed significantly to our revenue in the eight months ended August 31, 2012. The increase in the other products and services was primarily due to our commencing Project 58 (Zhoushan Wison Marine Engineering Base Project) in May 2012. As a result, while Project 58 (Zhoushan Wison Marine Engineering Base Project) did not contribute to our revenue in the eight months ended August 31, 2011, it contributed significantly to our revenue in the eight months ended August 31, 2012.

Since June 30, 2012, the following three major projects have begun their principal construction phases and, as a result, they are expected to contribute significantly to our revenue in the second half of 2012.

Periods of Principal Construction Phases

		For the six months ended						
Project Group	**Business Segments**	**December 31, 2010**	**June 30, 2011**	**December 31, 2011**	**June 30, 2012**	**December 31, 2012**	**June 30, 2013**	**December 31, 2013**
(1) Project 52 (Erdos Guotai Chemical Coal-to-Methanol Project)	Coal-to-Chemicals					—	—	—
(2) Project 54 (Pucheng Polyethylene Plant Project)	Coal-to-Chemicals					—	—	—
(3) Project 58 (Zhoushan Wison Marine Engineering Base Project)	Other products and services					—		

Project 46 (Baoji Methanol Project) has continued its principal construction phase during the second half of 2012 and, as a result, it has continued contributing significantly to our revenue in this period.

Periods of Principal Construction Phases

		For the six months ended						
Project Group	**Business Segments**	**December 31, 2010**	**June 30, 2011**	**December 31, 2011**	**June 30, 2012**	**December 31, 2012**	**June 30, 2013**	**December 31, 2013**
Project 46 (Baoji Methanol Project)	Coal-to-Chemicals			—	—	—		

In the eight months ended August 31, 2012, our unaudited gross profit and unaudited gross profit margin were RMB359.0 million and 21.9%, respectively, compared to RMB545.0 million and 23.1%, respectively, in the eight months ended August 31, 2011. In the eight months ended August 31, 2011, our unaudited gross profit margins in our petrochemicals, oil refineries and coal-to-chemicals business segments were 22.1%, 22.3% and 31.4%, respectively, compared to 21.2%, 14.8% and 24.7%, respectively, in the eight months ended August 31, 2012. The slight decrease in the gross profit margin in petrochemicals was primarily attributable to the model and mix of services we undertook at such periods. The decrease in the gross profit margin in oil refineries was primarily attributable to adjustments in our cost recognition at the end of the principal construction phases for projects related to PetroChina Sichuan Integrated Refinery and Petrochemical Complex, when miscellaneous additional costs associated with fine tuning the machinery and equipment and with small modifications to various project installations were recognized. The slight decrease in the gross profit margin in coal-to-chemicals was primarily attributable to the model and mix of services we undertook during these periods.

Our unaudited backlog, which represents our estimate of contract value of work that remains to be completed as of a certain date from signed and legally-binding contracts, net of estimated VAT, as of August 31, 2012, was RMB29,904.1 million, of which backlog in our petrochemicals, oil refineries, coal-to-chemicals and other products and services business segments was RMB5,583.6 million, RMB5,931.7 million, RMB17,300.6 million and RMB1,088.2 million, respectively, compared to RMB5,630.2 million, RMB5,964.4 million, RMB16,566.5 million and RMB1,082.4 million as of June 30, 2012. A breakdown of our backlog as of August 31, 2012 by major clients, each accounting for more than 19.0% of our backlog as of that date, is as follows: of our unaudited backlog as of August 31, 2012, RMB10,484.4 million, or 35.1%, was attributable to Jiangsu Sailboat Petrochemical Co., Ltd., RMB7,603.3 million, or 25.4%, was attributable to China Chengda Engineering Co., Ltd., and RMB5,863.1 million, or 19.6%, was attributable to PDVSA Petróleo, S.A. Our dependency on the PetroChina and Sinopec groups diminished during this period. Of our unaudited backlog as of August 31, 2012, RMB149.6 million, or 0.5%, was attributable to PetroChina and its subsidiaries, on a group basis, and RMB32.1 million, or 0.1%, was attributable to Sinopec and its subsidiaries, on a group basis.

Our unaudited total new contract value, which represents the aggregate value of the contracts that we have entered into during a specified period, net of estimated VAT, for the contracts awarded to us in the eight months ended August 31, 2012, was RMB20,053.0 million, of which new contract value, net of estimated VAT, in our petrochemicals, oil refineries, coal-to-chemicals and other products and services business segments was RMB399.6 million, RMB5,929.5 million, RMB12,415.0 million and RMB1,308.9 million, respectively, compared to RMB384.1 million, RMB5,929.5 million, RMB11,131.8 million and RMB1,161.2 million, respectively, in the six months ended June 30, 2012. Of our RMB20,053.0 million in new contract value, net of estimated VAT, for the contracts awarded to us in the eight months ended August 31, 2012, approximately RMB105.5 million was attributable to PetroChina and its subsidiaries, on a group basis, and RMB46.0 million, was attributable to Sinopec and its subsidiaries, on a group basis.

While substantially all of our revenue continued to be derived from projects within the PRC, we have also made significant progress abroad. Among the new major projects we have been awarded in the eight months ended August 31, 2012, two projects were located in Saudi Arabia and one was located in Venezuela, the contracts of which were signed in the second quarter of 2012, indicating that our knowledge and expertise are gaining international acceptance. See "—New Projects" below for more detailed descriptions of the projects that have been awarded to us since June 30, 2012.

Our business and financial results have been subject to volatility during the three years ended December 31, 2011 and the six months ended June 30, 2012, compounded in part, by the nature of our business which consists, at any time, of a limited number of projects governed by contracts each of which may have a relatively large contract value and due to the scheduling of the principal construction phases of the major projects. See, for example, "—Factors Affecting Our Results of Operations and Financial Condition—Business Fluctuations" and "—Limited Number of Large Projects" and "Risk Factors—Risks Relating to Our Business—We do not have full control over the commencement time and various milestones of a construction project, which could delay our receipt of revenue and completion of our projects" and "—We have experienced strong volatility in our gross profit margins in the coal-to-chemicals business segment". During recent periods subsequent to June 30, 2012, we have experienced progress delays in relation to two of our major projects, caused by unexpected bad weather and longer than expected time in obtaining financing on the part of the project owner. In addition, several new projects for which we anticipate signing have not materialized as quickly as we originally expected due to prolonged approval processes by the government and the project owner. **The occurrence of these unanticipated factors**

subsequent to June 30, 2012 can be expected to affect our revenue and profitability in the near term. However, we have no reason to believe that there has been any event subsequent to June 30, 2012 that would cause any material adverse change in our business and operations going forward.

Furthermore, in November 2012, PDVSA Petróleo, S.A. confirmed to us in a letter that it is considering awarding to Wison Engineering the site preparation contract relating to Project 40 (Deep Conversion Project, Puerto La Cruz Refinery) subject to (a) agreement on the details of the relevant contract with us and (b) our assisting in arranging project financing relating to the relevant contract. We are in the process of negotiating the terms of the site preparation contract with PDVSA Petróleo, S.A. and liaising with a PRC bank for financing for the project. There is no assurance that such contract will be awarded to us.

Our Directors confirm that except as otherwise disclosed in this prospectus, as of the date of this prospectus, there has been no material adverse change in our financial or trading position since June 30, 2012 and no event has occurred since June 30, 2012 that would materially and adversely affect the information shown in the Accountants' Report set out in Appendix I.

NEW PROJECTS

Since June 30, 2012, we have been awarded the following major contracts in the coal-to-chemicals business segment:

- Pucheng Public Utility and Ancillary Facilities Project: We entered into an EM+PC contract with PuCheng Clean Energy Chemical Co., Ltd. for engineering management, procurement and construction services for a 700kta coal-to-olefins public utility project and ancillary facilities in Shaanxi Province, China in August 2012. This coal-to-chemicals project commenced in August 2012 and is expected to be completed around September 2013.

- Yang Coal Olefin Separation Unit Project: In August 2012, we signed a technology license, process design package compilation and technology service contract and an engineering design contract on both basic design and detailed design with Shandong Yang Coal Hengtong Chemical Co., Ltd. to implement our MTO light olefins separation technologies in constructing an olefin separation unit for its 300kta methanol to olefins plant in Shandong Province, China. The technology license, process design package compilation and technology service contract commenced in August 2012 and is expected to be completed around January 2013. The engineering design contract commenced in August 2012 and is expected to be completed around October 2013.

- Shenhua Xinjiang Olefin Separation Unit Project: In September 2012, we signed a technology license, process design package compilation and technology service contract and an engineering design contract on overall design and basic design with the Xinjiang and Beijing branches of China Shenhua Coal to Liquid and Chemical Co., Ltd. to implement our MTO light olefins separation technologies in constructing an olefin separation unit for their 680kta new coal-based materials project in Xinjiang, China. The technology license, process design package compilation and technology service contract commenced in September 2012 and is expected to be completed around February 2013. The engineering design contract commenced in September 2012 and is expected to be completed around May 2013.

- Yantai Wanhua 750kta Propane Dehydrogenation Plant Furnace Project: We entered into an EP contract with Yantai Wanhua Polyurethanes Co., Ltd. for engineering and procurement services for a 750kta propane dehydrogenation plant furnace of its propylene oxide and acrylate integration projects Shandong Province, China, in November 2012. This petrochemicals project commenced in October 2012 and is expected to be completed around June 2014.

The unaudited total new contract value, net of estimated VAT, for the contracts awarded to us in the eight months ended August 31, 2012 was RMB20,053.0 million.

BASIS OF PRESENTATION

We conduct substantially all of our business through our subsidiaries, Wison Engineering and Wison Yangzhou. We became the holding company of these subsidiaries pursuant to the Corporate Reorganization more specifically described in "History, Reorganization and Group Structure" and in "Appendix VI—Statutory and General Information—Further information about our Company". The financial information included in this prospectus is prepared in accordance with IFRS based on our audited financial statements, and, where appropriate, the management accounts of the companies now constituting our Group. The financial information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, which have been measured at fair value. Acquisition of subsidiaries under common control has been accounted for using the merger method of accounting, which involves incorporating the financial statement items of the consolidating entities in which common control consolidation occurs as if they had been consolidated from the date when the consolidating entities first came under the control of the controlling party. The net assets of the entities are consolidated using the existing book values from the controlling party's perspective. No amount is recognized in respect of goodwill or the excess of the acquirer's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control consolidation. The consolidated statements of comprehensive income include the results of each of the entities from the earliest date presented, regardless of the date of the common control transaction.

In this prospectus, unless otherwise stated, references to our financial statements mean the audited consolidated financial statements of our Group as of and for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

PRC's Industry Trends and Regulatory Policies

Almost all of our clients at present are based in the PRC and almost all of our income during the three years ended December 31, 2011 and the six months ended June 30, 2012 was generated from the PRC. Demand for our services depends on the level of activities and capital expenditures in the PRC petrochemicals, oil refining and coal-to-chemicals industries, which, in turn, are affected by the regulatory environment in the PRC, as our clients are predominantly PRC state-owned enterprises whose capital expenditures often follow the PRC government's policies, planning and industry construction cycles. Some of the PRC government's policies and planning are as follows:

- In the petrochemicals industry, despite the rapid increase in ethylene capacity between 2006 and 2010, China has not been able to achieve self-sufficiency in ethylene supply, and ethylene and its derivatives are imported in significant quantities to fulfill China's petrochemicals demand. Going forward, CMAI estimates that China will add 60 to 75 new furnaces between 2012 and 2016.

- In the oil refining industry, China is a major net importer of crude oil and has a policy of achieving rough balance for supply and demand of refining products, especially for gasoline, diesel and kerosene. Currently, many oil refineries are under different stages of development and China's oil refining capacity is expected to grow from 542.0 million tons per year in 2011 to 760.0 million tons per year in 2016 and to 940.0 million tons per year in 2021, as estimated by CMAI.

- In the coal-to-chemicals industry, given the abundance of coal resources in China, the evolution of, and improvement in, coal-to-chemicals technology, the economics to convert coal to chemicals, plus the comparatively higher prices for crude oil and liquid natural gas, CMAI expects the PRC government to rely on China's significant coal resources to generate chemicals to allow it to be less dependent on petroleum-based feedstock. Indeed, there are numerous coal-to-olefins projects planned and currently under study. On the other hand, the PRC government is also becoming cautious in approving new coal-to-chemicals project investments given the proliferation of small scale projects that do not justify the environmental impact. In the case of coal-to-olefins, the technology is newly developed and there may be undiscovered risks. The PRC government has updated its policy on coal-to-chemicals investment approvals on March 23, 2011, restricting investments to specified large scale projects for the various coal derivative technologies — with a minimum scale of 500kta of olefins in the case of coal-to-olefins. This regulatory change will affect the implementation of various coal-to-chemicals initiatives, with some projects likely to be delayed and others cancelled, as estimated by CMAI.

In addition, our clients and the PRC government typically review and approve budgets in the first half of the calendar year and award bids for projects in the second half of the calendar year. All of the above factors and their effects could have an impact on our business, results of operations and financial condition.

Limited Number of Large Projects

Due to the nature of our business, at any given time we are likely to be working on a limited number of projects governed by contracts each of which may have a relatively large contract value. As a result, factors such as unexpected weather conditions, problems with obtaining adequate raw materials, parts or equipment or problems with any construction sub-contractor that have an effect on our performance of a contract either in terms of timing of recognition of revenue or receipt of payment, or on contract terms, such as late performance penalties, can have a significant effect on our overall business, results of operations and financial condition. In addition, even in the absence of any negative factors, the natural result of our having limited numbers of large contracts is that we may experience significant volatility in our aggregate revenue, expenses, profitability and cash flow from time to time, making efforts to compare our results from period to period more difficult and subject to uncertainty.

Timing of Our Cash Flow and Revenue Recognition

Our existing contracts and new contracts for EPC services and the time frame in which each project enters into its principal construction phase have a significant effect on our revenue. Our operations could require us to utilize large sums of working capital, sometimes on short notice and sometimes without the ability to recover the expenditures on a prompt basis. For instance, in order to ensure construction progress, we may sign procurement contracts with raw materials and equipment suppliers that require immediate cash expenditure at the early stage of a project where the advances received from our client may not be sufficient to cover such expenses. See "Risk Factors—Risks Relating to our Business—We may experience increased working capital requirements and net cash outflows from time to time that could adversely affect our ability to meet our liquidity needs". Due to these timing mismatches, our cash flows from operating activities are relatively uneven, rather than steady and consistent, and therefore we may have to rely on short-term bank borrowings to fund a portion of our working capital requirements. We expect to continue to do so in the future.

The manner in which we recognize revenue and cost in a construction contract is typically measured by reference to the percentage of completion of the relevant project, which may not closely correspond to the cash flows we receive, which are driven by the terms of our contracts and the payment practices of our clients. Recognition of revenue from fixed price construction contracts is measured by reference to the proportion of costs incurred to a particular date to the estimated total cost of the relevant contract.

A typical engineering and construction contract includes a schedule of progress billings, according to which we send progress billings for clients' confirmation based on the agreed payment schedules or milestones as stipulated in the contract. Once confirmed by a client, the confirmed amount will become an account receivable until payment is made by the client. As such, progress billings are not directly related to the percentage of completion. Where progress billings exceed contract costs incurred to date plus recognized profit less recognized losses, the surplus is treated as an amount due to contract customers. Generally, in each of the projects we undertake, we experience higher levels of amounts due to contract customers at the early stage of a project when our progress billings, including those for advance payment, exceed revenue recognized. Where contract costs incurred to date plus recognized profits less recognized losses exceed progress billings, the surplus is treated as an amount due from contract customers, until the progress billings are issued to and confirmed by the relevant clients in accordance with the billing milestones specified in the contract at which point, the relevant amounts migrate to trade and bills receivables. We typically issue progress billings for our clients to confirm after we reach a billing milestone and they generally take approximately 30 to 60 days to review and confirm the progress billings. As a result, immediately after a project's principal construction phase, when our recognized revenue typically exceeds our progress billing, we tend to experience high levels of amounts due from contract customers. Amounts due from a contract customer may not be matched by cash flow until the project is completed and the warranty period, which on average is about 12 months after the acceptance of the goods and services by our client or 18 months after the facility has been commissioned for production, has expired.

Due to the project-based nature of our business, our revenue is subject to periodic fluctuations, both from year to year and from period to period within a given year. Our revenue fluctuates mainly due to the scheduling of the principal construction phases of the major projects we undertake, as our revenue flow from a project is strongest during the principal construction phase. During the three years ended December 31, 2011 and the six months ended June 30, 2012, the principal construction phases of most of our projects were skewed to the second half of the calendar year. As a result, we recognized substantially larger amounts of revenue in the second half of each calendar year than in the first half. In addition, as a large majority of our revenue is generated from the projects we undertake in the PRC (many of which are in the cold weather areas of China's north and northeast regions) and the PRC government do not normally begin to review and approve its budgets until after the Chinese new year, the fluctuation in our revenue during each year is also attributable to the effect of the Chinese New Year holiday and the cold winter weather in the first quarter. Specifically, the long Chinese New Year holiday in the PRC negatively affects the availability of human resources and, in turn, the amount of activity in a given project, and the cold winter weather adversely affects our construction operations located in north and northeast China or in high latitude locations. As a result, we recognized lower revenue in the first half than in the second half of the calendar year during the three years ended December 31, 2011. Due to these factors, our annual results may fluctuate from year to year, and our interim results may not be indicative of our operating results for a particular year or another interim period in the same year. Further, any significant or prolonged adverse weather conditions that negatively affect construction activities or slow the growth of new construction business could have a material adverse effect on our business, results of operations and financial condition.

Costs of Raw Materials, Parts and Equipment and Construction Sub-Contractors

The major components of our contract costs include costs of raw materials, parts and equipment and construction sub-contractors. Our profitability is affected by our ability to procure raw materials, parts and equipment and construction sub-contractors at commercially reasonable prices. We derive a majority of our revenue from fixed price contracts, pursuant to which we provide solutions to our clients at all-inclusive fixed prices. While we generally secure fixed price contracts from our raw material, parts and equipment suppliers as well, our actual costs for the execution of a fixed price contract may differ from our estimates at the time we tendered our bids and be higher than the fee payable to us under such contract. The raw materials and parts we use in our operations include stainless steel, copper, alloy materials, valves and industrial meters, among others, and the costs of these materials, parts and equipment and construction sub-contractors fluctuate depending on changes in supply and demand. Because we purchase our raw materials from third party suppliers, we are exposed to fluctuations in market prices resulting from changes in supply and demand and other factors. Unexpected increases in raw materials, parts and equipment costs and costs for construction sub-contractors may cause our actual costs to exceed estimated costs. If we are not able to pass on these additional costs to our clients, our business, results of operations and financial condition could be adversely affected.

Model of Services Provided

We provide a wide array of services, including engineering, procurement and construction management (EPC), engineering and management consulting (EM), engineering and procurement (EP), procurement management consulting (PM), procurement and construction management (PC) and project management contracting (PMC) that can be mixed and matched according to project owners' specific needs. Our gross profit margin for a given period is affected by the type and scope of services provided in different projects undertaken during the period. Generally engineering and management services yield higher gross profit margins, followed by procurement and construction management services. However, given the complexity of the different services provided and the different combinations of services that can be included in each project, we cannot make broad generalizations about the relative profitability of different types of services.

Business Segment Mix

Our business spans three principal segments to mitigate the impact of the cyclical nature of the petrochemicals industry. Revenue contributed from our petrochemicals, oil refineries and coal-to-chemicals business segments was 73.6%, 11.0% and 11.2% of our total revenue, respectively, in 2009, 57.5%, 41.2% and 0.6%, respectively, in 2010, and 32.2%, 48.6% and 18.9%, respectively, in 2011 and 15.1%, 14.5% and 60.5%, respectively, in the six months ended June 30, 2012. See "—Description of Components of Results of Operations—Revenue" for more detailed analysis. The number of projects we undertake within a particular business segment may vary due to a variety of factors including, but not limited to, prices of crude oil and coal-based feedstock and the industrial policies and regulatory trends being enforced at the time. Our profit margin in a particular business segment during a given period could also depend on the mix of services we provide in that segment during the given period. Due to the complexity of the plant design and engineering requirements, we generally provided more engineering and management services to petrochemicals and coal-to-chemicals projects than to oil refineries projects in the three years ended December 31, 2011. In the coal-to-chemicals business segment, we experienced significant revenue fluctuation during the three years ended December 31, 2011 and the six months ended June 30, 2012, primarily because we were engaged in a limited number of major coal-to-chemicals projects during that period. As a result, the fluctuation in revenue in this segment was more pronounced than in other segments. Nevertheless, we believe the future outlook for the coal-to-chemicals business segment is positive and our revenue derived from this business segment has been growing since 2011.

Competition

While we believe there is a limited number of domestic EPC solution providers in China that operate within the EPC sector that are able to undertake projects for petrochemicals, oil refining and coal-to-chemicals companies in China, we actively compete with these entities for project contracts. Further, as certain subsidiaries of PetroChina and Sinopec operate as EPC service providers to petrochemicals producers in China, PetroChina and Sinopec may prefer to utilize the services of their own subsidiaries to provide EPC solutions instead of us. Nevertheless, they are required by PRC regulations to select their EPC contractors through public tender of open bids or invitational tender with multiple bidders.

As the PRC coal-to-chemicals industry is newly developed there may be undiscovered risks. As a result, we may not be able to maintain a similar profit margin in this business segment as we have in our petrochemicals and oil refineries business segments. In addition, as we expand overseas, we may face increasing competition from other international companies, which may possess greater experience in the industry as well as stronger financial resources. See "Risk Factors—Risks Relating to Our Business—We face competition in each of our business segments and as we expand overseas".

If competition becomes more intense, we may experience more pressure on our growth and profitability. Nonetheless, we believe that we can continue to grow successfully by exploiting our competitive strengths and our experienced management and skilled technical team, as we believe we have an early-mover advantage, technological leadership and a strong market position in the business segments in which we compete.

Business Fluctuations

Due to the project-based nature of our business, our revenue is subject to periodic fluctuations, both from year to year and from period to period within a given year. Our revenue fluctuates due mainly to the scheduling of the principal construction phases of the major projects we undertake, as our revenue flow from a project is strongest during the principal construction phase. During the three years ended December 31, 2011 and the six months ended June 30, 2012, the principal construction phases of most of our projects were skewed to the second half of the calendar year. As a result, we recognized substantially larger amounts of revenue in the second half of each calendar year than in the first half. In addition, as a large majority of our revenue is generated from the projects we undertake in the PRC (many of which are in the cold weather areas of China's north and northeast regions), the fluctuation in our revenue during each year is also attributable to the effect of the Chinese New Year holiday and the cold winter weather in the first quarter. Specifically, the long Chinese New Year holiday in the PRC negatively affects the availability of human resources and, in turn, the amount of activity in a given project, and the cold winter weather adversely affects our construction operations located in north and northeast China or in high latitude locations. As a result, we recognized lower revenue in the first half than in the second half of the calendar year during the three years ended December 31, 2011. Due to these factors, our annual results may fluctuate from year to year, and our interim results may not be indicative of our operating results for a particular year or another interim period in the same year.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical accounting policies are those policies that require the application of our management's most challenging, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. Critical accounting policies involve judgments and uncertainties that are sensitive to results under different assumptions and conditions. We believe that our most critical accounting policies are those described below.

Recognition of Revenue and Cost

The manner in which revenue and cost are recognized involves estimates by our management. Significant changes in our management's estimates may result in revenue adjustments. As a general principle, our management recognizes revenue when it is probable that the economic benefits will flow to our Company and when the revenue can be measured reliably.

Our recognition of revenue and cost is typically measured by reference to the percentage of completion method of accounting. For construction contracts, contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. The aggregate revenue contribution from variation orders and claims and incentive payments of our major projects for the three years ended December 31, 2011 and the six months ended June 30, 2012 was minimal (less than 5.0% of our total revenue before tax for the same period). Revenue from fixed price construction contracts is recognized on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the total budgeted cost of the relevant contract. There is no minimum percentage of completion that a project has to reach before we commence recognition of revenue. See Appendix I—page I-25. In addition, the percentage of completion method of accounting is driven by the terms of the contracts and involves estimation by our management. See Appendix I—pages I-28, I-29 and I-30 for the relevant accounting policies, judgments and estimates for our revenue recognition and estimation of costs. We recognize revenue only when it is probable that the economic benefits will flow to our Group and when the revenue can be measured reliably, on bases in accordance with IFRS. In terms of underestimating the cost of a project as a result of cost overruns for fixed price contracts, we have also implemented appropriate procedures to monitor the risks of cost overruns and adjust revenue recognized if and when necessary, consistent with IFRS. See "Business—Pricing and Risk Management—Risk Management Strategies—Engineering, Procurement, Construction Management and Other Services" for strategies and "Business—Internal Controls—Internal Control on Cost Overruns and Cash Flow Mismatches" for additional descriptions of the procedures and processes implemented to avoid cost overruns and minimize cash flow mismatches. We generally review our total budgeted cost per project on a quarterly basis, where we may, at times, adjust the total budgeted cost per project. If a percentage change in the costs incurred to date is different from the percentage change in the total budgeted cost, the percentage of completion will change. We do not adjust our revenue retroactively. Instead, we adjust our revenue in the accounting period when the total budgeted cost is revised to bring total revenue recognized on a project contract in line with the latest percentage of completion. Such revenue adjustments may be positive or negative in nature. The aggregate revenue adjustments made due to changes in percentage of completion of our major projects for the three years ended December 31, 2011 and the six months ended June 30, 2012 were minimal (less than 0.02% of our total revenue before tax for the same period).

Construction contracts. Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of sub-contracting, direct labor and an appropriation of variable and fixed construction overheads. Revenue from fixed price construction contracts is recognized on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant project. Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognized profits less recognized losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognized profits less recognized losses, the surplus is treated as an amount due to contract customers.

Recognition of revenue according to the percentage of completion of individual contracts of construction work requires estimation by our management. The stage of completion at a given date is estimated by reference to the actual costs incurred over the total budgeted costs, and the corresponding contract revenue is also estimated by our management. Due to the nature of the activity undertaken in construction contracts, the date at which activity is entered into and the date at which activity is completed usually fall into different accounting periods. We review and revise the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses. Where the actual contract revenue is less than expected or actual contract costs are more than expected, a foreseeable loss may arise.

Adjustments in the total budgeted cost for any given contract (as used for the purpose of calculating percentage of completion) take into account both (i) the actual cost overrun or savings through the date of the adjustment, determined with reference to the amount of budgeted cost expected to have been incurred as of such date, and (ii) the anticipated additional cost overrun or savings, if any, from the date of the adjustment through the completion of the project, determined with reference to the actual cost overrun or savings through the date of the adjustment.

Total budgeted costs for construction contracts comprise (i) direct material costs, (ii) costs of sub-contracting and direct labor and (iii) an appropriation of variable and fixed construction overheads. In estimating the total budgeted costs for construction contracts, our management makes reference to information such as (a) current offers from sub-contractors and suppliers, (b) recent offers agreed with sub-contractors and suppliers and (c) professional estimation on construction and material costs.

Contract for services. Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labor and other costs of personnel directly engaged in providing the services and attributable overheads. Revenue from the rendering of services is recognized based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered. Provision is made for foreseeable losses as soon as they are anticipated by our management. Where contract costs incurred to date plus recognized profits less recognized losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognized profits less recognized losses, the surplus is treated as an amount due to contract customers.

Sale of goods. Revenue from the sale of goods is recognized when (i) the significant risks and rewards of ownership have been transferred to the buyer and (ii) we have neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

Depreciation and Amortization

The amount of depreciation and amortization expense to be recorded on an asset is affected by a number of management's estimates, such as estimated useful life and residual value. If different judgments are used, material differences may result in the amount and timing of the depreciation or amortization charges related to the asset.

Depreciation expense for property, plant and equipment (other than construction in progress) and investment properties is calculated on a straight-line basis to write-off the cost of each item of property, plant and equipment and investment properties to its residual value over its estimated useful life. Where parts of an item of property, plant and equipment and investment properties have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Useful lives and the depreciation method are reviewed, and adjusted, if appropriate, at each balance sheet date. An item of property, plant and equipment and investment properties is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss on disposal or retirement of an item of property, plant and equipment and investment properties recognized in the income statement in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Impairment of Assets

On each balance sheet date, our management assesses whether there is an indication that an asset may be impaired. When an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If different judgments are used, material differences may result in the amount and timing of the impairment charge.

Our management writes down an asset as impairment loss if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

Management reverses a previously recognized impairment loss if there has been a change in the estimates used to determine the recoverable amount of an asset. The amount of reversal is credited to the income statement in the period in which it arises. The amount, however, cannot exceed the carrying amount that would have been determined (net of any depreciation or amortization) had no impairment loss been recognized for the asset in prior years.

Inventories

Inventories are construction materials and are stated at the lower of cost and net realizable value after making due allowances for obsolete and slow-moving items. Cost is determined on the weighted average basis. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to disposal.

DESCRIPTION OF COMPONENTS OF RESULTS OF OPERATIONS

Revenue

We derive a substantial majority of our revenue from our EPC contracts for ethylene and downstream petrochemicals facilities, coal-to-chemicals facilities and oil refineries. We also derive a small portion of our revenue from sales of heat-resistant alloy pipes and related components to third parties by our subsidiary, Wison Yangzhou. The following table sets forth a breakdown of revenue by business segment as a percentage of our total revenue for the periods indicated.

	Years ended December 31,						Six months ended June 30,			
	2009		2010		2011		2011		2012	
	Revenue	%	Revenue	%	Revenue	%	Revenue	%	Revenue	%
							(unaudited)			
	(RMB in millions, except percentages)									
Business Segments:										
Petrochemicals(1)(2)	1,386.3	73.6%	2,860.5	57.5%	1,624.2	32.2%	610.9	36.9%	130.1	15.1%
Oil refineries(3)	207.3	11.0%	2,050.0	41.2%	2,447.0	48.6%	895.4	54.1%	125.2	14.5%
Coal-to-chemicals(4)(5)	210.9	11.2%	28.4	0.6%	949.7	18.9%	139.2	8.4%	520.8	60.5%
Other products and services(6)(7)	79.9	4.2%	37.3	0.7%	15.7	0.3%	9.7	0.6%	85.6	9.9%
Total	1,884.4	100.0%	4,976.2	100.0%	5,036.6	100.0%	1,655.2	100.0%	861.7	100.0%

Notes:

(1) Principally comprising EPC solutions for the design-building and renovation of ethylene cracking furnaces and production facilities for downstream petrochemicals.

(2) Revenue generated in this segment is net of inter-segment sales of RMB32.1 million in the year ended December 31, 2011 and RMB32.9 million in the six months ended June 30, 2012. Such amounts principally consisted of sales of certain raw materials, parts and equipment imported by Wison Energy (HK) for the projects we undertook. There were no inter-segment sales in this segment in the years ended December 31, 2009 and 2010.

(3) Principally comprising PC solutions for the construction of petroleum refineries.

(4) Principally comprising EPC solutions for the construction of coal-to-chemicals production facilities.

(5) Revenue generated in this segment is net of inter-segment sales of RMB0.5 million in the six months ended June 30, 2012, which principally consisted of sales of certain raw materials, parts and equipment imported by Wison Energy (HK) for the projects we undertook. There were no inter-segment sales in this segment in the years ended December 31, 2009, 2010 and 2011.

(6) Principally comprising integrated piping systems manufactured by Wison Yangzhou and EPC services to other industries.

(7) Revenue generated in this segment is net of inter-segment sales, which have been substantial for this segment and principally consisted of the production of pipes and related components by Wison Yangzhou for the projects we undertook. Revenue in this segment inclusive of such inter-segment sales in the years ended December 31, 2009, 2010 and 2011 amounted to RMB138.8 million, RMB129.3 million and RMB18.0 million, respectively, and RMB10.1 million in the six months ended June 30, 2011. There were no inter-segment sales in this segment in the six months ended June 30, 2012.

Our revenue during any given period of time is largely dependent on the following factors:

- The number and size of projects undertaken. The number of projects we undertake is dependent on a variety of factors, including market demand, the regulatory environment of the relevant industries, competition and our business development objectives. The size of the projects we undertake in any particular period is determined by the business plans of the project owners, over which we have no control.

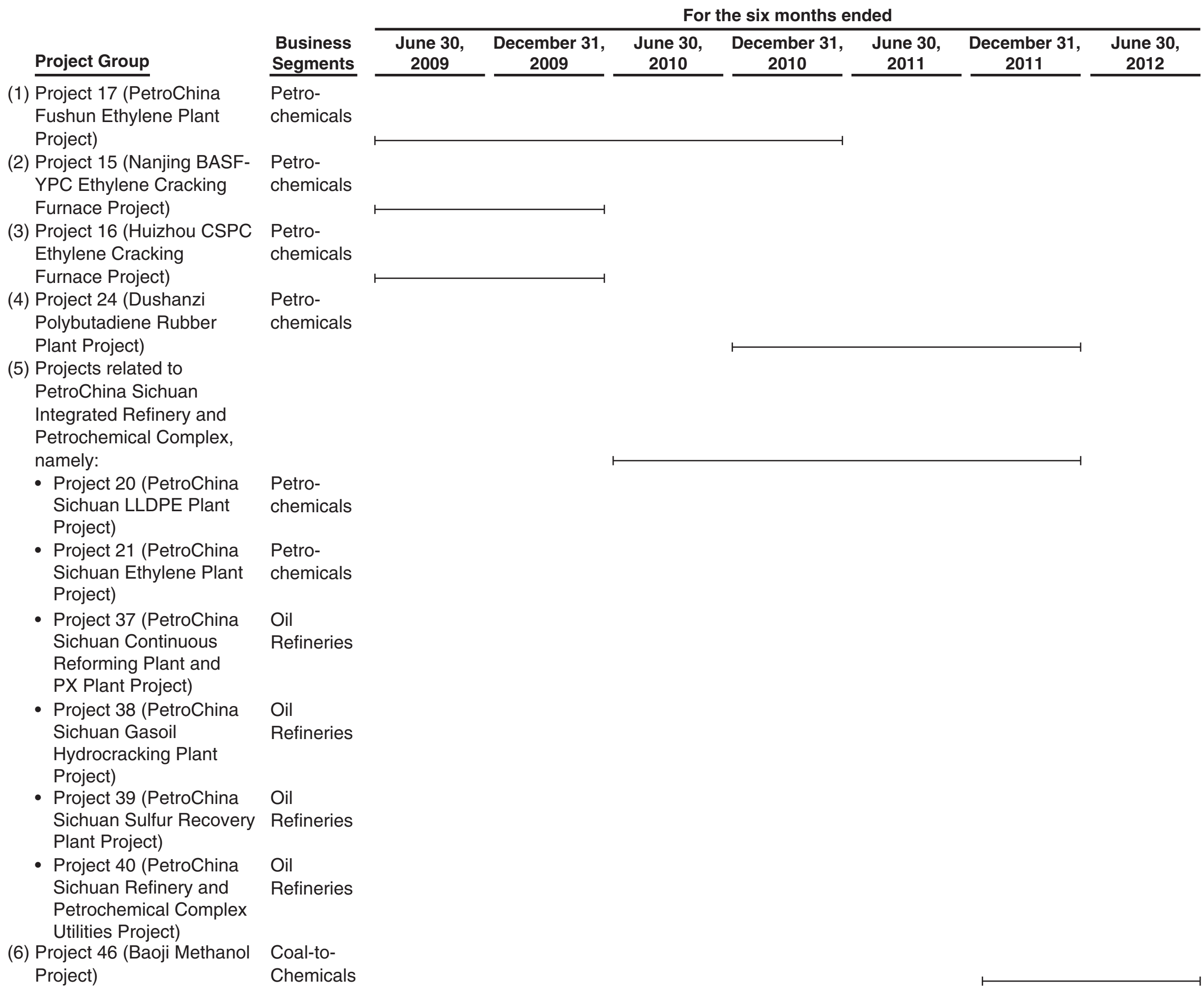
- Our pricing policy. We submit contract price bids to our clients that are typically calculated at a percentage over estimated costs to ensure we obtain a reasonable profit margin. Our pricing policy is therefore primarily determined by market conditions that affect our costs. However, our pricing policy may also be influenced by client receptivity and our business development strategies. Neither the number of projects we undertake nor our pricing policy is determined by reference to any compulsory or directory guidance or instruction from the PRC government or any other regulatory body. From time to time, we may also enter into contracts based on non-fixed pricing models, where, for example, we charge our actual cost for the project plus a margin as negotiated and agreed by the project owners.

- Construction stage of the project. The amount of time required to complete a particular project varies by project type and size. Generally, construction of petrochemicals, oil refineries and coal-to-chemicals facilities or the new construction of ethylene furnaces and oil refineries require approximately 12 to 36 months to complete and, subject to the model of services we are engaged in and the chemical conversion processes employed, the scale and duration of a project do not differ materially from one business segment to another, while contracts for ethylene furnace renovation services typically require approximately four to seven months to complete. Contract completion times may also vary according to unexpected weather conditions. In addition, the duration of projects' principal construction phases also vary. A project generally enters its principal construction phase when heavy equipment and machinery that have long production lead times have been delivered on site; and the principal construction phase is completed when most of the raw materials have been consumed and the heavy equipment and machinery have been installed or constructed.

Considering the relatively long contract cycles for each type of service solution we provide, we use the percentage of completion basis to recognize revenue for each financial year based on the costs incurred. For additional details, see "—Critical Accounting Policies and Estimates—Recognition of Revenue and Cost".

During the three years ended December 31, 2011 and the six months ended June 30, 2012, six major project groups had the most significant effect on our results of operations. See "Business—Business Segments—Table of Our Major Projects" for a more detailed description of the projects referenced below.

Periods of Principal Construction Phases



During the three years ended December 31, 2011 and the six months ended June 30, 2012, revenue in our petrochemicals business segment fluctuated depending on the number and size of projects undertaken and the construction phases of the projects undertaken at the time. Revenue in our oil refineries business segment began to grow significantly in 2010 and revenue in our coal-to-chemicals business segment began to grow significantly in 2011, reflecting our increased presence in these business segments. The growth in each of our business segments occasionally experiences setbacks when a major project in that business segment completes its principal construction phase. Specifically, in petrochemicals, our revenue decreased in 2011 compared to 2010 when Project 17 (PetroChina Fushun Ethylene Plant Project) completed its principal construction phase on December 31, 2010. As a result we had fewer major projects that were in their principal construction phase in 2011 than 2010. Revenue in our petrochemicals and oil refineries business segments also decreased in the six months ended June 30, 2012 compared to the six months ended June 30, 2011, as projects related to PetroChina Sichuan Integrated Refinery and Petrochemical Complex, which includes projects in both our petrochemicals and oil refineries business segments, completed their principal construction phases on December 31, 2011, as a result of which we had fewer projects in their principal construction phases in the six months ended June 30, 2012, than in the six months ended June 30, 2011.

During the three years ended December 31, 2011 and the six months ended June 30, 2012, we were dependent on the subsidiaries of PetroChina, an industry leader in the petrochemicals market in the PRC, for a substantial part of our revenue. For the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, revenue derived from contracts entered into with subsidiaries of PetroChina, on a group basis, accounted for 63.1%, 80.1%, 58.4% and 14.0% of our total revenue, respectively.

Cost of Sales

Our cost of sales primarily consists of procurement costs for raw materials, parts and equipment, construction costs for work outsourced to sub-contractors, project administrative overhead costs, including wages, accommodation, travel and other expenses incurred by our project teams. We also incur design fees for design work outsourced to third parties. Our cost structure during a particular period is therefore affected by the type of projects undertaken during the period. More specifically, whether our model of service for a particular project is EPC, EM, EP, PM, PC or PMC can have a significant effect on our cost structure for the project depending on whether raw materials, parts and equipment are sourced and paid by us and if the construction sub-contractors are engaged and paid by us. While we generally secure fixed price contracts from our raw material, parts and equipment suppliers, our actual cost for the execution of a fixed price contract may differ from our estimates. See "—Factors Affecting our Results of Operations and Financial Condition—Costs of Raw Materials, Parts and Equipment and Construction Sub-contractors".

The following table provides information regarding our cost of sales for our construction contracts and provision of services by business segment for the periods indicated.

	Years ended December 31,						Six months ended June 30,			
	2009		2010		2011		2011		2012	
	Cost of Sales	%	Cost of Sales	%	Cost of Sales	%	Cost of Sales	%	Cost of Sales	%
							(unaudited)			
	(RMB in millions, except percentages)									
Business Segments:										
Petrochemicals(1)	989.9	74.7%	2,107.8	56.1%	1,215.3	31.7%	481.1	37.4%	109.0	16.1%
Oil refineries	159.9	12.1%	1,618.1	43.1%	1,891.0	49.4%	699.8	54.3%	107.7	15.9%
Coal-to-chemicals(2)	120.4	9.1%	6.7	0.2%	709.4	18.5%	98.1	7.6%	387.1	57.1%
Other products and services(3)	55.0	4.1%	23.2	0.6%	14.2	0.4%	8.6	0.7%	73.8	10.9%
Total	1,325.2	100.0%	3,755.8	100.0%	3,829.9	100.0%	1,287.6	100.0%	677.6	100%

Notes:

(1) Cost of sales in this segment is net of inter-segment cost of sales in the year ended December 31, 2011 and in the six months ended June 30, 2012, which principally consisted of sales of certain raw materials, parts and equipment imported by Wison Energy (HK) for the projects we undertook. Cost of sales in this segment inclusive of such inter-segment cost of sales in the year ended December 31, 2011 amounted to RMB1,243.3 million and RMB142.4 million for the six months ended June 30, 2012. There were no inter-segment sales in this segment in the years ended December 31, 2009 and 2010.

(2) Cost of sales in this segment is net of inter-segment cost of sales in the six months ended June 30, 2012, which principally consisted of sales of certain raw materials, parts and equipment imported by Wison Energy (HK) for the projects we undertook. Cost of sales in this segment inclusive of such inter-segment cost of sales amounted to RMB387.1 million in the six months ended June 30, 2012. There were no inter-segment sales in this segment in the years ended December 31, 2009, 2010 and 2011.

(3) Cost of sales in this segment is net of inter-segment cost of sales, which has been substantial in this segment and principally consisted of the production of pipes and related components by Wison Yangzhou for the projects we undertook. Cost of sales in this segment inclusive of such inter-segment cost of sales in the years ended December 31, 2009, 2010 and 2011 amounted to RMB95.4 million, RMB80.4 million and RMB16.3 million, respectively and RMB9.0 million for the six months

ended June 30, 2011. There were no inter-segment sales in this segment in the six months ended June 30, 2012. As such, there was no inter-segment cost of sales in this segment in the six months ended June 30, 2012.

We recognize costs for our construction contracts as incurred.

During the three years ended December 31, 2011 and the six months ended June 30, 2012, six major project groups, as more fully described in "—Revenue" above, had the most significant effect on our results of operations. See "—Results of Operations" below for a more detailed breakdown of the contribution to cost of sales of each of these projects for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012.

Gross Profit

Our gross profit for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012 was RMB559.2 million, RMB1,220.4 million, RMB1,206.7 million and RMB184.1 million, respectively, representing gross profit margins of 29.7%, 24.5%, 24.0% and 21.4%, for the same periods. All our Group's project contracts during the three years ended December 31, 2011 and the six months ended June 30, 2012 were profit-making except one project in the oil refineries segment, which had a minimal loss of an amount that is less than 0.05% of our total gross profit for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, due to significant changes in the scope of the project as requested by the project owner.

Our gross profit during any given period of time is largely dependent on the following factors:

- Models of services provided. Our gross profit for a given period is affected by the type and scope of services provided in different projects, i.e., EPC, EM, EP, PM, PC or PMC, undertaken during the period. Generally engineering and management services yield higher gross profit margins, followed by procurement and construction management. Further, due to the complexity of the plant design and engineering requirements, we generally provided more engineering and management services to petrochemicals and coal-to-chemicals projects than to the oil refineries projects in the three years ended December 31, 2011 and the six months ended June 30, 2012.

- Mixes of services provided. As our business model is project-based, we will have different service mixes during different stages of a project, and therefore during different periods. As the gross profit margins of projects vary, the overall gross profit margins and the gross profit margins by segment during particular periods will also be affected by changes in service mix. Given the above complexity of the different services provided, the widely different combinations of services that can be included in each project and different service mix across periods, no further generalizations are appropriate regarding the relative profit margins of each type of service. Investors should not rely unduly on the type of services in assessing the gross profit margins of our projects.

- Our pricing strategy. Our pricing strategy during the three years ended December 31, 2011 and the six months ended June 30, 2012 was principally based on the estimated cost, increased to reflect a margin reasonable for the industry, adjusted by other factors such as (i) market demand, (ii) overcapacity and (iii) strength of our expertise for the relevant project. Because we typically enter into fixed price contracts with our clients, if actual costs exceed our estimated costs used to determine the contract price, and we are unable to pass cost overruns to our clients (as is typically the case), our gross profit and profit margin are negatively affected.

- Strategic considerations. Occasionally, we may also intentionally undertake projects for which we expect lower gross profit margins due to strategic considerations, i.e., entrance into or expansion of overseas and regional markets or business within certain segments.

The following table provides information regarding our gross profit and gross profit margin for each of our business segments for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2009		2010		2011		2011		2012	
	Gross Profit	%	Gross Profit	%	Gross Profit	%	Gross Profit	%	Gross Profit	%
							(unaudited)			
	(RMB in millions, except percentages)									
Business Segments:										
Petrochemicals(1)	396.4	28.6%	752.7	26.3%	408.9	25.2%	129.8	21.2%	21.1	16.2%
Oil refineries	47.4	22.9%	431.9	21.1%	556.0	22.7%	195.6	21.8%	17.5	14.0%
Coal-to-chemicals(2)	90.5	42.9%	21.7	76.4%	240.3	25.3%	41.1	29.5%	133.7	25.7%
Other products and services(3)	24.9	31.2%	14.1	37.8%	1.5	9.6%	1.1	11.3%	11.8	13.8%
Total	559.2	29.7%	1,220.4	24.5%	1,206.7	24.0%	367.6	22.2%	184.1	21.4%

Notes:

(1) Gross profit and gross profit margin in this segment are calculated net of inter-segment sales and cost of sales in the year ended December 31, 2011 and the six months ended June 30, 2012. Such amounts principally consisted of sales of certain raw materials, parts and equipment imported by Wison Energy (HK) for the projects we undertook. Gross profit and gross profit margin inclusive of such inter-segment sales and cost of sales in the year ended December 31, 2011 amounted to RMB412.9 million and 24.9%, respectively. Gross profit and gross profit margin inclusive of such inter-segment sales and cost of sales in the six months ended June 30, 2012 amounted to RMB20.7 million and 12.7%, respectively. There were no inter-segment sales in this segment in the years ended December 31, 2009 and 2010.

(2) Gross profit and gross profit margin in this segment are calculated net of inter-segment sales and cost of sales in the six months ended June 30, 2012. Such amounts principally consisted of sales of certain raw materials, parts and equipment imported by Wison Energy (HK) for the projects we undertook. Gross profit and gross profit margin inclusive of inter-segment sales and cost of sales in the six months ended June 30, 2012 amounted to RMB134.2 million and 25.7%, respectively. There were no inter-segment sales in this segment in the years ended December 31, 2009, 2010 and 2011.

(3) Gross profit and gross profit margin in this segment are calculated net of inter-segment sales and cost of sales, which have been substantial in this segment and principally consisted of the sale of pipes and related components produced by Wison Yangzhou for the projects we undertake. Gross profit inclusive of inter-segment sales in the years ended December 31, 2009, 2010 and 2011 amounted to RMB43.4 million, RMB48.9 million and RMB1.7 million, respectively. Gross profit margins inclusive of inter-segment sales and cost of sales in the years ended December 31, 2009, 2010 and 2011 were 31.2%, 37.8% and 9.6%, respectively. Gross profit and gross profit margin inclusive of inter-segment sales and cost of sales in the six months ended June 30, 2011 amounted to RMB1.1 million and 11.3%, respectively. There were no inter-segment sales in this segment in the six months ended June 30, 2012.

Within each business segment, while petrochemicals and oil refineries had relatively stable gross profit margins during the three years ended December 31, 2011, our coal-to-chemicals business segment experienced volatility in its gross profit margins during the same periods, which was principally due to the limited number of major projects we undertook during the relevant periods and a wide range of profit margins for the different services we provided. See "Risk Factors—Risks Relating to Our Business—We have experienced strong volatility in our gross profit margins in the coal-to-chemicals business segment" for more details.

As with our revenue and costs of sales, during the three years ended December 31, 2011 and the six months ended June 30, 2012, our gross profit and gross profit margins were influenced by the timing of the principal construction phases of our six major project groups described in "—Revenue" above. Our project timetables generally cover several financial periods, which makes the analysis of our gross profit and gross profit margins on a comparative period basis less meaningful. Investors should not rely unduly on these period-to-period comparisons.

Further, due to different types and specifics of each project within each segment we are involved in and the timing of our cash flow and revenue recognition, we do not believe that our business segment mix or the gross profit margins of each business segment should be relied upon unduly in analyzing our results of operations. See "—Factors Affecting Our Results of Operations and Financial Condition—Limited Number of Large Projects" and "—Factors Affecting Our Results of Operations and Financial Condition—Timing of Our Cash Flow and Revenue Recognition".

Other Income

Other income primarily consists of interest income, rental income, government grants and sale of scrap materials.

Sales and Marketing Expenses

Sales and marketing expenses primarily consist of marketing-related travel, entertainment and communication expenses, salaries and wages for our marketing staff, transportation costs for the pipes and ancillary accessories manufactured and sold by Wison Yangzhou, expenses we incur in connection with sourcing and transporting materials, parts and equipment for the free repair services we provide to our past clients to maintain our relationships.

Administrative Expenses

Administrative expenses primarily consist of wages, salaries and benefits for our administrative staff, depreciation of office equipment, office expenses, expenses in connection with our Listing and foreign currency exchange gains or losses.

The following table provides details of our administrative expenses for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2009		2010		2011		2011		2012	
							(unaudited)			
	(RMB in millions, except percentages)									
Administrative Expenses:										
Employee expenses(1)	47.3	39.2%	76.1	48.1%	47.0	37.9%	43.1	53.1%	24.0	35.9%
Administrative and office expenses(2)	25.8	21.4%	24.3	15.4%	24.3	19.6%	13.0	16.0%	16.8	25.2%
Listing related expenses(3)	2.1	1.7%	4.7	3.0%	23.6	19.0%	2.2	2.7%	1.9	2.8%
Business development expense(4)	29.3	24.3%	32.9	20.8%	19.4	15.6%	12.8	15.8%	8.8	13.1%
Depreciation and amortization(5)	20.7	17.2%	18.9	11.9%	18.2	14.7%	9.8	12.1%	12.1	18.1%
Other expenses(6)	(4.6)	(3.8%)	1.3	0.8%	(8.4)	(6.8%)	0.2	0.2%	3.2	4.9%
Total	120.6	100.0%	158.2	100.0%	124.1	100.0%	81.1	100.0%	66.8	100.0%

Notes:

(1) Employee expenses primarily include salaries and benefits of our administrative staff, company-wide training expenses and recruiting expenses.

(2) Administrative and office expenses include office rental expenses, property management expenses, telecommunication expenses and tax expenses such as real estate related tax.

(3) Listing related expenses include listing expenses for our Listing. Our listing related expenses incurred subsequent to June 30, 2012 and up to August 31, 2012 were approximately RMB5.5 million and our further listing related expenses (excluding underwriting commission) to be incurred are expected to be approximately RMB34.8 million for the four months ending December 31, 2012.

(4) Business development expenses include travel and entertainment expenses, consulting expenses and expenses on public relations.

(5) Depreciation and amortization expenses are principally related to buildings, office equipment, motor vehicles and software.

(6) Our other expenses include team building training expenses, provision/(reversal) of inventory provision and exchange differences.

Other Expenses

Other expenses primarily consist of research and development expenses, fair value losses on derivative instrument, charitable donations and expenses for certain sales of materials.

The following table provides details of our other expenses for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2009		2010		2011		2011		2012	
							(unaudited)			
	(RMB in millions, except percentages)									
Other expenses:										
Research and development costs(1)	61.5	92.8%	116.7	97.7%	147.6	94.8%	55.7	99.1%	50.2	96.5%
Fair value losses on derivative instrument(2)	—	—	0.7	0.6%	5.8	3.7%	1.6	2.8%	—	—
Charitable donations	—	—	1.6	1.3%	4.5	2.9%	(0.2)	(0.4%)	0.2	0.4%
Provision for doubtful debts	(1.1)	(1.7%)	(1.2)	(1.0%)	(2.4)	(1.5%)	(1.0)	(1.7%)	—	—
Expenses for sale of materials	5.3	8.0%	—	—	—	—	—	—	—	—
Others	0.6	0.9%	1.6	1.4%	0.2	0.1%	0.1	0.2%	1.6	3.1%
Total	66.3	100.0%	119.4	100.0%	155.7	100.0%	56.2	100.0%	52.0	100.0%

Notes:
(1) Research and development costs are incurred by us in connection with the development of certain proprietary technologies in providing EPC solutions in each of our three business segments.
(2) Fair value losses on derivative instrument comprised principally losses on our non-delivery foreign exchange forward (NDF) instrument, which we used to hedge our foreign exchange exposure for certain U.S. dollar denominated loans. See "—Indebtedness, Contractual Obligations and Other Off-Balance Sheet Arrangements—Off-Balance Sheet Arrangements—Non-delivery Foreign Exchange Forward Contracts" for additional details concerning this instrument and the related U.S. dollar loan.

Finance Costs

Finance costs consist principally of interest expenses and financing charges.

Net Profit Sensitivity

Our net profit from period to period is subject to changes in our cost of procurement. The following table illustrates this sensitivity for each of the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2011 and 2012 by showing changes in net profit with reference to movements in our cost of procurement for raw materials and equipment for all of our projects.

	Year ended December 31,			Six months ended June 30,	
	2009	2010	2011	2011	2012
				(unaudited)	
	(RMB in millions)				
Changes in cost of procurement(1)(2):					
-15.0%	+62.8	+296.5	+297.5	+100.0	+34.6
-10.0%	+40.7	+196.3	+203.7	+66.9	+23.5
-5.0%	+18.7	+96.1	+110.0	+33.7	+12.4
-3.0%	+9.9	+56.0	+72.5	+20.5	+8.0
-1.0%	+1.0	+15.9	+35.0	+7.2	+3.5
+1.0%	-7.8	-24.2	-2.5	-6.0	-0.9
+3.0%	-16.6	-64.3	-40.0	-19.3	-5.5
+5.0%	-25.4	-104.4	-77.5	-32.5	-10.7
+10.0%	-47.5	-204.6	-171.3	-65.7	-24.8
+15.0%	-69.5	-304.8	-265.1	-98.8	-39.1

Notes:
(1) The range of changes in cost of procurement used above (-15.0% to +15.0%) is provided merely for illustration purposes and may not give a true picture of the effect on our Group of movement in cost of procurement due to its hypothetical nature. A range of changes in cost of procurement of -5.0% to +5.0% is more in line with the variation in cost of procurement during the three years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012.
(2) The movement in our cost of procurement for any particular type of product does not necessarily correlate to changes in market prices, due to the measures we take to limit the effects on us of such changes. See "Business—Procurement Management and Inventory Control" beginning on page 207 for details.

Profit Attributable to Minority Interest

Profit attributable to minority interest relates to the proportion of profit attributable to the minority shareholder of Wison Engineering, Jiangsu Xinhua, which owned 25% of the registered capital in Wison Engineering throughout the three years ended December 31, 2011 and the six months ended June 30, 2012. In accordance with Wison Engineering's articles of association, its minority shareholder is entitled to 10% of Wison Engineering's distributable profits. This 90:10 profit sharing ratio arrangement was a commercial decision reached after an arm's length negotiation among the parties. On September 27, 2002, the Ministry of Construction and the former Ministry of Foreign Trade and Economic Cooperation jointly promulgated the Regulations on the Administration of Foreign-funded Construction Enterprises (外商投資建築業企業管理規定) (Decree No. 113 of the Ministry of Construction and the Ministry of Foreign Trade and Economic Cooperation) that were implemented on December 1, 2002. According to these PRC laws and regulations, the registered capital contributed by the PRC domestic investment entity for a Sino-foreign co-operative joint venture construction enterprise cannot be less than 25% of the registered capital of such enterprise. As such, Wison Engineering must be at least 25% owned by a PRC domestic investment entity at all times. To comply with these PRC laws and regulations, Wison Engineering was 25% owned by Jiangsu Xinhua and 75% owned by Wison Technology from September 11, 2003. Wison Technology's interest was subsequently transferred to Wison Energy (HK) on December 29, 2008.

Pursuant to Wison Engineering's articles of association and joint venture contract, all after-tax profits of Wison Engineering that are distributable to its shareholders are required to be distributed as to 90% to Wison Technology (prior to the transfer of the 75% equity interest in Wison Engineering from Wison Technology to Wison Energy (HK), and to Wison Energy (HK) after such transfer) and as to 10% to Jiangsu Xinhua. Neither the articles of association nor the Sino-foreign cooperative joint venture contract of Wison Engineering expressly provides for the method of sharing losses by its shareholders. However, as Wison Engineering is a limited liability company, its shareholders are not liable for its debts and its shareholders' liabilities are limited to the value of their equity interest. Further, pursuant to the confirmation of Wison Engineering's shareholders dated June 30, 2004, (i) the shareholders agree not to make any provision for surplus reserve and expansion reserve of Wison Engineering; (ii) regardless of whether any profits were distributed, Wison Technology (and, subsequently, Wison Energy (HK)) and Jiangsu Xinhua would be entitled to enjoy any distributable profits at the rate of 90% and 10%, respectively, on a going concern basis; and (iii) prior to taking any steps to affect liquidation of Wison Engineering, all distributable profits that have not been declared will be distributed in the ratio mentioned in (ii) above. Pursuant to Wison Engineering's articles of association, in the event of a liquidation of Wison Engineering, such part of its residual assets representing the registered capital of Wison Engineering would be distributed in accordance with its registered capital ratios, namely, 75% and 25% for Wison Technology (and, subsequently, Wison Energy (HK)) and Jiangsu Xinhua, respectively, and the remainder of its residual assets, if any, would be distributed in accordance with the profit distribution ratios, namely, 90% and 10% for Wison Technology (and, subsequently, Wison Energy (HK)) and Jiangsu Xinhua, respectively. Our PRC legal advisers have confirmed that the arrangements covered by the joint venture contract and the confirmation of Wison Engineering's shareholders do not contravene PRC laws and regulations nor Wison Engineering's articles of association and such arrangement is legal, valid and enforceable.

Under applicable PRC laws and regulations, the Sino-foreign co-operative joint venture structure allows profits to be allocated in different proportions than the parties' respective registered capital ownership percentages. When Wison Engineering was converted into a Sino-foreign co-operative joint venture on September 11, 2003, the 90:10 profit sharing ratio arrangement was already in place, and the parties had no intention of changing the previously agreed commercial arrangement regarding profit sharing. Following the arrangements effecting the 75%/25% registered capital ratio and the transfer of Jiangsu Xinhua's entire equity interest to Mr. Han Jianyu (as set out above), no further benefits or compensation was paid to Mr. Han Jianyu or Jiangsu Xinhua for agreeing to this profit sharing arrangement.

Key Financial Ratios

The following table sets forth, for the periods indicated, certain key financial ratios.

	Years ended December 31,			Six months ended June 30,
	2009	2010	2011	2012
Gross profit margins[1]	29.7%	24.5%	24.0%	21.4%
Net profit margins	12.2%	12.8%	11.7%	0.3%
Inventory turnover days[2]	16	8	8	14
Trade receivables turnover days[3]	86	53	35	34
Trade payables turnover days[4]	115	79	121	390
Gearing ratio[5]	5.4x	2.8x	2.0x	4.6x
Return on total assets[6]	7.6%	12.6%	11.6%	0.1%
Return on equity[7]	85.6%	91.2%	64.8%	0.7%

Notes:

(1) See "— Results of Operations — Gross Profit and Gross Profit Margin" for commentary on the fluctuation of gross profit margins.

(2) Inventory turnover days are derived by dividing the arithmetic mean of the beginning and ending inventory balances for the relevant period by cost of sales, and multiplying by the number of days in the period. See "— Liquidity and Capital Resources — Inventory Level and Turnover Days" for commentary on the fluctuation of inventory turnover days.

(3) Trade receivables turnover days are derived by dividing the arithmetic mean of the beginning and ending trade receivables balances for the relevant period by total revenue, and multiplying by the number of days in the period. See "— Liquidity and Capital Resources — Trade Receivables Level and Turnover Days" for commentary on the fluctuation of trade receivables turnover days. Our trade receivables turnover days may not reflect an average collection period between recognized revenue and cash receipt typical of that of other companies. Our trade receivables turnover days reflect the average collection period between confirmed progress billings by our clients and cash receipt by us. See "— Factors Affecting Our Results of Operations and Financial Condition — Timing of Our Cash Flow and Revenue Recognition" and "— Liquidity and Capital Resources — Gross Amounts Due from Contract Customers" for further details.

(4) Trade payables turnover days are derived by dividing the arithmetic mean of the beginning and ending trade payables balances for the relevant period by cost of sales, and multiplying by the number of days in the period. See "— Liquidity and Capital Resources — Trade Payables Level and Turnover Days" for commentary on the fluctuation of trade payables turnover days.

(5) Gearing ratio is derived by dividing total debt by total equity. Total debt represents interest-bearing bank loans and interest-bearing finance lease payables.

(6) Return on total assets is derived by dividing net profit by total assets. Total assets are the average beginning and ending balances of total assets within a certain period.

(7) Return on equity is derived by dividing net profit by shareholders' equity. Shareholders' equity is the average beginning and ending balances of the shareholders' equity within a certain period.

Gearing ratio

Our gearing ratio as of June 30, 2012 increased to 4.6x compared to 2.0x as of December 31, 2011, primarily due to an increase of RMB631.7 million in our total debt balance, resulting from an increase of RMB831.9 million in short-term bank loans, and a decrease of RMB325.8 million in our total equity balance, resulting from interim dividends of RMB327.9 million declared. Our gearing ratio as of December 31, 2011 decreased to 2.0x compared to 2.8x as of December 31, 2010, primarily due to our repayment of certain short-term bank loans, which was partially offset by a decrease in our total equity of 20.8%. Our gearing ratio as of December 31, 2010 decreased to 2.8x compared to 5.4x as of December 31, 2009, primarily due to a significant increase in our total equity of 167.7%, which was partially offset by an increase in short-term bank loans.

Return on total assets

Our return on total assets was 0.1% during the six months ended June 30, 2012, primarily due to a relatively low net profit of RMB2.2 million during the same period. Our return on total assets decreased to 11.6% in 2011 compared to 12.6% in 2010, primarily due to a 7.3% decrease in net profit from 2010 to 2011. In addition, the average beginning and ending balances of our total assets increased by 0.8% during the same period. Our return on total assets increased to 12.6% in 2010 compared to 7.6% in 2009, primarily due to a significant increase in net profit of 176.6% from 2009 to 2010, while the average beginning and ending balances of our total assets increased by 66.6% during the same period.

Return on equity

Our return on equity was 0.7% during the six months ended June 30, 2012, primarily due to a relatively low net profit of RMB2.2 million during the same period. Our return on equity decreased to 64.8% in 2011 compared to 91.2% in 2010, primarily due to a decrease in net profit of 7.3% from 2010 to 2011, while the average beginning and ending balances of our total equity increased by 30.5% during the same period. Our return on equity increased to 91.2% in 2010 compared to 85.6% in 2009, primarily due to a significant increase in net profit of 176.6% from 2009 to 2010, while the average beginning and ending balances of our total equity increased by 159.6% during the same period.

RESULTS OF OPERATIONS

Selected Consolidated Financial Information

The following table sets forth a summary, for the periods indicated, of our consolidated results of operations and each item expressed as a percentage of our total revenue.

	Year ended December 31,						Six months ended June 30,			
	2009		2010		2011		2011		2012	
							(unaudited)			
	(RMB in millions, except percentages)									
Revenue	1,884.4	100.0%	4,976.2	100.0%	5,036.6	100.0%	1,655.2	100.0%	861.7	100.0%
Cost of sales	(1,325.2)	(70.3)%	(3,755.8)	(75.5)%	(3,829.9)	(76.0)%	(1,287.6)	(77.8)%	(677.6)	(78.6)%
Gross profit	559.2	29.7%	1,220.4	24.5%	1,206.7	24.0%	367.6	22.2%	184.1	21.4%
Other income and gains	25.1	1.3%	35.0	0.7%	30.6	0.6%	16.1	1.0%	16.6	1.9%
Sales and marketing expenses	(14.7)	(0.8)%	(25.9)	(0.5)%	(25.0)	(0.5)%	(20.5)	(1.2)%	(32.5)	(3.8)%
Administrative expenses	(120.6)	(6.4)%	(158.2)	(3.2)%	(124.1)	(2.5)%	(81.1)	(4.9)%	(66.8)	(7.7)%
Other expenses	(66.3)	(3.5)%	(119.4)	(2.4)%	(155.7)	(3.1)%	(56.2)	(3.4)%	(52.0)	(6.0)%
Finance costs	(87.6)	(4.6)%	(133.7)	(2.7)%	(137.9)	(2.7)%	(81.8)	(4.9)%	(53.0)	(6.2)%
Share of profits and losses of an associate	0.1	—	0.4	—	0.6	—	0.2	—	0.1	—
Profit/(loss) Before Tax	295.2	15.7%	818.6	16.5%	795.2	15.8%	144.3	8.7%	(3.5)	(0.4)%
Income tax expense	(65.3)	(3.5)%	(182.6)	(3.7)%	(205.5)	(4.1)%	(35.6)	(2.1)%	5.7	0.7%
Profit After Tax and Total Comprehensive Income for the Year	229.9	12.2%	636.0	12.8%	589.7	11.7%	108.7	6.6%	2.2	0.3%
Profit and total comprehensive income attributable to:										
Equity holders of the parent	206.6	11.0%	567.7	11.4%	518.7	10.3%	95.4	5.8%	0.3	—
Non controlling interests	23.3	1.2%	68.3	1.4%	71.0	1.4%	13.3	0.8%	1.9	0.3%
	229.9	12.2%	636.0	12.8%	589.7	11.7%	108.7	6.6%	2.2	0.3%

See "Business—Business Segments—Table of Our Major Projects" for a more detailed description of the projects referenced below.

Six months ended June 30, 2012 compared to six months ended June 30, 2011

Revenue

Revenue decreased by RMB793.5 million, or 47.9%, from RMB1,655.2 million in the six months ended June 30, 2011 to RMB861.7 million in the six months ended June 30, 2012, principally due to decreases in revenue from two of our principal business segments, petrochemicals and oil refineries, offset in part by increased revenue from coal-to-chemicals.

The following table sets forth the two project groups (comprising a total of seven projects) that, while contributing significantly to our revenue in the six months ended June 30, 2011, contributed lesser amounts to our revenue in the six months ended June 30, 2012 as they each completed their principal construction phase at the end of 2011.

Periods of Principal Construction Phases

Project Group	Business Segments	For the six months ended June 30, 2009	December 31, 2009	June 30, 2010	December 31, 2010	June 30, 2011	December 31, 2011	June 30, 2012
(1) Project 24 (Dushanzi Polybutadiene Rubber Plant Project)	Petro-chemicals							
(2) Projects related to PetroChina Sichuan Integrated Refinery and Petrochemical Complex, namely:								
• Project 20 (PetroChina Sichuan LLDPE Plant Project);	Petro-chemicals							
• Project 21 (PetroChina Sichuan Ethylene Plant Project);	Petro-chemicals							
• Project 37 (PetroChina Sichuan Continuous Reforming Plant and PX Plant Project);	Oil Refineries							
• Project 38 (PetroChina Sichuan Gasoil Hydrocracking Plant Project);	Oil Refineries							
• Project 39 (PetroChina Sichuan Sulfur Recovery Plant Project); and	Oil Refineries							
• Project 40 (PetroChina Sichuan Refinery and Petrochemical Complex Utilities Project).	Oil Refineries							

In comparison, the following project began its principal construction phase in the second half of 2011 and, as a result, while it did not contribute to our revenue in the six months ended June 30, 2011, it contributed significantly to our revenue in the six months ended June 30, 2012.

Periods of Principal Construction Phases

Project Group	Business Segments	For the six months ended June 30, 2009	December 31, 2009	June 30, 2010	December 31, 2010	June 30, 2011	December 31, 2011	June 30, 2012
Project 46 (Baoji Methanol Project)	Coal-to-Chemicals							

- In petrochemicals, revenue exclusive of inter-segment sales decreased by RMB480.8 million, or 78.7%, from RMB610.9 million in the six months ended June 30, 2011 to RMB130.1 million in the six months ended June 30, 2012. We had inter-segment sales of RMB32.9 million in the six months ended June 30, 2012. The decrease in revenue for our petrochemicals business segment was primarily due to Projects 24 (Dushanzi Polybutadiene Rubber Plant Project), 20 (PetroChina Sichuan LLDPE Plant Project) and 21 (PetroChina Sichuan Ethylene Plant Project) completing their principal construction phases by the end of 2011.

As a result, the contract revenue of our projects in the petrochemicals business segment decreased significantly in the six months ended June 30, 2012 as compared to the six months ended June 30, 2011.

- In oil refineries, revenue decreased by RMB770.2 million, or 86.0%, from RMB895.4 million in the six months ended June 30, 2011 to RMB125.2 million in the six months ended June 30, 2012. This decrease was primarily due to Projects 37 (PetroChina Sichuan Continuous Reforming Plant and PX Plant Project), 38 (PetroChina Sichuan Gasoil Hydrocracking Plant Project), 39 (PetroChina Sichuan Sulfur Recovery Plant Project) and 40 (PetroChina Sichuan Refinery and Petrochemical Complex Utilities Project) completing their principal construction phases by the end of 2011. As a result, the contract revenue of our projects in the oil refineries business segment decreased significantly in the six months ended June 30, 2012 as compared to the six months ended June 30, 2011.

- In coal-to-chemicals, revenue increased by RMB381.6 million, or 274.1%, from RMB139.2 million in the six months ended June 30, 2011 to RMB520.8 million in the six months ended June 30, 2012. We had inter-segment sales of RMB0.5 million in the six months ended June 30, 2012. This increase was primarily due to our commencing Project 46 (Baoji Methanol Project) in March 2011. As a result, while Project 46 (Baoji Methanol Project) did not contribute significantly to our revenue in the six months ended June 30, 2011, it contributed significantly to our revenue in the six months ended June 30, 2012. Our research and development efforts in the past few years on the MTO and MTP processes have been beneficial to us in winning coal-to-chemicals projects from project owners who are seeking to develop projects incorporating these technologies. We have successfully developed our business relationships with certain new clients, including Shaanxi Changqing Energy & Chemical Co., Ltd. through winning the bid and undertaking Project 46 (Baoji Methanol Project).

- In other products and services, revenue exclusive of inter-segment sales increased by RMB75.9 million, or 782.5%, from RMB9.7 million in the six months ended June 30, 2011 to RMB85.6 million in the six months ended June 30, 2012. We had inter-segment sales of RMB0.4 million in the six months ended June 30, 2011 and nil in the six months ended June 30, 2012. This increase was primarily due to our commencing Project 58 (Zhoushan Wison Marine Engineering Base Project) in May 2012. As a result, while Project 58 (Zhoushan Wison Marine Engineering Base Project) did not contribute to our revenue in the six months ended June 30, 2011, it contributed to our revenue in the six months ended June 30, 2012.

Cost of Sales

Cost of sales decreased by RMB610.0 million, or 47.4%, from RMB1,287.6 million in the six months ended June 30, 2011 to RMB677.6 million in the six months ended June 30, 2012 principally due to decreases in revenue from two of our principal business segments, petrochemicals and oil refineries, offset in part by increased revenue from coal-to-chemicals. In the six months ended June 30, 2012, cost of sales decreased in petrochemicals and oil refineries, corresponding generally to the decrease in our revenue in these business segments. Cost of sales increased in coal-to-chemicals, also corresponding generally to the increase in our revenue in this business segment. In comparing our cost of sales in the six months ended June 30, 2011 to the six months ended June 30, 2012, the same three project groups (comprising eight projects) that had the most significant effect on our revenue also had the most significant effect on our cost of sales. Further details of our cost of sales breakdown by business segments are set out below.

- In petrochemicals, cost of sales exclusive of inter-segment sales decreased by RMB372.1 million, or 77.3%, from RMB481.1 million in the six months ended June 30, 2011 to RMB109.0 million in the six months ended June 30, 2012. The decrease in cost of sales for our petrochemicals business segment was primarily due to Projects 24 (Dushanzi Polybutadiene Rubber Plant Project), 20 (PetroChina Sichuan LLDPE Plant Project) and 21 (PetroChina Sichuan Ethylene Plant Project) completing their principal construction phases by the end of 2011. As a result, the cost of sales in the petrochemicals business segment decreased significantly in the six months ended June 30, 2012 as compared to the six months ended June 30, 2011.

- In oil refineries, cost of sales decreased by RMB592.1 million, or 84.6%, from RMB699.8 million in the six months ended June 30, 2011 to RMB107.7 million in the six months ended June 30, 2012. The decrease in cost of sales for our oil refineries business segment was primarily due to Projects 37 (PetroChina Sichuan Continuous Reforming Plant and PX Plant Project), 38 (PetroChina Sichuan Gasoil Hydrocracking Plant Project), 39 (PetroChina Sichuan Sulfur Recovery Plant Project) and 40 (PetroChina Sichuan Refinery and Petrochemical Complex Utilities Project) completing their principal construction phases by the end of 2011. As a result, the cost of sales in the oil refineries business segment decreased significantly in the six months ended June 30, 2012 as compared to the six months ended June 30, 2011.

- In coal-to-chemicals, cost of sales increased by RMB289.0 million, or 294.6%, from RMB98.1 million in the six months ended June 30, 2011 to RMB387.1 million in the six months ended June 30, 2012. This increase was primarily due to Project 46 (Baoji Methanol Project) entered into its principal construction phase only after June 30, 2011.

- In other products and services, cost of sales exclusive of inter-segment sales increased by RMB65.2 million, or 758.1%, from RMB8.6 million in the six months ended June 30, 2011 to RMB73.8 million in the six months ended June 30, 2012. We had inter-segment cost of sales of RMB0.4 million in the six months ended June 30, 2011 and nil inter-segment cost of sales in the six months ended June 30, 2012. The increase was primarily due to increased activities on Project 58 (Zhoushan Wison Marine Engineering Base Project).

Gross profit and gross profit margin

As a result of the foregoing, our gross profit decreased by RMB183.5 million, or 49.9%, from RMB367.6 million in the six months ended June 30, 2011 to RMB184.1 million in the six months ended June 30, 2012. Our gross profit margin was 22.2% in the six months ended June 30, 2011 compared to 21.4% in the six months ended June 30, 2012. In the six months ended June 30, 2011, our gross profit margins in our petrochemicals, oil refineries and coal-to-chemicals business segments were 21.2%, 21.8% and 29.5%, respectively, compared to 16.2%, 14.0% and 25.7%, in the six months ended June 30, 2012. The decreases in the gross profit margins in petrochemicals and oil refineries were primarily attributable to adjustments in our cost recognition for the six months ended June 30, 2012, in the amounts of RMB7.9 million and RMB8.7 million, respectively, at the end of the principal construction phases of the relevant projects, when miscellaneous additional costs associated with fine tuning the machinery and equipment or small modifications related to various installations were recognized. At the end of 2011, we had a number of projects completing their principal construction phases. For these projects, most of the project revenue had been recognized by that time. As the projects were relatively large, the recognition of additional costs in 2012 due to these cost adjustments, combined with the reduction in project revenue after completion of the principal construction phases, resulted in the negative effect on revenue and gross profit margins for the six months ended June 30, 2012. The decrease in the gross profit margins in coal-to-chemicals was primarily attributable to the smaller size of projects we undertook in the six months ended June 30, 2011. Smaller projects often involve a larger proportion of engineering work compared to larger projects, and engineering work normally has a higher gross profit margin compared to procurement and construction management work. In the six months ended June 30, 2012, Project 46 (Baoji Methanol Project) was the only major project in its principal construction phase and involved a larger proportion of procurement and construction management work. As a result, our model and mix of services were such that they had a higher combined gross profit margin in the six months ended June 30, 2011.

Other income

Other income increased by RMB0.5 million, or 3.1%, from RMB16.1 million in the six months ended June 30, 2011 to RMB16.6 million in the six months ended June 30, 2012. We had an increase in government grant to Wison Engineering in the amount of RMB1.6 million related primarily to the payment of withholding tax by Wison Engineering for Wison Energy (HK) pursuant to relevant PRC tax regulations, offset in part by a decrease in other interest income as certain of our pledged deposits had been released. Other income accounted for 1.0% of our revenue in the six months ended June 30, 2011, as compared to 1.9% in the six months ended June 30, 2012.

Sales and marketing expenses

Sales and marketing expenses increased by RMB12.0 million, or 58.5%, from RMB20.5 million in the six months ended June 30, 2011 to RMB32.5 million in the six months ended June 30, 2012. We had an increase in advertising expenses in connection with an outdoor advertisement campaign and an increase in employee expenses primarily due to an increase in business development activities. Sales and marketing expenses accounted for 1.2% of our revenue in the six months ended June 30, 2011, as compared to 3.8% in the six months ended June 30, 2012.

Administrative expenses

Administrative expenses decreased by RMB14.3 million, or 17.6%, from RMB81.1 million in the six months ended June 30, 2011 to RMB66.8 million in the six months ended June 30, 2012. We had a decrease in employee expenses primarily due to a decrease in the wages and benefits of certain engineers who were reallocated to the costs of engineering projects, a decrease in consulting fees and a decrease in listing expenses, offset in part by an increase in administrative and office expenses primarily due to an increase in rental expenses, an increase in other expenses primarily due to exchange losses and an increase in depreciation and amortization primarily due to an increase in amortization related to the parcel of land in Shanghai for our planned research and development center. Administrative expenses, as a percentage of our revenue, were 4.9% in the six months ended June 30, 2011, as compared to 7.8% in the six months ended June 30, 2012.

Other expenses

Other expenses decreased by RMB4.2 million, or 7.5%, from RMB56.2 million in the six months ended June 30, 2011 to RMB52.0 million in the six months ended June 30, 2012. This decrease was primarily due to research and development expenses decreased by RMB5.6 million and the absence of any foreign exchange losses from our non-delivery foreign exchange contracts (NDF), which expired in August 2011, as compared to a recorded RMB1.6 million loss as of June 30, 2011. This decrease was offset in part by a decrease in reversal of provision of RMB1.0 million. Other expenses, as a percentage of our revenue, were 3.4% in the six months ended June 30, 2011, as compared to 6.0% in the six months ended June 30, 2012.

Finance costs

Finance costs decreased by RMB28.8 million, or 35.2%, from RMB81.8 million in the six months ended June 30, 2011 to RMB53.0 million in the six months ended June 30, 2012. This decrease was primarily due to a decrease in our interest payment as our overall borrowing decreased in the six months ended June 30, 2012 compared to the six months ended June 30, 2011. Finance costs, as a percentage of our revenue, were 4.9% in the six months ended June 30, 2011, as compared to 6.2% in the six months ended June 30, 2012.

Income tax expenses

Income tax expenses decreased by RMB41.3 million, or 116.3%, from RMB35.6 million in the six months ended June 30, 2011 to a credit of RMB5.7 million in the six months ended June 30, 2012. This decrease was primarily due to the decrease of the taxable revenue in the six months ended June 30, 2012 and the tax incentives awarded to us for our research and development activities.

Net profit

Net profit decreased by RMB106.5 million, or 97.9%, from RMB108.7 million in the six months ended June 30, 2011 to RMB2.2 million in the six months ended June 30, 2012. Our net profit margin was 6.6% in the six months ended June 30, 2011 and decreased to 0.3% in the six months ended June 30, 2012. The significant decreases of our net profit and net profit margin in six months ended June 30, 2012 were primarily due to the significant decrease of our revenue in six months ended June 30, 2012, as a result of Project 24 (Dushanzi Polybutadiene Rubber Plant Project) and projects related to PetroChina Sichuan Integrated Refinery and Petrochemical Complex having completed their principal construction phases at the end of 2011, while Projects 52 (Erdos Guotai Chemical Coal-to-Methanol Project), 54 (Pucheng Polyethylene Plant Project) and 58 (Zhoushan Wison Marine Engineering Base Project) would not have begun their principal construction phases until the second half of 2012. See "—Results of Operations—Six months ended June 30, 2012 compared to six months ended June 30, 2011—Revenue" and "—Recent Developments" for more details.

Year ended December 31, 2011 compared to year ended December 31, 2010

Revenue

Revenue increased by RMB60.4 million, or 1.2%, from RMB4,976.2 million in 2010 to RMB5,036.6 million in 2011. In 2011, our revenue from oil refineries and coal-to-chemicals increased while revenue from petrochemicals decreased compared to 2010. Revenue from oil refineries became our largest business segment in 2011, overtaking petrochemicals, which had been our largest business segment in 2009 and 2010.

The following table sets forth the three project groups (comprising a total of eight projects) that made significant contribution to our revenue in 2011, as the construction activities of Project 24 (Dushanzi Polybutadiene Rubber Plant Project) and the six projects related to PetroChina Sichuan Integrated Refinery and Petrochemical Complex increased throughout 2010, peaking in 2011 and Project 46 (Baoji Methanol Project) entered into its principal construction phase in the second half of 2011.

Periods of Principal Construction Phases

		For the six months ended						
Project Group	Business Segments	June 30, 2009	December 31, 2009	June 30, 2010	December 31, 2010	June 30, 2011	December 31, 2011	June 30, 2012
(1) Project 24 (Dushanzi Polybutadiene Rubber Plant Project)	Petro-chemicals							
(2) Projects related to PetroChina Sichuan Integrated Refinery and Petrochemical Complex, namely:								
• Project 20 (PetroChina Sichuan LLDPE Plant Project);	Petro-chemicals							
• Project 21 (PetroChina Sichuan Ethylene Plant Project);	Petro-chemicals							
• Project 37 (PetroChina Sichuan Continuous Reforming Plant and PX Plant Project);	Oil Refineries							
• Project 38 (PetroChina Sichuan Gasoil Hydrocracking Plant Project);	Oil Refineries							
• Project 39 (PetroChina Sichuan Sulfur Recovery Plant Project); and	Oil Refineries							
• Project 40 (PetroChina Sichuan Refinery and Petrochemical Complex Utilities Project).	Oil Refineries							
(3) Project 46 (Baoji Methanol Project	Coal-to-Chemicals							

In comparison, while the construction activities of Project 17 (PetroChina Fushun Ethylene Plant Project) peaked in the second half of 2010 and contributed significantly to our revenue in 2010, as Project 17 (PetroChina Fushun Ethylene Plant Project) had progressed beyond its principal construction phase by the end of 2010 its construction activities contributed less to our revenue in 2011.

Periods of Principal Construction Phases

		For the six months ended						
Project Group	Business Segments	June 30, 2009	December 31, 2009	June 30, 2010	December 31, 2010	June 30, 2011	December 31, 2011	June 30, 2012
Project 17 (PetroChina Fushun Ethylene Plant Project)	Petro-chemicals							

Further details of our revenue breakdown by business segments are set out below.

- In petrochemicals, revenue exclusive of inter-segment sales decreased by RMB1,236.3 million, or 43.2%, from RMB2,860.5 million in 2010 to RMB1,624.2 million in 2011. We had inter-segment sales of RMB32.1 million in 2011, when Wison Energy (HK) began to import certain raw materials, parts and equipment for our Group. The decrease in revenue for our petrochemicals business segment was primarily due to the timing of the principal construction phase of Project 17 (PetroChina Fushun Ethylene Plant Project), which peaked in the second half of 2010. As a result, we had fewer major projects that were in their principal construction phase and contributed substantially to our segment revenue in 2011 than in 2010.

- In oil refineries, revenue increased by RMB397.0 million, or 19.4%, from RMB2,050.0 million in 2010 to RMB2,447.0 million in 2011. This increase was primarily due to increased activities among the projects related to PetroChina Sichuan Integrated Refinery and Petrochemical Complex. We won the contracts for the PetroChina Sichuan Integrated Refinery and Petrochemical Complex in late 2009 as our expertise in providing PC services to oil refinery projects gained recognition among oil refinery project owners, including PetroChina Sichuan. The contract revenue of our oil refineries business segment increased throughout 2010, peaking in 2011. As a result, oil refineries became our largest business segment by the end of 2011, overtaking petrochemicals.

- In coal-to-chemicals, revenue increased by RMB921.3 million, or 3,244.0%, from RMB28.4 million in 2010 to RMB949.7 million in 2011. This increase was primarily due to us commencing Project 46 (Baoji Methanol Project) in March 2011. Our research and development efforts in the past few years on the MTO and MTP processes have been beneficial to us in dealing with coal-to-chemicals project owners who are seeking to develop projects incorporating these technologies. We have successfully developed our business relationships with certain new clients, including Shaanxi Changqing Energy & Chemical Co., Ltd. through winning the bid and undertaking Project 46 (Baoji Methanol Project).

- In other products and services, revenue exclusive of inter-segment sales decreased by RMB21.6 million, or 57.9%, from RMB37.3 million in 2010 to RMB15.7 million in 2011. Revenue inclusive of inter-segment sales decreased by RMB111.3 million, or 86.1%, from RMB129.3 million in 2010 to RMB18.0 million in 2011. Revenue attributable to our inter-segment sales decreased by RMB89.7 million, or 97.5%, from RMB92.0 million in 2010 to RMB2.3 million in 2011, as the EPC projects we undertook consumed fewer pipes and ancillary accessories in 2011 primarily due to Projects 17 (PetroChina Fushun Ethylene Plant Project) and 21 (PetroChina Sichuan Ethylene Plant Project) being at a stage where they had completed the purchase and installation of pipes and related components supplied by Wison Yangzhou, and we had no other large scale projects at the time to offset the decrease.

Cost of sales

Cost of sales increased by RMB74.1 million, or 2.0%, from RMB3,755.8 million in 2010 to RMB3,829.9 million in 2011. In 2011, cost of sales increased in oil refineries and coal-to-chemicals, corresponding generally to the increases in our revenue in these business segments. Cost of sales decreased in petrochemicals, also corresponding generally to the decrease in our revenue in this business segment. In comparing our cost of sales in 2010 with our cost of sales in 2011, the same four project groups that had the most significant effect on our revenue also had the most significant effect on our cost of sales. Further details of our cost of sales breakdown by business segments are set out below.

- In petrochemicals, cost of sales exclusive of inter-segment sales decreased by RMB892.5 million, or 42.3%, from RMB2,107.8 million in 2010 to RMB1,215.3 million in 2011. Our cost of sales in 2011 inclusive of inter-segment sales was RMB1,243.3 million. The decrease in cost of sales for our petrochemicals business segment was primarily due to decreased activities in Project 17 (PetroChina Fushun Ethylene Plant Project), as its principal construction phase peaked in 2010.

- In oil refineries, cost of sales increased by RMB272.9 million, or 16.9%, from RMB1,618.1 million in 2010 to RMB1,891.0 million in 2011. This increase was primarily due to increased activities among the oil refineries projects related to PetroChina Sichuan Integrated Refinery and Petrochemical Complex.

- In coal-to-chemicals, cost of sales increased by RMB702.7 million, or 10,488.1%, from RMB6.7 million in 2010 to RMB709.4 million in 2011. This increase was primarily due to us commencing Project 46 (Baoji Methanol Project) in March 2011.

- In other products and services, cost of sales exclusive of our inter-segment sales decreased by RMB9.0 million, or 38.8%, from RMB23.2 million in 2010 to RMB14.2 million in 2011. Cost of sales inclusive of inter-segment sales decreased by RMB64.1 million, or 79.7%, from RMB80.4 million in 2010 to RMB16.3 million in 2011. Cost of sales attributable to our inter-segment sales decreased by RMB55.1 million, or 96.3%, from RMB57.2 million in 2010 to RMB2.1 million in 2011.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit decreased by RMB13.7 million, or 1.1%, from RMB1,220.4 million in 2010 to RMB1,206.7 million in 2011. Our gross profit margin was 24.5% in 2010, compared to 24.0% in 2011. In 2010, our gross profit margins in our petrochemicals, oil refineries and coal-to-chemicals business segments, exclusive of inter-segment sales, were 26.3%, 21.1% and 76.4%, respectively, compared to 25.2%, 22.7% and 25.3% in 2011. The small changes in the gross profit margins in petrochemicals and oil refineries were primarily attributable to the model and mix of services provided during the relevant periods. Our gross profit margin in coal-to-chemicals was more in line with those of petrochemicals and oil refineries in 2011 than in 2010. In 2010, we had a limited number of major projects, many of which tended to entail a substantial amount of relatively high margin engineering or management services.

Other income

Other income decreased by RMB4.4 million, or 12.6%, from RMB35.0 million in 2010 to RMB30.6 million in 2011. We had a decrease in interest income of RMB11.5 million in 2011, offset in part by an increase in rental income of RMB5.3 million. Other income accounted for 0.7% of our revenue in 2010, as compared to 0.6% in 2011.

Sales and marketing expenses

Sales and marketing expenses decreased by RMB0.9 million, or 3.5%, from RMB25.9 million in 2010 to RMB25.0 million in 2011. This decrease was primarily due to a decrease in transportation expense in connection with the delivery of pipes and related components from Wison Yangzhou. Our selling and marketing expenses accounted for 0.5% of our revenue in 2010, the same percentage in 2011.

Administrative expenses

Administrative expenses decreased by RMB34.1 million, or 21.6%, from RMB158.2 million in 2010 to RMB124.1 million in 2011. We had increases in foreign exchange gains and decreases in employee expenses, including net wage and training expenses for our employees. Our increases in foreign exchange gains was due in part to foreign exchange gains from the repayment of certain U.S. dollar denominated loans. However, the foreign exchange gains generated as a result of the depreciation of U.S. dollars against Renminbi realized upon the repayment of certain of our U.S. dollar denominated loans was also offset by losses from our non-delivery foreign exchange forward contracts (NDF) that we entered into to hedge against such foreign exchange exposure. The offsetting losses from our NDF contracts were recorded in "other expenses". The decreases in our administrative expenses were offset in part by an increase in our listing expenses for this Listing. Our administrative expenses, as a percentage of our revenue, were 3.2% in 2010, as compared to 2.5% in 2011.

Other expenses

Other expenses increased by RMB36.3 million, or 30.4%, from RMB119.4 million in 2010 to RMB155.7 million in 2011. This increase was primarily due to an increase in research and development expenses of RMB30.9 million in relation to developing technologies in the coal-to-chemicals processes, an increase in our fair value losses on derivative instruments by RMB5.1 million in relation to losses from our NDF contracts and an increase in our charitable expenses by RMB2.9 million. Our other expenses, as a percentage of our revenue, were 2.4% in 2010, as compared to 3.1% in 2011.

Finance costs

Finance costs increased by RMB4.2 million, or 3.2%, from RMB133.7 million in 2010 to RMB137.9 million in 2011. This increase was primarily due to an increase in interest payments. The average interest rate applicable to our borrowings rose in 2011 compared to 2010, notwithstanding that the amount of our interest-bearing bank and other borrowings decreased from RMB2,883.4 million as of December 31, 2010 to RMB1,592.3 million as of December 31, 2011, as most of the repayment occurred in late 2011. Finance costs, as a percentage of our revenue, were 2.7% in both 2010 and 2011.

Income tax expense

Income tax expense increased by RMB22.9 million, or 12.5%, from RMB182.6 million in 2010 to RMB205.5 million in 2011. Our effective tax rate in 2010 was 22.3%, as compared to 25.8% in 2011. See "—Taxation—PRC Taxation" below for further details regarding our tax obligations.

Net profit

Net profit decreased by RMB46.3 million, or 7.3%, from RMB636.0 million in 2010 to RMB589.7 million in 2011. Our net profit margin was 12.8% in 2010 and decreased slightly to 11.7% in 2011, primarily as a result of our decreased gross profit margin as a reflection of the model and mix of services provided and the construction phases of our major projects in 2010 and 2011.

Year ended December 31, 2010 compared to year ended December 31, 2009

Revenue

Revenue increased by RMB3,091.8 million, or 164.1%, from RMB1,884.4 million in 2009 to RMB4,976.2 million in 2010 principally due to increases in revenue from two of our principal business segments, petrochemicals and oil refineries, and revenue from oil refineries increased at a greater rate than the revenue from petrochemicals.

The following table sets forth the three project groups (comprising a total of eight projects) that made significant contribution to our revenue in 2010, particularly in the second half of 2010 as they entered into their principal construction phases.

Periods of Principal Construction Phases

		For the six months ended						
Project Group	Business Segments	June 30, 2009	December 31, 2009	June 30, 2010	December 31, 2010	June 30, 2011	December 31, 2011	June 30, 2012
(1) Project 17 (PetroChina Fushun Ethylene Plant Project)	Petro-chemicals							
(2) Project 24 (Dushanzi Polybutadiene Rubber Plant Project)	Petro-chemicals							
(3) Projects related to PetroChina Sichuan Integrated Refinery and Petrochemical Complex, namely:								
• Project 20 (PetroChina Sichuan LLDPE Plant Project)	Petro-chemicals							
• Project 21 (PetroChina Sichuan Ethylene Plant Project)	Petro-chemicals							
• Project 37 (PetroChina Sichuan Continuous Reforming Plant and PX Plant Project)	Oil Refineries							
• Project 38 (PetroChina Sichuan Gasoil Hydrocracking Plant Project)	Oil Refineries							
• Project 39 (PetroChina Sichuan Sulfur Recovery Plant Project)	Oil Refineries							
• Project 40 (PetroChina Sichuan Refinery and Petrochemical Complex Utilities Project)	Oil Refineries							

In comparison, the following two project groups, while contributing significantly to our revenue in 2009, contributed less to our revenue in 2010 as they completed their principal construction phase at the end of 2009.

Period of Principal Construction Phases

		For the six months ended						
Project Group	Business Segments	June 30, 2009	December 31, 2009	June 30, 2010	December 31, 2010	June 30, 2011	December 31, 2011	June 30, 2012
(1) Project 15 (Nanjing BASF-YPC Ethylene Cracking Furnace Project)	Petro-chemicals							
(2) Project 16 (Huizhou CSPC Ethylene Cracking Furnace Project)	Petro-chemicals							

- In petrochemicals, revenue increased by RMB1,474.2 million, or 106.3%, from RMB1,386.3 million in 2009 to RMB2,860.5 million in 2010. During 2010, Project 17 (PetroChina Fushun Ethylene Plant Project), 24 (Dushanzi Polybutadiene Rubber Plant Project), 21 (PetroChina Sichuan Ethylene Plant Project) and 20 (PetroChina Sichuan LLDPE Plant Project) entered into their principal construction phases. This was offset in part primarily by the completion of Projects 16 (Huizhou CSPC Ethylene Cracking Furnace Project) and 15 (Nanjing BASF-YPC Ethylene Cracking Furnace Project).

- In oil refineries, revenue increased by RMB1,842.7 million, or 888.9%, from RMB207.3 million in 2009 to RMB2,050.0 million in 2010. We won the contracts for the PetroChina Sichuan Integrated Refinery and Petrochemical Complex in late 2009, as our expertise in providing PC services to oil refinery projects began to gain recognition among oil refinery project owners. As a result, the contract revenue of our projects in the oil refineries business segment increased significantly in 2010 as compared to 2009. This was offset in part primarily by decreased activities in Project 36 (PetroChina Guangxi Refinery Project) as it progressed out of its principal construction phase.

- In coal-to-chemicals revenue decreased by RMB182.5 million, or 86.5%, from RMB210.9 million in 2009 to RMB28.4 million in 2010. This decrease was primarily due to the cancellation of Project 43 (Erdos Guotai Methanol Project) in January 2010, when the project owner failed to secure the allocation of coal feed stock as anticipated, and the completion of Project 42 (Wison (Nanjing) Synthesis Gas Project) in November 2009.

- In other products and services, revenue exclusive of inter-segment sales decreased by RMB42.6 million, or 53.3%, from RMB79.9 million in 2009 to RMB37.3 million in 2010. Revenue inclusive of inter-segment sales decreased slightly by RMB9.5 million, or 6.8%, from RMB138.8 million in 2009 to RMB129.3 million in 2010. Revenue of our inter-segment sales increased by RMB33.1 million, or 56.2%, from RMB58.9 million in 2009 to RMB92.0 million in 2010, as the EPC projects we undertook continued to consume more pipes and ancillary accessories.

Cost of sales

Cost of sales increased by RMB2,430.6 million, or 183.4%, from RMB1,325.2 million in 2009 to RMB3,755.8 million in 2010, primarily attributable to the increase in cost of sales in petrochemicals and oil refineries, which correspond generally to the increases in our revenue in each of these business segments.

- In petrochemicals, cost of sales increased by RMB1,117.9 million, or 112.9%, from RMB989.9 million in 2009 to RMB2,107.8 million in 2010, primarily attributable to increased activities among Project 17 (PetroChina Fushun Ethylene Plant Project) and projects related to PetroChina Sichuan Integrated Refinery and Petrochemical Complex when they entered into their principal construction phases. This was offset in part primarily by the completion of projects related to PetroChina Dushanzi Integrated Refinery and Petrochemical Complex, Projects 16 (Huizhou CSPC Ethylene Cracking Furnace Project) and Project 15 (Nanjing BASF-YPC Ethylene Cracking Furnace Project).

- In oil refineries, cost of sales increased by RMB1,458.2 million, or 911.9%, from RMB159.9 million in 2009 to RMB1,618.1 million in 2010, primarily attributable to increased activities among projects related to PetroChina Sichuan Integrated Refinery and Petrochemical Complex as they entered into their principal construction phases. This was offset by the completion of Project 36 (PetroChina Guangxi Refinery Project).

- In coal-to-chemicals, cost of sales decreased by RMB113.7 million, or 94.4%, from RMB120.4 million in 2009 to RMB6.7 million in 2010, primarily attributable to the suspension of Project 43 (Erdos Guotai Methanol Project) and the completion of Project 42 (Wison (Nanjing) Synthesis Gas Project) in November 2009.

- In other products and services, cost of sales exclusive of inter-segment sales decreased by RMB31.8 million, or 57.8%, from RMB55.0 million in 2009 to RMB23.2 million in 2010. Cost of sales inclusive of inter-segment sales decreased slightly by RMB15.0 million, or 15.7%, from RMB95.4 million in 2009 to RMB80.4 million in 2010. Cost of sales attributable to our inter-segment sales increased by RMB16.8 million, or 41.6%, from RMB40.4 million in 2009 to RMB57.2 million in 2010, as the EPC projects we undertook continued to consume more pipes and ancillary accessories.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by RMB661.2 million, or 118.2%, from RMB559.2 million in 2009 to RMB1,220.4 million in 2010. Our gross profit margin was 29.7% in 2009, compared to 24.5% in 2010. In 2009, our gross profit margins in petrochemicals, oil refineries and coal-to-chemicals business segments were 28.6%, 22.9% and 42.9%, respectively compared to 26.3%, 21.1% and 76.4% in 2010. The small changes to the gross profit margins in petrochemicals and oil refineries were primarily attributable to the model and mix of services provided and the construction phases of our major projects during the relevant periods. In comparison, in our coal-to-chemicals business segment we had a limited number of major projects ongoing, some of which tended to entail a substantial amount of relatively high margin engineering or management services.

Other income

Other income increased by RMB9.9 million, or 39.4%, from RMB25.1 million in 2009 to RMB35.0 million in 2010. This increase was primarily due to an increase in other interest income of RMB18.0 million, offset in part by a decrease in income from scrap sales of RMB9.2 million. Other income accounted for 1.3% of our revenue in 2009, as compared to 0.7% in 2010.

Sales and marketing expenses

Sales and marketing expenses increased by RMB11.2 million, or 76.2%, from RMB14.7 million in 2009 to RMB25.9 million in 2010. This increase was primarily due to increases in wage, travel and marketing expenses as our operations grew. Our selling and marketing expenses, as a percentage of our revenue, were 0.8% in 2009, as compared to 0.5% in 2010.

Administrative expenses

Administrative expenses increased by RMB37.6 million, or 31.2%, from RMB120.6 million in 2009 to RMB158.2 million in 2010. We had increases in listing expenses for this Listing, wage and social insurance payments for our employees, inventory provision, travel expenses and hospitality expenses as a result of our increased scale of operation in 2010. Our administrative expenses, as a percentage of our revenue, were 6.4% in 2009, as compared to 3.2% in 2010.

Other expenses

Other expenses increased by RMB53.1 million, or 80.1%, from RMB66.3 million in 2009 to RMB119.4 million in 2010, primarily due to increases in research and development expenses of RMB55.2 million in relation to developing technologies in the coal-to-chemicals processes and charity expenses of RMB1.6 million, offset in part by a decrease in expenses on sales of materials of RMB5.3 million. Our other expenses, as a percentage of our revenue, were 3.5% in 2009, as compared to 2.4% in 2010.

Finance costs

Finance costs increased by RMB46.1 million, or 52.6%, from RMB87.6 million in 2009 to RMB133.7 million in 2010. This increase was primarily due to an increase in interest payments as the amount of our interest-bearing bank and other borrowings increased from RMB2,058.1 million as of December 31, 2009 to RMB2,883.4 million as of December 31, 2010. Finance costs, as a percentage of our revenue, were 4.6% in 2009, as compared to 2.7% in 2010.

Income tax expense

Our income tax expense was RMB65.3 million in 2009 compared with RMB182.6 million in 2010. Our effective income tax rate in 2009 was 22.1%, as compared to 22.3% in 2010. See "—Taxation—PRC Taxation" for further details regarding our tax obligations.

Net profit

As a result of the foregoing, profit for the year increased by RMB406.1 million, or 176.6%, from RMB229.9 million in 2009 to RMB636.0 million in 2010. Our net profit margin was 12.2% in 2009 and increased to 12.8% in 2010, primarily as a result of our improved efficiency due to obtaining greater economies of scale.

LIQUIDITY AND CAPITAL RESOURCES

From time to time we have working capital needs to finance the construction of projects. We use a variety of sources, both external and internal, to finance our operations. In addition to cash flows from our operations, we use short-term bank borrowings to fund our working capital requirements. Our short-term funding sources may vary from period to period, but they have generally included credit facilities with international and domestic banks. As of December 31, 2009, 2010 and 2011, we had net current assets of RMB309.5 million, RMB1,065.1 million and RMB387.8 million, respectively. As of June 30, 2012, we had net current liabilities of RMB338.6 million and an unaudited net current liabilities of RMB93.3 million as of October 31, 2012.

The following table sets forth our current assets and liabilities for the periods indicated.

	As of December 31,			As of June 30,	As of October 31,
	2009	2010	2011	2012	2012
					(unaudited)
	(RMB in millions)				
Current Assets:					
Inventories	51.9	117.0	46.8	59.1	286.9
Gross amounts due from contract customers	352.8	468.0	2,096.2	2,133.4	2,792.5
Trade and bills receivables	630.6	802.1	163.8	157.3	139.1
Due from a director	0.4	0.7	—	—	—
Due from related companies	34.7	543.7	0.2	0.2	1.5
Due from fellow subsidiaries	487.0	1,178.2	3.1	6.2	8.9
Due from the ultimate holding company	874.0	343.6	—	—	—
Prepayments, deposits and other receivables	44.0	49.2	80.4	162.2	127.8
Pledged bank balances and time deposits	898.3	1,568.7	508.2	718.8	397.8
Unpledged cash and bank balances	435.6	542.2	640.0	571.0	382.9
Total current assets	3,809.3	5,613.4	3,538.7	3,808.2	4,137.4
Current Liabilities:					
Gross amounts due to contract customers	703.9	414.3	0.6	336.3	37.3
Trade and bills payables	588.9	1,031.2	1,508.2	1,387.5	1,974.2
Other payables, advances from customers and accruals	133.7	252.6	175.2	137.5	182.5
Derivative financial instruments	—	0.7	—	—	—
Interest-bearing bank borrowings	1,823.3	2,592.7	1,391.6	2,223.5	2,005.4
Due to a related company	20.0	—	—	—	—
Due to a fellow subsidiary	3.7	—	—	—	—
Due to an associate	—	—	0.6	0.6	0.6
Due to a related party	0.6	—	—	—	—
Dividends payable	184.6	184.6	—	61.4	16.4
Tax payable	41.1	72.2	74.7	—	14.3
Total current liabilities	3,499.8	4,548.3	3,150.9	4,146.8	4,230.7
Net Current Assets/(Liabilities)	309.5	1,065.1	387.8	(338.6)	(93.3)

Our business consists principally of a relatively small number of project contracts each having a relatively large contract value. The timing of our cash flows from operating activities are relatively uneven, as a result of the timing of our progress billings and the payment practices of our clients. To mitigate the risks created by this pattern of volatile cash flows, we have developed risk controls, including selectivity as to the projects we bid on, and we have implemented disciplined management of our cash flows. See "Business—Pricing and Risk Management—Risk Management Strategies" for further disclosure on our risk management procedures and processes. Our client base primarily consists of sizeable and established industry leaders in the petrochemicals market in the PRC that are state-owned and that we believe pose relatively low credit risks. While we recognize revenues and costs for our construction contracts according to the percentage of completion basis, our progress billings to clients are independent of revenue recognition, although they are structured to try to ensure that the amounts billed to clients are in line with, or generally, if not always, ahead of, our recognition of revenue and costs and our trade payable obligations. As a result of these timing differences between our cash inflows and outflows, we have had to rely on short-term bank borrowings under current liabilities to fund a portion of our working capital requirements and expect to continue to do so in the future. As of December 31, 2009, 2010 and 2011 and June 30, 2012, our interest-bearing bank borrowings, which included borrowing for our working capital needs and for intercompany loans, were RMB1,823.3 million, RMB2,592.7 million, RMB1,391.6 million and RMB2,223.5 million, respectively. As of December 31, 2009, 2010 and 2011 and June 30, 2012, our unutilized banking facilities were RMB2,977.9 million, RMB3,061.6 million, RMB2,203.5 million and RMB1,033.9 million, respectively. As of December 31, 2011, we settled all of our intercompany loans. We do not intend to make any intercompany loans in the foreseeable future. As a result, we may reduce the amount of our total available borrowing balances. During 2009, 2010, 2011 and up to the Latest Practicable Date, we have ensured that we have sufficient unutilized banking facilities to cover any shortfall in our working capital. We had net current liabilities of RMB93.3 million, as of October 31, 2012, which was primarily due to (i) dividends of approximately RMB256.6 million declared and paid to Wison Investment, (ii) a reclassification of approximately RMB200.0 million indebtedness from non-current liability to current liability as the maturity date was less than one year from October 31, 2012, and (iii) incurrence of capital expenditures in the amount of approximately RMB262.0 million for the Shanghai research and development center. Despite this net current liabilities position, our Directors believe that, through our unutilized banking facilities and/or cash flow from operations, we will have sufficient financial resources to satisfy our liabilities as and when they fall due or as and when they are demanded.

In addition, as we venture into the international market, we may enter into contracts where, compared to our existing contracts in the PRC, the advance payments we receive from project owners will be less, or even none. If the equipment or raw material suppliers for those projects require advance payment from us, we could experience increasing working capital needs. See "Risk Factors—Risks Relating to Our Business—We may experience increased working capital requirements and net cash outflows from time to time that could adversely affect our ability to meet our liquidity needs" for a more detailed description of our cash flow mismatch and associated risks.

Working Capital

Taking into account the estimated net proceeds from the Global Offering, unpledged cash and bank balances, available banking and credit facilities and cash inflow from our profitable operations, our Directors believe that we will have sufficient working capital for our present requirements and for the next 12 months from the date of this prospectus. We are also not aware of any material change to the underlying drivers of our source of cash subsequent to June 30, 2012 and up to the Latest Practicable Date as otherwise disclosed below.

As of the Latest Practicable Date, we were not aware of any withdrawal of any banking facilities, early payment of outstanding loans required by banks, requests by banks to increase the amount of pledge(s) for secured borrowings, cancellation of orders, bankruptcy on the part of any clients and/or suppliers, or anything else that may materially and adversely affect our assets, operations, business, profits or cash flows. There was no default by any of our clients under any of our agreements with them that materially and adversely affected our financial position during the three years ended December 31, 2011 and up to the Latest Practicable Date.

Liquidity Ratios

The following table sets forth, for the periods indicated, certain of our liquidity ratios.

	Years ended December 31,			Six months ended June 30,
	2009	2010	2011	2012
Inventory turnover days[(1)]	16	8	8	14
Trade receivables turnover days[(2)]	86	53	35	34
Trade payables turnover days[(3)]	115	79	121	390

Notes:

(1) Inventory turnover days are derived by dividing the arithmetic mean of the beginning and ending inventory balances for the relevant period by cost of sales, and multiplying by the number of days in the period.

(2) Trade receivables turnover days are derived by dividing the arithmetic mean of the beginning and ending trade receivables balances for the relevant period by total revenue, and multiplying by the number of days in the period. Our trade receivables turnover days may not reflect an average collection period between recognized revenue and cash receipt typical of that of other companies. Our trade receivables turnover days reflect the average collection period between confirmed progress billings by our clients and cash receipt by us. See "— Factors Affecting Our Results of Operations and Financial Condition — Timing of Our Cash Flow and Revenue Recognition" and "— Liquidity and Capital Resources — Gross Amounts Due from Contract Customers" for further details.

(3) Trade payables turnover days are derived by dividing the arithmetic mean of the beginning and ending trade payables balances for the relevant period by cost of sales, and multiplying by the number of days in the period.

See "Business—Business Segments—Table of Our Major Projects" for a more detailed description of the projects referenced below.

Inventory level and turnover days

We believe our inventory levels are relatively low as we generally procure the raw materials and equipment needed for our projects on a per-contract basis. Our inventory levels at the conclusion of any given year are generally dependent on the progress and construction phases of our projects as of December 31 of such year. If our contracts are in the early stages, which generally do not require the raw materials, parts or equipment purchased to be delivered to us, our inventory levels will be lower. Conversely, if our contracts are in the middle stages, where the raw materials, parts and equipment purchased have been delivered to us, our inventory levels will be higher.

Our inventory balance is higher with respect to a particular project when equipment and raw materials purchased have been delivered to us at a particular point during its project timetable, which often corresponds to the beginning of the principal construction phase of a project. However, as we also implement on-site inventory management by carefully planning the delivery schedule of the equipment and raw materials purchased, our inventory level may not correspond directly with the principal construction phase of a particular project. Further, our project timetables also generally cover multiple financial periods while inventory level is measured at the end of each financial period on the relevant balance sheet date. For these reasons, we do not believe that our inventory balance and inventory turnover days, or their variation from period to period, should be relied upon unduly in analyzing our financial condition.

Our inventory balances were RMB51.9 million, RMB117.0 million, RMB46.8 million and RMB59.1 million as of December 31, 2009, 2010 and 2011 and June 30, 2012, respectively. Our inventory balance was higher as of June 30, 2012 compared to that as of December 31, 2011 primarily due to the increases in inventory levels for Projects 46 (Baoji Methanol Project) and 52 (Erdos Guotai Chemical Coal-to-Methanol Project) as the raw materials and equipment purchased for these projects were delivered to us during the first half of 2012. This increase was offset in part by decreases in inventory levels for Projects 21 (PetroChina Sichuan Ethylene Plant Project) and 17 (PetroChina Fushun Ethylene Plant Project) where a significant portion of the raw materials, parts and equipment inventories as of December 31, 2011 had been consumed by June 30, 2012. Our inventory balance was higher as of December 31, 2010, compared to that as of December 31, 2009, primarily due to Projects 21 (PetroChina Sichuan Ethylene Plant Project) and 37 (PetroChina Sichuan Continuous Reforming Plant and PX Plant Project) being at the stage where raw materials and equipment purchased had been delivered to us in December 31, 2010. Our inventory balance was lower as of December 31, 2011 than as of December 31, 2010 primarily due to the decreases in inventory levels for Projects 21 (PetroChina Sichuan Ethylene Plant Project) and 37 (PetroChina Sichuan Continuous Reforming Plant and PX Plant Project) when a significant portion of the raw materials, parts and equipment in their inventory as of December 31, 2010 had been consumed by December 31, 2011. As of October 31, 2012, we consumed approximately RMB35.6 million, or 60.2%, of the RMB59.1 million inventory balance as of June 30, 2012.

For 2009, 2010 and 2011 and the six months ended June 30, 2012, our inventory turnover days were 16, eight, eight and 14, respectively. Our inventory turnover days as of June 30, 2012 increased as compared to that as of December 31, 2011, primarily due to an increase in our inventory level as of June 30, 2012 and a lower level of activity in the first half of each calendar year, and a correspondingly lower rate of recognition of cost and revenue. Our inventory turnover days decreased in 2010 compared to 2009, notwithstanding a temporary increase in our inventory level as of December 31, 2010, due to increased efficiency in our on-site inventory management for the projects we undertook during these periods. While the scale of our projects may have increased, our inventory management system has kept the level of on-site inventory in check. Our inventory turnover days remained steady from 2010 to 2011 notwithstanding a lower inventory level as of December 31, 2011 compared to December 31, 2010, as our average inventory level for the 2011 was comparable to 2010.

Trade receivables level and turnover days

Our trade receivables turnover days may not reflect an average collection period between recognized revenue and cash receipt typical of that of other companies. Our trade receivables turnover days reflect the average collection period between confirmed progress billings by our clients and cash receipt by us. See "— Factors Affecting Our Results of Operations and Financial Condition — Timing of Our Cash Flow and Revenue Recognition" for further details. With respect to milestone payments for our construction contracts, as most of our clients are state-owned enterprises that have lengthy internal payment approval procedures, we normally agree (typically on an informal, case by case basis, rather than by an amendment to the terms of our contracts) to a credit period that is no more than 90 days from the date of the invoices from time to time, notwithstanding that in our contracts, we typically establish a credit period of 30 days after the payment milestones stipulated in the contracts and our clients' receipt of invoices. Depending on our relationship management and business development objectives, we may be receptive to additional flexibility through offering payment terms even longer than 90 days to our clients when we consider it appropriate. We generally offer similar payment terms to our clients in each of our business segments. In order to determine the particular payment date along the timetable of a specific project, we enter into arm's length negotiation with each project owner taking into account factors such as the inspection procedures required and the fund flow procedures of the project owner. For example, since many of our clients are subsidiaries of PetroChina, an industry leader in the petrochemicals market in the PRC that is also a state-owned enterprise, we believe that the credit risk of non-payment by these clients is relatively small. As a result, we only make provision for impairment on a project-by-project basis when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that we will not be able to collect all of the amount due under the original terms of an invoice. Therefore, we have not made provision for impairment in any material amount during the three years ended December 31, 2011.

In addition, our contracts typically contain guarantee clauses pursuant to which we guarantee the quality of our work after the completion of projects, generally for a term of 12 to 18 months. We typically provide all such guarantees in the form of letter guarantees issued by PRC banks which generally guarantee 5% of the contract amounts.

As a result, our trade receivables balances are generally higher with respect to a particular project following its principal construction phase. See "Business—Credit Control and Cash Flow Management—Payment Arrangements with Our Clients" for further description of the payment schedule generally set out in our project contracts. However, as our project timetables generally cover multiple financial periods while our trade receivables level is measured at the end of each financial period on the relevant balance sheet date, we do not believe that our trade receivables balance and trade receivables turnover days, or their variation from period to period, should be relied upon unduly in analyzing our financial condition.

June 30, 2012

As of June 30, 2012, our largest trade receivables accounts were Projects 44 (Erdos Jinchengtai Methanol Project) and 7 (PetroChina Dushanzi Ethylene Cracking Furnace Project).

Our trade receivables account decreased by RMB6.5 million, or 4.0%, from RMB163.8 million as of December 31, 2011 to RMB157.3 million as of June 30, 2012, primarily due to a decrease in trade receivables relating to Project 46 (Baoji Methanol Project) as we collected our outstanding receivables before June 30, 2012. The decrease in our trade receivables balance was offset in part by an increase in trade receivables relating to Projects 44 (Erdos Jinchengtai Methanol Project), as we had issued and confirmed with relevant clients certain progress billings for which we had not yet received payments as of June 30, 2012. As of October 31, 2012, approximately RMB61.8 million, or 39.3%, of the RMB157.3 million trade receivables outstanding as of June 30, 2012 were settled.

Our trade receivables turnover days for the six months ended June 30, 2012 was 34 days compared to 35 days for the year ended December 31, 2011.

2011

In 2011, our largest trade receivables accounts were Projects 44 (Erdos Jinchengtai Methanol Project) and 46 (Baoji Methanol Project).

Our trade receivables balances decreased by RMB638.3 million, or 79.6%, from RMB802.1 million as of December 31, 2010 to RMB163.8 million as of December 31, 2011 primarily due to decreases in Projects 17 (PetroChina Fushun Ethylene Plant Project), 37 (PetroChina Sichuan Continuous Reforming Plant and PX Plant Project), 9 (PetroChina Dushanzi Styrene Butadiene Rubber Plant Project) and 24 (Dushanzi Polybutadiene Rubber Plant Project) as these projects had either progressed beyond their principal construction phases or had been completed for some time by December 31, 2011 and most of their outstanding receivables had been settled by that date. The decrease in our trade receivables balances was offset in part by the increase in receivables relating to Project 46 (Baoji Methanol Project), which commenced in March 2011 and for which we had issued and confirmed progress billings by December 31, 2011.

Our trade receivables turnover days decreased from 53 days for 2010 to 35 days for 2011 primarily due to the decrease in trade receivables balance as of December 31, 2011.

2010

In 2010, our largest trade receivables account balances were Projects 17 (PetroChina Fushun Ethylene Plant Project), 37 (PetroChina Sichuan Continuous Reforming Plant and PX Plant Project), 9 (PetroChina Dushanzi Styrene Butadiene Rubber Plant Project), 24 (Dushanzi Polybutadiene Rubber Plant Project), 43 (Erdos Guotai Methanol Project), 44 (Erdos Jinchengtai Methanol Project), 11 (PetroChina Dushanzi FDPE Plant Project), 7 (PetroChina Dushanzi Ethylene Cracking Furnace Project) and Project 42 (Wison (Nanjing) Synthesis Gas Project).

Our trade receivables balance increased by RMB171.5 million, or 27.2%, from RMB630.6 million as of December 31, 2009 to RMB802.1 million as of December 31, 2010 primarily due to increases from Projects 37 (PetroChina Sichuan Continuous Reforming Plant and PX Plant Project), 24 (Dushanzi Polybutadiene Rubber Plant Project) and 44 (Erdos Jinchengtai Methanol Project), as we had issued to and confirmed progress billings by clients in a large aggregate amount at the end of 2010 for collection after December 31, 2010; offset in part by decreases from Project 42 (Wison (Nanjing) Synthesis Gas Project), which was completed in November 2009, and Project 17 (PetroChina Fushun Ethylene Plant Project), which progressed beyond its principal construction phase by the end of 2010.

Our trade receivables turnover days decreased from 86 days for 2009 to 53 days for 2010 as the credit period for Project 17 (PetroChina Fushun Ethylene Plant Project) entered into a stage where payment was made on a monthly basis.

2009

In 2009, our largest trade receivables account balances were for Projects 17 (PetroChina Fushun Ethylene Plant Project), 42 (Wison (Nanjing) Synthesis Gas Project), 43 (Erdos Guotai Methanol Project) and projects related to PetroChina Dushanzi Integrated Refinery and Petrochemical Complex, namely Projects 9 (PetroChina Dushanzi Styrene Butadiene Rubber Plant Project), 11 (PetroChina Dushanzi FDPE Plant Project) and 7 (PetroChina Dushanzi Ethylene Cracking Furnace Project).

Aging Analysis

To a large extent, our year-end trade receivables balances, and consequently our trade receivables turnover days during any given year, are subject to the contract values of our contracts in progress during the year and the particular billing milestones achieved with respect to those contracts as of the end of the year. Our year-end trade receivables balances and trade receivables turnover days are also affected by the payment practices of our clients, which are predominantly subsidiaries of industry leaders in the petrochemicals market in China that are also state-owned enterprises that must comply with internal approval policies before payments to us can be made. Specifically, if our progress billings are issued to and confirmed by our clients at the end of the year, our clients typically will not obtain the necessary internal approvals to authorize payments to us until the early part of the next year. As a result, our trade receivables turnover days, which are based on period-ending balances, are typically larger than the average credit period we grant to our clients.

The aging analysis of our trade receivables that are not considered to be impaired as of the balance sheet dates, based on the invoice dates, and net of provision for doubtful debts, is as follows:

	As of December 31,			Six months ended June 30,
	2009	2010	2011	2012
	(RMB in millions)			
Trade Receivables Age:				
Neither past due nor impaired	618.6	712.0	82.9	60.0
Less than three months	3.0	2.1	14.6	16.1
Four to 12 months	6.6	42.1	26.7	36.2
One to two years	1.8	44.9	37.9	39.9
Two to three years	0.6	1.0	1.6	5.0
Over three years	—	—	0.1	0.1
Total	630.6	802.1	163.8	157.3

As of December 31, 2009, 2010 and 2011 and June 30, 2012, approximately RMB114.2 million, RMB123.8 million, RMB12.1 million and RMB11.4 million, respectively, were attributable to retention money withheld by the project owners. See "Business—Pricing and Risk Management—Warranty Period, Retention Money and Bank Guarantee" for addition disclosure regarding the retention money practice.

The decrease in our trade receivables as of June 30, 2012 from those as of December 31, 2011 was mainly attributable to Project 46 (Baoji Methanol Project).

The increase in our trade receivables over three months as of December 31, 2010 and 2011 related principally to two projects. The trade receivables over three months from Projects 43 (Erdos Guotai Methanol Project) and 44 (Erdos Jinchengtai Methanol Project) as of December 31, 2010 amounted to RMB49.4 million (2009: nil) and RMB21.4 million (2009: nil), respectively, of which, RMB49.4 million and RMB13.0 million had been collected from Projects 43 (Erdos Guotai Methanol Project) and 44 (Erdos Jinchengtai Methanol Project) as of December 31, 2011, respectively.

Of the trade receivables over three months as of December 31, 2011, approximately RMB52.1 million (2010: RMB21.4 million) were attributable to Project 44 (Erdos Jinchengtai Methanol Project). Of the trade receivables over three months as of June 30, 2012, approximately RMB60.2 million were attributable to Project 44 (Erdos Jingchengtai Methanol Projects). As of the Latest Practicable Date, we had collected RMB10 million of the RMB60.2 million trade receivables over three months outstanding attributable to Project 44 (Erdos Jinchengtai Methanol Project) as of June 30, 2012.

Our trade receivables over one year as of December 31, 2011 and June 30, 2012 may be attributable to: (i) the relevant regulators of the project owners may not have completed the audit on the completion and settlement of the projects and the audit cycle is uncertain; and (ii) the clients are undergoing certain internal adjustments that are cumbersome and time-consuming. Nevertheless, we believe most of our trade receivables over one year will be repaid. As such, though a portion of trade receivables have become overdue, we have no disputes with our clients.

Gross amounts due from contract customers

A typical engineering and construction contract includes a schedule of progress billings, according to which we send progress billings for clients' confirmation based on the agreed payment schedules or milestones as stipulated in the contract. Once confirmed by a client, the confirmed amount will become an account receivable until payment is made by the client. As such, progress billings are not directly related to the percentage of completion. Where contract costs incurred to date plus recognized profits less recognized losses exceed progress billings, the surplus is treated as an amount due from contract customers, until progress billings are issued and confirmed by the relevant clients in accordance with the billing milestones specified in the contract, at which point the relevant amounts migrate to trade and bills receivables. Generally, on each of the projects we undertake, we experience higher amounts due from contract customers at the later stage of the project when our recognized revenue exceeds our progress billings, including bills for retention money that becomes due at some time after the completion of the project. A majority of our customers during the three years ended December 31, 2011 and up to the Latest Practicable Date were state-owned enterprises, which normally have extensive and time-consuming internal approval policies and procedures relating to the confirmation of our progress billings. As a result, we may experience increases in our amounts due from contract customers in given periods. Our gross amounts due from contract customers convert automatically to trade receivables once the relevant billing milestone is reached and the progress billings are issued to and confirmed by our clients. As a result, we do not make any provision for write-offs of gross amounts due from contract customers.

June 30, 2012

As of June 30, 2012, our gross amounts due from contract customers were RMB2,133.4 million. As of June 30, 2012, our contract revenue recognized to date exceeded progress billings in a number of our projects, the principal of which were Projects 46 (Baoji Methanol Project), 40 (PetroChina Sichuan Refinery and Petrochemical Complex Utilities Project), 21 (PetroChina Sichuan Ethylene Plant Project), 17 (PetroChina Fushun Ethylene Plant Project), 37 (PetroChina Sichuan Continuous Reforming Plant and PX Plant Project), 20 (PetroChina Sichuan LLDPE Plant Project) and 38 (PetroChina Sichuan Gasoil Hydrocracking Plant Project) of RMB556.8 million, RMB314.9 million, RMB277.4 million, RMB217.1 million, RMB188.8 million, RMB138.0 million and RMB110.2 million, respectively. We believe we have good business relationships with Shaanxi Changqing Energy & Chemical Co., Ltd., the client of Project 46, China Chengda Engineering Co., Ltd., the client of Project 40 and PetroChina and its subsidiaries, the clients of Projects 21, 17, 37, 20 and 38, for approximately two, three and ten years, respectively, and we do not have any payment dispute with any of them as of the Latest Practicable Date.

Our gross amounts due from contract customers increased by RMB37.2 million, or 1.8%, from RMB2,096.2 million as of December 31, 2011 to RMB2,133.4 million as of June 30, 2012 primarily due to an increase from Project 46 (Baoji Methanol Project), which was in the midst of its principal construction phase and had a larger amount of unbilled revenue as of June 30, 2012 than as of December 31, 2011. This increase was offset in part by decreases in projects related to PetroChina Sichuan Integrated Refinery and Petrochemical Complex as additional progress billings were issued to and confirmed by clients between January 1, 2012 and June 30, 2012.

Between July 1, 2012 and October 31, 2012, progress billings were issued by us to and were confirmed by clients in the amount of RMB698.7 million, or 32.8%, in relation to the RMB2,133.4 million of gross amounts due from contract customers as of June 30, 2012. Out of this RMB698.7 million amount, we collected RMB695.5 million, or 99.5%, as of October 31, 2012. The majority of the amounts due from contract customers as of June 30, 2012 were related to Project 17 (PetroChina Fushun Ethylene Plant Project), projects related to PetroChina Sichuan Integrated Refinery and Petrochemical Complex and Project 46 (Baoji Methanol Project). Of the RMB1,434.7 million, or 67.2%, of gross amounts due from contract customers as of June 30, 2012, constituting amounts due from customers where progress billings were not issued by us or issued but pending customers' confirmation between July 1, 2012 and October 31, 2012, RMB1,240.1 million, or 86.4%, of such amounts, related to projects which did not reach a billing milestone between July 1, 2012 and October 31, 2012 and where we had not issued progress billings as of October 31, 2012, and RMB194.5 million, or 13.6%, of such amounts, related to projects which had reached a billing milestone and where we issued progress billings between July 1, 2012 and October 31, 2012 but were pending, as of October 31, 2012, our customers' confirmation. RMB339.4 million, or 27.4%, of the RMB1,240.1 million are amounts payable to us under our project contracts but retained by our clients pending completion of a warranty period. None of the RMB194.5 million represents an amount payable to us under our project contracts but retained by our clients pending completion of a warranty period. In particular, we did not bill, between July 1, 2012 and October 31, 2012, the full gross amounts due from contract customers in relation to the projects related to PetroChina Sichuan Integrated Refinery and Petrochemical Complex as the projects had completed their principal construction phases but had not reached the next project milestones for billing as of October 31, 2012. Between July 1, 2012 and October 31, 2012, we did not issue progress billings for the full gross amounts due from contract customers in relation to Project 46 (Baoji Methanol Project) primarily because we had made certain partial prepayments to our suppliers and there are timing differences between the prepayments we make to our suppliers under our supply contracts and our ability to issue progress billings and get confirmation from clients and collect such amounts from our contract customers under our project contracts. In particular, in order to ensure a smooth progression of construction, we signed procurement contracts with certain raw materials and equipment suppliers that required partial prepayments, while the milestones at which we can bill our clients under the project contracts had not been reached because such raw materials and equipment had not yet been delivered on site. For a description of the timing difference between our cash inflows and outflows, see "—Factors Affecting Our Results of Operations and Financial Condition—Timing of Our Cash Flow and Revenue Recognition". The billing terms of the contracts underlying our gross amounts due from contract customers as of October 31, 2012 were in line with the agreed terms. As of the Latest Practicable Date, we did not have any dispute with our clients in terms of the gross amounts due from customers as of October 31, 2012.

The relatively high amounts due from contract customers as of December 31, 2011, and June 30, 2012 were caused in part by the relatively low amount of confirmed progress billings by clients as of such dates. This was due to (i) our clients usually take approximately 30 to 60 days to review and confirm the progress billings (including any revision, as appropriate) as their respective inspection departments, together with third party inspection teams (if third party certification is required), need to review the quality of work completed or equipment delivered; and (ii) most major projects that contributed to the significant increase in amounts due from contract customers as of December 31, 2011 and June 30, 2012 completed their principal construction phases by December 31, 2011, and the progress billings confirmations were or will be received only after the relevant billing milestone is reached (as a result of which, portions of the gross amount due from contract customers for such projects may not have migrated to accounts receivable until after December 31, 2011, or June 30, 2012). With major projects that completed their principal construction phases by December 2011, the next project milestone for billings on these projects will be project completion, which we currently expect to be in the second half of 2012. The gap between the end of the principal construction phase and project completion is based not only on the completion of principal construction but also subject to various factors and conditions, some internal to us and others relating to the project owner, which include but are not limited to: (a) insulation, corrosion protection, test runs, and cleaning performed by us, which could be affected by factors such as supply of electricity and water from the project owner; (b) the completion of relevant supporting facilities or other sub-projects within the entire project constructed by the project owner or other parties, which might be delayed due to various reasons not within our control; and (c) various inspections and acceptance tests organized and coordinated by the project owners, the procedures of which might be complicated and time-consuming for large scale projects such as the projects related to PetroChina Sichuan Integrated Refinery and Petrochemical Complex.

The amounts due from contract customers as of December 31, 2011, June 30, 2012 and October 31, 2012 include certain amounts payable to us under our project contracts but retained by our clients pending completion of a warranty period. See "Business—Pricing and Risk Management—Warranty Period, Retention Money and Bank Guarantee". RMB280.7 million, or 13.4%, RMB339.8 million, or 15.9%, and RMB447.1 million, or 16.0%, of our amounts due from contract customers as of December 31, 2011, June 30, 2012 and October 31, 2012, respectively, were such retained amounts.

2011

As of December 31, 2011, our gross amounts due from contract customers were RMB2,096.2 million. As of December 31, 2011, our contract revenue recognized to date exceeded progress billings in a number of our projects, the principal of which were Projects 46 (Baoji Methanol Project), 40 (PetroChina Sichuan Refinery and Petrochemical Complex Utilities Project) and 21 (PetroChina Sichuan Ethylene Plant Project).

Our gross amounts due from contract customers increased by RMB1,628.2 million, or 347.9%, from RMB468.0 million as of December 31, 2010 to RMB2,096.2 million as of December 31, 2011 primarily due to increases from Project 46 (Baoji Methanol Project), which commenced in March 2011, and from the six projects related to PetroChina Sichuan Integrated Refinery and Petrochemical Complex, all of which had completed their principal construction phases as of December 31, 2011 but had not reached the billing milestone of completion of the construction of the entire complex. As a result of this, all six projects had significant amounts of recognized revenue for which progress billings had not been issued and confirmed as of December 31, 2011. This increase was also related to Project 17 (PetroChina Fushun Ethylene Plant Project), for which the progress billings for its retention money had not been issued and confirmed as of December 31, 2011.

2010

As of December 31, 2010, our gross amounts due from contract customers were RMB468.0 million. Generally, during 2010, our contract revenue recognized to date exceeded progress billings in a number of our projects, the principals of which were Projects 40 (PetroChina Sichuan Refinery and Petrochemical Complex Utilities Project), 20 (PetroChina Sichuan LLDPE Plant Project), 7 (PetroChina Dushanzi Ethylene Cracking Furnace Project), 15 (Nanjing BASF-YPC Ethylene Cracking Furnace Project) and 11 (PetroChina Dushanzi FDPE Plant Project).

Our gross amounts due from contract customers increased by RMB115.2 million, or 32.7%, from RMB352.8 million as of December 31, 2009 to RMB468.0 million as of December 31, 2010 primarily due to increases from Project 20 (PetroChina Sichuan LLDPE Plant Project), for which the progress billings for its retention money had not been issued as of December 31, 2010, and from Project 40 (PetroChina Sichuan Refinery and Petrochemical Complex Utilities Project), which was in the midst of its principal construction phase and had a larger amount of progress billings that had not been issued and confirmed as of December 31, 2010.

2009

As of December 31, 2009, our gross amounts due from contract customers were RMB352.8 million. Generally, during 2009, our contract revenue recognized to date exceeded progress billings in a number of our projects, the principals of which were Project 40 (PetroChina Sichuan Refinery and Petrochemical Complex Utilities Project), which has been completed in November 2012, Project 7 (PetroChina Dushanzi Ethylene Cracking Furnace Project) completed in June 2009 and Project 44 (Erdos Jinchengtai Methanol Project), estimated to be completed in December 2012.

Prepayments, deposits and other receivables, net of provision for impairment

The following table sets forth our prepayments, deposits and other receivables, net of provision for impairment, for the periods indicated:

	As of December 31,			As of June 30,
	2009	2010	2011	2012
	(RMB in millions)			
Current portion of prepaid land lease payment	0.4	0.4	0.4	4.5
Prepayments	19.1	20.0	211.4	69.0
Deposits	5.1	3.9	8.4	8.3
Interest receivable	8.3	11.8	6.9	12.5
Other receivable	28.7	30.7	21.1	87.9
	61.6	66.8	248.2	182.2
Less: non-current portion of the prepayment	(17.6)	(17.6)	(167.8)	(20.0)
	44.0	49.2	80.4	162.2

The increase in the current portion of the prepaid land lease payment from RMB0.4 million as of December 31, 2011 to RMB4.5 million as of June 30, 2012 relates primarily to the current portion of the prepaid land lease for the parcel of land in Shanghai that will serve as our planned research and development center. As we obtained the title certificate for such parcel of land in Shanghai prior to June 30, 2012, the prepayment for such land lease as of December 31, 2011 was recognized as our asset as of June 30, 2012.

Prepayments as of June 30, 2012 comprise (i) prepayments of RMB35.1 million made for the acquisition of certain raw materials, parts and equipment by Wison Energy (HK), (ii) IPO expenses to be capitalized in the amount RMB9.8 million, (iii) a prepayment of RMB3.9 million for a joint research and development project with Shell Global Solutions to develop certain hybrid gasification technology.

The significant increase in our prepayments in 2011 pertains primarily to the acquisition of the land use rights for a parcel of land in Shanghai that will serve as our planned research and development center in the amount of RMB167.8 million, which is also reflected in the non-current portion of our prepayments. Other components of our prepayments in 2011 also included prepayments for a joint research and development project with Shell Global Solutions to develop certain hybrid gasification technology and prepayments made for the acquisition of certain raw materials, parts and equipment by Wison Energy (HK), which began to import certain raw materials, parts and equipment for our Group starting from January 2011 and prepayment for the building construction in connection with our planned research and development center.

Our deposits primarily related to deposits for leased offices and deposits to enter into contract bidding. The general increase in our deposits is in line with the growth of our operations.

Our interest receivable primarily related to interest from pledge bank balances and time deposits.

Our other receivables pertain primarily to advances made to employees, and to other companies for equipment purchased in relation to construction projects. The fluctuation in its balance from period to period was due primarily to the occurrence of advances or settlement of advances, depending on the construction phases of the projects as of the ending date of the relevant period.

Trade payables level and turnover days

For a description of the payment schedule with our suppliers and construction sub-contractors, see "Business—Credit Control and Cash Flow Management—Payment Arrangements with Raw Materials and Equipment Suppliers" and "Business—Credit Control and Cash Flow Management—Payment Arrangements with Construction Sub-contractors". As our project timetables generally cover multiple financial periods while trade payables level is measured at the end of each financial period on the relevant balance sheet date, we do not believe that our trade payables balance and trade payables turnover days, or their variation from period to period, should be relied upon unduly in analyzing our financial condition.

June 30, 2012

As of June 30, 2012, our largest trade payables balances were related to Projects 46 (Baoji Methanol Project), 40 (PetroChina Sichuan Refinery and Petrochemical Complex Utilities Project), 17 (PetroChina Fushun Ethylene Plant Project) and 37 (PetroChina Sichuan Continuous Reforming Plant and PX Plant Project).

Our trade payables balances decreased by RMB120.7 million, or 8.0%, from RMB1,508.2 million as of December 31, 2011 to RMB1,387.5 million as of June 30, 2012 primarily due to decreases from Projects 38 (PetroChina Sichuan Gasoil Hydrocracking Plant Project) and 40 (PetroChina Sichuan Refinery and Petrochemical Complex Utilities Project) as these projects had completed their principal construction phases for some time and we had been paying our trade payables. These decreases were offset in part by an increase from Projects 52 (Erdos Guotai Chemical Coal-to-Methanol Project), 54 (Pucheng Polyethylene Plant Project) and 58 (Zhoushan Wison Marine Engineering Base Project). Our trade payables balances as of June 30, 2012 were within their respective credit terms and in accordance with the payment terms in the relevant contracts. As of October 31, 2012, approximately RMB454.5 million, or 32.8%, of our RMB1,387.5 million outstanding trade payables as of June 30, 2012 were settled.

Our trade payables turnover days for the six months ended June 30, 2012 was 390 days compared to 121 days for the year ended December 31, 2011 due primarily to Project 24 (Dushanzi Polybutadiene Rubber Plant Project) and projects related to PetroChina Sichuan Integrated Refinery and Petrochemical Complex having completed their principal construction phase as of December 31, 2011, and therefore we incurred lesser costs of sales for purchases of raw materials and equipment in the six months ended June 30, 2012 compared to 2011 when we had more projects under their principal construction phases (both at the beginning and ending balance sheet date for the period). In addition, a portion of the contract price under our supply contracts and construction sub-contracts (normally 5% or 10% with respect to each of the supply contract price and the construction sub-contractor's contract price) becomes payable only after the expiry of a warranty period, which on average is about 12 months after the delivery of the equipment on site or 12-24 months after the completion of work by such construction sub-contractors and approval of such work by us in accordance with the relevant credit terms. This factor also prolonged our trade payable turnover days in the six months ended June 30, 2012, as we had a number of projects that had only recently completed their principal construction phases at the end of 2011. See "Business—Credit Control and Cash Flow Management—Payment Arrangements with Raw Materials and Equipment Suppliers". Also, the level of our business activities is generally lower in the beginning of a calendar year, which typically results in lesser cost of sales. See "Factors Affecting our Results of Operations and Financial Condition—Business Fluctuations".

2011

In 2011, our largest trade payables accounts were related to Projects 17 (PetroChina Fushun Ethylene Plant Project), 38 (PetroChina Sichuan Gasoil Hydrocracking Plant Project), 37 (PetroChina Sichuan Continuous Reforming Plant and PX Plant Project), 40 (PetroChina Sichuan Refinery and Petrochemical Complex Utilities Project) and 46 (Baoji Methanol Project).

Our trade payables balances increased by RMB477.0 million, or 46.2%, from RMB1,031.2 million as of December 31, 2010 to RMB1,508.2 million as of December 31, 2011 primarily due to increases from Projects 46 (Baoji Methanol Project), 40 (PetroChina Sichuan Refinery and Petrochemical Complex Utilities Project), 38 (PetroChina Sichuan Gasoil Hydrocracking Plant Project) and 21 (PetroChina Sichuan Ethylene Plant Project).

Our trade payables turnover days increased from 79 days as of December 31, 2010 to 121 days as of December 31, 2011 due primarily to Project 17 (PetroChina Fushun Ethylene Plant Project) and projects related to PetroChina Sichuan Integrated Refinery and Petrochemical Complex, which were near completion. As disclosed above, under our contracts with the key equipment suppliers and construction sub-contractors for these projects, a portion of the contract price is withheld until the expiry of a warranty period. As a result of the withholding for this equipment and sub-contracted work for these projects, our overall trade payables turnover days increased for 2011 as compared to 2010.

2010

In 2010, our largest trade payables accounts were accounts related to Projects 17 (PetroChina Fushun Ethylene Plant Project), 20 (PetroChina Sichuan LLDPE Plant Project), 37 (PetroChina Sichuan Continuous Reforming Plant and PX Plant Project) and 40 (PetroChina Sichuan Refinery and Petrochemical Complex Utilities Project).

Our trade payables balances increased by RMB442.3 million, or 75.1%, from RMB588.9 million as of December 31, 2009 to RMB1,031.2 million as of December 31, 2010 primarily due to increases from Projects 37 (PetroChina Sichuan Continuous Reforming Plant and PX Plant Project), 20 (PetroChina Sichuan LLDPE Plant Project) and 17 (PetroChina Fushun Ethylene Plant Project), as we incurred a significant amount of purchasing expenses for raw materials, parts and equipment for each of these projects, which were in the midst of their principal construction phases as of December 30, 2010; offset in part primarily by decreases from Projects 9 (PetroChina Dushanzi Styrene Butadiene Rubber Plant Project) and 42 (Wison (Nanjing) Synthesis Gas Project), which were completed in June and November 2009, respectively.

While we had a higher level of trade payables balance as of December 31, 2010 than as of December 31, 2009, our trade payables turnover days decreased from 115 days for 2009 to 79 days for 2010 as we endeavored to pay our creditors faster when the global economy moved out of the recession.

2009

In 2009, our largest trade payables accounts were accounts related to Projects 17 (PetroChina Fushun Ethylene Plant Project), 40 (PetroChina Sichuan Refinery and Petrochemical Complex Utilities Project) and projects related to PetroChina Dushanzi Integrated Refinery and Petrochemical Complex, namely, Projects 9 (PetroChina Dushanzi Styrene Butadiene Rubber Plant Project), 11 (PetroChina Dushanzi FDPE Plant Project) and 7 (PetroChina Dushanzi Ethylene Cracking Furnace Project).

Aging Analysis

An aging analysis of our trade payables as of the balance sheet dates, based on invoice dates, is as follows:

	As of December 31,			As of June 30,
	2009	2010	2011	2012
	(RMB in millions)			
Trade Payables Age:				
Less than one year	519.8	885.9	1,345.0	1,068.3
One to two years	57.6	120.8	104.4	188.2
Two to three years	11.5	24.5	47.7	110.8
Over three years	—	—	11.0	20.2
Total	588.9	1,031.2	1,508.1	1,387.5

The increase in our trade payables over two years as of December 31, 2010 principally relates to projects related to PetroChina Dushanzi Integrated Refinery and Petrochemical Complex, and lasts more than two years from the date when we began to purchase equipment. As a part of the payment for some of the equipment we purchase becomes payable only after the facility has been commissioned for production, some of the equipment we purchased for these two project groups at the early stages of their construction cycles had a significantly long payment period due to the prolonged timetables of these projects. The increase in our trade payables less than one year from RMB885.9 million as of December 31, 2010 to RMB1,345.0 million as of December 31, 2011 principally relates to increased activities (and therefore payables) at Project 46 (Baoji Methanol Project) and projects related to PetroChina Sichuan Integrated Refinery and Petrochemical Complex. The decrease in our trade payables between one to two years from RMB120.8 million as of December 31, 2010 to RMB104.4 million as of December 31, 2011 principally relates to decreased activities at Project 17 (PetroChina Fushun Ethylene Plant Project). The increase in our trade payables between two to three years from RMB24.5 million as of December 31, 2010 to RMB47.7 million as of December 31, 2011 principally relates to increased activities at projects related to PetroChina Dushanzi Integrated Refinery and Petrochemical Complex and Project 36 (PetroChina Guangxi Refinery Project). Our trade payables over three years of RMB11.0 million as of December 31, 2011 principally relates to increased activities at projects related to PetroChina Dushanzi Integrated Refinery and Petrochemical Complex. Nevertheless, as of the Latest Practicable Date, we had no dispute with our suppliers on these trade payables aged over two years. The decrease in our trade payables balance of less than one year from RMB1,345.0 million as of December 31, 2011 to RMB1,068.3 million as of June 30, 2012 related principally to decreased activities at projects related to PetroChina Sichuan Integrated Refinery and Petrochemical Complex, Project 24 (Dushanzi Polybutadiene Rubber Plant Project) and Project 46 (Baoji Methanol Project). The increase in our trade payables of one to two years from RMB104.4 million as of December 31, 2011 to RMB188.2 million as of June 30, 2012 and the trade payables of two to three years from RMB47.7 million as of December 31, 2011 to RMB110.8 million as of June 30, 2012 related principally to increased activities related to projects related to PetroChina Sichuan Integrated Refinery and Petrochemical Complex and Project 17 (PetroChina Fushun Ethylene Plant Project). Our Directors have confirmed that none of the members of our Group had any material defaults in payment of trade payables during the three years ended December 31, 2011 and the six months ended June 30, 2012.

Gross amounts due to contract customers

Where progress billings exceed contract costs incurred to date plus recognized profit less recognized losses, the surplus is treated as an amount due to contract customers. Generally, on each of the projects we undertake, we experience higher amounts due to contract customers at the early stages of a project when our progress billings, including those for advance payment, exceed revenue recognized.

June 30, 2012

As of June 30, 2012, our gross amounts due to contract customers were RMB336.3 million, consisting primarily of gross amounts due to contract customers in relation to Project 52 (Erdos Guotai Chemical Coal-to-Methanol Project). As this project was still at an early stage as of June 30, 2012, it had not yet recognized a significant amount of revenue.

Our gross amounts due to contract customers increased by RMB335.7 million, from RMB0.6 million as of December 31, 2011 to RMB336.3 million as of June 30, 2012, as project billing exceeded revenue in a number of our projects, the principal of which were Projects 52 (Erdos Guotai Chemical Coal-to-Methanol Project) and 57 (Saudi De-Bottlenecking (DBN) Project). As of October 31, 2012, we had recognized relevant contract revenue in the amount of RMB319.9 million, or 95.1%, in relation to the RMB336.3 million gross amount due to contract customers as of June 30, 2012.

2011

As of December 31, 2011, our gross amounts due to contract customers were RMB0.6 million, consisted primarily of gross amounts due to contract customers in relation to Project 44 (Erdos Jinchengtai Methanol Project).

Our gross amount due to contract customers decreased by RMB413.7 million, or 99.9%, from RMB414.3 million as of December 31, 2010 to RMB0.6 million as of December 31, 2011, as almost all of our major projects had progressed beyond their initial stages as of December 31, 2011, with the exception of Project 44 (Erdos Jinchengtai Methanol Project), whose issued and confirmed progress billings still exceeded revenue recognized as of December 31, 2011.

2010

As of December 31, 2010, our gross amounts due to contract customers were RMB414.3 million, as project billings exceeded the revenue recognized to date in a number of our projects, the principal of which were Projects 37 (PetroChina Sichuan Continuous Reforming Plant and PX Plant Project), 17 (PetroChina Fushun Ethylene Plant Project), 21 (PetroChina Sichuan Ethylene Plant Project), 39 (PetroChina Sichuan Sulfur Recovery Plant Project) and 38 (PetroChina Sichuan Gasoil Hydrocracking Plant Project).

Our gross amounts due to contract customers decreased by RMB289.6 million, or 41.1%, from RMB703.9 million as of December 31, 2009 to RMB414.3 million as of December 31, 2010 primarily due to decreases from Projects 17 (PetroChina Fushun Ethylene Plant Project), 38 (PetroChina Sichuan Gasoil Hydrocracking Plant Project) and 21 (PetroChina Sichuan Ethylene Plant Project), as they had progressed beyond their initial construction stage, offset in part primarily by increases from Project 37 (PetroChina Sichuan Continuous Reforming Plant and PX Plant Project), whose progress billings still exceeded recognized revenue as of December 31, 2010.

2009

As of December 31, 2009, our gross amounts due to contract customers were RMB703.9 million, as project billings exceeded the revenue recognized to date on a number of our projects, the principal of which were Projects 17 (PetroChina Fushun Ethylene Plant Project), 38 (PetroChina Sichuan Gasoil Hydrocracking Plant Project), 21 (PetroChina Sichuan Ethylene Plant Project), 37 (PetroChina Sichuan Continuous Reforming Plant and PX Plant Project) and 39 (PetroChina Sichuan Sulfur Recovery Plant Project).

Other payables

The following table sets forth our other payables for the periods indicated.

	As of December 31,			As of June 30,
	2009	2010	2011	2012
	(RMB in millions)			
Other Payables:				
Interest payable	4.6	2.9	2.7	3.5
Payroll payable	50.3	54.1	58.6	28.0
Other taxes payable	59.2	178.1	71.9	58.1
Other payables	15.3	13.8	21.2	26.6
Total	129.4	248.9	154.4	116.2

The changes in our payroll payable from 2009 to 2011 were in line with the changes in our scale of business. Our other taxes payable principally relate to business taxes and VAT payable. The increase in our other taxes payable from 2009 to 2010 was primarily due to the increase in our revenue and its decrease from 2010 to 2011 was primarily due to better management in the collection of VAT receipts from our raw materials, parts and equipment suppliers, which in turn allowed us to timely apply for VAT deductions. The decrease in our payroll payable as of June 30, 2012 from that as of December 31, 2011 is primarily attributable to bonus payments. The decrease in our other taxes payable as of June 30, 2012 from that as of December 31, 2011 was primarily due to the decrease in our revenue. The fluctuation in our other payables primarily relates to the amount of retention money payable to our sub-contractors as of the end of each period. Our Directors have confirmed that no member of our Group had any material defaults in payment of non-trade payables during the three years ended December 31, 2011 and the six months ended June 30, 2012.

Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated.

	Years ended December 31,			Six months ended June 30,
	2009	2010	2011	2012
	(RMB in millions)			
Net cash from/(used in) operating activities	112.3	670.0	(380.3)	(61.5)
Net cash from/(used in) investing activities	(1,184.9)	(693.9)	1,693.8	(162.0)
Net cash from/(used in) financing activities	1,021.8	130.5	(1,345.6)	152.4
Net increase/(decrease) in cash and cash equivalents	(50.8)	106.6	(32.1)	(71.1)

Cash flows from/(used in) operating activities

In the six months ended June 30, 2012, our net cash flow used in operating activities was RMB61.5 million. We had a loss before tax of RMB3.5 million, which was offset in part by depreciation of property, plant and equipment of RMB10.8 million primarily in relation to our building, office equipment and motor vehicles. For working capital changes, we had a decrease in net amount due from contract customers of RMB298.6 million; offset in part by a decrease in trade payables of RMB120.6 million, an increase in prepayments, deposits and other receivables of RMB78.0 million and a decrease in other payables, advances from customers and accruals of RMB37.7 million. See "—Liquidity and Capital Resources" for detailed analysis of our working capital changes in the six months ended June 30, 2012, including itemized major projects that accounted for our inventory, trade receivables and trade payables balances and the amounts due to and from contract customers as of June 30, 2012. We also had tax paid of RMB130.3 million.

In 2011, our net cash flow used in operating activities was RMB380.3 million. We generated profit before tax of RMB795.2 million, which was further increased by depreciation of property, plant and equipment of RMB19.9 million, primarily in relation to our building, office equipment and motor vehicles. For working capital changes, we had a decrease in trade receivables of RMB639.3 million, an increase in trade payables of RMB477.0 million, and a decrease in inventories of RMB70.8 million, as a reflection of the different stages of project completion among our projects; offset in part by an increase in net amount due from contract customers of RMB2,041.9 million, a decrease in other payables, advances from customers and accruals of RMB77.4 million, an increase in prepayment, deposits and other receivables of RMB31.2 million and a decrease in derivative financial liabilities of RMB6.5 million. See "—Liquidity and Capital Resources" for detailed analysis of our working capital changes in 2011, including itemized major projects that accounted for our inventory, trade receivables and trade payables balances and the amounts due to and from contract customers as of December 31, 2011 and a description of changes as compared to December 31, 2010. We also had tax paid of RMB233.5 million.

In 2010, our net cash flow from operating activities was RMB670.0 million. We generated profit before tax of RMB818.6 million, which was further increased by depreciation of property, plant and equipment of RMB20.4 million, primarily in relation to our building, office equipment and motor vehicles. For working capital changes, we had an increase in trade payables of RMB442.2 million, and an increase in other payables, advances from customers and accruals of RMB118.9 million, primarily due to an increase in tax payable in line with our increased revenue; offset in part by an increase in net amounts due from contract customers of RMB404.9 million, an increase in trade receivables of RMB170.3 million and an increase in inventories of RMB65.8 million, as a reflection of the different stages of project completion among our projects. See "—Liquidity and Capital Resources" for detailed analysis of our working capital changes in 2010, including itemized major projects that accounted for our inventory, trade receivables and trade payables balances and the amounts due to and from contract customers as of December 31, 2010 and a description of changes as compared to December 31, 2009. We also had tax paid of RMB88.4 million.

In 2009, our net cash flow from operating activities was RMB112.3 million. We generated profit before tax of RMB295.2 million, which was further increased by depreciation of property, plant and equipment of RMB21.1 million, primarily in relation to our building, office equipment and motor vehicles. For working capital changes, we had an increase in trade payables of RMB341.0 million, an increase in other payables, advances from customers and accruals of RMB34.4 million, a decrease in inventories of RMB16.1 million and a decrease in prepayments, deposits and other receivables of RMB11.1 million, as our projects were at a stage as of December 31, 2009 where we had an increase in trade payables balance and a decrease in inventory balance compared to December 31, 2008; offset in part by an increase in trade receivables of RMB371.4 million and an increase in net amounts due from contract customers of RMB213.5 million, as a reflection of the different stages of project completion among our projects. See "—Liquidity and Capital Resources" for detailed analysis of our working capital changes in 2009, including itemized major projects that accounted for our inventory, trade receivables and trade payables balances and the amounts due to and from contract customers as of December 31, 2009 and a description of changes as compared to December 31, 2008. We also had tax paid of RMB21.0 million.

Net cash from (used in) investing activities

In the six months ended June 30, 2012, our net cash used in investing activities was RMB162.0 million, consisting of purchases of items of property, plant and equipment of RMB124.0 million primarily in relation to new building construction for our research and development center and purchases of office equipment, a deposit paid for purchase of its land use right of RMB13.8 million and a prepayment of RMB20.0 million for the building construction in connection with our planned research and development center in Shanghai.

In 2011, our net cash from investing activities was RMB1,693.8 million, consisting primarily of a decrease in amount due from fellow subsidiaries of RMB1,175.1 million, a decrease in amount due from related companies of RMB543.6 million and a decrease in amount due from the ultimate holding company of RMB343.5 million; offset in part by purchases of items of property, plant and equipment of RMB212.8 million primarily in relation to new building construction and purchases of office equipment for our research and development center and deposits paid for purchases of its land use rights of RMB150.2 million.

In 2010, our net cash used in investing activities was RMB693.9 million, consisting primarily of an increase in amounts due from fellow subsidiaries of RMB691.2 million, an increase in amounts due from related companies of RMB509.0 million, purchases of items of property, plant and equipment of RMB21.9 million in relation to new building construction and miscellaneous property, plant and equipment for our research and development center; offset in part by a decrease in amount due from the ultimate holding company of RMB530.4 million.

In 2009, our net cash used in investing activities was RMB1,184.9 million, consisting primarily of increase in amounts due from the ultimate holding company of RMB775.9 million and increase in amounts due from fellow subsidiaries of RMB405.0 million; offset in part by proceeds from disposal of equity investment at fair value through profit or loss of RMB50.0 million in relation to certain financial instruments.

Net cash from (used in) financing activities

In the six months ended June 30, 2012, our cash flow from financing activities was RMB152.4 million, consisting primarily of new bank and other loans of RMB1,431.2 million. Our cash inflow from financing activities was offset in part by repayment of bank loans of RMB799.3 million, dividends paid of RMB266.6 million and an increase in pledged deposits of RMB210.6 million, primarily in connection with the increase in our letters of guarantees for our overseas construction contracts.

In 2011, our net cash used in financing activities was RMB1,345.6 million, consisting primarily of repayment of bank loans of RMB2,697.2 million and dividends paid of RMB984.8 million. Our cash outflow from financing activities was offset in part by new bank and other loans we incurred of RMB1,406.1 million, and a decrease in pledged deposits of RMB1,060.5 million, primarily in connection with the release of pledged deposits subsequent to the repayment of certain bank borrowings.

In 2010, our net cash from financing activities was RMB130.5 million, consisting primarily of new bank and other loans we incurred of RMB3,756.9 million. Our cash inflow from financing activities was offset in part by repayment of bank and other loans of RMB2,931.5 million and an increase in pledged deposits of RMB670.3 million, primarily due to the increase in our bank borrowing.

In 2009, our net cash from financing activities was RMB1,021.8 million, consisting primarily of new bank and other loans we incurred of RMB2,762.0 million. Our cash inflow from financing activities was offset in part by repayment of new bank and other loans of RMB1,171.4 million, and an increase in pledged deposits of RMB528.4 million.

CAPITAL EXPENDITURES

The following table sets forth our historical capital expenditures for the periods indicated:

	Years ended December 31,			Six months ended June 30,
	2009	2010	2011	2012
		(RMB in millions)		
Capital Expenditures:				
Deposits paid for purchase of land use rights	17.6	—	150.2	13.8
Property, plant and equipment	7.0	21.9	212.8	144.0
Intangible	1.6	3.2	6.8	3.4
Total	26.2	25.1	369.8	161.2

Deposits paid for purchase of land use rights primarily relate to the land use rights for a parcel of land that will be used as our planned research and development center in Shanghai. The increase in our property, plant and equipment in 2011 primarily related to the construction of our research and development center on that parcel of land. The intangible assets we purchased in 2011 and the six months ended June 30, 2012 primarily related to computer software for our engineering usage.

INDEBTEDNESS, CONTRACTUAL OBLIGATIONS AND OTHER OFF-BALANCE SHEET ARRANGEMENTS

Indebtedness

Historically, a significant portion of our operations have been financed with borrowings from commercial banks in China and overseas. Our bank borrowings have been denominated in Renminbi, Hong Kong dollars and U.S. dollars. As of October 31, 2012, our total consolidated debt obligations were RMB2,145.7 million. The following table sets forth, as of the dates indicated, certain information regarding our debt obligations.

	As of December 31,			As of June 30,	As of October 31,
	2009	2010	2011	2012	2012
					(unaudited)
	(RMB in millions)				
Current:					
Bank loans repayable within one year:					
Secured	1,773.0	2,492.3	1,161.1	1,823.1	1,555.1
Unsecured	50.0	100.0	230.0	400.0	450.0
Financial leases payable within one year	0.3	0.4	0.5	0.4	0.3
Total current borrowings	1,823.3	2,592.7	1,391.6	2,223.5	2,005.4
Non-current:					
Bank loans repayable in the second year:					
Secured	233.8	90.0	200.0	—	140.0
Bank loans repayable in the third to fifth years:					
Secured	—	200.0	—	—	—
Finance lease payables in the second to fifth years	1.0	0.7	0.7	0.6	0.3
Total non-current borrowings	234.8	290.7	200.7	0.6	140.3
Total borrowings	2,058.1	2,883.4	1,592.3	2,224.1	2,145.7

Pursuant to the Subscription Agreements and the Facility Agreement dated July 5, 2011, our Company, Wison Technology, Wison Energy (HK) and Wison Singapore provided guarantees to the Pre-IPO Investors and the Lenders to secure the obligations of the parties thereto upon the occurrence of an event of default under the Subscription Agreements and the Facility Agreement.

On July 6, 2011, our Company, Wison Technology and Wison Energy (HK) granted security over certain bank accounts in respect of the proceeds of the issuance of the Bonds and the funds advanced under the Facility Agreement for the benefit of the Pre-IPO Investors and the Lenders.

On July 6, 2011, our Company, Wison Technology, Wison Energy (HK) and Wison Singapore granted security for the benefit of the Pre-IPO Investors and the Lenders over all its assets and undertakings (other than the shares and/or equity interests in Wison Engineering and Wison Yangzhou).

On July 6, 2011, our Group granted security for the benefit of the Pre-IPO Investors and the Lenders over all its shares in Wison Technology, Wison Energy (HK) and Wison Singapore.

Save as disclosed in this prospectus, our Directors have confirmed that the members of our Group have neither had any material defaults in payment of their bank borrowings nor breached any financial covenants applicable to them during the three years ended December 31, 2011 and up to the Latest Practicable Date.

Renminbi-denominated debt

Bank loans

A substantial portion of our operations are financed with borrowings from commercial banks in the PRC. A majority of our RMB bank borrowings are in the form of term loans payable within one year, which we typically repay upon maturity and refinance with further one-year term loans as necessary. As of December 31, 2011, we settled all of our intercompany loans and we do not intend to make any intercompany loans in the foreseeable future. As of October 31, 2012, we had outstanding loans from PRC banks in the aggregate principal amount of RMB2,145.1 million. The effective interest rates of our bank and other borrowings as of October 31, 2012 ranged from 5.8% to 7.2% per annum.

We have not experienced any difficulties in obtaining credit facilities during the three years ended December 31, 2011 and up to the Latest Practicable Date. As of October 31, 2012, we had RMB1,625.4 million in unutilized facilities denominated in Renminbi, and had not been requested to accelerate any of our repayments. Among our unutilized banking facilities as of October 31, 2012, unutilized banking facilities of approximately RMB31.8 million, RMB559.7 million, RMB115.1 million, RMB304.0 million, RMB315.0 million, RMB200.0 million and RMB99.9 million are available for draw down up to December 6, 2012, April 28, 2013, June 18, 2013, June 21, 2013, July 3, 2013, August 22, 2013 and September 28, 2013, respectively. While the banks do not have the discretion to restrict us from drawing down under these unutilized banking facilities, any such drawdown would be subject to our compliance with customary procedures of the relevant banks at the time of such drawdown.

These banking facilities include normal commercial covenants and conditions, among which: (a) Wison Engineering must obtain prior written consent of the lenders for any material share transfer or any material asset transfer where the transferred assets account for more than 20% of Wison Engineering's latest audited total assets or the profit derived from such assets accounts for more than 20% of its latest audited profit, and (b) Wison Engineering must provide written notice 30 days in advance to the lenders of the following events and obtain written consent from the lenders if the lenders consider the following events to be material: (i) disposal of more than 10% of its net assets, (ii) declaration of dividends in an amount more than 30% of its after-tax net profit or 20% of its unallocated profit, (iii) investing in a third party in an amount more than 20% of its net assets, and (iv) applying for banking facilities from other banks, providing guarantees to a third party or waiving the debts owed by a third party in an amount more than 20% of its net assets. These banking facilities also include certain financial covenants, among which: (a) the liability/asset ratio of Wison Engineering must be no more than 85%; (b) the guarantees provided by Wison Engineering must not be higher than 0.5 times its net assets; and (c) if the after-tax profit in any year is insufficient to cover the loss of the previous year, Wison Engineering is not permitted to distribute dividends to its shareholders. Some of the banking facilities also include cross-default provisions. These commercial and financial covenants relate specifically to Wison Engineering, as Wison Engineering is the borrower under these banking facilities.

U.S. dollar-denominated debt

Our U.S. dollar denominated loans bear interest at floating rates of the LIBOR or the Hong Kong Inter Bank Offered Rate. As of October 31, 2012 and up to the Latest Practicable Date, we have no outstanding U.S. dollar-denominated loan, no unutilized facilities denominated in U.S. dollars and had not been requested to accelerate any of our repayments.

Facility Agreement

On July 5, 2011, Wison Investment entered into a Facility Agreement with certain Lenders, including BOCOM, the holding company of BOCOM Asia. Pursuant to this Facility Agreement, the Lenders provided, among other things, a US$100.0 million loan facility funded by each Lender severally, at a fixed rate of 9.0% per annum. All outstanding loans under the Facility Agreement must be mandatorily prepaid in full together with any and all accrued interest, (i) on the seventh Business Day after a Qualifying IPO, or (ii) on the date falling 18 months from July 5, 2011, the date of the Facility Agreement, if a Qualifying IPO has not occurred by then. As a term of the Facility Agreement, Wison Investment must ensure that all amounts borrowed under the facility are applied towards certain loans and payable owed by Wison Holding and its subsidiaries (other than our Group) to our Group. The obligations of Wison Investment under the Facility Agreement are also guaranteed jointly and severally by our Company, Wison Technology, Wison Energy (HK) and Wison Singapore. The guarantee will be released immediately prior to Listing. Pursuant to a letter dated December 3, 2012, the Lenders agreed to deem the Listing to be a Qualifying IPO for the purposes of the Facility Agreement on the condition that on the date falling seven Business Days after the Listing, Wison Investment, the Selling Shareholder, shall repay (i) all outstanding loans together with accrued interest thereon and (ii) an exit fee as computed in accordance with the Facility Agreement. Pursuant to a letter dated December 11, 2012, BOCOM agreed that, insofar as its portion of the outstanding principal amount under the Facility Agreement, being US$64,000,000, is concerned, the final repayment date and any reference to "the date falling 18 months from the date of the Facility Agreement" shall be amended to and replaced by "December 31, 2013", provided that if no Qualifying IPO has occurred by December 31, 2012, any outstanding amount owing to BOCOM shall continue to be secured on the terms under the Facility Agreement until its final repayment in full and BOCOM shall remain entitled to the exit fee as computed in accordance with the Facility Agreement.

The Facility Agreement includes customary covenants, including: (a) none of the members of our Group may create or permit to subsist any security over any of its assets, except as permitted under the Facility Agreement; (b) none of the members of our Group may sell, lease, transfer or otherwise dispose of any asset, except as permitted under the Facility Agreement; (c) none of the members of our Group may incur, or allow to remain outstanding any financial indebtedness, except as permitted under the Facility Agreement; and (d) none of the members of our Group may acquire any securities or interests in any company, except as permitted under the Facility Agreement.

Payment of Waiver Fee to Credit Suisse and UOB

Pursuant to the Facility Agreement, we were required to provide the audited consolidated financial statements of our Group evidencing the termination of certain related party transactions (the "RPT Termination") by November 6, 2011, which we failed to provide by the said date due to prolonged discussions among the parties to the Facility Agreement, Wison Investment and the Lenders, regarding the form and nature of the report to be provided by the auditors in connection with the RPT Termination which resulted in a breach of the obligation (the "Breach"). The Breach constitutes a material event of default for the purposes of the Facility Agreement and would entitle the Lenders to demand early repayment of the term loan facility granted under the Facility Agreement as a result of an acceleration by reason of the occurrence of the Breach, and an exit fee would be payable by Wison Investment in addition to the outstanding loan and accrued and unpaid interest (the "Exit Fee").

In consideration of the Lenders' agreement to refrain from exercising their rights under the Facility Agreement in respect of the Breach by irrevocably waiving the Breach under the Facility Agreement, Wison Investment agreed to pay to Credit Suisse and UOB (in their capacity as Lenders under the Facility Agreement) a waiver fee equal to US$510,000 and US$410,000, respectively (collectively, the "Waiver Fee"), and BOCOM (in its capacity as a Lender under the Facility Agreement) agreed that the Waiver Fee would be paid by Wison Investment solely to Credit Suisse and UOB for their own account, and that no waiver fee would be paid to BOCOM. Accordingly, Wison Investment, Wison Holding and we have sought on June 1, 2012, and the facility agent of the Facility Agreement, the trustee of the Bonds and the security trustee of the Facility Agreement and the Bonds have granted on June 4, 2012, consent to the payment of the Waiver Fee in relation to the Breach. Such Waiver Fee was arrived at after arm's length negotiations among the relevant parties taking into account the Exit Fee as stipulated in the Facility Agreement. Further, the loan advanced by the Lenders under the Facility Agreement shall continue to subsist in accordance with the terms of the Facility Agreement notwithstanding the Breach. In addition, the Obligors have undertaken to procure the delivery of the auditor's report of factual findings in connection with the RPT Termination by June 30, 2012.

Working capital credit line

On September 29, 2011 and October 19, 2011, through two four-party agreements and their related agreements, BOCOM Offshore Banking Unit granted credit lines of US$30.0 million and US$10.0 million due, respectively, on September 28, 2012 and October 18, 2012, to Wison Energy (HK), secured by Renminbi deposits pledged by Wison Engineering to Bank of Communications Co., Ltd. Shanghai branch. Each credit line bears an annual interest rate of six-month LIBOR plus 2.7% (the "BOCOM Credit Lines"). The BOCOM Credit Lines were repaid on September 28, 2012 and October 18, 2012, respectively.

Monitoring compliance with financial or commercial covenants

To ensure compliance with the financial or commercial covenants that we are subject to under the Renminbi-denominated debt and the U.S. dollar-denominated debt, as described in "—Renminbi-denominated debt" and "—U.S. dollar-denominated debt" above, we have established internal control procedures whereby each relevant Group Company has designated relevant staff to review the covenants applicable to such Group Company and to monitor compliance with covenants on an ongoing basis. These staff members report formally to our senior management on a quarterly basis, and are required to raise any compliance issues with management on an interim basis. The quarterly reports are also subject to internal audits by our internal audit department on a sampling basis to check whether relevant internal control procedures have been followed and check the calculations. During the three years ended December 31, 2011 and up to October 31, 2012, save for the Breach as disclosed above, we did not breach any of the covenants or conditions set forth in our facility agreements.

Off-balance sheet arrangements

Other than the guarantee we made pursuant to the Facility Agreement, we have no off-balance sheet investments or arrangements as of the Latest Practicable Date.

Non-delivery foreign exchange forward contracts

We entered into a non-delivery foreign exchange forward contract ("NDF") in April 29, 2010 to purchase US$32.0 million on April 27, 2011 at a rate of RMB6.646 to US$1.00, the gain or loss under which was settled in U.S. dollars. The NDF was offered to us in conjunction with a US$32.0 million term loan facility due on the same date granted to us by the Hong Kong branch of China Merchants Bank. The purpose of this NDF was to hedge our foreign currency exposure. By taking out an NDF in the same amount as our foreign currency loan, we were able to fix the exact amount of Renminbi we would need to settle our U.S. dollar loan upon maturity. This NDF was settled in full on April 29, 2011.

On April 27, 2011, we extended our US$32.0 million loan with the Hong Kong branch of China Merchants Bank to August 24, 2011. In connection with this loan extension, we again entered into a NDF to purchase US$32.0 million on the maturity date of the loan at a rate of RMB6.408 to US$1.00 in order to hedge our foreign currency exposure. This loan was fully repaid on August 24, 2011 and the NDF was fully settled on the same date.

We have not accounted for these NDFs using hedge accounting, but have instead adopted the accounting treatment in relation to the recognition and measurement of financial assets and financial liabilities. We have decided not to account for these NDFs using hedge accounting because we consider the financial impact immaterial and we would need to incur additional time and effort to assess whether these forward contracts fulfill the requirements for hedge accounting under IFRS.

Commitments

We enter into purchase contracts and operating leases from time to time in connection with our business expansion. As of October 31, 2012, we had contractual obligations to purchase equipment and materials in connection with our construction contracts in an aggregate amount of RMB1,349.7 million and had entered into operating leases pursuant to which we had the obligation to make lease payments totaling RMB31.0 million in the aggregate.

Guarantees

Construction contract guarantees

Our construction contracts typically contain guarantee clauses pursuant to which we guarantee (i) the performance of our services, (ii) the proper use of advances received, if any, and (iii) the quality of our work after the completion of the project. In the three years ended December 31, 2011 and up to the Latest Practicable Date, we provided these guarantees in the form of letter guarantees issued by banks in China on our behalf. As of October 31, 2012, letter guarantees issued by banks in China guaranteed an aggregate amount of RMB703.6 million, representing 7.3% of the total contract amounts guaranteed. Such guarantees were secured by an aggregate of RMB339.3 million in pledged deposits we made with the guarantee banks, which deposits may be foreclosed upon in the event there are defects in the quality of our work and our clients succeed in collecting upon the guarantees issued by the banks. No payment demands have been issued against us under such guarantees.

Contingent Liabilities

In 2010, we submitted an application for special tax treatment under Circular No.59 for Wison Energy (HK) to transfer its entire 100% equity interest in Wison Yangzhou and Wison Engineering. To date, the relevant authorities have not reverted on this application. We calculated our prospective tax liability in relation to the transfer of equity interests in Wison Yangzhou and Wison Engineering. We paid RMB10.4 million in December 2011 and made a provision of RMB4.4 million in our financial statements as of October 31, 2012 accordingly. The provision was based on a valuation of Wison Yangzhou and Wison Engineering performed by a PRC valuer.

Except for the contingent liabilities and guarantees as stated above, we had no other contingent liabilities as of the Latest Practicable Date.

Save as disclosed in "—Indebtedness, Contractual Obligations and Other Off-balance Sheet Arrangements—Indebtedness" in this prospectus, as of October 31, 2012, being the latest practicable date for determining our indebtedness, we did not have any outstanding mortgage, charge, debenture or other loan capital (issued or agreed to be issued), bank overdraft, loan, liability under acceptance or other similar indebtedness, hire purchase and finance lease commitments or any guarantee or other material contingent liability.

Save as disclosed above, our Directors confirmed that there were no material changes in our indebtedness since October 31, 2012 and up to the date of this prospectus.

Property Value Reconciliation

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, has valued our property interests as of September 30, 2012. The full text of the letter, summary of valuation and valuation certificates with respect to such property interests are set out in Appendix III to this Prospectus.

The table below sets forth the reconciliation between the net book value of our property interests as of June 30, 2012 and the valuation of such property interest as of September 30, 2012:

	RMB'million
Net book value of the property interests as of June 30, 2012 as set out in Appendix I to this prospectus	
— Buildings	189.9
— Construction in progress	326.2
— Investment property	15.6
— Prepaid land lease payments	193.9
Net book value as of June 30, 2012	725.6
Add: Additions during the period from July 1, 2012 to September 30, 2012	112.8
Less: Depreciation during the period from July 1, 2012 to September 30, 2012	(3.8)
Net book value as of September 30, 2012	834.6
Valuation surplus as of September 30, 2012	319.1
Valuation as of September 30, 2012 as set out in the property valuation report in Appendix III to this prospectus	1,153.7

MARKET RISKS

We are exposed to the following types of market risks:

Price of Raw Materials

In the three years ended December 31, 2011 and the six months ended June 30, 2012, we maintained relatively stable gross profit margins despite the changes in the prices of raw materials as the proportion of cost of raw materials out of the total cost of raw materials and equipment procurement is relatively small, having represented approximately 10.3%, 26.2%, 12.1% and 10.6% of the total cost of raw materials and equipment procurement from all signed contracts during the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, respectively and the fluctuation of raw material prices did not have any material impact on our cost of raw materials and equipment procurement during the three years ended December 31, 2011 and the six months ended June 30, 2012. The is attributable to a number of factors: (i) the availability of a number of alternate sources of raw materials or equipment has enabled us to minimize the effect on our business of any interruptions in the supply of raw materials or equipment (we had 1,292 domestic and 85 overseas suppliers on the our pre-approved list, as well as another 608 potential overseas suppliers as of June 30, 2012); (ii) we have signed framework agreements with suppliers of raw materials to secure volume discounts for some of our raw material purchases; (iii) we purchase a portion of our raw materials through procurement agents, which provides another layer of protection from raw material price volatility given our established relationships and volume purchases with these agents; and (iv) in addition, we monitor changes in the prices of equipment and raw materials and from time to time may enter into fixed price agreements with equipment and raw material suppliers to secure a fixed cost for existing projects. Our early procurement planning, detailed knowledge of the supply channel, ability to optimize component mix and knowledgeable purchase team are important factors that have enabled us to help control purchase costs.

Interest Rate Risk

We are exposed to risks resulting from fluctuations in interest rates on our debt. We undertake debt obligations in order to support our general corporate purposes, including capital expenditures and working capital needs. Our loans bear interest rates that are subject to adjustment by our lenders in accordance with changes in relevant PBOC regulations and market conditions within and outside the PRC. If the PBOC or foreign banks increase interest rates, our finance costs will increase. In addition, to the extent that we may need to raise debt financing in the future, upward fluctuations in interest rates will increase the cost of new debt. As we believe we have sufficient working capital, we believe fluctuations in interest rates will only have a limited impact on our results of operations and financial condition. Currently, we do not use any derivatives or other instruments to hedge our exposure to interest rate risks.

Foreign Currency Risk

We conduct our business primarily in Renminbi, which is also our functional and reporting currency. From time to time we may need to convert our Renminbi-denominated cash reserves into foreign currencies to purchase imported raw materials or equipment. As such, a portion of our future costs may be denominated in foreign currencies and we may be exposed to risks resulting from fluctuations in the value of the Renminbi against other currencies.

The Renminbi is not a fully convertible currency. Fluctuations in exchange rates may adversely affect the value, translated or converted into U.S. dollars, of our net assets, earnings and any declared dividends. We cannot give any assurance that any future movements in the exchange rate of the Renminbi against the U.S. dollar or other foreign currencies will not adversely affect our results of operations and financial condition. We currently use limited derivative instruments to hedge our exposure to foreign currency risks. See "Risk Factors—Risks Relating to the PRC—Our financial condition is dependent on the strength of the Renminbi and could be adversely affected by unfavorable currency conversion and exchange controls".

Credit Risk

We are exposed to the credit risks arising from defaults in payments of our clients according to the stipulated terms in our construction contracts. To mitigate this risk, we typically require 10-30% of the contract amount to be paid upon signing of the contract. We did not experience any material losses as a result of our clients' defaults in their payment obligations during the three years ended December 31, 2011 and the six months ended June 30, 2012.

Inflation

During the three years ended December 31, 2011, China did not experience significant inflation, and thus inflation has not had a significant effect on our business during the periods covered in the financial statements. According to the National Bureau of Statistics of China, the changes in the consumer price index ("CPI") in China were (0.7)%, 3.3% and 5.4% in 2009, 2010 and 2011, respectively. We do not expect to be materially affected by such changes as our business is not typically affected by changes in the CPI in China.

NON-IFRS FINANCIAL MEASURES

We use adjusted EBITDA to provide additional information about our operating performance.

Adjusted EBITDA for any financial year/period consisted of profit for the financial year/period before tax after adding back finance costs, depreciation and amortization expenses, and excluding other income and gains and share of profits and loss of an associate.

Adjusted EBITDA is not a standard measure of financial performance under IFRS. We believe that this measure may be useful for certain investors to consider our operating performance.

The following table reconciles our profit before income tax with adjusted EBITDA for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2009	2010	2011	2011	2012
				(unaudited)	
	(RMB in millions)				
Profit before tax	295.2	818.6	795.2	144.3	(3.5)
Add/(less):					
Other income and gains(1)	(25.1)	(35.0)	(30.6)	(16.1)	(16.6)
Finance costs(2)	87.6	133.7	137.9	81.8	53.0
Depreciation and amortization expenses(3)	25.7	24.6	24.4	11.9	15.9
Share of profits and loss of an associate(4)	(0.1)	(0.4)	(0.6)	(0.2)	(0.1)
Adjusted EBITDA(5)	383.3	941.5	926.3	221.7	48.7

Notes:

(1) Other income and gains for each financial year/period represent the sum of our other operating income and gains. See Note 6 to the Accountants' Report set out in Appendix I.

(2) Finance costs for each financial year/period represent the sum of our interest expenses. See Note 7 to the Accountants' Report set out in Appendix I.

(3) Depreciation and amortization expenses for each financial year/period represent the sum of our depreciation expenses, amortization of prepaid land lease payments and amortization of intangible assets. See Note 8 to the Accountants' Report set out in Appendix I.

(4) Share of profits and loss of an associate for each financial year/period represent our share of profits and loss of an associate, Henan Chuangsite. See Note 19 to Accountants' Report set out in Appendix I.

(5) Adjusted EBITDA for any financial year/period is defined as profit for the financial year/period before tax after adding back finance costs, depreciation and amortization expenses, and subtracting other income and gains and share of profits and loss of an associate. Adjusted EBITDA is presented as additional information because we believe that the adjusted EBITDA is a useful measure for certain investors to determine our operating performance. Adjusted EBITDA is not a recognized term under IFRS and should not be considered as alternative to profit before income tax as an indicator of our operating performance or any other measure of performance derived in accordance with IFRS. Because adjusted EBITDA is not an IFRS measure, adjusted EBITDA may not be comparable to similar measures presented by other companies.

TAXATION

PRC Taxation

Enterprise income tax

We are subject to national enterprise income tax and local income tax ("EIT"). PRC EIT are levied based on taxable income, including income from operations as well as other components of earnings, as determined in accordance with PRC GAAP and PRC tax rules and regulations. PRC GAAP (and PRC tax rules and regulations) differ from IFRS in certain aspects, including the recognition of assets and liabilities, which results in temporary differences. Deferred taxation is calculated by applying the liability method on all temporary differences between the tax bases of assets and liabilities and their carrying amounts existing at the balance sheet date for financial reporting purposes. See Note 10 to the Accountants' Report in Appendix I to this prospectus.

On March 16, 2007, the Fifth Meeting of the Tenth National People's Congress promulgated the PRC Enterprise Income Tax Law (the "New EIT Law"). According to the New EIT Law, from January 1, 2008, the income tax for both domestic companies and foreign invested enterprises will be levied at the uniform rate of 25%, except for certain income tax deductions prescribed by the New EIT Law. However, the New EIT Law includes some transitional preferential measures for enterprises which were established before the promulgation of the New EIT Law and which currently enjoy lower tax rates, regular tax reductions or exemption treatment under then-current tax laws and administrative regulations. According to these transitional measures, such enterprises, pursuant to the regulations of the State Council, will continue to enjoy a gradually increasing transitional income tax rate for five years after the New EIT Law becomes effective. Such enterprises will also continue to enjoy their existing tax reductions, exemption treatment and other remaining tax incentives in accordance with the requirements and for the periods specified by then-current income tax laws and administrative regulations.

The Notice on the Implementation of the Enterprise Income Tax Preferential Policy ("Circular 39"). Based on Circular 39, certain specifically listed categories of enterprises that enjoyed a preferential tax rate of 15% and 24% are eligible for a graduated rate increase to 25% over the five-year period beginning from January 1, 2008. Specifically, the applicable rates under such an arrangement for such enterprises that enjoyed a preferential tax rate of 15% will be 18%, 20%, 22%, 24% and 25% for 2008, 2009, 2010, 2011 and 2012, respectively.

Wison Engineering was incorporated as a domestic limited liability company on November 14, 1997 but was converted into a Sino-foreign co-operative joint venture, a type of foreign invested enterprise, on September 11, 2003. As a foreign invested enterprise operating in the construction industry, Wison Engineering qualifies as a “manufacturing enterprise” because it is a construction enterprise that is principally engaged in overall contracting, project management, project design and work related to petrochemicals projects for which the Ministry of Construction issued the certificate of qualification for construction enterprise in 2005, and because enterprises with foreign investment engaged in the construction industry are included in the “Enterprises with foreign investment of a production nature” mentioned in the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises. Wison Engineering is also located in the Shanghai Pudong New Area. As a result, it is entitled to a preferential EIT rate of 15%. Wison Engineering is entitled to a two-year exemption from EIT for its first two profitable years of operation, which were 2004 and 2005. Wison Engineering was thereafter entitled to a 50% relief from EIT for three years which resulted in an effective EIT rate of 7.5% for 2006 and 2007 and 9% for 2008. Further, Wison Engineering qualifies as a “High and New Technology Enterprise” because it obtained a “high-technology enterprise” certificate in October 2008 for a three-year period from 2008 to 2010, and again in October 2011 for a three-year period from 2011 to 2013, from the competent authorities in accordance with the relevant regulations, including the Administrative Measures for Determination of High Technology Enterprises and because an enterprise engaged in the provision of services may qualify as a “high-technology enterprise” if it has complied with relevant provisions of the Administrative Measures for Determination of High Technology Enterprises and obtained the “high-technology enterprise” certificate accordingly. Wison Engineering was entitled to a corporate income tax (“CIT”) rate of 15% from January 1, 2011 to December 31, 2013. Thereafter, the applicable EIT rate for Wison Engineering is 15%, so long as Wison Engineering continues to qualify as a “High and New Technology Enterprise”.

Wison Yangzhou, a wholly foreign-owned enterprise, also a type of foreign invested enterprise, qualified as a “production enterprise” and was entitled to a two-year exemption from the EIT for the first two profitable years of operation, which were 2006 and 2007, and a further 50% relief from EIT for three years (resulting in an effective EIT rate of 12.5%) for 2008, 2009 and 2010. Thereafter, the applicable EIT rate for Wison Yangzhou is 25%.

Other PRC taxes

We also pay other taxes in connection with certain business activities. For example, we are subject to business tax at the rate of 3% or 5% of taxable revenue in connection with services provided by Wison Engineering, depending on the type of service provided. We are subject to value-added tax of 17% in conjunction with sales of products and value-added tax of 6% in conjunction with certain services provided by Wison Engineering starting from 2012. In addition, we pay property tax, where applicable, at a rate of 1.2% per year based on 70% of the carrying value of our owned properties in Yangzhou, Beijing and Henan.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that no circumstances have occurred that, had they been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of the unaudited pro forma adjusted consolidated net tangible assets of the Group which has been prepared in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had taken place on June 30, 2012 and based on our audited consolidated net tangible assets as of June 30, 2012, as shown in the Accountants' Report, the text of which is set out in Appendix I and is adjusted as detailed below:

The unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purpose only and because of its nature, it may not give a time and fair picture of the financial position of the Group after the completion of the Global Offering or on any future dates.

	Audited consolidated net tangible assets of the Group attributable to the equity holders of the Company as of June 30, 2012(1)	Forecast net proceeds from Global Offer Shares(2)	Unaudited pro forma adjusted consolidated net tangible assets(4)	Unaudited pro forma adjusted consolidated net tangible assets per Share(3),(4)
	RMB'000	*RMB'000*	*RMB'000*	*RMB*
Based on an Offer price of HK$2.79 per Share	364,016	966,189	1,330,205	0.33
Based on an Offer price of HK$3.53 per Share	364,016	1,241,440	1,605,456	0.40

Notes:

(1) Our audited consolidated net tangible assets as of June 30, 2012 is extracted from the Accountants' Report set out in Appendix I which is equal to the audited consolidated net assets attributable to owners of our Company of RMB392,928,000 as of June 30, 2012 less other intangible assets of RMB13,160,000 and goodwill of RMB15,752,000 as of the same date.

(2) The forecast net proceeds from the Global Offer are based on an indicative Offer Price of HK$2.79 to HK$3.53 per share, being the low end and high end of the Stated Offer Price range, after deduction of the underwriting fees and related expenses payable by our Company and taking no account of any Shares which may be allotted and issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme or Shares which may be allotted and issued or purchased by our Company pursuant to the general mandate for the allotment and issue or purchase of Shares referred to in "Appendix VI—Statutory and General Information—Further information about our Company—Written resolutions of our Shareholders passed on November 30, 2012". The estimated net proceeds are converted into RMB at the rate of HK$1=RMB0.8115.

(3) The unaudited pro forma adjusted net tangible assets per Share has been arrived at after making the adjustment referred to in this section above and on the basis that 4,000,000,000 Shares are in issue immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option and the Pre-IPO Share Option).

(4) No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to June 30, 2012.

DIVIDEND POLICY

During the three years ended December 31, 2011, we declared a dividend of RMB710.0 million on September 28, 2011 and paid an accumulated amount of RMB894.6 million in respect of all dividends (including a prior declared but unpaid amount of RMB184.6 million) out of the accumulated distributable profits (of the companies comprising our Group) throughout 2011, with final payment on October 31, 2011. We declared a dividend of

RMB256.6 million on June 11, 2012 and paid an amount of RMB195.2 million in respect of all dividends out of the accumulated distributable profits during the six months ended June 30, 2012.

The total amount of dividends paid by Wison Engineering to Wison Energy (HK) for the three years ended December 31, 2011 and the six months ended June 30, 2012 was RMB1,163.5 million. The total amount of dividends paid by Wison Engineering to Jiangsu Xinhua as the minority shareholder of our Group for the three years ended December 31, 2011 and the six months ended June 30, 2012 was RMB170.6 million. As would be expected in light of the absence of any commercial relationship between Mr. Hua, Mr. Hua Bangshan or any of their respective associates with Jiangsu Xinhua, insofar as it is known to our Directors and based on information available to them, none of Mr. Hua, Mr. Hua Bangshan nor any of their respective associates has received any form of benefits from the dividend distributed by Wison Engineering to Jiangsu Xinhua.

We will evaluate our distribution policy and distributions made (by way of dividend or otherwise) in any particular year in light of our financial position, the prevailing economic climate and expectations about the future macroeconomic environment and business performance. The determination to make distributions will be made at the discretion of the Board and will be based upon our earnings, cash flow, financial conditions, capital and other reserve requirements and any other conditions which the Board deems relevant. The payment of distributions may also be limited by legal restrictions and by financing agreements that we may enter into in the future. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Law, including the approval of our shareholders. Our historical payment of dividends may not be indicative of future dividends paid by our Group. There can be no assurance that we will be able to declare or distribute any dividends set out in any plan of our Board or at all. See "Risk Factors—Risks Relating to Our Business—Our ability to pay dividends will depend on our receipt of dividends from our subsidiaries".

DISTRIBUTABLE RESERVES

As of June 30, 2012, the aggregate amount of distributable reserves of our Company was RMB272.3 million.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that except as otherwise disclosed in this prospectus, as of the date of this prospectus, there has been no material adverse change in our financial or trading position since June 30, 2012 and no event has occurred since June 30, 2012 that would materially and adversely affect the information shown in the Accountants' Report set out in Appendix I.