

Interim Report 2016



Wison Engineering Services Co. Ltd.
(Incorporated in the Cayman Islands with limited liability Stock Code: 2236)

WISON
Passion Powering Progress



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Liu Haijun (*Chief Executive Officer*)

Mr. Zhou Hongliang

Non-executive Director

Mr. Cui Ying

Independent Non-executive Directors

Mr. Lawrence Lee

Mr. Feng Guohua

Mr. Tang Shisheng

AUDIT COMMITTEE

Mr. Lawrence Lee (*Chairman*)

Mr. Feng Guohua

Mr. Tang Shisheng

NOMINATION COMMITTEE

Mr. Tang Shisheng (*Chairman*)

Mr. Feng Guohua

Mr. Lawrence Lee

REMUNERATION COMMITTEE

Mr. Feng Guohua (*Chairman*)

Mr. Lawrence Lee

Mr. Tang Shisheng

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

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Cayman Islands

HONG KONG SHARE REGISTRAR

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

COMPANY SECRETARY

Ms. Luk Wai Mei

AUTHORISED REPRESENTATIVES

Mr. Cui Ying
Ms. Luk Wai Mei

AUDITORS

Ernst & Young

PRINCIPAL BANKS

Bank of Communications Co., Ltd.
China CITIC Bank Corporation Limited
Bank of China Limited
China Minsheng Banking Corp., Ltd.
Bank of Kunlun Corporation Limited

REGISTERED OFFICE

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Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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COMPANY'S WEBSITE

www.wison-engineering.com

STOCK CODE

2236

Business Overview



MACROECONOMIC AND MARKET REVIEW

During the first half of 2016, the global economy was still overshadowed by a number of uncertain factors. Weak economic growth in the developed economies of Europe and the US after a mild recovery has been observed while the Brexit referendum of the UK in June triggered concerns over the future of the European Union as well as the monetary and fiscal policies of major economies around the globe. Emerging economies, including the PRC, managed to advance with relatively steady growth, while an obvious ease in the stress on liquidity at home and abroad was still nowhere in sight.

Oil and gas prices were still at historic lows during the first half of the year. Crude oil prices for West Texas Intermediate (WTI) and Brent once rose above US\$50/barrel, but the upward momentum subsequently lost traction attributed to the output rise of OPEC producers, the resumption of production in some oil-producing countries and the recovery of exploration in shale oil and gas, leading to the drop in oil price below US\$40/barrel again. The oil and gas market has yet to see a rebalance between demand and supply. For the first two quarters of the year, substantial losses were recorded by international oil and gas majors, most of which were still undergoing a cycle of capital expenditure tightening. In addition, the weakening macro economy leading to insufficient demand also contributed to the continuous

delay or suspension of investments along the oil and gas industry chain. There has been increasing calls for coordinated industry consolidation efforts to reduce the cost of resource development and production.

Given the industry downturn, energy engineering services providers and contractors worldwide who suffered considerably in terms of operating results and order intakes, have taken on cost-cutting measures to weather the adversities while accelerating their diversification into areas such as power, infrastructure and renewable energy. Being in the industry, Wison Engineering Services Co. Ltd. (the “Company”, together with its subsidiaries, the “Group”) inevitably has to handle the continued downturn of market demand and fierce competition. Apart from the traditional refining and petrochemical businesses, another of the Group’s principal business segments, coal-to-chemicals, was also hit by the persisting pressure of falling oil prices.

Notwithstanding the downward pressure in industry, the Group continued to foster its competitive strengths, consolidate its operation foundation in energy and chemical engineering construction and technical services, adjust its development progress, steadily promote the implementation of the internationalization on all operational front, and seek new opportunities that fit the Company’s capabilities.



FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2016 (the “Period under Review”), the Group’s revenue amounted to approximately RMB892.2 million (first half of 2015: approximately RMB3,535.8 million). Gross profit amounted to approximately RMB236.9 million (first half of 2015: approximately RMB513.6 million). Profit attributable to owners of the parent was approximately RMB20.5 million (first half of 2015: approximately RMB150.3 million). Such decrease in revenue and profit was mainly due to domestic and foreign macroeconomic factors which had significant impact on the Group’s results. Furthermore, orders in hand were yet to enter the principal construction phase while projects under construction were approaching completion, leading to a significant year-on-year drop in revenue recognized in the first half of this year.

New contract value of the Group recorded for the Period under Review, net of estimated value added tax (“VAT”), was approximately RMB654.6 million (first half of 2015: RMB755.8 million), of which petrochemicals business segment accounted for 94.6%. As at 30 June 2016, backlog, net of estimated VAT, amounted to approximately RMB11,513.1 million (31 December 2015: approximately RMB11,985.1 million), of which coal-to-chemicals business, oil refining business, petrochemicals business and other products and services accounted for 9.7%, 69.1%, 17.0% and 4.2% respectively.

Subsequently to 30 June 2016, in July 2016, the Group has obtained the short-term bank loans from the banks in the PRC for a total amount of RMB77 million with maturity in July 2017.

BUSINESS REVIEW

Business Highlights

The global industry downturn in recent years did not curtail the Group’s accelerated pace in tapping international markets, nor did it hinder the efforts to escalate the full life-cycle execution capabilities in overseas projects. Subsequent to the new contract breakthrough in the United Arab Emirates (the “UAE”) last year, Wison Engineering Ltd. (惠生工程(中國)有限公司) (“Wison Engineering”), an indirect non-wholly-owned subsidiary of the Company, further obtained an engineering, procurement and construction (EPC) contract for a petrochemical project in the Middle East during the Period under Review. It went on to secure another order in this region, providing EPC services to one of the world’s largest petrochemical groups in relation to its ethylene downstream project. In total, number of Wison Engineering’s project track record in the region has reached eight, three of which have been successfully delivered. In addition, the UAE EPC project kicked off during the first half of the year. Income from overseas projects during the Period under Review contributed over 40% to the Group’s total revenue. Despite the intense execution workload in overseas

Business Overview

projects, safety and quality standards of project execution remained at its highest level. Thanks to the outstanding performance in overseas operation last year, Wilson Engineering was among the “Top 100 Chinese engineering companies in terms of overseas contracting revenue in 2015” (“2015年全國對外承包工程業務完成營業額前100家企業”) earlier this year.

Being one of the Chinese engineering companies most comprehensively engaged in the development and application of new coal-to-chemical technologies, the Group continued with new breakthroughs in engineering and commercialization of its core technologies, including coal-to-synthetic natural gas (SNG) methanation, olefin separation, and butene oxidization and dehydrogenation to butadiene technologies. The pilot plant for the methanation technology designed, constructed and operated by Wilson Engineering passed pilot testing and completed process optimization, signifying the technology with outstanding energy conservation and cost saving effects is ready for commercialization, which in turn will offer a highly economical solution for SNG production. Meanwhile, Wilson Engineering’s proprietary olefin separation technology that has been applied to several projects recorded the highest industry level of ethylene and propylene recovery rates worldwide during the performance test on Shandong 300 kta MTO facility. Repeatedly testified advancement of such technology combined with Wilson Engineering’s MTO project track record also awarded the Group a new MTO contract recently. The Shandong 70 kta butene oxidization and dehydrogenation to butadiene project, for which Wilson Engineering provided design and technical services, successfully commenced production. The HS-I butene oxidization and dehydrogenation catalyst developed by Wilson Engineering that was employed in aforesaid project passed the 72-hour performance calibration, certifying the industrialization of Wilson Engineering’s proprietary technology and catalyst in this field. The successful startup of this project not only leads the global upgrading of butene oxidization and dehydrogenation to butadiene technology, but also will offer a new competitive solution for the integrated application of mixed C-4.

Business Segments

Coal-to-chemicals

During the Period under Review, revenue from the Group’s coal-to-chemicals business amounted to approximately RMB462.8 million (first half of 2015: approximately RMB2,175.0 million), representing 51.9% of total revenue. The year-on-year decrease in revenue from the segment was primarily due to major coal-to-chemicals projects having entered the later stage of construction, leading to corresponding fall in revenues.

Backlog value as at the end of the Period under Review and new contract value during the Period under Review, both net of estimated VAT, amounted to approximately RMB1,114.8 million and RMB34.6 million respectively (backlog net of estimated VAT as at 31 December 2015: approximately RMB2,388.0 million; new contract value net of estimated VAT for the first half of 2015: approximately RMB104.2 million).

The Group entered into an engineering, procurement and construction contract with a customer in 2014 in respect of 300 kta methanol-to-olefin (MTO) plant. However, as the customer has not yet confirmed the date for the commencement of the project, the Group is not able to determine whether the project will be continued. Based on prudent considerations, the relevant backlog amount of RMB857.9 million (net of estimated VAT) has not been included in the total current backlog of the Group. The Group is still following up with the customer.

Wilson Engineering recently signed a new contract with a chemical enterprise in the PRC in relation to a 300 kta MTO unit, covering EPC service, licensed use of the proprietary olefin separation technology, process package compilation and technical services. It shall become the tenth licensing arrangement of Wilson Engineering’s high recovery olefin separation technology.

Business Overview

Besides, the Group achieved other notable results in engineering and commercialization of its new coal-to-chemical technologies:

- The pilot plant employing **VESTA new methanation technology** jointly built by Wilson Engineering with Amec Foster Wheeler and Clariant successfully passed various performance tests, signifying the **readiness for commercial application** of such technology. This once-through methanation technology is a non-cyclical operation which does not require strict control of the hydrogen/carbon ratio, saving user's investment by more than 20%. Its energy conservation capability is also impressive; taking a 4 billion standard cubic meters per annum SNG production scale for instance, revenue boost from energy saving could exceed RMB200 million per year, therefore providing a new highly economical solution for coal-to-SNG production.
- Shandong 300 kta MTO project which was EPC contracted by Wilson Engineering and delivered last year, has been named one of the top ten excellent engineering projects in the "12th Five-Year Plan" cycle in the PRC petroleum and chemical industry (中國石油和化工行業“十二五”十佳工程). The production facility passed the owner's performance tests on the olefin separation unit exhibiting operating excellence during the Period under Review. Over the recent 72-hour performance test period, recovery rate for ethylene and propylene products reached 99.89% and 99.96% respectively provided that minimum guaranteed levels are secured for all indicators. It marks the highest level ever achieved since **Wilson olefin separation technology** commenced its industrial application and this also **tops the industry on a global scale**. It once again demonstrates the low consumption, high recovery rate characteristics of such technology.

New coal-to-chemical technologies with high efficiency and energy conservation features will lower customers' investment and operation costs, further improving the economics and competitiveness of new coal-to-chemical investments under a low oil price environment. It is believed that the Group's domestic and overseas coal-to-chemicals business development will continue to benefit from the successful interpretation and fulfillment of the "technological innovation" strategy.

Oil Refinery

During the Period under Review, revenue from the Group's oil refinery business amounted to approximately RMB346.7 million (first half of 2015: approximately RMB944.6 million), representing 38.9% of total revenue. The decrease in revenue from this segment as compared with the corresponding period of last year was mainly due to the lagging progress of the major oil refinery projects. Backlog value, net of estimated VAT, as at the end of the Period under Review amounted to approximately RMB7,959.2 million (31 December 2015: approximately RMB7,672.7 million).

Petrochemicals

Revenue from the Group's petrochemicals business during the Period under Review amounted to approximately RMB77.9 million (first half of 2015: approximately RMB414.8 million), representing 8.7% of total revenue. The decrease in revenue from this segment was mainly because the major petrochemical project, Sichuan PTA Project was completed in the previous year, while those newly-contracted petrochemical projects are yet to enter the principal construction phase.

Backlog for petrochemical segment as at the end of the Period under Review and new contract value during the Period under Review, both net of estimated VAT, amounted to approximately RMB1,952.1 million and RMB619.3 million respectively (backlog value net of estimated VAT as at 31 December 2015: approximately RMB1,436.9 million; new contract value net of estimated VAT for first half of 2015: approximately RMB643.6 million).

Business Overview

The Group's business penetration in the Middle East region continued to pay off during the Period under Review. Wiscon Engineering secured EPC contract for an ethylene oxide and ethylene glycol ("EOEG") project. Pursuant to the contract, Wiscon Engineering will be responsible for the expansion and revamping of the EOEG facilities and the auxiliary units. The project has kicked off recently and mechanical installation is scheduled for the second half of 2017. This signifies Wiscon Engineering's EPC capabilities in glycol production facilities featuring various mainstream technologies. Recently, Wiscon Engineering signed an EPC contract with one of the world's petrochemical majors. Pursuant to the contract, Wiscon Engineering will be responsible for the detailed design, procurement and construction services for revamping the owner's existing MTBE and PP plant.

In addition, on the domestic front, the Group attained orders from the traditionally advantaged as well as new fields in petrochemical industry, covering various types of work scopes from technical consultancy, process package compilation, engineering design to EPC, etc.

Two landmark petrochemical projects awarded last year commenced site construction during the Period under Review, including the aforesaid first EPC project in the UAE and an EPC project of light oil processing utilization cracking unit under a first-time cooperation with a major energy enterprise in the PRC. The Shandong 70 kta butene oxidization and dehydrogenation to butadiene revamp project for which Wiscon Engineering provided design and technical services, commenced production, starting to produce certified butadiene products. Wiscon Engineering's HS-I butene oxidization and dehydrogenation catalyst used in the project also passed the 72-hour performance calibration, marking successful industrial verification for Wiscon Engineering's relevant proprietary technology and catalyst.

Other Products and Services

Revenue from other products and services of the Group during the Period under Review amounted to approximately RMB4.8 million (first half of 2015: approximately RMB1.4 million).

OUTLOOK

In near term, energy market is expected to be troubled by the excessive supply and the sluggish economic consumption growth, meaning that the Group will still be taking on the harsh market challenges, posing higher requirements for the Group's operating and internal governance capabilities. The pace and direction of the structural change in energy industry will be the key area of focus in mid- to long-run, affecting the overall industry landscape. This shall be a test for the Group's awareness for and ability to cultivate its own competitive strengths, sensitivity towards market and clients' demands, as well as the ability to judge and capitalize on the trends in market and technological developments. It is also necessary to accelerate the optimization of the Company's strategic planning and capacity reservation system. These are all necessary steps towards Wiscon Engineering's vision to become a world-class engineering company.

Looking into the second half of 2016 and the foreseeable future, the Group will continue to strengthen its development strategies of "internationalization, diversification and differentiation", penetrating into all activities throughout the operational life-cycle, from R&D and commercialization of new technologies, frontline marketing and order intake to the back-end EPC execution.

Implementation of the internationalization strategy in the near future will feature the following focus:

- Management Philosophy and Layout: To promote a shift in management matrix from professional-based to regional division-based at senior management level, actively seeking to identify the appropriate management layout that fits what is required by the upcoming internationalization development;

Business Overview

- **Process and Standards:** To combine its own characteristics with the management experience from leading industry peers, constantly optimizing business and management working process, deliveries conforming to internationally accepted standards, eventually possessing the abilities to provide international clients with services of even higher efficiency and quality;
- **Lesson Learned:** To reinforce efforts to summarize and consolidate working experience gathered during the entire life cycle of overseas projects, from prospect chasing and sales activities to execution and delivery, steepening the learning curve;
- **Team Building:** To adhere to the two-prong approach of internal training and new hires, to optimize the workforce and lay a solid foundation for undertaking future overseas businesses.

The current diversification strategy of the Company covers:

- **Diversification in industry sectors for engineering and technological services:** To explore opportunities for tapping into new sectors like eco-friendly engineering and power sector, by playing up the existing resources and business capacities;
- **Diversification in service provision/business development models:** To enrich models of engineering service provision, extending as well as expanding the scope of value-added services provided throughout the project life cycle;
- **Diversification in customer base and geographical coverage:** To further enlarge customer and geographical coverage by further utilizing strengths in coal-to-chemical segment in domestic market while deepening the Middle Asia, South-East Asia and South America regional markets on the international front.

In response to the trends in energy market development as well as in domestic and foreign petrochemical industry structure development, the Company will actively seek opportunities of technology R&D and cooperation in respect of natural gas utilization, extension of the MTO industry chain by introducing high value-added products, utilization of surplus capacity and optimization of energy conservation and so on, materializing the Company's diversification by way of innovation.

Amid fierce competition in the market in recent years, the Company will rationalize and reinforce its existing strengths to sharpen its own competitive edges for the purpose of consolidating its domestic market position and tapping into the international markets. It will pursue perfection through such strategies as scientific management, materialization of innovative technological achievements and integration of internal and external resources. The Group aims to provide clients with high-quality and satisfactory services creating brand awareness while optimizing returns for shareholders and other stakeholders, anticipating the sustainable development of an outstanding engineering company.



Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

In the six months ended 30 June 2016, the comprehensive revenue of the Group amounted to RMB892.2 million, representing a decrease of RMB2,643.6 million, or 74.8%, from RMB3,535.8 million in the six months ended 30 June 2015. Details of comprehensive revenue breakdown by business segments are set out below:

Business segment	Six months ended 30 June		Change	Change %
	2016 (RMB million)	2015 (RMB million)		
Petrochemicals	77.9	414.8	-336.9	-81.2%
Oil refineries	346.7	944.6	-597.9	-63.3%
Coal-to-chemicals	462.8	2,175.0	-1,712.2	-78.7%
Other products and services	4.8	1.4	3.4	242.9%
	892.2	3,535.8	-2,643.6	-74.8%

In petrochemicals, revenue decreased by RMB336.9 million, or 81.2%, from RMB414.8 million in the six months ended 30 June 2015 to RMB77.9 million in the six months ended 30 June 2016. The decrease was mainly because the Sichuan PTA Project already completed its principal construction phase in the previous year, while other petrochemical projects newly acquired have not yet entered into principal construction phase.

In oil refineries, revenue decreased by RMB597.9 million, or 63.3%, from RMB944.6 million in the six months ended 30 June 2015 to RMB346.7 million in the six months ended 30 June 2016. The decrease was mainly due to lagging progress of the Group's major oil refinery projects during the Period under Review, leading to the decrease of recognised revenue accordingly.

Management Discussion and Analysis

In coal-to-chemicals, revenue decreased by RMB1,712.2 million, or 78.7%, from RMB2,175.0 million in the six months ended 30 June 2015 to RMB462.8 million in the six months ended 30 June 2016. The decrease was mainly due to the Group's coal-to-chemicals projects approached to the latter construction phase, and recognised revenue decreased accordingly.

In other products and services, revenue increased by RMB3.4 million, or 242.9%, from RMB1.4 million in the six months ended 30 June 2015 to RMB4.8 million in the six months ended 30 June 2016. During the Period under Review, certain other projects in this business segment were still suspended.

Gross Profit and Gross Profit Margin

Gross profit of the Group decreased by RMB276.7 million, or 53.9%, from RMB513.6 million in the six months ended 30 June 2015 to RMB236.9 million in the six months ended 30 June 2016.

The gross profit margins of the Group in the six months ended 30 June 2015 and 2016 were 14.5% and 26.5% respectively. In the six months ended 30 June 2015, the gross profit margins for petrochemicals, oil refineries, coal-to-chemicals and other products and services business segments were 12.4%, 15.8%, 14.4% and -80.0%, respectively, while the gross profit margins in the six months ended 30 June 2016 were 11.3%, 30.1%, 26.4% and 32.7%, respectively.

The decline in gross profit margin of petrochemicals segment was mainly due to the lower gross profit margin of the newly contracted petrochemical projects for the purpose of expediting our internationalization strategy and enlarging market share to keep pace with the strategy for diversification into the overseas petrochemical markets. Besides, miscellaneous costs were recognized in respect of certain completed projects according to their settlement during the Period under Review.

The increase in gross profit margin of oil refinery segment was mainly due to the ever-changing exchange rates of the local currencies and certain adjustments to the working scope of the Group's overseas oil refinery projects. Meanwhile, the Group optimized the construction proposal and implemented a localization strategy of resources utilization, thus lowering the overall costs of overseas oil refinery projects.

The increase in gross profit margin of coal-to-chemicals segment was mainly due to the decline in the price of raw materials in China. Also, recognised cost decreased as projects were at their later construction phase during the Period under Review. At the same time, as finalisation for procurement and construction cost were in progress, the Group updated the budget according to the projects' expected cost structure.

The increase in gross profit margin of other products and services was mainly due to the re-calculation of business tax applicable to certain projects in compliance with the policy of tax reform program to replace business tax with value-added tax implemented in China and the corresponding reversal of the provision for business tax previously made.

Other Income

Other income decreased by RMB24.9 million, or 10.9%, from RMB228.6 million in the six months ended 30 June 2015 to RMB203.7 million in the six months ended 30 June 2016. Interest income decreased by approximately RMB55.3 million, rental income increased by RMB8.3 million and foreign exchange gains increased by RMB24.3 million. The decrease in interest income was due to the decrease in principal portion of the financing arrangement for certain projects, and interest income recognised according to the relevant accounting standards decreased accordingly.

Sales and Marketing Expenses

Sales and marketing expenses increased by RMB6.9 million, or 25.2%, from RMB27.4 million in the six months ended 30 June 2015 to RMB34.3 million in the six months ended 30 June 2016. It was mainly due to the increase in expenditure as a result of strengthening the Group's sales efforts.

Management Discussion and Analysis

Administrative Expenses

Administrative expenses decreased by RMB20.7 million, or 13.8%, from RMB149.8 million in the six months ended 30 June 2015 to RMB129.1 million in the six months ended 30 June 2016. The decrease was primarily due to the decrease in depreciation expenses and amortization of share option expenses.

Other Expenses

Other expenses decreased by RMB51.2 million, or 42.1%, from RMB121.6 million in the six months ended 30 June 2015 to RMB70.4 million in the six months ended 30 June 2016. This decrease was primarily due to the Group recognised a fine imposed on a PRC domestic subsidiary of the Company by a court in China in the six months ended 30 June 2015. Besides, as the Group's research and development projects were still at their preliminary stage during the Period under Review, the research and development expenditure was less than that in the six months ended 30 June 2015.

Finance Costs

Finance costs decreased by RMB65.9 million, or 29.1%, from RMB226.1 million in the six months ended 30 June 2015 to RMB160.2 million in the six months ended 30 June 2016. Interest on bank loans decreased by RMB8.7 million and interest on discounted bills decreased by RMB57.1 million. The decrease in interest on bank loans was primarily due to the decrease in our average bank borrowings and average interest rate for the six months ended 30 June 2016 compared with the six months ended 30 June 2015. The decrease in interest on discounted bills was mainly due to decrease in principal portion of the financing arrangement for certain projects, and interest on discounted bills decreased accordingly.

Income Tax Expenses

Income tax expenses decreased by RMB23.1 million or 52.4%, from RMB44.1 million in the six months ended 30 June 2015 to RMB21.0 million in the six months ended 30 June 2016. The decrease was primarily due to the substantial decrease in taxable income in Mainland China for the six months ended 30 June 2016.

Net Profit

Net profit decreased by RMB147.7 million, or 85.0%, from RMB173.7 million in the six months ended 30 June 2015 to RMB26.0 million in the six months ended 30 June 2016. The decrease in our net profit was primarily due to the decrease in our overall revenue.

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 2016 and 31 December 2015, the Group had trade and bills receivables of RMB235,210,000 and RMB311,209,000, 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.

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.

Management Discussion and Analysis

Financial Resources, Liquidity and Capital Structure

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

As at 30 June 2016, the Group's pledged and unpledged cash and bank balances included the following amounts:

	30 June 2016	31 December 2015
	(Million)	
Hong Kong Dollar	4.6	10.8
US Dollar	268.8	350.0
Renminbi	120.6	204.1
Saudi Riyal	23.3	11.1
Indonesian Rupiah	1,871.9	189.0
Venezuelan Bolivar	54.0	226.3
Euro	14.6	–
UAE Dirham	0.2	0.1

Interest-bearing bank and other borrowings of the Group as at 31 December 2015 and 30 June 2016 were set out in the table below. The short-term debt of the Group accounted for 100% of the total debt (31 December 2015: 100%).

	30 June 2016	31 December 2015
	(RMB million)	
Current		
Bank loans repayable within one year		
— secured	309.8	230.0
— unsecured	9.5	–
	319.3	230.0
Finance lease payables	–	0.1
	319.3	230.1
Non-current		
Finance lease payables	–	–
	–	–
	319.3	230.1

Management Discussion and Analysis

The bank and other borrowings as at 30 June 2016 are denominated in RMB and bore interest at floating rates except for loans of RMB283,900,000 (31 December 2015: RMB230,000,000), 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 2016	4.09% to 4.83%
Year ended 31 December 2015	4.83% to 7.56%

The maturity profile of interest-bearing bank and other borrowings as at 31 December 2015 and 30 June 2016, 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 2016					
Interest-bearing bank and other borrowings	–	171.1	150.9	–	322.0
Finance lease payables	–	–	–	–	–
31 December 2015					
Interest-bearing bank and other borrowings	–	3.5	234.5	–	238.0
Finance lease payables	–	0.1	–	–	0.1

As at 30 June 2016, the gearing ratio of the Group, which was derived by dividing total debt by total equity, was 0.1x (31 December 2015: 0.1x). The ratio of total borrowings to total assets was 3.8% (31 December 2015: 2.5%).

Future plans for major investment projects

During the six months ended 30 June 2016, the Group did not have any plans for material investments and capital assets.

Material Acquisitions and Disposals

During the six months ended 30 June 2016, the Group has not conducted any material acquisitions or disposals.

Capital Expenditure

During the six months ended 30 June 2016, the capital expenditure of the Group amounted to RMB1.9 million (in six months ended 30 June 2015: RMB1.1 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.

Management Discussion and Analysis

Asset Security

As at 30 June 2016, bank deposits with carrying amounts of RMB33.2 million, buildings with carrying amount of RMB14.4 million and investment property with carrying amounts of RMB13.3 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 Wisong Energy Engineering (Hong Kong) Limited to transfer its entire equity interests in 惠生(揚州)化工機械有限公司 (“Wisong Yangzhou”) and Wisong Engineering Limited (“Wisong 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 Wisong Yangzhou and Wisong Engineering. The Group paid RMB10.4 million in relation to the transfer of equity interests in Wisong Engineering in December 2011 and made a provision of RMB4.4 million in relation to the transfer of equity interests in Wisong Yangzhou in its financial statements as at 31 December 2011 accordingly. The provision was based on a valuation of Wisong Yangzhou and Wisong 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 2016.

Human Resources

As at 30 June 2016 the Group had 1,309 employees (31 December 2015: 1,457 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. For the six months ended 30 June 2016, the total staff cost of the Group (including salaries, bonuses, insurances and share option schemes) amounted to RMB283.3 million (in the six months ended 30 June 2015: RMB308.0 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.

Other Information

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

As at 30 June 2016, the interests and short positions of the Directors or the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") were as follows:

Name of Director	Company/Name of Group Company	Capacity/ Nature of interest	Number of Shares ⁽¹⁾	Approximate percentage of shareholding
Mr. Liu Haijun	Company	Beneficial owner	3,040,000 (L) ⁽²⁾	0.07%
Mr. Cui Ying	Company	Beneficial owner	3,040,000 (L) ⁽²⁾	0.07%
Mr. Zhou Hongliang	Company	Beneficial owner	3,040,000 (L) ⁽²⁾	0.07%

Notes:

- (1) The letter "L" denotes the person's long position in such Shares.
- (2) Shares in respect of options granted under the pre-IPO share option scheme of the Company.

Save as disclosed above, as at 30 June 2016, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information

SHARE OPTION SCHEMES

Share option scheme of the Company

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

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

Further details of the principal terms of the Share Option Scheme are set out in the prospectus of the Company dated 13 December 2012. No option has been granted or agreed to be granted by the Company under the Share Option Scheme.

Pre-IPO share option scheme of the Company

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

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

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

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

Other Information

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

Category of participants	Exercise price per share (HK\$)	No. of Shares involved in the			Reassigned during the period (Note)	No. of Shares involved in the options outstanding at 30 June 2016
		options outstanding at 1 January 2016	Exercised during the period	Lapsed during the period		

The Group

Directors, chief executive or

substantial holders of the Company

or subsidiaries, or their respective

associates

Liu Haijun	0.837	3,040,000	–	–	–	3,040,000
Cui Ying	0.837	3,040,000	–	–	–	3,040,000
Zhou Hongliang	0.837	3,040,000	–	–	–	3,040,000
Dong Hua	0.837	2,660,000	–	–	–	2,660,000
Qu Song	0.837	3,648,000 ⁽²⁾	–	–	–	3,648,000
Employees of the Group	0.837	123,158,000	(38,000)	(3,138,800)	(3,610,000) ⁽¹⁾	116,371,200

Wisong Holding and its subsidiaries

Employees, executives and officers of

Wisong Holding or any of its subsidiaries

	0.837	30,096,000 ⁽²⁾	–	(4,560,000)	3,610,000 ⁽¹⁾	29,146,000
Total		168,682,000	(38,000)	(7,698,800)	–	160,945,200

Notes:

- (1) Options representing 3,610,000 Shares were held by certain then employees of the Group at the beginning of the period, who were reassigned as employees of Wisong Group Holding Limited ("Wisong Holding") or its subsidiaries during the period.
- (2) Mr. Qu Song was reassigned as a director of a subsidiary of the Company during the period while remaining as a director of Wisong Holding. Options representing 3,648,000 Shares held by Mr. Qu at 1 January 2016 was reclassified to the Group.

The outstanding options granted under the Pre-IPO Share Option Scheme above were granted on 30 November 2012. No further option has been granted under the Pre-IPO Share Option Scheme after the listing of the Company. During the six months ended 30 June 2016, options representing 38,000 Shares have been exercised by the holders, options representing 7,698,800 Shares have been lapsed, and no options have been cancelled. The weighted average closing price of the Shares immediately before the dates on which the options were exercised is HK\$1.002.

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

Other Information

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

As at 30 June 2016, the following persons (other than the Directors or the chief executive of the Company) has interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name	Company/Name of Group Company	Capacity/ Nature of interest	Number of Shares directly or indirectly held ⁽¹⁾	Approximate percentage of shareholding
Wison Engineering Investment Limited ("Wison Investment")	Company	Beneficial owner	3,175,520,000 (L)	78.13%
Wison Holding ⁽²⁾	Company	Interest in controlled corporation	3,175,520,000 (L)	78.13%
Mr. Hua Bangsong ⁽³⁾	Company	Interest in controlled corporation	3,175,520,000 (L)	78.13%
Ms. Huang Xing ⁽⁴⁾	Company	Interest of spouse	3,175,520,000 (L)	78.13%

Notes:

- (1) The letter "L" denotes the person's long position in such Shares.
- (2) Wison Holding, as the sole shareholder of Wison Investment, is deemed or taken to be interested in the Shares which are owned by Wison Investment.
- (3) Mr. Hua Bangsong, as the sole shareholder of Wison Holding, is deemed or taken to be interested in the Shares which are beneficially owned by Wison Holding.
- (4) Ms. Huang Xing is the spouse of Mr. Hua Bangsong. Under the SFO, Ms. Huang Xing is deemed to be interested in the same number of Shares in which Mr. Hua Bangsong is interested.

Save as disclosed above, as at 30 June 2016, no persons (other than the Directors or the chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

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

During the six months ended 30 June 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Other Information

INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2016.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") (the "Code") during the six months ended 30 June 2016.

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 2016.

AUDIT COMMITTEE

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

The Audit Committee has reviewed and discussed the unaudited interim results for the six months ended 30 June 2016.

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

Mr. Feng Guohua was a senior vice president of Hanergy Holding Group and the president of Hanergy Global Solar PV Solutions Group from June 2015 to April 2016. Mr. Feng joined Microsoft (China) Co., Ltd. as general manager of the Greater China Region Enterprise Services division in April 2016.

Mr. Tang Shisheng was an independent director of Hunan TV & Broadcast Intermediary Co., Ltd. (湖南電廣傳媒股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 000917) from February 2010 to August 2016.

Save as disclosed above, there is no other change in the directors' biographical details which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2015 annual report of the Company.

Unaudited Financial Statements

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



To the Board of Directors of

Wilson Engineering Services Co. Ltd.

(Incorporated in the Cayman Islands with limited liability)

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INTRODUCTION

We have reviewed the accompanying interim financial information set out on pages 23 to 62, which comprises the condensed consolidated statement of financial position of Wilson Engineering Services Co. Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as at 30 June 2016 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six months then ended, and explanatory notes.

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

Scope of review

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

Unaudited Financial Statements

Basis for qualified conclusion

As set out in note 12 and 11 to the interim financial information, the Group had trade receivables of RMB58,933,000 and RMB59,933,000 as at 30 June 2016 and 31 December 2015, respectively, and amounts due from contract customers of RMB1,036,851,000 and RMB1,037,066,000 as at 30 June 2016 and 31 December 2015, respectively, which have been identified as overdue in accordance with the contract terms. We were unable to obtain sufficient evidence on the recoverability of these overdue trade receivables of RMB58,933,000 and RMB59,933,000, and the overdue amounts due from contract customers of RMB1,036,851,000 and RMB1,037,066,000 as at 30 June 2016 and 31 December 2015, respectively. 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 2016 and 31 December 2015. Any under-provision for these balances would reduce the net assets of the Group as at 30 June 2016 and 31 December 2015 and decrease the Group's net profit for the six months ended 30 June 2016 and the year ended 31 December 2015, respectively.

Qualified conclusion

Except for the possible effects of the matters described in the basis for qualified conclusion paragraph, based on our review, nothing has come to our attention that caused us to believe that the interim financial information as at 30 June 2016 and for the six months then ended is not prepared, in all material respects, in accordance with IAS 34.

Emphasis of matter

Without further qualifying our conclusion, we draw attention to note 2.1 to the interim financial information. As at 30 June 2016, the Group's net current assets amounted to RMB928,481,000. However, included in the Group's current assets as at 30 June 2016 were overdue trade receivables and overdue amounts due from contract customers of RMB58,933,000 and RMB1,036,851,000, respectively. These conditions, along with other matters as set forth in note 2.1 to the interim financial information, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Ernst & Young
Certified Public Accountants
Hong Kong

26 August 2016

Unaudited Financial Statements

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

	Notes	For the six months ended 30 June	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
REVENUE	4	892,170	3,535,823
Cost of sales		(655,314)	(3,022,239)
GROSS PROFIT		236,856	513,584
Other income and gains	4	203,710	228,592
Selling and marketing expenses		(34,321)	(27,434)
Administrative expenses		(129,086)	(149,781)
Other expenses		(70,362)	(121,604)
Finance costs	5	(160,247)	(226,056)
Share of profit of an associate		481	451
PROFIT BEFORE TAX	6	47,031	217,752
Income tax	7	(21,049)	(44,052)
PROFIT FOR THE PERIOD		25,982	173,700
Attributable to:			
Owners of the parent		20,457	150,265
Non-controlling interests		5,525	23,435
		25,982	173,700
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
— Basic and diluted	9	RMB0.50 cent	RMB3.70 cents

Unaudited Financial Statements

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

	For the six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
PROFIT FOR THE PERIOD	25,982	173,700
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	1,638	–
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	1,638	–
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	1,638	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	27,620	173,700
Attributable to:		
Owners of the parent	22,095	150,265
Non-controlling interests	5,525	23,435
	27,620	173,700

Unaudited Financial Statements

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	1,004,186	1,028,287
Investment property		13,266	13,556
Prepaid land lease payments		161,193	163,272
Goodwill		15,752	15,752
Other intangible assets		7,892	10,372
Investment in an associate		2,518	2,037
Long-term prepayments		50,501	128,042
Total non-current assets		1,255,308	1,361,318
CURRENT ASSETS			
Inventories		51,973	177,581
Gross amounts due from contract customers	11	4,125,249	4,033,219
Trade and bills receivables	12	235,210	311,209
Due from a related company	16	243	–
Due from fellow subsidiaries	16	2,887	27
Due from the ultimate holding company	16	87	87
Prepayments, deposits and other receivables		587,315	656,408
Pledged bank balances and time deposits	13	1,529,341	1,257,417
Cash and bank balances	13	436,242	1,253,436
		6,968,547	7,689,384
Assets classified as held for sale		116,210	116,210
Total current assets		7,084,757	7,805,594
CURRENT LIABILITIES			
Gross amounts due to contract customers	11	1,153,518	1,637,037
Trade and bills payables	14	2,782,388	3,335,388
Other payables, advances from customers and accruals		1,548,752	1,437,512
Interest-bearing bank and other borrowings	15	319,339	230,049
Due to a related company	16	78	78
Due to an associate	16	630	630
Dividends payable		272,674	272,674
Tax payable		78,897	100,985
Total current liabilities		6,156,276	7,014,353

Unaudited Financial Statements

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
NET CURRENT ASSETS		928,481	791,241
TOTAL ASSETS LESS CURRENT LIABILITIES		2,183,789	2,152,559
NON-CURRENT LIABILITIES			
Deferred tax liabilities		11,814	24,284
Government grants		5,210	5,275
Total non-current liabilities		17,024	29,559
NET ASSETS		2,166,765	2,123,000
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Share capital	17	329,807	329,803
Share premium		846,173	846,077
Other reserves		793,226	755,086
		1,969,206	1,930,966
Non-controlling interests		197,559	192,034
TOTAL EQUITY		2,166,765	2,123,000

Unaudited Financial Statements

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent										Non-controlling interests	Total equity
	Share capital	Share premium	Share option reserve*	Redemption reserve*	Statutory surplus reserves*	Statutory expansion reserve*	Exchange fluctuation reserve*	Retained profits*	Total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
As at 1 January 2016	329,803	846,077	212,349	1	35,514	26,697	11,955	468,570	1,930,966	192,034	2,123,000	
Profit for the period	-	-	-	-	-	-	-	20,457	20,457	5,525	25,982	
Exchange differences on translation of foreign operations	-	-	-	-	-	-	1,638	-	1,638	-	1,638	
Total comprehensive income for the period	-	-	-	-	-	-	1,638	20,457	22,095	5,525	27,620	
Exercise of share options	4	96	(73)	-	-	-	-	-	27	-	27	
Equity-settled share option arrangements	-	-	16,118	-	-	-	-	-	16,118	-	16,118	
As at 30 June 2016 (Unaudited)	329,807	846,173	228,394	1	35,514	26,697	13,593	489,027	1,969,206	197,559	2,166,765	

* As at 30 June 2016, these reserve accounts represent the total consolidated other reserves of RMB793,226,000 (31 December 2015: RMB755,086,000) in the interim condensed consolidated statement of financial position.

	Attributable to owners of the parent										Non-controlling interests	Total equity
	Share capital	Share premium	Share option reserve*	Redemption reserve*	Statutory surplus reserves*	Statutory expansion reserve*	Exchange fluctuation reserve*	Retained profits*	Total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
As at 1 January 2015	329,803	846,077	156,984	1	35,514	26,697	8,191	263,464	1,666,731	118,624	1,785,355	
Profit and total comprehensive income for the period	-	-	-	-	-	-	-	150,265	150,265	23,435	173,700	
Equity-settled share option arrangements	-	-	26,639	-	-	-	-	-	26,639	-	26,639	
As at 30 June 2015 (Unaudited)	329,803	846,077	183,623	1	35,514	26,697	8,191	413,729	1,843,635	142,059	1,985,694	

Unaudited Financial Statements

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	For the six months ended 30 June	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		47,031	217,752
Adjustments for:			
Depreciation of property, plant and equipment and investment properties	6	25,844	43,291
Amortisation of other intangible assets	6	2,746	2,683
Amortisation of prepaid land lease payments	6	2,079	2,227
Impairment of inventories	6	2,351	–
Recognition of government grants		(119)	(125)
Share of profit of an associate		(481)	(451)
Loss on disposal of items of property, plant and equipment	6	217	403
Equity-settled share option expense	6	16,118	26,639
Finance costs	5	160,247	226,056
Interest income	4	(152,061)	(207,388)
		103,972	311,087
Decrease in inventories		123,257	152,427
Decrease in trade and bills receivables		75,999	164,477
(Increase)/decrease in prepayments, deposits and other receivables		(2,913)	378,245
Decrease in long-term prepayments		2,307	–
Increase in amounts due from contract customers		(92,030)	(604,478)
(Decrease)/increase in amounts due to contract customers		(483,519)	591,265
Increase in amounts due from fellow subsidiaries		(2,860)	(8,415)
Increase in an amount due from a related company		(243)	(433)
Decrease in trade and bills payables		(553,000)	(144,069)
Increase in other payables, advances from customers and accruals		111,240	125,109
Decrease in derivative financial instruments		–	(725)
Increase in pledged bank balances and time deposits		(271,924)	(170,388)
Increase in frozen and unpledged cash balances		–	(2,110)
Cash (used in)/generated from operations		(989,714)	791,992
Interest received		152,061	207,388
Interest paid		(11,808)	(21,614)
Tax paid		(55,607)	(7,817)
Net cash flows (used in)/from operating activities		(905,068)	969,949

Unaudited Financial Statements

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	For the six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(1,601)	(1,079)
Proceeds from disposal of items of property, plant and equipment	370	1
Purchase of other intangible assets	(266)	(17)
Increase in available-for-sale investment	–	(27,200)
Increase in unpledged time deposits with original maturity of more than three months	(24,156)	(8,503)
Receipt of government grants	54	3,327
Net cash flows used in investing activities	(25,599)	(33,471)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issue of new shares	27	–
Capital element of finance lease payments	(49)	(66)
New bank loans	159,339	188,800
Repayment of bank loans	(70,000)	(299,992)
Net cash flows from/(used in) financing activities	89,317	(111,258)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(841,350)	825,220
Cash and cash equivalents at beginning of period	1,244,436	396,432
CASH AND CASH EQUIVALENTS AT END OF PERIOD	403,086	1,221,652
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	290,218	1,218,774
Unpledged time deposits with original maturity of more than three months when acquired	33,156	151,335
Unpledged time deposits with original maturity of less than three months when acquired	112,868	8,000

Unaudited Financial Statements

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Notes	For the six months ended 30 June	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF FINANCIAL POSITION	13	436,242	1,378,109
Unpledged time deposits with original maturity of more than three months when acquired		(33,156)	(151,335)
Frozen and unpledged bank balances		–	(5,122)
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF CASH FLOWS		403,086	1,221,652

Unaudited Financial Statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. CORPORATE INFORMATION

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

Wisou Engineering Investment Limited (“Wisou Investment”) is the immediate holding company of the Company. In the opinion of the directors, Wisou Group Holding Limited (“Wisou Holding”) is the ultimate holding company of the Company. Wisou Holding and Wisou 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

As at 30 June 2016, the Group had net current assets of approximately RMB928,481,000 (31 December 2015: approximately RMB791,241,000). However, included in the Group’s current assets as at 30 June 2016 were overdue trade receivables and overdue amounts due from contract customers of approximately RMB58,933,000 and RMB1,036,851,000, respectively.

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

(1) Bank facilities

The directors of the Company remained active in negotiations with banks and other creditors to obtain new banking facilities with a view to improving its short-term liquidity.

Subsequent to 30 June 2016, in July 2016, the Group has obtained the short-term bank loans from the banks in the PRC for a total amount of RMB77,000,000 with maturity in July 2017.

(2) Attainment of profitable and positive cash flow operations

The Group is taking measures to monitor and manage the operating cost controls over various costs and expenses and to seek new business opportunities with the aim to attain profitable and positive cash flow operations. This includes pursuing new businesses and exploring outbound projects in order to enhance market position, maintain continuous growth and diversify sources of revenue.

The Group continues to manage working capital to fully utilise and defer the credit period offered by suppliers.

Further, the Group is actively following up with its customers on outstanding trade receivables and amounts due from contract customers with the immediate aim of agreeing a repayment schedule.

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

2.1 BASIS OF PRESENTATION (CONTINUED)

(3) Optimise the overall asset portfolio of the Group so as to enhance the asset efficiency

On 22 March 2016, the Group entered into a property sale and purchase agreement with a purchaser, pursuant to which the Group agreed to sell one of its properties to the purchaser for a total consideration of RMB390,000,000. With the completion of the property sale, the Group can further optimise the asset portfolio so as to enhance asset efficiency.

The directors of the Company are of the opinion that, after taking into account the measures as mentioned above and the 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 2016. Accordingly, the interim condensed consolidated financial statements have been prepared on a going concern basis.

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

Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2016 (the "Interim Financial Information") have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (the "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 2015.

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 2015, except for the adoption of new standard and amendments effective as of 1 January 2016. The Group has not early adopted any other standard or amendments that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standard and amendments apply for the first time in 2016, they do not have a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

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

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

2.2. BASIS OF PREPARATION AND CHANGES IN THE GROUP'S ACCOUNTING POLICIES (CONTINUED)

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRSs. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income ("OCI"). The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.

IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is an existing IFRS preparer and is not involved in any rate-regulated activities, this standard does not apply.

Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 *Business Combinations* principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group as there has been no interest acquired in a joint operation during the period.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

Unaudited Financial Statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

2.2. BASIS OF PREPARATION AND CHANGES IN THE GROUP'S ACCOUNTING POLICIES (CONTINUED)

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41 *Agriculture*. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group as the Group does not have any bearer plants.

Amendments to IAS 27 Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRSs and electing to change to the equity method in their separate financial statements will have to apply that change retrospectively. First-time adopters of IFRSs electing to use the equity method in their separate financial statements will be required to apply this method from the date of transition to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group's consolidated financial statements.

Annual Improvements 2012–2014 Cycle

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendments clarify that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. The amendments must be applied prospectively.

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

The amendments clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

Unaudited Financial Statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

2.2. BASIS OF PREPARATION AND CHANGES IN THE GROUP'S ACCOUNTING POLICIES (CONTINUED)

IFRS 7 Financial Instruments: Disclosures (CONTINUED)

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendments clarify that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. The amendments must be applied retrospectively.

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

These amendments do not have any impact on the Group.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- the materiality requirements in IAS 1
- that specific line items in the statement of profit or loss and OCI and the statement of financial position may be disaggregated
- that entities have flexibility as to the order in which they present the notes to financial statements
- that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group.

Unaudited Financial Statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

2.2. BASIS OF PREPARATION AND CHANGES IN THE GROUP'S ACCOUNTING POLICIES (CONTINUED)

Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception*

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 *Consolidated Financial Statements*. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 *Investments in Associates and Joint Ventures* allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group as the Group does not apply the consolidation exception.

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) The 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) The coal-to-chemicals segment engages in the provision of a broad range of EPC services to coal-to-chemicals producers;
- (c) The 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 the 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, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, as well as head office and corporate expenses are excluded from such measurement.

Unaudited Financial Statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

3. OPERATING SEGMENT INFORMATION (CONTINUED)

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

Segment liabilities exclude other payables and accruals, interest-bearing bank borrowings, an amount due to a related company, an amount due to an associate, dividends payable, 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 2016 (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	77,896	462,831	346,740	4,703	892,170
Intersegment sales	3,826	-	-	-	3,826
Total revenue	81,722	462,831	346,740	4,703	895,996
<i>Reconciliation:</i>					
Elimination of intersegment sales					(3,826)
Revenue					892,170
Segment results	8,832	122,236	104,252	1,536	236,856
<i>Reconciliations:</i>					
Unallocated income					203,710
Unallocated expenses					(233,769)
Share of profit of an associate					481
Finance costs					(160,247)
Profit before tax					47,031

Unaudited Financial Statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Operating segments (Continued)

For the six months ended 30 June 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
<i>Reconciliation:</i>					
Elimination of intersegment sales					(97)
Revenue					3,535,823
Segment results	51,546	314,010	149,271	(1,243)	513,584
<i>Reconciliations:</i>					
Unallocated income					228,592
Unallocated expenses					(298,819)
Share of profit of an associate					451
Finance costs					(226,056)
Profit before tax					217,752

30 June 2016 (Unaudited)	Petrochemicals RMB'000	Coal-to- chemicals RMB'000	Oil refinery RMB'000	Other products and services RMB'000	Total RMB'000
Segment assets	895,976	2,916,396	1,119,297	60,305	4,991,974
<i>Reconciliations:</i>					
Elimination of intersegment receivables					(4,869)
Assets classified as held for sale					116,210
Corporate and other unallocated assets					3,236,750
Total assets					8,340,065
Segment liabilities	527,870	1,752,187	2,626,187	318,941	5,225,185
<i>Reconciliations:</i>					
Elimination of intersegment payables					(5,047)
Corporate and other unallocated liabilities					953,162
Total liabilities					6,173,300

Unaudited Financial Statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Operating segments (Continued)

31 December 2015 (Audited)	Petrochemicals RMB'000	Coal-to-chemicals RMB'000	Oil refinery RMB'000	Other products and services RMB'000	Total RMB'000
Segment assets	926,967	2,969,691	1,299,765	20,943	5,217,366
<i>Reconciliations:</i>					
Elimination of intersegment receivables					(6,678)
Assets classified as held for sale					116,210
Corporate and other unallocated assets					3,840,014
Total assets					9,166,912
Segment liabilities	542,048	2,066,865	3,216,856	334,499	6,160,268
<i>Reconciliations:</i>					
Elimination of intersegment payables					(6,920)
Corporate and other unallocated liabilities					890,564
Total liabilities					7,043,912

For the six months ended 30 June 2016 (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 profit of an associate					481
Depreciation and amortisation Unallocated					30,669
Capital expenditure* Unallocated					1,867

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
Other segment information					
Share of profit of an associate					451
Depreciation and amortisation Unallocated					48,201
Capital expenditure* Unallocated					1,096

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

Unaudited Financial Statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

Revenue from external customers

	For the six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Mainland China	521,890	2,461,907
Venezuela	338,058	935,417
Saudi Arabia	27,551	138,499
United Arab Emirates	4,671	–
	892,170	3,535,823

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

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

Information about major customers

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

	For the six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Customer A (Oil refinery segment)	37.9%	26.5%
Customer B (Coal-to-chemicals segment)	50.1%	59.2%

Unaudited Financial Statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents an appropriate proportion from 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	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Revenue		
Construction contracts	862,669	3,473,609
Rendering of services	29,501	62,214
	892,170	3,535,823
Other income		
Government grants*	119	125
Interest income	152,061	207,388
Rental income	26,968	18,700
Others	290	2,379
	179,438	228,592
Gains		
Foreign exchange gains	24,272	–
	203,710	228,592

* 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.

Unaudited Financial Statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Interest on bank and other loans	10,043	18,780
Interest on discounted bills	150,204	207,276
	160,247	226,056

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Cost of services provided	655,314	3,022,239
Depreciation	25,844	43,291
Research and development costs	50,028	87,923
Amortisation of prepaid land lease payments	2,079	2,227
Amortisation of other intangible assets	2,746	2,683
Impairment of inventories	2,351	–
Loss on disposal of items of property, plant and equipment	217	403
Minimum lease payments under operating leases	8,845	7,223
Auditors' remuneration	1,555	1,611
Employee benefit expense (including directors' remuneration):		
Wages and salaries	241,486	254,719
Retirement benefit scheme contributions	25,667	26,642
Equity-settled share options	16,118	26,639
	283,271	308,000
Foreign exchange differences, net	(24,272)	3,551

Unaudited Financial Statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

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 the United States of America as the Group did not have any assessable income arising in Hong Kong and the United States of America for the six months ended 30 June 2016 and 2015.

	For the six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Current		
— Mainland China	—	15,520
— Elsewhere	33,519	18,197
Deferred	(12,470)	10,335
Total tax charge for the period	21,049	44,052

Wisn Engineering was qualified as a “High and New Technology Enterprise” 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, Wisn 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, Wisn Engineering was subject to CIT at a rate of 15% for the six months ended 30 June 2016 and 2015.

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

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

Unaudited Financial Statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

7. INCOME TAX (CONTINUED)

A reconciliation of income tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and its subsidiaries are domiciled to the income tax expense at the effective income tax rate for the six months ended 30 June 2016 and 2015, is as follows:

	For the six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Profit before tax	47,031	217,752
At the statutory income tax rates	11,758	54,438
Lower tax rate enacted by local authority	1,992	(21,705)
Effect of different tax rates of branches operating in other jurisdictions	9,379	5,236
Tax losses not recognised	1,148	3,823
Effect of withholding taxes on distributable profits of the subsidiaries in Mainland China	2,436	10,335
Additional tax deduction	(12,634)	(13,091)
Expenses not deductible for tax	6,970	5,016
Tax charge for the period	21,049	44,052

The share of tax attributable to an associate amounting to RMB30,000 (six months ended 30 June 2015: RMB33,000) is included in "Share of profit of an associate" in the interim condensed consolidated statement of profit or loss.

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 the 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 2016 and 2015.

Unaudited Financial Statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

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

The calculation of the basic earnings per share amount is based on the profit for the six months ended 30 June 2016 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,064,639,037 (six months ended 30 June 2015: 4,064,622,000) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2016 and 2015 as the share options in issue during those periods have no dilutive effect.

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

	For the six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	20,457	150,265
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	4,064,639,037	4,064,622,000

10. PROPERTY, PLANT AND EQUIPMENT

	RMB'000
	(Unaudited)
At 1 January 2016	1,028,287
Additions	2,005
Depreciation	(25,554)
Disposal	(552)
At 30 June 2016	1,004,186

At 30 June 2016, certain of the Group's buildings with a net book value of approximately RMB14,396,000 (31 December 2015: RMB14,716,000) were pledged to secure general banking facilities granted to the Group (note 15). The net book value of the Group's property, plant and equipment held under finance leases included in the total amount of office equipment at 30 June 2016 amounted to RMB196,000 (31 December 2015: RMB432,000).

At 30 June 2016, the Group's buildings are situated in Mainland China and are held under long term leases except for the buildings with a net book value of RMB951,832,000 (31 December 2015: RMB969,684,000) which are held under a medium term lease.

Unaudited Financial Statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

11. CONSTRUCTION CONTRACTS

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Gross amounts due from contract customers	4,125,249	4,033,219
Gross amounts due to contract customers	(1,153,518)	(1,637,037)
	2,971,731	2,396,182
Contract costs incurred plus recognised profits less recognised losses to date	27,138,911	26,065,503
Less: Progress billings	(24,167,180)	(23,669,321)
	2,971,731	2,396,182

As at 30 June 2016, included in the amounts due from contract customers are amounts of RMB1,036,851,000 (31 December 2015: RMB1,037,066,000) which related to the Group's PetroChina Sichuan Integrated Refinery and Petrochemical Complex Project, and have been identified as overdue in accordance with contract terms.

12. TRADE AND BILLS RECEIVABLES

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Trade receivables	185,000	227,941
Bills receivable	50,210	84,033
Impairment	-	(765)
	235,210	311,209

Unaudited Financial Statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

12. TRADE AND BILLS RECEIVABLES (CONTINUED)

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 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 and bills 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 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Trade and bills receivables:		
Less than 3 months	31,670	106,960
4 to 6 months	43,059	33,319
7 to 12 months	34,439	27,849
Over 1 year	126,042	143,081
	235,210	311,209

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
At 1 January	765	765
Written off	(765)	-
At 30 June/31 December	-	765

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

12. TRADE AND BILLS RECEIVABLES (CONTINUED)

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB765,000 with a carrying amount before provision of RMB765,000 at 31 December 2015.

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

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Neither past due nor impaired	78,791	196,204
Less than 3 months past due	7,490	11,395
4 to 12 months past due	24,388	26,862
Over 1 year past due	124,541	76,748
	235,210	311,209

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

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

The amounts due from fellow subsidiaries included in the trade receivables are as follows:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Fellow subsidiaries		
舟山惠生海洋工程有限公司("Zhoushan Wiscon")	–	1,261
Wiscon Offshore & Marine Ltd.	–	4,452

Unaudited Financial Statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

12. TRADE AND BILLS RECEIVABLES (CONTINUED)

Transferred financial assets that are not derecognised in their entirety

At 30 June 2016, Wison Engineering endorsed certain bills receivable accepted by banks in Mainland China (the “Endorsed Bills”) with a carrying amount of RMB9,920,000 (31 December 2015: RMB30,233,000) 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 2016 to which the suppliers have recourse was RMB9,920,000 (31 December 2015: RMB30,233,000) as at 30 June 2016.

Transferred financial assets that are derecognised in their entirety

At 30 June 2016, Wison Engineering endorsed certain bills receivable accepted by banks in 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 RMB193,128,000 (31 December 2015: RMB707,650,000). The Derecognised Bills had 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 2016, 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.

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

13. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Cash and bank balances	1,763,974	571,577
Time deposits with original maturity of less than three months	135,297	695,032
Time deposits with original maturity of more than three months	66,312	1,244,244
	1,965,583	2,510,853
Less: Pledged bank balances and time deposits	(1,529,341)	(1,257,417)
Unpledged cash and cash equivalents	436,242	1,253,436

At 30 June 2016, bank deposits of RMB1,495,420,000 (31 December 2015: RMB1,256,558,000) were placed as guarantee deposits for performance of certain construction contracts and for the tendering process.

At 30 June 2016, bank deposits of RMB765,000 (31 December 2015: RMB859,000) were pledged to a bank as security to obtain a letter of credit facility for the purchase of imported equipment.

At 30 June 2016, bank deposits of RMB33,156,000 were pledged as security for certain bank loan (31 December 2015: nil) (note 15).

At 30 June 2016, cash and bank balances of the Group denominated in RMB amounted to RMB120,635,000 (31 December 2015: RMB204,079,000). 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. The bank balances and pledged bank balances and time deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and the pledged bank balances and time deposits approximate to their fair values.

Unaudited Financial Statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

14. TRADE AND BILLS PAYABLES

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Less than 1 year	1,061,140	2,573,909
1 to 2 years	1,435,544	479,091
2 to 3 years	158,718	212,502
Over 3 years	126,986	69,886
	2,782,388	3,335,388

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Related company 江蘇新華化工機械有限公司 (Jiangsu Xinhua Chemical Engineering Co., Ltd. "Jiangsu Xinhua")	247	949

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

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Current		
Bank loans repayable within one year		
— secured	309,839	230,000
— unsecured	9,500	–
	319,339	230,000
Finance lease payables	–	49
	319,339	230,049
Non-current		
Finance lease payables	–	–
	319,339	230,049

Bank borrowings were denominated in RMB at 30 June 2016 and 31 December 2015. At 30 June 2016, bank borrowings amounting to RMB283,900,000 (31 December 2015: RMB230,000,000) bore interest at fixed rates.

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

Six months ended 30 June 2016	4.09% to 4.83%
Year ended 31 December 2015	4.83% to 7.56%

Unaudited Financial Statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

15. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

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

	Notes	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Buildings	10	14,396	14,716
Investment property		13,266	13,556
Bank deposits	13	33,156	–

As at 30 June 2016, 惠生(中國)投資有限公司 (“Wisom (China) Investment”), a fellow subsidiary of the Company, executed guarantees in favour of certain banks in respect of bank facilities to the Group of RMB195,000,000 (31 December 2015: RMB220,000,000). As at 30 June 2016, the loans were drawn down to the extent of RMB195,000,000 (31 December 2015: RMB180,000,000) (note 16).

As at 30 June 2016, 惠生(南通)重工有限公司 (Wisom (Nantong) Heavy Industry Co., Ltd. “Wisom Nantong”), a fellow subsidiary of the Company, pledged its property, plant and equipment and land use right and 舟山惠生海洋工程有限公司 (Zhoushan Wisom Offshore & Marine Co., Ltd. “Zhoushan Wisom”), a fellow subsidiary of the Company, pledged its land use right to execute guarantees for bank facilities of RMB500,000,000 to the Group (31 December 2015: nil). As at 30 June 2016, the loans were drawn down to the extent of RMB35,439,000 (31 December 2015: nil) (note 16).

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

Unaudited Financial Statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

16. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed elsewhere in this Interim Financial Information, the Group had the following transactions with related parties during the six months ended 30 June 2016:

	Notes	For the six months ended 30 June	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Related companies:			
Purchase of products	(a)(i)	–	39
Rental income	(a)(ii)	365	365
Rendering of services	(a)(ii), (a)(vii)	66	871
Fellow subsidiaries:			
Rental income	(a)(iii), (a)(iv)	4,380	6,570
Services received	(a)(viii)	–	600
Rendering of services	(a)(iii), (a)(iv), (a)(v)	792	2,573

Name of related parties

Relationship

Jiangsu Xinhua

Chinese joint venture partner of Wisom Engineering

上海惠生通訊技術有限公司
(Wisom (Shanghai) Telecommunication
Technology Company Limited
"Wisom Telecommunication")

Subsidiary of Jiangsu Xinhua

Wisom Holding

Wholly owned by Mr. Hua Bangsong (the controlling shareholder of the Company who was also a director of the Company during the six months ended 30 June 2015) and the ultimate holding company of the Company

Wisom Nantong

Indirectly wholly owned by Wisom Holding and is a fellow subsidiary of the Company

惠生(南京)清潔能源股份有限公司
(Wisom (Nanjing) Clean Energy Co., Ltd.
"Wisom Nanjing")

Prior to August 2015, indirectly owned as to 52.8% by Wisom Holding and was a fellow subsidiary of the Company

Wisom (China) Investment

Indirectly wholly owned by Wisom Holding and is a fellow subsidiary of the Company

Zhoushan Wisom

Indirectly wholly owned by Wisom Holding and is a fellow subsidiary of the Company

陝西長青能源化工有限公司
(Shaanxi Changqing Energy
Chemical Co., Ltd. "Shaanxi Changqing")

Prior to August 2015, indirectly owned as to 13.2% by Wisom Holding and was a related company of the Company

Unaudited Financial Statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

16. RELATED PARTY TRANSACTIONS (CONTINUED)

Notes:

(a)(i) The Group and Jiangsu Xinhua entered into a new framework agreement effective on 25 April 2014 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 Wisun Engineering to Jiangsu Xinhua for the years ended 31 December 2014 and 2015 and the year ending 31 December 2016 will not be more than RMB12,000,000. During the six months ended 30 June 2016, the Group's purchases of heat-resistant alloy pipes and other ancillary accessories from Jiangsu Xinhua amounted to nil (six months ended 30 June 2015: RMB39,000). 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.

(a)(ii) On 12 December 2013, the Group and Wisun Telecommunication entered into a lease agreement, pursuant to which the Group leased out office space in its office building to Wisun 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 2016 from Wisun Telecommunication amounted to RMB365,000 (six months ended 30 June 2015: RMB365,000).

On 12 December 2013, the Group and Wisun Telecommunication entered into a property management service agreement, pursuant to which the Group would provide property management service in relation to the premises leased to Wisun Telecommunication for RMB132,000 per annum, for a three-year period commencing from 1 January 2014. The service income for the six months ended 30 June 2016 from Wisun Telecommunication amounted to RMB66,000 (six months ended 30 June 2015: RMB66,000).

(a)(iii) On 12 December 2013, the Group and Wisun Nantong entered into a lease agreement, pursuant to which the Group leased out office space in its office building to Wisun Nantong for RMB10,220,000 per annum for a three-year period commencing from 1 January 2014.

On 12 December 2013, the Group and Wisun Nantong entered into a property management service agreement, pursuant to which the Group would provide property management service in relation to the premises leased to Wisun Nantong for RMB1,848,000 per annum, for a three-year period commencing from 1 January 2014.

On 27 August 2015, the Group entered into a supplemental agreement with Wisun Nantong to amend certain terms of the previous lease agreement and property management service agreement dated 12 December 2013 which was effective from 1 September 2015. The rental has been adjusted proportionally from RMB10,220,000 per annum to RMB5,840,000 per annum and the property management service fee has been 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.

The rental income and service income for the six months ended 30 June 2016 from Wisun Nantong amounted to RMB2,920,000 (six months ended 30 June 2015: RMB5,110,000) and RMB528,000 (six months ended 30 June 2015: RMB924,000), respectively.

(a)(iv) On 12 December 2013, the Group and Wisun (China) Investment entered into a lease agreement, pursuant to which the Group leased out office space in its office building to Wisun (China) Investment for RMB2,920,000 per annum for a three-year period commencing from 1 January 2014. The rental income for the six months ended 30 June 2016 from Wisun (China) Investment amounted to RMB1,460,000 (six months ended 30 June 2015: RMB1,460,000).

On 12 December 2013, the Group and Wisun (China) Investment entered into a property management service agreement, pursuant to which the Group would provide property management service in relation to the premises leased to Wisun (China) Investment for RMB528,000 per annum, for a three-year period commencing from 1 January 2014. The service income for the six months ended 30 June 2016 from Wisun (China) Investment amounted to RMB264,000 (six months ended 30 June 2015: RMB264,000).

(a)(v) On 4 July 2014, the Group and Wisun Nanjing entered into a framework agreement, pursuant to which the Group provided miscellaneous engineering design and technology services to Wisun 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 Wisun Nanjing to the Group under the framework agreement is expected not to exceed RMB2,000,000 for each of the years ended 31 December 2014 and 2015 and the year ending 31 December 2016, respectively. Wisun Nanjing was not a fellow subsidiary of the Group from August 2015. The Group recognised service income of RMB1,385,000 during the six months ended 30 June 2015.

Unaudited Financial Statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

16. RELATED PARTY TRANSACTIONS (CONTINUED)

Notes: (Continued)

- (a)(vi) Wilson Holding, as licensor, entered into three trademark licensing agreements with the Group to grant the rights to use the trademarks by the Group on a perpetual and non-exclusive basis for nil consideration during the six months ended 30 June 2016 (six months ended 30 June 2015: nil).
- (a)(vii) During the year ended 31 December 2011, the Group and Shaanxi Changqing, entered into a construction contract whereby Shaanxi Changqing engaged the Group to undertake the construction of its coal-to-chemicals 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. Shaanxi Changqing was not a related company of the Group from August 2015.
- (a)(viii) In January 2014, the Group and Wilson Nanjing entered into the SNG cooperation agreement pursuant to which Wilson Nanjing shall 1) provide the Group with the right to use the land and facilities owned by Wilson Nanjing located at the Nanjing Chemical Industrial Park at 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 Wilson Nanjing for such gases or utilities or the lowest price charged to other customers; and 3) second experienced staff to assist in the Group's project at 1.5 times of the basic salary of such staff, which after taking into account insurance, pension and other staff benefits, represents the costs to Wilson Nanjing. During the six months ended 30 June 2015, the Group has paid RMB600,000 to Wilson Nanjing for the use of the gases and facilities.
- (a)(ix) During the six months ended 30 June 2016, Wilson (China) Investment executed guarantees to certain banks for bank facilities to the Group of RMB195,000,000 (six months ended 30 June 2015: RMB260,000,000) at nil consideration. As at 30 June 2016, the loans were drawn down to the extent of RMB195,000,000 (31 December 2015: RMB180,000,000) (note 15).
- (a)(x) During the six months ended 30 June 2016, Wilson Nantong pledged its property, plant, and equipment and land use right and Zhoushan Wilson pledged its land use right to execute guarantees for bank facilities of RMB500,000,000 to the Group (six months ended 30 June 2015: nil). As at 30 June 2016, the loans were drawn down to the extent of RMB35,439,000 (31 December 2015: nil) (note 15).
- (a)(xi) On 30 November 2012, Wilson Holding and the Company entered into a domain name licence agreement (the "Domain Name Licence Agreement") in respect of the right to use the domain name "wison-engineering.com" registered under the name of Wilson Holding (the "Domain Name"). Pursuant to the Domain Name Licence Agreement, Wilson Holding has agreed to grant the Company, and the Company has accepted, a royalty-free licence to use the Domain Name on an exclusive basis at nil consideration. The Domain Name Licence Agreement is for a perpetual term and may be terminated in certain circumstances, such as if Wilson Holding ceases to be a shareholder of the Company.

In the opinion of the directors of the Company, the transactions between the Group and Jiangsu Xinhua, Wilson Telecommunication, Wilson Nantong, Wilson Nanjing, Wilson Holding, Wilson (China) Investment, Shaanxi Changqing and Zhoushan Wilson were conducted based on mutually agreed terms.

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

16. RELATED PARTY TRANSACTIONS (CONTINUED)

Notes: (Continued)

(b) Balances with related parties:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Due from a related company: Wisom Telecommunication	243	–
Due from fellow subsidiaries: Wisom Nantong Wisom (China) Investment	1,938 949	27 –
	2,887	27
Due from the ultimate holding company: Wisom 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

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. SHARE CAPITAL

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Number of ordinary shares		
Authorised:		
Ordinary shares of HK\$0.1 each	20,000,000,000	20,000,000,000
Issued:		
Ordinary shares of HK\$0.1 each	4,064,660,000	4,064,622,000

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

17. SHARE CAPITAL (CONTINUED)

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Authorised:		
Ordinary shares of HK\$0.1 each	1,622,757	1,622,757
Issued:		
Ordinary shares of HK\$0.1 each	329,807	329,803

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

	Number of shares in issue	Share capital RMB'000	Share premium account RMB'000	Total RMB'000
At 1 January 2015, 31 December 2015 and 1 January 2016	4,064,622,000	329,803	846,077	1,175,880
Share options exercised	38,000	4	96	100
At 30 June 2016	4,064,660,000	329,807	846,173	1,175,980

The subscription rights attaching to 38,000 share options were exercised at the subscription price of HK\$0.837 per share, resulting in the issue of 38,000 shares for a total cash consideration, before expenses, of HK\$31,806 (equivalent to RMB26,742) and a share premium of HK\$28,006 (equivalent to RMB23,547). An amount of RMB72,360 was transferred from the share option reserve to share premium account upon the exercise of the share options.

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

18. OPERATING LEASE ARRANGEMENTS

As lessor

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

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Within one year	39,070	55,138
In the second to fifth years, inclusive	35,654	15,668
After five years	67	82
	74,791	70,888

As lessee

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

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Within one year	12,604	12,408
In the second to fifth years, inclusive	7,148	11,531
After five years	-	-
	19,752	23,939

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash balances, pledged bank balances and time deposits, an amount due from a related company, amounts due from fellow subsidiaries, an amount due from the ultimate holding company, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, trade and bills payables, financial liabilities included in other payables, advances from customers and accruals, interest-bearing bank borrowings, dividends payable, an amount due to a related company, an amount due to an associate and financial lease payables 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 board of directors. The valuation process and results are discussed with the board of directors twice a year for interim and annual financial reporting.

20. EVENT AFTER THE REPORTING PERIOD

On 24 August 2016, Wison Engineering entered into a property leasing agreement with Wison Nantong, pursuant to which Wison Engineering will lease certain office spaces at No. 699 Zhongke Road, Pudong New District, Shanghai, PRC to Wison Nantong for a rental of RMB4,818,000 per annum and for a term commencing from 1 September 2016 and expiring on 31 December 2018.

On 24 August 2016, Wison Engineering entered into a property management services agreement with Wison Nantong, pursuant to which Wison Engineering would provide property management services in relation to the premises leased to Wison Nantong for a property management services fee of RMB792,000 per annum and for a term commencing from 1 September 2016 and expiring on 31 December 2018.

The property leasing agreement and the property management services agreement entered into between Wison Engineering and Wison Nantong dated 12 December 2013, as amended by the supplemental agreement dated 27 August 2015 will terminate with effect from 31 August 2016.

The annual consideration payable by Wison Nantong to Wison Engineering under the new property leasing agreement and the new property management services agreement for the three years ending 31 December 2016, 2017 and 2018 will not be more than RMB1,900,000, RMB5,700,000 and RMB5,700,000, respectively.

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

21. CONTINGENT LIABILITIES

On 20 November 2008, Wisom Engineering Technology Limited (“Wisom Technology”) entered into an agreement with Wisom Energy Engineering (Hong Kong) Limited (“Wisom Energy (HK)”) to transfer its entire 75% equity interest in Wisom Engineering to Wisom 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, Wisom Technology entered into a supplementary agreement with Wisom Energy (HK), pursuant to which Wisom Technology and Wisom Energy (HK) agreed that the purchase price would be settled in full via the issuance of one share in Wisom Energy (HK) to Wisom Technology.

On 20 November 2008, Wisom Technology entered into an agreement with Wisom Energy (HK) to transfer its entire 100% equity interest in Wisom Yangzhou to Wisom 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, Wisom Technology entered into a supplementary agreement with Wisom Energy (HK), pursuant to which Wisom Technology and Wisom Energy (HK) agreed that the purchase price would be settled in full via the issuance of one share in Wisom Energy (HK) to Wisom Technology.

According to the PRC tax rules, Wisom Technology is subject to PRC income tax on such equity transfers and would 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” (關於加強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.

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

21. CONTINGENT LIABILITIES (CONTINUED)

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 Wisong Engineering based on the relevant PRC tax regulations and submitted a payment of RMB10.4 million to the relevant tax bureau. In prior years, the Group assessed and computed the tax liability in relation to the transfer of equity interests in Wisong 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. Such provision remained unsettled as at 30 June 2016. 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.

22. APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed consolidated financial information was approved and authorised for issue by the Board of Directors on 26 August 2016.