# WISON ENGINEERING SERVICES CO. LTD.

# 惠生工程技術服務有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2236)**

## INTERIM RESULTS ANNOUNCEMENT

## FOR THE SIX MONTHS ENDED 30 JUNE 2015

Highlights:

- Our revenue for the six months ended 30 June 2015 amounted to approximately RMB3,535,823,000, representing an increase of 28.0% from approximately RMB2,761,386,000 recorded in the corresponding period in 2014.

- Our gross profit for the six months ended 30 June 2015 amounted to approximately RMB513,584,000, representing an increase of 67.4% from approximately RMB306,869,000 recorded in the corresponding period in 2014.

- Our net profit for the six months ended 30 June 2015 amounted to approximately RMB173,700,000, representing an increase of 393.9% from approximately RMB35,172,000 recorded in the corresponding period in 2014.

- Profit attributable to owners of the parent for the six months ended 30 June 2015 amounted to approximately RMB150,265,000, representing an increase of 467.9% from approximately RMB26,461,000 recorded in the corresponding period in 2014.

## BUSINESS OVERVIEW

### Overall Review

In 2015, the global economic recovery was lacklustre, with unsynchronized growth momentum in different countries. In particular, the US economy showed moderate growth, the euro zone's economy began to pick up driven by factors such as lower oil prices and euro depreciation, while Japanese economy returned to growth in the first quarter before showing signs of faltering again in the second quarter. In the face of the complicated domestic and international economic environment, trade and domestic demand were relatively weak, and Chinese economy faced downward pressure in the first half of the year. However, the major indicators improved gradually, exhibiting a steady and positive development trend. In the first half of the year, Gross Domestic Product recorded a year-on-year increase of 7.0%.

With the advent of the era of low oil and coal prices, growth in investment in oil refineries, petrochemicals and coal-to-chemicals has slowed down. However, global warming and the strengthening of social awareness for environmental protection have raised new requirements on industry development, which has entered a new phase of being more reliant on technological innovation and being supportive of industrial transformation. Such industrial transformation driven by new circumstances will provide favourable prospects for energy demand and related energy services industries. Meanwhile, project initiatives by the PRC government such as "One Belt, One Road" and the "Asian Infrastructure Investment Bank (AIIB)" all have boosting effects on the expansion of overseas markets for Chinese contractors.

Wison Engineering Services Co. Ltd. (the "Company", and together with its subsidiaries, the "Group") remains optimistic about the overall outlook for the industry. In the wake of continued enhancement of technological innovation and operations management, the Group has taken a substantial step in transforming itself into a leading international engineering company. With a remarkable track record in business segments of petrochemicals, coal-to-chemicals and oil refineries, the Group will be able to grasp every market opportunity to greet its rapid development.

## FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2015 (the "Period under Review"), the Group's revenue amounted to approximately RMB3,535.8 million, representing an increase of 28.0% as compared with the corresponding period of 2014 (first half of 2014: approximately RMB2,761.4 million). Gross profit amounted to approximately RMB513.6 million, representing an increase of 67.4% as compared with the corresponding period of 2014 (first half of 2014: approximately RMB306.9 million). Profit attributable to owners of the parent was approximately RMB150.3 million (first half of 2014: approximately RMB26.5 million). The increases in revenue and profit were mainly due to the smooth progress of major coal-to-chemicals and oil refinery projects which entered the principal construction phase, resulting in higher project revenue recognition during the Period under Review as compared with the corresponding period in 2014. Meanwhile, a substantial part of the revenue recognized in the six months ended 30 June 2014 was generated by certain project contracts which, due to a change in pricing method, had lower overall gross profit margins and, as such projects had largely been completed in 2014, their impacts on the gross profit margins of the Group during the Period under Review were much smaller.

During the Period under Review, the Group continued to solicit new customers. New contract value, net of estimated value added tax ("VAT"), amounted to approximately RMB755.8 million (first half of 2014: approximately RMB144.1 million), of which coal-to-chemicals, petrochemicals and other products and services business accounted for 13.8%, 85.2% and 1.0%, respectively. As at 30 June 2015, backlog, net of estimated VAT, amounted to approximately RMB12,963.8 million (31 December 2014: approximately RMB16,134.3 million), of which coal-to-chemicals, oil refineries, petrochemicals and other products and services business accounted for 26.4%, 62.0%, 7.8% and 3.8%, respectively.

In addition, during the Period under Review, the Group was designated as a constituent of the Morgan Stanley Small Cap (China) Index by Morgan Stanley Capital International (MSCI), with effect from the closing of the market on 29 May 2015 (Friday), which reflects the wide recognition among international capital markets of the sustained development and prospects for the Group's businesses.

On 12 November 2014, the Company issued an announcement disclosing two charges that were instigated against Wison Engineering Ltd. (惠生工程(中國)有限公司) ("Wison Engineering"), an indirect non-wholly-owned subsidiary of the Company, and Mr. Hua Bangsong ("Mr. Hua"), the legal representative of Wison Engineering and the controlling shareholder of the Company. A court in the People's Republic of China delivered the relevant verdict on 5 August 2015 (For further details, please refer to the announcement made by the Company dated 5 August 2015). On 14 August 2015, Wison Engineering and Mr. Hua made applications to appeal against the relevant judgments (For further details, please refer to the announcement made by the Company dated 14 August 2015). The Board does not expect the aforesaid matters to have material adverse impact on the business operations and financial conditions of the Group.

Reference is made to the announcement of the Company dated 28 April 2015 in respect of the preliminary discussion between the Company's controlling shareholder (the "Controller") with one prospective investor concerning a possible sale and purchase of existing shares of the Company (a "Possible Transaction"). On 17 August 2015, the Company made an announcement stating that it has been informed by the Controller that on the same day, the negotiations in respect of the Possible Transaction have been terminated. For further details, please refer to the announcements made by the Company dated 28 April 2015 and 17 August 2015.

## BUSINESS REVIEW

### Coal-to-chemicals

During the Period under Review, revenue from the Group's coal-to-chemicals business amounted to approximately RMB2,175.0 million (first half of 2014: approximately RMB1,512.9 million), representing an increase of 43.8% as compared with the corresponding period of last year. The increase in revenue was mainly driven by the smooth progress of the Group's major coal-to-chemicals projects during the Period under Review.

Backlog as at the end of the Period under Review and new contract value during the Period under Review, net of estimated VAT, amounted to approximately RMB3,424.3 million and RMB104.2 million, respectively (backlog value as at 31 December 2014: approximately RMB5,521.2 million; new contract value in first half of 2014: approximately RMB22.9 million).

Despite the challenges, with its proprietary technologies in coal-to-chemicals and outstanding track record, the Group made satisfactory progress during the Period under Review, receiving recognition from relevant authorities in respect of its technological innovation and breakthroughs. The Group has entered into a syngas-to-glyco strategic cooperation agreement with Guizhou Xinxin Chemical Engineering Co., Ltd. and Tianjin University, pursuant to which the three parties will jointly promote the commercialization of their fully proprietary, complete set technology in syngas-to-ethylene glycol. Also under the strategic agreement, Wison Engineering will provide EPC services to the demonstration unit of yellow phosphorus tail gas to 70 kta oxalic acid and 10 kta ethylene glycol.

In addition, Shandong Yangmei Methanol-to-Olefin (MTO) plant EPC contracted by the Group achieved high standard completion and commenced producing qualified products. Subsequent to Wison (Nanjing) Clean Energy MTO project, this was the third MTO plant deploying Wison Engineering's MTO separation technology that has reached completion and been put into operation. As one of Wison Engineering's core technologies, Wison Engineering MTO separation technology features innovative proprietary "pre-cutting and oil absorption" techniques, supplementing existing domestic technologies in the said field. During the Period under Review, the technology as a scientific and technological achievement, has been accredited by the group of experts convened by China Petroleum and Chemical Industry Association (中國石油和化學工業聯合會). Wison Engineering's proprietary MTO separation technology is now accredited with international leading standards and excellent market competitiveness.

The Shaanxi polyethylene plant that was EPC contracted by Wison Engineering successfully commenced operation in one attempt. This is the third Wison EPC contracted polyethylene plant, which fully demonstrated Wison's EPC capabilities for polyolefin plants.

**Oil Refinery**

During the Period under Review, revenue from the Group's oil refinery business increased by 9,252.5% to approximately RMB944.6 million (first half of 2014: approximately RMB10.1 million). The increase was mainly due to the smooth progress made in Site Preparation Project for the Puerto La Cruz Refinery Deep Conversion Plant in Venezuela, the Group's major oil refinery project during the Period under Review.

Backlog as at the end of the Period under Review, net of estimated VAT, amounted to approximately RMB8,040.0 million (31 December 2014: approximately RMB9,346.1 million).

During the Period under Review, Site Preparation Project for the Puerto La Cruz Refinery Deep Conversion Project in Venezuela contracted by the Group achieved smooth handover, marking a new milestone per project schedule. The Group believes that such project will be progressively delivered on schedule and boasting high quality, laying a solid foundation for the refinery deep conversion project followed.

The HPC refinery project contracted by the Group in a consortium with Hyundai Engineering & Construction Co., Ltd. ("HDEC") and Hyundai Engineering Co., Ltd. ("HEC") has been progressing smoothly according to schedule.

**Petrochemicals**

During the Period under Review, revenue from the Group's petrochemicals business decreased by 66.4% to approximately RMB414.8 million (first half of 2014: approximately RMB1,235.5 million). The decrease was because the Sichuan PTA Project already completed its major construction phase last year.

Backlog as at the end of the Period under Review and new contract value during the Period under Review, net of estimated VAT, amounted to approximately RMB1,014.2 million and RMB643.6 million, respectively (backlog value as at 31 December 2014: approximately RMB787.3 million; new contract value in first half of 2014: approximately RMB120.9 million).

During the Period under Review, Wison Engineering was awarded with an EPC contract in Abu Dhabi, marking a breakthrough for Wison Engineering in the United Arab Emirates, the core market in the Middle East, laying a solid ground for Wison Engineering in further exploring and securing its position in the Middle East market during its course of internationalization.

During the Period under Review, major petrochemicals projects of the Group made smooth progress. For example:

- A newly built cracking furnace project in Saudi Arabia under an engineering, procurement and construction contract with Wison Engineering was delivered 10 days ahead of project schedule under contract requirement, and has been successfully launched for operation which signifies the Group's execution capability in its advantageous field of cracking furnace projects has been formally recognized in overseas markets.

- The Shandong 750 kta Propane Dehydrotreating Heating Furnace Project under an engineering, procurement and technological service contract with Wison Engineering commenced firing and heating.

- The newly built heating furnace of Shandong 450 kta Low Carbon Alkane Dehydrogenation Plant, EPC contracted by Wison Engineering reached completion of its main body.

- The design work by Wison Engineering was completed for the Shandong 70 kta butene oxidization and dehydrogenation to butadiene project that utilizes Wison Engineering's proprietary butene oxidization and dehydrogenation to butadiene technology and catalyst.

- All utilities at the Sichuan PTA plant EPC contracted by Wison Engineering has also been in progressive delivery.

**Other Products and Services**

Revenue from other products and services during the Period under Review decreased by 51.7% to approximately RMB1.4 million (first half of 2014: approximately RMB2.9 million). The financing plan by Zhoushan Wison Offshore & Marine Co., Ltd. (舟山惠生海洋工程有限公司) ("Zhoushan Wison") originally set for the construction of the engineering base project was deferred. As a result, the project was still suspended during the Period under Review.

*Continued enhancement of internationalization of the Group*

Adhering to our core strategy of "Internationalized development", each department within the Group has been proactively adjusting accordingly, aiming to enhance the Company's international competitiveness in a comprehensive way.

In respect of marketing efforts, the Group has developed a sophisticated international marketing network by establishing regional sales centres covering the Middle East/Africa, the Americas, Southeast Asia and South Asia. The Group has also built and nurtured an echelon of international sales talents, supplementing marketing forces in the Asia Pacific, Middle East and North Africa, further strengthening our capability to expand overseas. At the meantime, the Group established a designated working team for "One Belt, One Road" responsible for policy analysis, international cooperation, market development and the integration of various resources including marketing, consultation and financing, so as to fully capture the market opportunities brought by State policies, such as "One Belt, One Road" and the "AIIB".

In project execution, the Group focused on forging its execution capability in international projects, building up a localized engineering, procurement and construction management team to provide more customized services to its customers. Meanwhile, talent structure has been optimized by preliminarily establishing a talent echelon and an overseas project execution team adapting to the Company's internationalized development and future businesses. For instance, improving the standard of project managers and control managers through a combination of training and recruitment; increasing efforts in training internationalized construction management talents; collecting and articulating process information such as standards and construction management procedures in overseas projects; and keeping on with the efforts to reserve international construction sub-contractors.

Greater inputs have also been actively committed to the promotion of internationalization in regards to corporate culture development and financial management, amongst others.

*Improvement in the leading strengths of the engineering design centre*

During the Period under Review, to enhance its engineering abilities and to intensify the leading effect of engineering design in EPC services, the Group made a comprehensive structural adjustment to its engineering team of over 800 staff. The Group has designated Shanghai to be the headquarter of its engineering centres with Beijing and Zhengzhou to be the regional branches. Forces in design management, talents and technologies at Shanghai headquarter have been strengthened, and the training of young backups for all positions has been accelerated. To fully exploit the overall resource potentials of the engineering centre, the Group has established two sets of management systems for engineering centre management and technology management, improving managerial standards in dimensions including but not limited to business management, regional management, technological management and engineering design management.

*Continued technological innovation and comprehensive exploration of new business*

Along with adhering to technological innovation and consolidating its leading industry position, during the Period under Review, the Group was simultaneously taking proactive stance to explore new businesses to enrich and diversify its business portfolio.

During the Period under Review, the Group was authorized three new patents and attained copyright for one software program, with five patent applications filed pending for approval (including three invention patents and two utility model patents). Wison Engineering's proprietary MTO separation technology featuring its own innovative "pre-cutting and oil absorption" techniques, has been accredited by the group of experts convened by China Petroleum and Chemical Industry Association (中國石油和化學工業聯合會) as a scientific and technological achievement. Wison Engineering's proprietary MTO separation technology is now accredited with international leading standards and excellent market competitiveness.

Moreover, the Group set up a specialized leading group to explore directions of new businesses while a project group for new technology development was formed to boost technological cooperation and alliances between the Company and leading domestic and foreign technology institutions and enterprises in the fields of integrating new technologies with petrochemicals, oil refinery and coal-to-chemicals technologies, energy saving and consumption reducing technologies and LNG, amongst others, forging core technology products, prompting new technologies to become a strong support for the Group's EPC business. Meanwhile, the Company regards modularized delivery to be one of its key capabilities, and has established a dedicated modularization team in order to advance the technological ability and resource reserve of procurement, construction management and other relevant departments in their modularized delivery and engineering construction, led by modularized engineering design.

## OUTLOOK

In review of the global economy, the trend where economic growth drives energy demand and investment will persist. While regionally, news such as the lifting of the embargo on Iran and the gradual relaxation of the shale gas export from the US all serves positively for the energy engineering industry. As for domestically, being one of the world's largest energy consumers, China is taking up more portions in global petrochemical products consumption. In the foreseeable future, China will remain the position as the growth centre of global demand for petrochemicals products. As the state actively seeks alternative energy solutions for national security reasons, opportunities for the new coal-to-chemicals industry are ample.

On the other hand, market will be further vitalized with the series of economic reform policies introduced by the Central Government. The full implementation of strategies like the "One Belt, One Road" and the 13th Five-Years Plan will be accompanied by new business opportunities. In addition, environmental issues have caught more and more attention from the government. It is promoting the development of the petrochemical industry in a green, safe and efficient manner. Documents like the *Development and Layout Plan of Petrochemicals Industry* and the *Working Plan for Improvement in Quality of Oil Products* issued by the National Development and Reform Commission, and the *Action Plan for Environmentally-friendly and Efficient Use of Coal (2015–2020)* issued by the National Energy Administration in May 2015, are producing huge business opportunities for the upgrading and development of the petrochemicals and coal-to-chemicals industries.

In the second half of 2015, the Group will continue to pursue its strategic objectives of "Growth, Globalization and Differentiation". Various measures will be centered around the themes of "internationalization", "institutional building", "lift of capability", "scientific management", "echelon building", and "culture recreation" for the eventual realization of the Group's strategic objectives for future development.

Growth strategies include continued expansion and extension in geographical coverage, customer base and scope of business. Growth shall be promoted via new business expansion, accompanied with the combined driving forces of organic growth and resource integration via acquisitions. Therefore the Group's industry influence will be further boosted.

Internationalization strategy can be elaborated as building up a professional team suitable for global operations, following a globalized vision, being competent in executing international projects and in consolidating global resources. Furthermore, management in all respects of the Group shall also meet international standards.

The key to differentiation strategy is the building-up of abilities distinguished to the peers in swift response and meeting clients' needs, core technological competitiveness, refined, efficient and cost-effective management backed by advanced management platform, as well as an industry talent highland and unique Wison entrepreneurship culture, in order to establish Wison's competitive advantages.

In accordance with abovementioned core strategies, the Group has set out the detailed working plans and tasks for the second half of the year, for example: in respect of globalization, the Group will further enhance its capabilities in overseas bidding, execution of international projects and international business development; staff and operations are to be governed by system and procedures and all departments shall reinforce the development of institutional system fitted with the key objectives like internationalization, functioning of culture and capability lift; indices in relations to internationalization are to be incorporated in both departmental and individual working plans for the second half of the year; Conditional on the completion of the existing structural adjustment, the talent echelon will be progressively established to cope with the Company's globalized development and future business direction, while the leadership skills of management personnel along the echelon are to be developed with the approach of dual career path.

Currently, operations of the Company have generally returned to a stable condition with sustained development. We will continue to pursue the Company's mission to become a world-class engineering company in the field of energy services, with leading services, management and technology, and that is highly respected by its customers and employees. The Company will lead all staff in striving for the staged objectives, sharing growth, to return the supports and trust from the Company's shareholders.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

### Revenue

In the six months ended 30 June 2015, the comprehensive revenue of the Group amounted to RMB3,535.8 million, representing an increase of RMB774.4 million, or 28.0%, from RMB2,761.4 million in the six months ended 30 June 2014. Details of comprehensive revenue breakdown by business segments are set out below:

| | **Six months ended 30 June** | | | |
|---|---|---|---|---|
| **Business segment** | **2015** | 2014 | **Change** | **Change** |
| | ***(RMB million)*** | *(RMB million)* | | % |
| Petrochemicals | **414.8** | 1,235.5 | -820.7 | -66.4% |
| Oil refineries | **944.6** | 10.1 | 934.5 | 9,252.5% |
| Coal-to-chemicals | **2,175.0** | 1,512.9 | 662.1 | 43.8% |
| Other products and services | **1.4** | 2.9 | -1.5 | -51.7% |
| | **3,535.8** | 2,761.4 | 774.4 | 28.0% |

In petrochemicals, revenue decreased by RMB820.7 million, or 66.4%, from RMB1,235.5 million in the six months ended 30 June 2014 to RMB414.8 million in the six months ended 30 June 2015. The decrease was mainly because the Sichuan PTA Project already completed its major construction phase in the previous year.

In oil refineries, revenue increased by RMB934.5 million, or 9,252.5%, from RMB10.1 million in the six months ended 30 June 2014 to RMB944.6 million in the six months ended 30 June 2015. The increase was mainly due to the smooth progress made in the Group's major oil refinery projects during the Period under Review.

In coal-to-chemicals, revenue increased by RMB662.1 million, or 43.8%, from RMB1,512.9 million in the six months ended 30 June 2014 to RMB2,175.0 million in the six months ended 30 June 2015. The increase was mainly driven by the smooth progress made in the Group's major coal-to-chemicals projects during the Period under Review.

In other products and services, revenue decreased by RMB1.5 million, or 51.7%, from RMB2.9 million in the six months ended 30 June 2014 to RMB1.4 million in the six months ended 30 June 2015. The financing plan previously set for Zhoushan Wison Base Project was deferred. As a result, the project was still suspended during the Period under Review.

**Gross Profit and Gross Profit Margin**

Gross profit of the Group increased by RMB206.7 million, or 67.4%, from RMB306.9 million in the six months ended 30 June 2014 to RMB513.6 million in the six months ended 30 June 2015.

The gross profit margins of the Group in the six months ended 30 June 2014 and 2015 were 11.1% and 14.5% respectively. In the six months ended 30 June 2014, the gross profit margins for petrochemicals, oil refineries, coal-to-chemicals and other products and services business segments were 3.7%, -7.9%, 17.3% and -34.5%, respectively, while the gross profit margins in the six months ended 30 June 2015 were 12.4%, 15.8%, 14.4% and -80.0%, respectively.

The increase in the gross profit margin in petrochemicals was mainly because a substantial part of the revenue recognised in the six months ended 30 June 2014 was generated by certain project contracts which, due to a change in pricing method, had lower overall gross profit margins and, as such projects had largely been completed in 2014, their impact on the gross profit margins of the Group in the six months ended 30 June 2015 was much smaller.

The increase in the gross profit margin in oil refineries was mainly contributed by the Group's major oil refinery project which made smooth progress and have higher contribution to the gross profit in oil refineries.

The decrease in the gross profit margin in coal-to-chemicals was mainly because the Group updated the overall budgets of certain projects according to the projects progress and recognised its effect during the Period under Review.

The decrease in gross profit margin in other products and services was mainly due to the recognition of additional costs for certain projects during the Period under Review.

## Other Income

Other income increased by RMB208.0 million, or 1,009.7%, from RMB20.6 million in the six months ended 30 June 2014 to RMB228.6 million in the six months ended 30 June 2015. Interest income increased by approximately RMB202.4 million, rental income increased by RMB8.6 million and foreign exchange gains decreased by RMB3.7 million. The significant increase in interest income was attributed to the interest income from the financing arrangement for certain project, which was recognised according to the relevant accounting standards.

## Sales and Marketing Expenses

Sales and marketing expenses decreased by RMB7.0 million, or 20.3%, from RMB34.4 million in the six months ended 30 June 2014 to RMB27.4 million in the six months ended 30 June 2015. This is primarily due to the decrease in expenses arising from the preliminary stage of the projects.

## Administrative Expenses

Administrative expenses decreased by RMB21.2 million, or 12.4%, from RMB171.0 million in the six months ended 30 June 2014 to RMB149.8 million in the six months ended 30 June 2015. The decrease was primarily due to the decrease in employees' expenses.

## Other Expenses

Other expenses increased by RMB98.7 million, or 431.0%, from RMB22.9 million in the six months ended 30 June 2014 to RMB121.6 million in the six months ended 30 June 2015. This increase was primarily due to the increase in research and development expenses and the recognition of a fine imposed to a PRC domestic subsidiary of the Group by a court in China.

## Finance Costs

Finance costs increased by RMB181.0 million, or 401.3%, from RMB45.1 million in the six months ended 30 June 2014 to RMB226.1 million in the six months ended 30 June 2015. Interest on bank loans decreased by RMB23.2 million and interest on discounted bills increased by RMB204.2 million. The decrease in interest on bank loans was primarily due to the decrease in our average bank borrowings for the six months ended 30 June 2015 compared with the six months ended 30 June 2014. The increase in interest on discounted bills was mainly due to the financing arrangement for certain project.

## Income Tax Expenses

Income tax expenses increased by RMB25.3 million or 134.6%, from RMB18.8 million in the six months ended 30 June 2014 to RMB44.1 million in the six months ended 30 June 2015. The increase was primarily due to the substantial increase in taxable income for the six months ended 30 June 2015.

**Net Profit**

Net profit increased by RMB138.5 million, or 393.9%, from RMB35.2 million in the six months ended 30 June 2014 to RMB173.7 million in the six months ended 30 June 2015. Our net profit margin was 1.3% in the six months ended 30 June 2014 and increased to 4.9% in the six months ended 30 June 2015. The increase in our net profit and net profit margin was primarily due to the increase in our revenue and overall gross profit margin.

**Trade and Bills Receivables**

The Group's trading terms with its customers are mainly on credit where payment in advance is normally required. Trade receivables are non-interest-bearing and on credit terms of a period of 90 days or the respective contracts' retention period.

As at 30 June 2015 and 31 December 2014, the Group had trade and bills receivables of RMB850,780,000 and RMB1,015,257,000, respectively. For details please refer to note 12 to the Interim Financial Information.

The Company has been actively communicating with the relevant project owners with a view to formulating plans for their prompt settlement of the overdue receivables. The Group has maintained a favourable long-term business relationship with these project owners and the negotiations between the Company and the project owners are satisfactory. The Company is not aware of any circumstances which indicate that such project owners may default in settling their contract payments.

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

**Financial Resources, Liquidity and Capital Structure**

The Group meets its working capital and other capital requirements principally with cash generated from its operations, borrowings and proceeds from the global offering.

As at 30 June 2015, the Group's pledged and unpledged cash and bank balances included the following amounts:

| | **30 June 2015** | 31 December 2014 |
|---|---|---|
| | ***(Million)*** | |
| Hong Kong Dollar | **3.1** | 2.7 |
| US Dollar | **233.1** | 76.2 |
| Renminbi | **390.9** | 357.7 |
| Saudi Riyal | **11.5** | 5.9 |
| Indonesian Rupiah | **390.0** | 386.9 |
| Venezuelan Bolivar | **344.1** | 5.9 |
| Euro | **0.1** | 0.7 |
| Dirham | **0.1** | – |

Interest-bearing bank and other borrowings of the Group as at 31 December 2014 and 30 June 2015 were set out in the table below. The short-term debt of the Group accounted for 100% of the total debt (31 December 2014: 100%).

| | **30 June 2015** | 31 December 2014 |
|---|---|---|
| | ***(RMB million)*** | |
| Current | | |
| Bank loans repayable within one year | | |
| — secured | **428.7** | 539.8 |
| — unsecured | **–** | – |
| | **428.7** | 539.8 |
| Finance lease payables | **0.1** | 0.1 |
| | **428.8** | 539.9 |
| Non-current | | |
| Finance lease payables | **–** | 0.1 |
| | **–** | 0.1 |
| | **428.8** | 540.0 |

The bank and other borrowings as at 30 June 2015 are denominated in RMB and bore interest at floating rates except for loans of RMB248,800,000 (31 December 2014: RMB319,992,000), which bore interest at fixed rates.

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

| | |
|---|---|
| Six months ended 30 June 2015 | 6.00% to 7.56% |
| Year ended 31 December 2014 | 5.70% to 7.80% |

The maturity profile of interest-bearing bank and other borrowings as at 31 December 2014 and 30 June 2015, based on contractual undiscounted payments, is as follows.

| | **On demand** | **Less than 3 months** | **3 to 12 months** | **1 to 5 years** | **Total** |
|---|---|---|---|---|---|
| | | | ***(RMB million)*** | | |
| 30 June 2015 | | | | | |
| Interest-bearing bank and other borrowings | **–** | **196.2** | **244.4** | **–** | **440.6** |
| Finance lease payables | **–** | **–** | **0.1** | **–** | **0.1** |
| 31 December 2014 | | | | | |
| Interest-bearing bank and other borrowings | – | 9.1 | 553.3 | – | 562.4 |
| Finance lease payables | – | – | 0.1 | 0.1 | 0.2 |

As at 30 June 2015, the gearing ratio of the Group, which was derived by dividing total debt by total equity, was 0.2x (31 December 2014: 0.3x). The ratio of total borrowings to total assets was 4.5% (31 December 2014: 6.2%). The Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 28 December 2012 (the "Listing Date"). Net proceeds from the IPO, after deducting the underwriting commission and other estimated expenses in connection with the offering, amounted to approximately HK$1,364.3 million. As at 30 June 2015, the net proceeds have been fully utilized for purposes set out in the announcement of the Company dated 1 November 2013.

**Future plans for major investment projects**

During the six months ended 30 June 2015, the Group did not have any plans for material investments and capital assets.

**Material Acquisitions and Disposals**

During the six months ended 30 June 2015, the Group has not conducted any material acquisitions or disposals.

**Capital Expenditure**

During the six months ended 30 June 2015, the capital expenditure of the Group amounted to RMB1.1 million (in six months ended 30 June 2014: RMB2.5 million).

### Foreign Exchange Risk Control

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

### Asset Security

As at 30 June 2015, bank deposits with carrying amounts of RMB70.8 million, buildings with carrying amount of RMB120.4 million, investment properties with carrying amounts of RMB13.2 million and leasehold interests on land with carrying amounts of RMB11.0 million were pledged as security for bank facilities and finance lease commitments of the Group.

### Contingent Liability

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

Except for the contingent liabilities as stated above, the Group had no other contingent liabilities as at 30 June 2015.

### Human Resources

As at 30 June 2015 the Group had 1,473 employees (31 December 2014: 1,572 employees). The Group reviews the salaries and benefits of the employees according to market practice and the performance of the employees on a regular basis. Also, the Group contributes to various social insurance schemes in the PRC and the Mandatory Provident Fund Scheme in Hong Kong for qualified employees and provides medical insurance, work injury insurance, maternity insurance and unemployment insurance pursuant to applicable laws and regulations in the PRC and Hong Kong, as well as additional business accident and medical insurance. In the six months ended 30 June 2015, the total staff cost of the Group (including salaries, bonuses, insurances and share option schemes) amounted to RMB308.0 million (in the six months ended 30 June 2014: RMB276.9 million).

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

The Board is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2015. The unaudited consolidated results have been reviewed by Ernst & Young and by the audit committee of the Company.

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

| | | **For the six months ended 30 June** | |
|---|---|---|---|
| | | **2015** | 2014 |
| | *Notes* | ***RMB'000*** | *RMB'000* |
| | | **(Unaudited)** | (Unaudited) |
| **REVENUE** | *4* | **3,535,823** | 2,761,386 |
| Cost of sales | | **(3,022,239)** | (2,454,517) |
| **GROSS PROFIT** | | **513,584** | 306,869 |
| Other income and gains | *4* | **228,592** | 20,626 |
| Selling and marketing expenses | | **(27,434)** | (34,405) |
| Administrative expenses | | **(149,781)** | (171,040) |
| Other expenses | | **(121,604)** | (22,890) |
| Finance costs | *5* | **(226,056)** | (45,133) |
| Share of profit/(loss) of an associate | | **451** | (54) |
| **PROFIT BEFORE TAX** | *6* | **217,752** | 53,973 |
| Income tax | *7* | **(44,052)** | (18,801) |
| **PROFIT FOR THE PERIOD** | | **173,700** | 35,172 |
| ATTRIBUTABLE TO: | | | |
| Owners of the parent | | **150,265** | 26,461 |
| Non-controlling interests | | **23,435** | 8,711 |
| | | **173,700** | 35,172 |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | | | |
| Attributable to: | | | |
| Owners of the parent | | **150,265** | 26,461 |
| Non-controlling interests | | **23,435** | 8,711 |
| | | **173,700** | 35,172 |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | *9* | | |
| — Basic and diluted | | **RMB3.70 cents** | RMB0.65 cent |

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

| | *Notes* | **30 June 2015** **RMB'000** **(Unaudited)** | 31 December 2014 *RMB'000* (Audited) |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | *10* | **1,168,858** | 1,210,881 |
| Investment properties | | **13,844** | 14,136 |
| Prepaid land lease payments | | **176,052** | 178,279 |
| Goodwill | | **15,752** | 15,752 |
| Other intangible assets | | **10,468** | 13,134 |
| Investment in an associate | | **2,030** | 1,579 |
| Long-term prepayments | | **234,284** | 382,551 |
| **Total non-current assets** | | **1,621,288** | 1,816,312 |
| **CURRENT ASSETS** | | | |
| Inventories | | **280,740** | 433,167 |
| Gross amounts due from contract customers | *11* | **3,846,752** | 3,242,274 |
| Trade and bills receivables | *12* | **850,780** | 1,015,257 |
| Due from a related company | *16* | **1,079** | 646 |
| Due from fellow subsidiaries | *16* | **23,190** | 14,775 |
| Due from the ultimate holding company | *16* | **87** | 87 |
| Prepayments, deposits and other receivables | | **940,085** | 1,374,806 |
| Available-for-sale investment | | **27,200** | – |
| Pledged bank balances and time deposits | *13* | **470,568** | 300,180 |
| Cash and bank balances | *13* | **1,378,109** | 542,276 |
| **Total current assets** | | **7,818,590** | 6,923,468 |
| **CURRENT LIABILITIES** | | | |
| Gross amounts due to contract customers | *11* | **2,362,580** | 1,771,315 |
| Trade and bills payables | *14* | **3,796,984** | 3,941,053 |
| Other payables, advances from customers and accruals | | **472,710** | 347,601 |
| Derivative financial instruments | | **–** | 725 |
| Interest-bearing bank borrowings | *15* | **428,762** | 539,971 |
| Due to a related company | *16* | **78** | 78 |
| Due to an associate | *16* | **630** | 630 |
| Dividends payable | | **272,674** | 272,674 |
| Tax payable | | **80,730** | 54,830 |
| **Total current liabilities** | | **7,415,148** | 6,928,877 |

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)**

| | Notes | 30 June 2015 RMB'000 (Unaudited) | 31 December 2014 RMB'000 (Audited) |
|---|---|---|---|
| **NET CURRENT ASSETS/(LIABILITIES)** | | **403,442** | (5,409) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **2,024,730** | 1,810,903 |
| **NON-CURRENT LIABILITIES** | | | |
| Finance lease payables | *15* | **–** | 49 |
| Deferred tax liabilities | | **33,697** | 23,362 |
| Government grants | | **5,339** | 2,137 |
| **Total non-current liabilities** | | **39,036** | 25,548 |
| **NET ASSETS** | | **1,985,694** | 1,785,355 |
| **EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT** | | | |
| Issued capital | | **329,803** | 329,803 |
| Share premium | | **846,077** | 846,077 |
| Statutory reserve | | **62,211** | 62,211 |
| Other reserves | | **605,544** | 428,640 |
| | | **1,843,635** | 1,666,731 |
| **Non-controlling interests** | | **142,059** | 118,624 |
| **TOTAL EQUITY** | | **1,985,694** | 1,785,355 |

# NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 1. CORPORATE INFORMATION

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

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

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

## 2.1 BASIS OF PRESENTATION

The Group remained in default of the outstanding loan of RMB110 million owed to China Development Bank ("CDB"), together with PRC litigation against 惠生工程(中國)有限公司 (Wison Engineering Limited, "Wison Engineering", a non-wholly-owned subsidiary of the Company) and Mr. Hua Bang Song ("Mr. Hua", the controlling shareholder and a former director of the Company, as well as the legal representative of Wison Engineering), which have triggered cross-default provisions in other loan agreements entered into between the Group and other banks. The Group's outstanding bank borrowings, which were subject to cross-default provisions, were in the aggregate principal amount of RMB429 million as at 30 June 2015. As a possible consequence of the foregoing incidences, the banks can immediately demand repayment of loans advanced to the Group with an aggregate outstanding principal amount RMB429 million as at 30 June 2015. In addition, the Group had long outstanding balance of trade receivables and amounts due from contract customers of RMB60,433,000 and RMB1,035,265,000, respectively, which have been identified as overdue in accordance with the contract terms or have been substantially behind the contract schedule with slow progress payment.

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

1. the directors of the Company remained active in negotiation with the banks and other creditors to defer, roll over or refinance the Group's bank and other borrowings with a view to improving its short-term liquidity;

2. actively following up with its customers on outstanding trade receivables and amounts due from contract customers with an immediate aim of agreeing a repayment schedule with each of them;

3. making arrangement with certain customers whereby the relevant customers will pay part of the procurement costs (relating to their projects) on behalf of the Group;

4. on-going communications with the relevant PRC regulatory authorities with a view to release the frozen bank accounts; and

5. the Group continues to monitor and manage the operating cash flows through cutting costs and capital expenditures.

The directors of the Company are of the opinion that, after taking into account the measures as mentioned above and existing contract backlogs, the Group will have sufficient working capital to meet its financial obligations as they fall due in the next twelve months from 30 June 2015. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Should the going concern assumption be inappropriate, adjustments would have been made to state the values of assets to their recoverable amounts, to provide for any future liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in the interim financial information.

## 2.2. BASIS OF PREPARATION AND CHANGES IN THE GROUP ACCOUNTING POLICIES

**Basis of preparation**

The interim condensed consolidated financial statements for the six months ended 30 June 2015 (the "Interim Financial Information") has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (the "IASB").

The Interim Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's financial statements for the year ended 31 December 2014.

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

**New standards, interpretations and amendments adopted by the Group**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2014, except for the adoption of new standards and interpretations effective as of 1 January 2015 as set out below. The group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments apply for the first time in 2015, they do not have a material impact on the interim condensed consolidated financial statements of the Group.

The nature and the impact of each new standard or amendment is described below:

**Amendments to IAS 19 *Defined Benefit Plans*: Employee Contributions**

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

**Annual Improvements 2010–2012 Cycle**

These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these interim condensed consolidated financial statements. They include:

**IFRS 8 *Operating Segments***

The amendments are applied retrospectively and clarify that:

a. An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are "similar".

b. The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The Group has not applied the aggregation criteria in IFRS 8.12. The Group has presented the reconciliation of segment assets to total assets in previous periods and continues to disclose the same in Note 3 in these financial statements as the reconciliation is reported to the chief operating decision maker for the purpose of her decision making.

**IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets***

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. The Group did not record any revaluation adjustments during the current interim period.

**IAS 24 *Related Party Disclosures***

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not receive any management services from other entities.

**Annual Improvements 2011–2013 Cycle**

These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these interim condensed consolidated financial statements. They include:

**IFRS 3 *Business Combinations***

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

a. Joint arrangements, not just joint ventures, are outside the scope of IFRS 3.

b. This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

The Company is not a joint arrangement, and thus this amendment is not relevant for the Group and its subsidiaries.

**IFRS 13** ***Fair Value Measurement***

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable). The Group does not apply the portfolio exception in IFRS 13.

**IAS 40** ***Investment Property***

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. In previous periods, the Group has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment does not impact the accounting policy of the Group.

## 3. OPERATING SEGMENT INFORMATION

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

(a) Petrochemicals segment engages in the provision of engineering, procurement and construction ("**EPC**") services to ethylene and downstream petrochemicals producers, which includes the design-building of ethylene production facilities, renovating and rebuilding existing ethylene cracking furnaces and technology consultancy, engineering, procurement and construction management services;

(b) Coal-to-chemicals segment engages in the provision of a broad range of EPC services to coal-to-chemicals producers;

(c) Oil refinery segment engages in the provision of procurement and construction management services to the project owners for the construction of oil refineries; and

(d) The other products and services segment engages in the provision of services on other industries, such as fine chemical production facilities and manufacture of integrated piping systems.

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

Segment assets exclude property, plant and equipment, investment properties, prepaid land lease payments, goodwill, other intangible assets, an investment in an associate, long-term prepayments, an amount due from a related company, amounts due from fellow subsidiaries, an amount due from the ultimate holding company, deposits and other receivables, available-for-sale investment, pledged bank balances and time deposits and cash and bank balances as these assets are managed on a group basis.

Segment liabilities exclude other payables and accruals, derivative financial instruments, interest-bearing bank borrowings, an amount due to a related company, an amount due to an associate, dividends payable, finance lease payables, tax payable, government grants and deferred tax liabilities as these liabilities are managed on a group basis.

### Operating segments

| For the six months ended 30 June 2015 (Unaudited) | Petrochemicals *RMB'000* | Coal-to-chemicals *RMB'000* | Oil refinery *RMB'000* | Other products and services *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|
| **Segment revenue** | | | | | |
| Sales to external customers | **414,761** | **2,175,004** | **944,563** | **1,495** | **3,535,823** |
| Intersegment sales | **–** | **97** | **–** | **–** | **97** |
| **Total revenue** | **414,761** | **2,175,101** | **944,563** | **1,495** | **3,535,920** |
| *Reconciliation:* | | | | | |
| Elimination of intersegment sales | | | | | **(97)** |
| Revenue from continuing operations | | | | | **3,535,823** |
| **Segment results** | **51,546** | **314,010** | **149,271** | **(1,243)** | **513,584** |
| *Reconciliations:* | | | | | |
| Unallocated income | | | | | **228,592** |
| Unallocated expenses | | | | | **(298,819)** |
| Share of profit of an associate | | | | | **451** |
| Finance costs | | | | | **(226,056)** |
| Profit before tax | | | | | **217,752** |

| For the six months ended 30 June 2014 (Unaudited) | Petrochemicals *RMB'000* | Coal-to-chemicals *RMB'000* | Oil refinery *RMB'000* | Other products and services *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|
| **Segment revenue** | | | | | |
| Sales to external customers | 1,235,520 | 1,512,919 | 10,071 | 2,876 | 2,761,386 |
| Intersegment sales | – | 6,885 | – | – | 6,885 |
| **Total revenue** | 1,235,520 | 1,519,804 | 10,071 | 2,876 | 2,768,271 |
| *Reconciliation:* | | | | | |
| Elimination of intersegment sales | | | | | (6,885) |
| Revenue from continuing operations | | | | | 2,761,386 |
| **Segment results** | 46,248 | 262,382 | (809) | (952) | 306,869 |
| *Reconciliations:* | | | | | |
| Unallocated income | | | | | 20,626 |
| Unallocated expenses | | | | | (228,335) |
| Share of loss of an associate | | | | | (54) |
| Finance costs | | | | | (45,133) |
| Profit before tax | | | | | 53,973 |

| **30 June 2015 (Unaudited)** | **Petrochemicals** | **Coal-to-chemicals** | **Oil refinery** | **Other products and services** | **Total** |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Segment assets** | **942,201** | **3,220,737** | **1,541,388** | **420,079** | **6,124,405** |
| *Reconciliations:* | | | | | |
| Elimination of intersegment receivables | | | | | **(36,077)** |
| Corporate and other unallocated assets | | | | | **3,351,550** |
| Total assets | | | | | **9,439,878** |
| **Segment liabilities** | **704,797** | **2,560,956** | **2,826,847** | **135,205** | **6,227,805** |
| *Reconciliations:* | | | | | |
| Elimination of intersegment payables | | | | | **(35,136)** |
| Corporate and other unallocated liabilities | | | | | **1,261,515** |
| Total liabilities | | | | | **7,454,184** |

| **31 December 2014 (Audited)** | Petrochemicals | Coal-to-chemicals | Oil refinery | Other products and services | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Segment assets** | 1,063,054 | 2,941,862 | 1,902,261 | 460,395 | 6,367,572 |
| *Reconciliations:* | | | | | |
| Elimination of intersegment receivables | | | | | (38,936) |
| Corporate and other unallocated assets | | | | | 2,411,144 |
| Total assets | | | | | 8,739,780 |
| **Segment liabilities** | 839,988 | 2,533,880 | 2,193,537 | 211,324 | 5,778,729 |
| *Reconciliations:* | | | | | |
| Elimination of intersegment payables | | | | | (40,332) |
| Corporate and other unallocated liabilities | | | | | 1,216,028 |
| Total liabilities | | | | | 6,954,425 |

| | Petrochemicals *RMB'000* | Coal-to-chemicals *RMB'000* | Oil refinery *RMB'000* | Other products and services *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|
| **For the six months ended 30 June 2015 (Unaudited)** | | | | | |
| **Other segment information** | | | | | |
| Share of profit of associate | **–** | **–** | **–** | **451** | **451** |
| Depreciation and amortisation | | | | | |
| Unallocated | **–** | **–** | **–** | **–** | **48,201** |
| Segment | **–** | **–** | **–** | **–** | **–** |
| Capital expenditure* | | | | | |
| Unallocated | **–** | **–** | **–** | **–** | **1,096** |
| Segment | **–** | **–** | **–** | **–** | **–** |

| **For the six months ended 30 June 2014 (Unaudited)** | Petrochemicals *RMB'000* | Coal-to-chemicals *RMB'000* | Oil refinery *RMB'000* | Other products and services *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|
| **Other segment information** | | | | | |
| Share of loss of associate | – | – | – | (54) | (54) |
| Depreciation and amortisation | | | | | |
| Unallocated | – | – | – | – | 40,663 |
| Segment | – | – | – | – | – |
| Capital expenditure* | | | | | |
| Unallocated | – | – | – | – | 2,512 |
| Segment | – | – | – | – | – |

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

**Geographical information**

***Revenue from external customers***

| | For the six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Mainland China | **2,461,907** | 2,601,450 |
| Venezuela | **935,417** | 97,546 |
| Saudi Arabia | **138,499** | 62,390 |
| | **3,535,823** | 2,761,386 |

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

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

**Information about a major customer**

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

| | For the six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| | **(Unaudited)** | (Unaudited) |
| Customer A (Oil refinery segment) | **26.5%** | N/A* |
| Customer B (Coal-to-chemical segment) | **59.2%** | 11.7% |
| Customer C (Petrochemicals segment) | **N/A*** | 36.7% |
| Customer D (Coal-to-chemicals segment) | **N/A*** | 13.4% |
| Customer E (Coal-to-chemicals segment) | **N/A*** | 18.0% |

* The revenue derived from each of these customers amounted to less than 10% of the Group's revenue during the six months ended 30 June 2015 or 2014.

## 4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents an appropriate proportion of contract revenue of construction contracts; the net invoiced value of goods sold, after allowances for returns and trade discounts, and the value of services rendered.

An analysis of revenue, other income and gains is as follows:

| | For the six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| **Revenue** | | |
| Construction contracts | **3,473,609** | 2,709,943 |
| Sale of goods | **–** | 1,930 |
| Rendering of services | **62,214** | 49,513 |
| | **3,535,823** | 2,761,386 |
| **Other income** | | |
| Government grants* | **125** | 90 |
| Interest income | **207,388** | 4,974 |
| Rental income | **18,700** | 10,147 |
| Others | **2,379** | 1,668 |
| | **228,592** | 16,879 |
| **Gains** | | |
| Foreign exchange gains | **–** | 3,747 |
| | **228,592** | 20,626 |

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

## 5. FINANCE COSTS

An analysis of finance costs is as follows:

| | For the six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Interest on bank loans wholly repayable within five years | **18,780** | 42,030 |
| Interest on bills receivables | **207,276** | 3,088 |
| Interest in finance leases | **–** | 15 |
| | **226,056** | 45,133 |

## 6. PROFIT BEFORE TAX

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

| | For the six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Cost of inventories sold | **–** | 1,794 |
| Cost of services provided | **3,022,239** | 2,452,723 |
| Depreciation | **43,291** | 35,967 |
| Research and development costs | **87,923** | 22,408 |
| Amortisation of prepaid land lease payments | **2,227** | 2,227 |
| Amortisation of intangible assets | **2,683** | 2,469 |
| Loss on disposal of items of property, plant and equipment | **403** | 231 |
| Minimum lease payments under operating leases | **7,223** | 6,140 |
| Auditors' remuneration | **1,611** | 1,796 |
| Foreign exchange differences, net | **3,551** | (3,747) |
| Employee benefit expense (including directors' remuneration): | | |
| Wages and salaries | **254,719** | 216,924 |
| Retirement benefit scheme contributions | **26,642** | 24,836 |
| Equity settled share options | **26,639** | 35,134 |
| | **308,000** | 276,894 |

## 7. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group was not subject to any income tax in the Cayman Islands and British Virgin Islands. The Group was not liable for income tax in Hong Kong and United States of America as the Group did not have any assessable income arising in Hong Kong and United States of America for the six months ended 30 June 2015 and 2014.

| | **For the six months ended 30 June** | |
|---|---|---|
| | **2015** | 2014 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Current — PRC: | | |
| Charge for the period | **33,717** | 11,118 |
| Deferred | **10,335** | 7,683 |
| Total tax charge for the period | **44,052** | 18,801 |

Wison Engineering was also qualified as a "High and New Technology Enterprise" in 2008 and was entitled to a preferential corporate income tax ("CIT") rate of 15%. In accordance with the requirements of the tax regulations in the PRC, Wison Engineering submitted its application to renew its "High and New Technology Enterprise" status for another three years ending 4 September 2017 and obtained the certification in 2014. Therefore, Wison Engineering was subject to CIT at a rate of 15% for the six months ended 30 June 2015 and 2014.

惠生(揚州)化工機械有限公司 ("Wison Yangzhou") was subject to the CIT rate of 25%.

A reconciliation of income tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and its subsidiaries are domiciled to the income tax expense at the effective income tax rate for the six months ended 30 June 2015 and 2014, is as follows:

| | **For the six months ended 30 June** | |
|---|---|---|
| | **2015** | 2014 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Profit before tax | **217,752** | 53,973 |
| At the statutory income tax rates | **54,438** | 13,493 |
| Lower tax rate enacted by local authority | **(16,469)** | (9,823) |
| Tax losses utilised from previous periods | **–** | (3,116) |
| Tax losses not recognised | **3,823** | 14,601 |
| Withholding taxes on undistributed profits of the subsidiaries in Mainland China | **10,335** | 7,683 |
| Additional tax deduction | **(13,091)** | (7,999) |
| Expenses not deductible for tax | **5,016** | 3,962 |
| Tax charge for the period | **44,052** | 18,801 |

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. According to the tax notice issued by Shanghai Tax Authority on 13 August 2014, commencing from 14 August 2014, the Group is subject to 5% withholding tax levied on dividends declared from a subsidiary established as foreign investment enterprise in Mainland China.

## 8. DIVIDENDS

The directors do not declare any interim dividend for the six months ended 30 June 2015 and 2014 and the Company did not recommend the payment of a dividend for the year ended 31 December 2014.

## 9. EARNINGS PER SHARE

The calculation of the basic earnings per share amount is based on the profit for the six months ended 30 June 2015 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,064,622,000 (six months ended 30 June 2014: 4,064,622,000) in issue during the period.

The diluted earnings per share for the six months ended 30 June 2015 and 2014 is the same as basic earnings per share because the dilutive potential ordinary shares are anti-dilutive.

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

| | **For the six months ended 30 June** | |
|---|---|---|
| | **2015** | 2014 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| **Earnings** | | |
| Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation: | **150,265** | 26,461 |
| **Shares** | | |
| Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation | **4,064,622,000** | 4,064,622,000 |
| Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation | **4,064,622,000** | 4,064,622,000 |

## 10. PROPERTY, PLANT AND EQUIPMENT

| | *RMB'000* |
|---|---|
| At 1 January 2015 | 1,210,881 |
| Additions | 1,380 |
| Depreciation | (42,999) |
| Disposal | (404) |
| At 30 June 2015 | 1,168,858 |

At 30 June 2015, certain of the Group's buildings with a net book value of approximately RMB120,423,000 (31 December 2014: RMB116,033,000) were pledged to secure general banking facilities granted to the Group (note 15).

At 30 June 2015, lien was imposed on certain of the Group's buildings with a net book value of RMB1,088,894,000 (31 December 2014: RMB1,118,138,000) by the People's Court of Shanghai at the request of certain banks (note 15).

## 11. CONSTRUCTION CONTRACTS

| | **30 June 2015** *RMB'000* **(Unaudited)** | 31 December 2014 *RMB'000* (Audited) |
|---|---|---|
| Gross amounts due from contract customers | **3,846,752** | 3,242,274 |
| Gross amounts due to contract customers | **(2,362,580)** | (1,771,315) |
| | **1,484,172** | 1,470,959 |
| Contract costs incurred plus recognised profits less recognised losses to date | **25,660,201** | 23,774,987 |
| Less: Progress billings | **(24,176,029)** | (22,304,028) |
| | **1,484,172** | 1,470,959 |

The gross amounts due from/(to) contract customers for contract work include balances with a fellow subsidiary and a related company of the Company as follows:

| | **30 June 2015** *RMB'000* **(Unaudited)** | 31 December 2014 *RMB'000* (Audited) |
|---|---|---|
| Fellow subsidiary | | |
| 惠生(南京)清潔能源股份有限公司("Wison Nanjing", which is not a fellow subsidiary of the Group subsequent to 30 June 2015) | **1,890** | 1,890 |
| Related company | | |
| 陜西長青能源化工有限公司("Shaanxi Changqing")* | **113,943** | 177,993 |

* Shaanxi Changqing is indirectly owned as to 13.2% (31 December 2014: 13.2%) by Mr. Hua.

## 12. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit where payment in advance is normally required. Trade receivables are non-interest-bearing and on credit terms of a period of 90 days or the respective contracts' retention period. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by management.

Trade and bills receivables are unsecured and non-interest-bearing.

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

| | **30 June 2015** | 31 December 2014 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Trade and bills receivables: | | |
| Less than 3 months | **290,668** | 542,164 |
| 4 to 6 months | **87,071** | 7,640 |
| 7 to 12 months | **34,131** | 9,608 |
| Over 1 year | **438,910** | 455,845 |
| | **850,780** | 1,015,257 |

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

| | **30 June 2015** | 31 December 2014 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Neither past due nor impaired | **345,927** | 545,120 |
| Less than 3 months | **52,189** | 7,640 |
| 4 to 12 months | **15,753** | 9,608 |
| Over 1 year | **436,911** | 452,889 |
| | **850,780** | 1,015,257 |

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

| | **30 June 2015** | 31 December 2014 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| At 1 January | **765** | 765 |
| Impairment | **–** | – |
| At 30 June/31 December | **765** | 765 |

**Transferred financial assets that are not derecognised in their entirety**

At 30 June 2015, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with a carrying amount of RMB119,340,000 (31 December 2014: RMB336,500,000) to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the six months ended 30 June 2015 to which the suppliers have recourse was RMB119,340,000 (31 December 2014: RMB336,500,000) as at 30 June 2015.

**Transferred financial assets that are derecognised in their entirety**

At 30 June 2015, the Group endorsed certain bills receivable accepted by banks in the Mainland China (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB886,756,000 (31 December 2014: RMB353,630,000). The Derecognised Bills had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the six months ended 30 June 2015, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the period or cumulatively. The endorsement has been made evenly throughout the period.

The amounts due from a related company and fellow subsidiaries included in the trade receivables are as follows:

| | **30 June 2015** | 31 December 2014 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Related Company | | |
| Shaanxi Changqing | **500** | 500 |
| Fellow subsidiaries | | |
| Wison Nanjing | **170** | – |
| 舟山惠生海洋工程有限公司("Zhoushan Wison")*(note 20)* | **396,677** | 396,677 |
| Wison Offshore & Marine Ltd. | **3,850** | 3,850 |

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

## 13. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

| | **30 June 2015** | 31 December 2014 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Cash and bank balances | **1,631,599** | 440,919 |
| Time deposits with original maturity of less than three months | **8,000** | 230,853 |
| Time deposits with original maturity of more than three months | **209,078** | 170,684 |
| | **1,848,677** | 842,456 |
| Less: Pledged bank balances and time deposits | **(470,568)** | (300,180) |
| Unpledged cash and cash equivalents | **1,378,109** | 542,276 |
| Less: Frozen and unpledged bank balances | **(145,122)** | (145,844) |
| Unpledged and unfrozen cash and cash equivalents | **1,232,987** | 396,432 |

At 30 June 2015, bank deposits of RMB395,233,000 (31 December 2014: RMB149,328,000) were placed as guarantee deposits for performance of certain construction contracts and for the tendering process.

At 30 June 2015, bank deposits of RMB4,490,000 (31 December 2014: RMB12,187,000) were pledged to a bank as security to obtain a letter of credit facility for the purchase of imported equipment.

At 30 June 2015, bank deposits of nil (31 December 2014: RMB138,665,000) were pledged to a bank as security to obtain certain forward currency contracts.

At 30 June 2015, bank deposits of RMB70,845,000 were pledged as security for certain bank loans (31 December 2014: nil) (note 15).

At 30 June 2015, certain bank accounts of the Group of RMB191,515,000 (31 December 2014: RMB192,172,000) were frozen by PRC authorities as part of their investigation, among the total frozen bank balances, of which RMB46,393,000 (31 December 2014: RMB46,328,000) of pledged bank balances and time deposits are frozen.

At 30 June 2015, cash and bank balances of the Group denominated in RMB amounted to RMB390,888,000 (31 December 2014: RMB357,652,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

## 14. TRADE AND BILLS PAYABLES

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

| | **30 June 2015** | 31 December 2014 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Less than 1 year | **3,285,295** | 3,508,792 |
| 1 to 2 years | **344,481** | 314,057 |
| 2 to 3 years | **142,454** | 74,317 |
| Over 3 years | **24,754** | 43,887 |
| | **3,796,984** | 3,941,053 |

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

| | **30 June 2015** | 31 December 2014 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Related company | | |
| 江蘇新華化工機械有限公司 | | |
| (Jiangsu Xinhua Chemical Engineering Co., Ltd. "Jiangsu Xinhua") | **4,408** | 4,334 |

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 90 days.

## 15. INTEREST-BEARING BANK AND OTHER BORROWINGS

| | **30 June 2015** | 31 December 2014 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| **Current** | | |
| Bank loans repayable within one year | | |
| — secured | **428,657** | 539,849 |
| — unsecured | **–** | – |
| | **428,657** | 539,849 |
| Finance lease payables | **105** | 122 |
| | **428,762** | 539,971 |
| **Non-current** | | |
| Finance lease payables | **–** | 49 |
| | **–** | 49 |
| | **428,762** | 540,020 |

The bank and other borrowings are denominated in RMB and bore interest at floating rates except for loans of RMB248,800,000 as at 30 June 2015 (31 December 2014: RMB319,992,000), which bore interest at fixed rates.

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

| | |
|---|---|
| Six months ended 30 June 2015 | 6.00% to 7.56% |
| Year ended 31 December 2014 | 5.70% to 7.80% |

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

| | *Notes* | **30 June 2015** ***RMB'000*** **(Unaudited)** | 31 December 2014 *RMB'000* (Audited) |
|---|---|---|---|
| Buildings | *10* | **120,423** | 116,033 |
| Investment properties | | **13,231** | – |
| Leasehold interests on land | | **10,998** | 11,146 |
| Time deposits | *13* | **70,845** | – |

As at 30 June 2015, 惠生(中國)投資有限公司 ("Wison (China) Investment"), a fellow subsidiary of the Company, executed guarantees in favour of certain banks in respect of bank facilities to the Group of RMB260,000,000 (31 December 2014: RMB150,000,000). As at 30 June 2015, the loans were drawn down to the extent of RMB220,000,000 (31 December 2014: RMB150,000,000) (note 16).

In addition, certain banks have granted credit facilities to the Group for which the receivables from construction contracts with customers are pledged as security. As at 30 June 2015, the bank loans were drawn down to the extent of RMB289,857,000 (31 December 2014: RMB310,849,000).

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

In September 2013, Agriculture Bank of China ("ABC") applied to the People's Court of Shanghai against the Group's subsidiary in Shanghai to impose lien on the office buildings of the Group's subsidiary in Shanghai with a carrying value of RMB1,088,894,000 at 30 June 2015 (31 December 2014: RMB1,118,138,000) and the related parcels of land with a carrying value of RMB178,189,000 at 30 June 2015 (31 December 2014: RMB180,356,000) to demand the Group to repay the loans in an aggregate principal amount of RMB186,000,000 and all related interests. The Group repaid RMB107,000,000 and RMB79,000,000 of bank loans during the year ended 31 December 2014 and the six months ended 30 June 2015, respectively. As at 30 June 2015, the People's Court of Shanghai has approved the release of lien on the office buildings and the related parcels of land imposed by ABC. The office buildings and the related parcels of land remained subject to other third parties security interest.

On 30 December 2013, the Group failed to settle the loans owned to CDB with aggregate amount of RMB250 million out of total loan balance with CDB of RMB400 million when they fell due and triggered a cross-default across the Group's bank borrowing facilities at that time. CDB also imposed lien on the same office buildings and parcel of land of the Group as ABC above. During the year ended 31 December 2014, the Group repaid RMB250 million to CDB. The Group had loan fall due on 20 October 2014 with an aggregate amount of RMB150 million. On 19 December 2014, the Group reached a repayment agreement with CDB, pursuant to which the Group agreed to repay the remaining bank loan of RMB150 million before 20 December 2015. As at 30 June 2015, the Group has RMB110 million owed to CDB remained outstanding and CDB has not released the lien on the office building and the related parcels of land.

Although CDB has not taken any enforcement action against the Company following the default on certain loans owing to CDB as at 30 June 2015, the Group's outstanding bank borrowings, which were subject to cross-default provisions, were in the aggregate principal amount of RMB429 million as of 30 June 2015 (31 December 2014: RMB540 million).

In addition, because of foregoing default of CDB's loan, together with the PRC litigation against Wison Engineering and Mr. Hua, the Group has breached loan covenants with certain banks as at 30 June 2015. As a possible consequence of the breaches, the banks may immediately demand repayment of loans advanced to the Group with an aggregate outstanding principal amount of RMB429 million as of 30 June 2015 (31 December 2014: RMB540 million).

## 16. RELATED PARTY TRANSACTIONS

In addition to related party transactions disclosed elsewhere in this Interim Financial Information, the Group had the following transactions with related parties during the six months ended 30 June 2015 as follows:

| | | **For the six months ended 30 June** | |
|---|---|---|---|
| | | **2015** | 2014 |
| | *Notes* | ***RMB'000*** | *RMB'000* |
| | | **(Unaudited)** | (Unaudited) |
| Related companies: | | | |
| Purchase of products | *(a)(i)* | **39** | 2,035 |
| Rental income | *(a)(ii)* | **365** | 365 |
| Rendering of services | *(a)(ii), (b)(i)* | **871** | 52,125 |
| Fellow subsidiaries: | | | |
| Rental income | *(a)(iii), (a)(iv)* | **6,570** | 6,570 |
| Purchase of services | *(b)(ii)* | **600** | – |
| Rendering of services | *(a)(iii), (a)(iv), (a)(v), (b)(i)* | **2,573** | 13,013 |

*Notes:*

(a) Recurring:

(i) The Group and Jiangsu Xinhua entered into a new framework agreement effective on 26 March 2014 ("Renewed Framework Agreement") based on the framework agreement entered into between the Group and Jiangsu Xinhua on 25 April 2011 for a term of three years whereby the Group will purchase anchor, refractory support plunge hook and other ancillary accessories from Jiangsu Xinhua. Under the Renewed Framework Agreement, the annual consideration payable by Wison Engineering to Jiangsu Xinhua for the year ended 31 December 2014 and years ending 31 December 2015 and 2016 will not be more than RMB12,000,000. During the six months ended 30 June 2015, the Group's purchases of heat-resistant alloy pipes and other ancillary accessories from Jiangsu Xinhua amounted to RMB39,000 (six months ended 30 June 2014: RMB2,035,000). The purchases were made by reference to the published prices and conditions offered by Jiangsu Xinhua to its customers. The trade payables relating to Jiangsu Xinhua are set out in note 14.

(ii) On 12 December 2013, the Group and 上海惠生通訊技術有限公司 (Wison (Shanghai) Telecommunication Technology Company Limited "Wison Telecommunication"), a subsidiary of Jiangxu Xinhua, entered into a lease agreement, under which the Group leased out office space in its office building to Wison Telecommunication for RMB730,000 per annum for a three-year period commencing from 1 January 2014. Rental income for the six months ended 30 June 2015 from Wison Telecommunication amounted to RMB365,000 (six months ended 30 June 2014: RMB365,000).

On 12 December 2013, the Group and Wison Telecommunication entered into a property management service agreement, under which the Group would provide property management service in relation to the premises leased to Wison Telecommunication for RMB132,000 per annum, for a three-year period commencing from 1 January 2014. Service income for the six months ended 30 June 2015 from Wison Telecommunication amounted to RMB66,000 (six months ended 30 June 2014: RMB66,000).

(iii) On 12 December 2013, the Group and 惠生(南通)重工有限公司 (Wison (Nantong) Heavy Industry Co., Ltd. "Wison Nantong"), a fellow subsidiary of the Company, entered into a lease agreement, for which the Group leased out office space in its office building to Wison Nantong for RMB10,220,000 per annum for a three-year period commencing from 1 January 2014. Rental income for the six months ended 30 June 2015 from Wison Nantong amounted to RMB5,110,000 (six months ended 30 June 2014: RMB5,110,000).

On 12 December 2013, the Group and Wison Nantong entered into a property management service agreement, under which the Group would provide property management service in relation to the premise leased to Wison Nantong for RMB1,848,000 per annum, for a three-year period commencing from 1 January 2014. Service income for the six months ended 30 June 2015 from Wison Nantong amounted to RMB924,000 (six months ended 30 June 2014: RMB924,000).

(iv) On 12 December 2013, the Group and Wison (China) Investment, a fellow subsidiary of the Company, entered into a lease agreement, under which the Group leased out office space in its office building to Wison (China) Investment for RMB2,920,000 per annum for a three-year period commencing from 1 January 2014. Rental income for the six months ended 30 June 2015 for Wison (China) Investment amounted to RMB1,460,000 (six months ended 30 June 2014: RMB1,460,000).

On 12 December 2013, the Group and Wison (China) Investment entered into a property management service agreement, under which the Group would provide property management service in relation to the premises leased to Wison (China) Investment for RMB528,000 per annum, for a three-year period commencing from 1 January 2014. Service income for the six months ended 30 June 2015 from Wison (China) Investment amounted to RMB264,000 (six months ended 30 June 2014: RMB264,000).

(v) On 4 July 2014, the Group and Wison Nanjing entered into a framework agreement, pursuant to which the Group will provide miscellaneous engineering design and technology services to Wison Nanjing and/or its subsidiaries in relation to their manufacturing facilities, public utility engineering systems and ancillary production systems. The framework agreement shall expire on 31 December 2016. The annual cap for the amount payable by Wison Nanjing to the Group under the framework agreement is expected not to exceed RMB2,000,000 for the year ended 31 December 2014 and each of the two years ending 31 December 2015 and 2016, respectively. The Group recognised revenue of RMB1,385,000 during the six months ended 30 June 2015.

(vi) Wison Holding, as a licensor, entered into three trademark licensing agreements with the Group to grant the right to use the trademarks by the Group on a perpetual and non-exclusive basis for nil consideration during the six months ended 30 June 2015 (six months ended 30 June 2014: nil).

(vii) On 18 May 2010, the Group entered into four separate patent licensing agreements, each for a term of six years, with Wison Nanjing, pursuant to which the Group agreed to grant an exclusive licence to Wison Nanjing to use certain patented technology relating to the generation of carbon monoxide and methanol gas at nil consideration.

In the opinion of the directors of the Company, the transactions between the Group and Jiangsu Xinhua, Wison Telecommunication, Wison Nantong, Wison Nanjing, Wison Holding and Wison (China) Investment were conducted in the ordinary and usual course of business and on terms and conditions similar to those entered into with unrelated parties.

(b) Non-recurring:

(i) On 24 January 2014, the Group and Wison Nanjing entered into a design service contract whereby Wison Nanjing engaged the Group to provide basic and detailed project design for its 300kta methanol synthesis unit for a total consideration of RMB2,800,000. No revenue on this contract was recognised during the six months ended 30 June 2015 (six months ended 30 June 2014: RMB970,000).

On 24 January 2014, the Group and Wison Nanjing entered into five separate technology consultancy contracts, under which Wison Nanjing engaged the Group to produce a feasibility study report in relation to the relevant projects with a total consideration of RMB2,600,000. No revenue on this contract was recognised during the six months ended 30 June 2015 (six months ended 30 June 2014: RMB2,453,000).

On 24 January 2014, the Group and Wison Nanjing entered into the patent right sharing agreement pursuant to which both parties agreed to the joint ownership of the intellectual property right in the four patents with nil consideration.

In the opinion of the directors of the Company, the transactions between the Group and Wison Nanjing were conducted in the ordinary and usual course of business and on terms and conditions similar to those entered into with unrelated parties. The amount due from contract customers and trade receivables relating to Wison Nanjing is set out in note 11 and note 12, respectively.

On 28 February 2013, the Group and Wison Offshore & Marine Ltd., ("Wison Marine Engineering") a wholly-owned subsidiary of Wison Holding, entered into a service contract for a total contract value of RMB3,850,000. No revenue on this contract was recognised during the six months ended 30 June 2015 (six months ended 30 June 2014: RMB817,000). In the opinion of the directors of the Company, the transaction between the Group and Wison Marine Engineering was conducted in the ordinary and usual course of business and on terms and conditions similar to those entered into with unrelated parties. The trade receivables relating to Wison Marine Engineering are set out in note 12.

During the year ended 31 December 2011, the Group and Shaanxi Changqing, in which Wison Holding has an indirect 13.2% equity interest, entered into a construction contract whereby Shaanxi Changqing engaged the Group to undertake the construction of its coal to chemical production facilities for a contract value of RMB2,186,500,000. The Group and Shaanxi Changqing agreed to increase the contract consideration by RMB305,220,000 due to variation orders. The Group recognised revenue of RMB805,000 on this contract during the six months ended 30 June 2015 (six months ended 30 June 2014: RMB52,059,000). In the opinion of the directors of the Company, the transaction between the Group and Shaanxi Changqing was conducted in the ordinary and usual course of business and on terms and conditions similar to those entered into with unrelated parties. The amount due from contract customers and trade receivables relating to Shaanxi Changqing is set out in note 11 and 12, respectively.

On 16 May 2012, the Group and Zhoushan Wison, a fellow subsidiary of the Company, entered into a construction contract whereby Zhoushan Wison engaged the Group to procure all the equipment and materials and oversee quality assurance and completion of the construction of the Zhoushan marine engineering base for an estimated contract value of RMB990,930,000, which is subject to adjustment due to an increase or decrease in the volume of work resulting from the change in the design of the marine engineering base, fluctuation in market price of equipment and materials that significantly deviates from the initial quotation, change in the applicable legal and regulatory framework governing this type of project and other factors as agreed between the two parties. During the year ended 31 December 2013, the Group and Zhoushan Wison confirmed that the estimated contract consideration would be increased by RMB891,150,000 due to variation orders. On 11 November 2014, the Group and Zhoushan Wison entered into an interim settlement confirmation, whereby the parties confirmed that the total contract value for the work already carried out by the Group amounting to RMB1,390,160,000 and agreed to a deferral of the uncompleted work until Zhoushan Wison obtains necessary financing. No revenue was recognized during the six months ended 30 June 2015 (six months ended 30 June 2014: RMB7,585,000). In the opinion of the directors of the Company, the transactions between the Group and Zhoushan Wison were conducted in the ordinary and usual course of business and on terms and conditions similar to those entered into with unrelated parties. The trade receivables relating to Zhoushan Wison are set out in note 12.

(ii) On 24 January 2014, the Group and Wison Nanjing entered into the SNG cooperation agreement pursuant to which Wison Nanjing shall (1) provide the Group with the right to use the land and facilities owned by Wison Nanjing located at the Nanjing Chemical Industrial park with a total consideration of RMB600,000; (2) provide the Group with certain gases such as hydrogen, carbon monoxide and carbon dioxide and utilities such as water and mid-pressure steam at a price which shall be either the actual costs to Wison Nanjing for such gases or utilities or the lowest price charged to other customers; and (3) second experienced staff to assist in Group's project at 1.5 times the basic salary of such staff, which after taking into account insurance, pension and other staff benefits, represent the costs to Wison Nanjing. During the six months ended 30 June 2015, the Group has paid RMB600,000 to Wison Nanjing for the use of the land and facilities owned by Wison Nanjing. No research and development expenses were incurred on this contract during the six months ended 30 June 2015 (six months ended 30 June 2014: nil). In the opinion of the directors of the Company, the transactions between the Group and Wison Nanjing were conducted in the ordinary and usual course of business and on terms and conditions similar to those entered into with unrelated parties.

(iii) During the six months ended 30 June 2015, Wison (China) Investment executed guarantees to a certain bank for bank facilities to the Group of RMB260,000,000 (six months ended 30 June 2014: RMB450,000,000) at nil consideration. As at 30 June 2015, the loans were drawn down to the extent of RMB220,000,000 (31 December 2014: RMB150,000,000) (note 15).

(iv) On 30 November 2012, Wison Holding and the Company entered into a domain name licence agreement (the "Domain Name Licence Agreement") in respect of the right to use the domain name "wison-engineering.com" registered under the name of Wison Holding (the "Domain Name"). Pursuant to the Domain Name Licence Agreement, Wison Holding has agreed to grant the Company, and the Company has accepted, a royalty-free licence to use the Domain Name on an exclusive basis at nil consideration. The Domain Name Licence Agreement shall continue in force perpetually or until such time as the parties may matually agree in writing to terminate this agreement unless terminated earlier in certain circumstances, such as if Wison Holding ceases to be a shareholder of the Company.

(v) On 30 November 2012, Wison Holding and the Company entered into an administrative services agreement (the "Administrative Services Agreement"), for which Wison Holding agreed to provide general legal services and legal consultation, information system management services, data management services, back-up services and other related support services to the Group that are charged by Wison Holding based on the cost involved and the portion of actual time incurred by the staff of Wison Holding towards the provision of such services. This agreement shall take effect from the date of the agreement and shall continue for an initial period from the listing date to 31 December 2014 and thereafter shall be automatically renewal for successive terms of three years each unless either gives notice of non-renewal to the other party. During the six months ended 30 June 2015, no service fee was incurred (six months ended 30 June 2014: nil).

(c) Balances with related parties:

| | **30 June 2015** *RMB'000* **(Unaudited)** | 31 December 2014 *RMB'000* (Audited) |
|---|---|---|
| Due from a related company: | | |
| Wison Telecommunication | **1,079** | 646 |
| Due from fellow subsidiaries: | | |
| Wison Nanjing | **600** | – |
| Wison Nantong | **18,277** | 12,189 |
| Wison (China) Investment | **4,313** | 2,586 |
| | **23,190** | 14,775 |
| Due from the ultimate holding company: | | |
| Wison Holding | **87** | 87 |
| Due to a related company: | | |
| Jiangsu Xinhua | **78** | 78 |
| Due to an associate: | | |
| 河南創思特工程監理諮詢有限公司("Henan Chuangsite") | **630** | 630 |

Jiangsu Xinhua is the Chinese joint venture partner of Wison Engineering. Wison Telecommunication is a subsidiary of Jiangsu Xinhua.

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

## 17. OPERATING LEASE ARRANGEMENTS

**As lessor**

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

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

| | **30 June 2015** *RMB'000* **(Unaudited)** | 31 December 2014 *RMB'000* (Audited) |
|---|---|---|
| Within one year | **48,253** | 36,686 |
| In the second to fifth years, inclusive | **32,335** | 45,233 |
| After five years | **207** | 1,393 |
| | **80,795** | 83,312 |

**As lessee**

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

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

| | **30 June 2015** *RMB'000* **(Unaudited)** | 31 December 2014 *RMB'000* (Audited) |
|---|---|---|
| Within one year | **13,931** | 15,132 |
| In the second to fifth years, inclusive | **16,115** | 21,730 |
| After five years | **147** | 516 |
| | **30,193** | 37,378 |

## 18. COMMITMENTS

In addition to the operating lease commitments detailed in note 17 above, the Group had the following capital commitments at the end of the reporting period:

| | **30 June 2015** *RMB'000* **(Unaudited)** | 31 December 2014 *RMB'000* (Audited) |
|---|---|---|
| Contracted, but not provided: | | |
| Equipment and materials | **2,063,253** | 1,944,923 |

## 19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

| | **Carrying amounts** | | **Fair values** | |
|---|---|---|---|---|
| | **30 June 2015** | 31 December 2014 | **30 June 2015** | 31 December 2014 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) | | |
| **Financial Assets** | | | | |
| Available-for-sale investment | **27,200** | – | **27,200** | – |
| **Financial liabilities** | | | | |
| Derivative financial instruments | **–** | 725 | **–** | 725 |

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

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

**Fair value hierarchy**

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

*Asset measured at fair value:*

As at 30 June 2015

| | **Fair value measurement using** | | | |
|---|---|---|---|---|
| | **Quoted prices in active markets (Level 1)** | **Significant observable inputs (Level 2)** | **Significant unobservable inputs (Level 3)** | **Total** |
| | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** |
| Available-for-sale investment | **–** | **27,200** | **–** | **27,200** |

*Liability measured at fair value:*

As at 31 December 2014

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Derivative financial instruments | 725 | – | – | 725 |

The Group did not have any financial liabilities measured at fair value as at 30 June 2015 (31 December 2014: RMB 725,000) and the Group did not have any financial assets measured at fair value as at 31 December 2014.

During the six months ended 30 June 2015, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 both financial assets and financial liabilities (31 December, 2014: Nil).

**20. EVENT AFTER THE REPORTING PERIOD**

(a) The Company was informed by the lawyer of Mr. Hua, that a court of the People's Republic of China on 5 August 2015 delivered the following verdict:

(1) Wison Engineering was acquitted of the charge that had been instigated against it in respect of an alleged offence of conspiracy to commit a tender-offer fraud (the "Charge One").

(2) Wison Engineering was found guilty of an offence to commit bribery (the "Charge Two"). Wison Engineering was ordered to pay a fine of RMB30,000,000 on the bribery charge.

(3) Mr. Hua was acquitted of Charge One.

(4) Mr. Hua was convicted of Charge Two and Mr. Hua was sentenced to imprisonment for 36 months and on that basis, given the time in detention to date, it is understood Mr. Hua will be released in the fourth quarter of 2016.

Provision of RMB30,000,000 for the fine was made to the interim condensed consolidated financial information for the six months ended 30 June 2015.

Wison Engineering has made an application on 14 August 2015 to appeal against the judgment in respect of Charge Two. Further, the lawyer of Mr. Hua has informed the Company that Mr. Hua has also made an application on the same date to appeal against the judgment in respect of Charge Two. The said appeal applications have been accepted by the relevant court of the People's Republic of China.

(b) The Company noted that Wison Engineering has been named as a defendant in a lawsuit filed with a court in the People's Republic of China in relation to a tenancy dispute where Wison Engineering is alleged to have breached a tenancy agreement (the "Tenancy Agreement") as the landlord (the "Legal Proceedings").

In the Legal Proceedings, the tenant of the Tenancy Agreement, as the plaintiff, claims that Wison Engineering, as the landlord, has unilaterally terminated the Tenancy Agreement and has not delivered possession of the premises according to the Tenancy Agreement. The Legal Proceedings involve a claim by the tenant for the return of deposit and prepaid rental payment of approximately RMB3,100,000, default payment of approximately RMB2,300,000, compensation for breach of contract of approximately RMB46,000,000 (the "Compensation") as well as the relevant legal costs. Having taken into account of the PRC legal advice, the directors of the Company are of opinion that the grounds of the tenant's claim for the Compensation are without merit and the payment of Compensation is remote.

(c) On 20 August 2015, Zhoushan Wison settled trade receivables of RMB397 million owed to the Group (note 12).

(d) On 27 August 2015, the Group entered into a supplemental agreement with Wison Nantong to amend certain terms of the previous lease agreement and property management services agreement dated 12 December 2013 which shall be effective from 1 September 2015. The rental shall be adjusted proportionally from RMB10,220,000 per annum to RMB5,840,000 per annum and the property management services fee shall be adjusted proportionally from RMB1,848,000 per annum to RMB1,056,000 per annum by reference to the size of the reduced gross floor area of the subject premises.

As of the date of approval of the Interim Financial Information, all outstanding rental and property management services fees due from and payable by Wison Nantong as of 30 June 2015 have been fully settled.

## 21. CONTINGENT LIABILITIES

On 20 November 2008, Wison Engineering Technology Limited ("Wison Technology") entered into an agreement with Wison Energy Engineering (Hong Kong) Limited ("Wison Energy (HK)") to transfer its entire 75% equity interest in Wison Engineering to Wison Energy (HK). This equity transfer was approved by the Shanghai Commerce Bureau on 25 December 2008 and was registered with the Shanghai Administration for Industry and Commerce on 29 December 2008. On 14 May 2010, Wison Technology entered into a supplementary agreement with Wison Energy (HK), pursuant to which Wison Technology and Wison Energy (HK) agreed that the purchase price would be settled in full via the issuance of one share in Wison Energy (HK) to Wison Technology.

On 20 November 2008, Wison Technology entered into an agreement with Wison Energy (HK) to transfer its entire 100% equity interest in Wison Yangzhou to Wison Energy (HK). This equity transfer was approved by the Yangzhou Foreign Trade and Economic Cooperation Bureau on 3 December 2008 and was registered with the Jiangsu Administration for Industry and Commerce on 17 December 2008. On 14 May 2010, Wison Technology entered into a supplementary agreement with Wison Energy (HK), pursuant to which Wison Technology and Wison Energy (HK) agreed that the purchase price would be settled in full via the issuance of one share in Wison Energy (HK) to Wison Technology.

According to the PRC tax rules, Wison Technology is subject to PRC income tax on such equity transfers and will be exempted from the PRC income tax if these equity transfers fulfil the criteria as laid down in Article 5 of the Ministry of Finance/State Administration of Taxation Circular of Caishui [2009] No. 59 titled "Circular on Certain Issues Regarding Corporate Income Tax Treatments for Business Reorganisation of Enterprises" (關於企業重組業務企業所得稅處理若干問題的通知) (hereinafter referred to as "Circular No. 59") and the equity transfers qualified for the special tax treatment as stipulated in Circular No. 59. Pursuant to the State Administration of Taxation Circular of Guoshuihan [2009] No. 698 titled "Circular on Strengthening the Corporate Income Tax Administration on Non-Resident Enterprise's Gain on Equity Transfer" (關於加强非居民企業股權轉讓所得企業所得稅管理的通知), the qualification of the special tax restructuring treatment of a non-resident enterprise needs to be assessed and recognised by the provincial tax authority.

In 2010, the Group submitted its application for the above equity transfer transactions to qualify for the special tax treatment under Circular No. 59 to the relevant tax bureau. To the date of approval of these financial statements, the relevant tax bureau has not reverted on this application. In December 2011, the Group computed the tax liability in relation to the transfer of equity interests in Wison Engineering based on the relevant PRC tax regulations and submitted a payment of RMB10.4 million to the relevant tax bureau. As at 31 December 2011, the Group assessed and computed the tax liability in relation to the transfer of equity interests in Wison Yangzhou based on the relevant PRC tax regulations and made a provision of RMB4.4 million accordingly which has been considered by the Company's Directors to be adequate. In the opinion of the directors of the Company, the PRC tax authorities may not accept the Group's application and the Group may fail to obtain the preferential tax treatment under Circular No. 59. and this could result in additional tax to be paid.

## EXTRACT OF REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION BY ERNST & YOUNG

The Company's independent auditors has disclaimed a conclusion in its report on review of financial information of the Group's condensed consolidated financial statements for the six months ended 30 June 2015, an extract of which is as follows:

**"Basis for Disclaimer of Conclusion**

*Impairment of trade receivables and amounts due from contract customers*

The Group had outstanding trade and bills receivables of RMB850,780,000 and RMB1,015,257,000 as of 30 June 2015 and 31 December 2014, respectively and amounts due from contract customers of RMB3,846,752,000 and RMB3,242,274,000 as of 30 June 2015 and 31 December 2014, respectively, of which trade receivables of RMB60,433,000 and RMB455,057,000 as of 30 June 2015 and 31 December 2014, respectively, and amounts due from contract customers of RMB1,035,265,000 and RMB1,038,005,000 as of 30 June 2015 and 31 December 2014, respectively, have been identified as overdue in accordance with the contract terms or have been substantially behind the contract schedule with slow progress payment. The Group has recorded an impairment provision of RMB765,000 as of 30 June 2015 and 31 December 2014 against the balance of trade receivables and amounts due from contract customers. We were unable to obtain sufficient evidence on the recoverability of the balance of trade receivables and amounts due from contract customers as of 30 June 2015 and 31 December 2014. Accordingly, we were unable to satisfy ourselves regarding the adequacy of the impairment provision against the balance of trade receivables and amounts due from contract customers as at 30 June 2015 and 31 December 2014. Any under-provision for the recoverability of these balances would reduce the net assets of the Group as at 30 June 2015 and 31 December 2014 and decrease the Group's net profit for the six months ended 30 June 2015 and year ended 31 December 2014, respectively.

*Impairment of property, plant and equipment and other long-term assets*

Included in the consolidated statement of financial position of the Group as at 30 June 2015 and 31 December 2014 are property, plant and equipment of approximately RMB1,168,858,000 and RMB1,210,881,000 (net of depreciation and impairment), prepaid land lease payments of approximately RMB176,052,000 and RMB178,279,000, goodwill of approximately RMB15,752,000 and RMB15,752,000, other intangible assets of approximately RMB10,468,000 and RMB13,134,000 and long-term prepayments relating to the purchase of property, plant and equipment of approximately RMB1,302,000 and RMB1,603,000, respectively. The management has performed impairment assessment on these assets based on discounted cash flows. As a result of the assessment, the management is of the view that there was no impairment provision required as at 30 June 2015 and 31 December 2014.

Due to the uncertainty as to whether the Group will remain as a viable going concern, as set out in further detail in the paragraph headed "Going concern basis" below, we were unable to obtain sufficient evidence to assess the appropriateness of the management's estimation of the recoverable amounts of the property, plant and equipment, prepaid land lease payments, long-term prepayments relating to the purchase of property, plant and equipment, goodwill and other intangible assets and whether these assets as at 30 June 2015 and 31 December 2014 were impaired. Any under-provision for impairment of these assets will reduce the net assets of the Group as at 30 June 2015 and 31 December 2014 and decrease the net profit of the Group for the six months ended 30 June 2015 and year ended 31 December 2014, respectively.

*Going concern basis*

As mentioned in the foregoing section headed "Impairment of trade receivables and amounts due from contract customers", the Group had outstanding trade receivables of RMB60,433,000 as of 30 June 2015, and amounts due from contract customers of RMB1,035,265,000 as of 30 June 2015 which have been identified as overdue in accordance with contract terms or have been substantially behind the contract schedule with slow progress payment. The recoverability of these overdue amounts may significantly impact the financial position and cash flows of the Group.

As further disclosed in note 15 to the interim financial information, the Group remained in default of the outstanding loan of RMB110 million due to China Development Bank ("CDB") and have triggered cross-default provisions in other loan agreements entered into between the Group and certain banks with a total principal amount of RMB429 million as of 30 June 2015. As a possible consequence of the breaches, the banks may demand immediate repayment of loans advanced to the Group with an aggregate outstanding principal amount of RMB429 million at 30 June 2015.

As at the date of approval of the interim financial information, notwithstanding the implementation of the measures as disclosed in note 2.1 to the interim financial information, the foregoing events still indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern. The validity of the going concern assumption on which the interim financial information is prepared is dependent on the successful and favourable outcomes of the steps being taken by the directors of the Company as set out in note 2.1 to the interim financial information. The interim financial information has been prepared on the assumption that the Group will continue as a going concern and, therefore, does not include any adjustments relating to the realisation and classification of non-current assets and non-current liabilities that may be necessary if the Group is unable to continue as a going concern. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at amounts other than those currently recorded in the statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities.

**Disclaimer of Conclusion**

Because of the significance of the matters described in the Basis for Disclaimer of Conclusion paragraphs, we were unable to obtain sufficient appropriate evidence to form a conclusion on the interim financial information. Accordingly, we do not express a conclusion on the interim financial information."

## PURCHASES, SALE AND REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2015.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Reference is made to the announcements of the Company dated 19 September 2013 and 19 December 2013, where the Company announced that Mr. Choy Sze Chung Jojo has resigned from his position as an independent non-executive Director, the Chairman of the Audit Committee and a member of the Nomination Committee of the Company, with effect from 19 September 2013, due to his intention to pursue other business opportunities. Reference is also made to the announcement of the Company dated 30 March 2015 where the Company announced the appointment of Mr. Lawrence Lee as an independent non-executive director, the chairman of the Audit Committee and a member of the Nomination Committee and the Remuneration Committee. Therefore, during the period commencing from 19 September 2013 to 30 March 2015, (i) the number of the independent non-executive Directors has fallen below the minimum number required under Rules 3.10(1) and 3.10A of the Listing Rules; (ii) the number of members of the Audit Committee has fallen below the minimum number required under Rule 3.21 of the Listing Rules; (iii) there is a vacancy for chairman of the Audit Committee as required under Rule 3.21 of the Listing Rules; (iv) the Company has failed to comply with the requirements under Rule 3.10(2) of the Listing Rules that at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise; and (v) the number of the independent non-executive Directors has fallen below the minimum number required under Code Provision A.5.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "Corporate Governance Code"). After the appointment of Mr. Lawrence Lee, the Company has complied with the above requirements of the Listing Rules and the Corporate Governance Code.

At the annual general meeting of the Company held on 26 June 2015, Mr. Wu Jianmin retired by rotation but did not offer himself for re-election. Therefore, following the retirement of Mr. Wu Jianmin, (i) the number of the independent non-executive Directors has fallen below the minimum number required under Rule 3.10(1) of the Listing Rules; (ii) the number of members of the Audit Committee has fallen below the minimum number required under Rule 3.21 of the Listing Rules; and (iii) the number of the independent non-executive Directors has fallen below the minimum number required under Code Provision A.5.1 of the Corporate Governance Code.

The Company is endeavoring to identify suitable candidate to fill the vacancies as soon as possible for the purpose of compliance with the Listing Rules and the Corporate Governance Code.

Save as disclosed above, during the six months ended 30 June 2015, the Company has complied with the applicable code provisions of the Corporate Governance Code.

The Board will continue to review and monitor the practices of the Company for the purpose of complying with the Corporate Governance Code.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. All directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code for the six months ended 30 June 2015.

## AUDIT COMMITTEE

The Company established an Audit Committee with written terms of reference in compliance with the Code. As at the date of this announcement, the Audit Committee comprises the two independent non-executive directors of the Company, namely, Mr. Lawrence Lee and Mr. Liu Ji. Mr. Lawrence Lee is the chairman of the Audit Committee.

The Audit Committee has reviewed and discussed the unaudited interim results for the six months ended 30 June 2015.

## PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The interim results announcement is published on the website of the Stock Exchange (http://www.hkexnews.hk) and that of the Company (http://www.wison-engineering.com). The interim report will be dispatched to the shareholders and will be available on the website of the Stock Exchange and that of the Company in due course.

By Order of the Board
**Wison Engineering Services Co. Ltd.**
**LIU HAIJUN**
*Executive Director*

Hong Kong, 28 August 2015

*As at the date of this announcement, the executive Directors of the Company are Mr. Liu Haijun, Mr. Zhou Hongliang and Mr. Cui Ying and the independent non-executive Directors are Mr. Liu Ji and Mr. Lawrence Lee.*