2020
INTERIM REPORT

Wison Engineering
Builds a Better World

wison

Wison Engineering Services Co. Ltd.

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

WISON ENGINEERING

CHINA'S LEADING PROVIDER OF
ENERGY & CHEMICAL EPC SERVICES AND
TECHNOLOGY INTEGRATED SOLUTIONS

CONTENTS

CORPORATE INFORMATION

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BOARD OF DIRECTORS

Executive Directors

Ms. Rong Wei *(Chief Executive Officer)*
Mr. Zhou Hongliang
Mr. Li Zhiyong[(1)]
Mr. Dong Hua
Mr. Zheng Shifeng[(2)]

Non-executive Director

Mr. Liu Hongjun

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

Conyers Trust Company (Cayman) Limited
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Cayman Islands

Notes:

(1) Resigned on 7 August 2020
(2) Appointed on 1 September 2020

Corporate Information

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Ms. Luk Wai Mei

AUTHORISED REPRESENTATIVES

Ms. Rong Wei
Ms. Luk Wai Mei

AUDITORS

Ernst & Young

PRINCIPAL BANKS

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

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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STOCK CODE

2236

BUSINESS OVERVIEW

BUSINESS OVERVIEW

REVIEW OF 2020 INTERIM RESULTS AND OUTLOOK

I BUSINESS OVERVIEW

In the first half of 2020, Wison Engineering Services Co. Ltd. ("Wison Engineering" or the "Company", together with its subsidiaries, the "Group") continued to uphold the strategy of "improving people's livelihood with innovative technology". Taking full advantage of flexible operating mechanism of a private enterprise, the Group proactively responded to the challenges and changes in the market and the industry. Meanwhile, the Group continued to optimize organization structure, refined project management, increased the value creation of digitalization and modularization, and boosted the strategic investment in technology R&D and industry chain extension. The Group forged ahead overcoming difficulties, actively explored new opportunities, and earnestly implemented the philosophy of "technology-oriented development", striving to become a leading and renowned energy and chemical technology engineering solutions provider in the domestic and international markets.

For the six months ended 30 June 2020 (the "Period under Review"), the worldwide outbreak of the novel coronavirus ("COVID-19") pandemic, coupled with the continuously tense geopolitical and global trade relations, led to a global economic downturn, resulting in weak demand for crude oil and chemical market at home and abroad. During the Period under Review, total new contract secured by the Group amounted to approximately RMB3,099.8 million (net of estimated value added tax), representing a year-on-year decrease of 73.1%. As at 30 June 2020, the Group's total backlog value was approximately RMB22,612.5 million (net of estimated value added tax), representing an increase of 3.4% compared to that of 31 December 2019. During the period, the main reason for the decrease in total new contract value was the global rampage of the COVID-19 pandemic, which caused uncertainties for microeconomy and the industry and therefore delayed the planning and contract progress for some potential projects.

Market Environment

Global crude oil prices fluctuated in the first half of 2020, witnessing a historic plunge and a sluggish recovery. Oil prices benefitted from the escalating US-Iran tensions and the progress in Sino-US trade negotiations at the beginning of the first quarter, but then oil demand faced a steep decline from the end of February due to the travel restrictions issued by governments following the global outbreak of COVID-19. On the other hand, the Organization of the Petroleum Exporting Countries and its allies (OPEC+) failed to agree on the terms of output cut in March. The fight for market share between Saudi Arabia and Russia led to excess supply of crude oil and a free-fall in oil price. The price of WTI crude oil futures contract for May delivery, traded on New York Mercantile Exchange, hit historic low at US$-37.63 per barrel.

The global crude oil market saw an uptick in the second quarter. OPEC+ concluded a record deal to cut production by 9.7 million barrels per day in early May and then agreed to extend production cuts until the end of July to prop up crude oil prices. On another front, China's economy has recovered rapidly since April and registered a GDP growth of 3.2% in the second quarter, due to the containment of COVID-19 within its borders following rigorous measures, coupled with economic stimulus policies issued by the central and local governments, making China the only major economy that recorded positive growth in the first half of the year and thus boosting the domestic energy and chemical markets.

In general, as at the end of June, the economic activities of major economies in Europe and America were still significantly disrupted as they struggled to control the pandemic. The adverse impact of the pandemic on the global energy and chemical markets and economy has placed an unprecedented pressure on the operations of most energy and chemical enterprises, resulting in significantly scaled-down investment and budget as well as the postponement or cancellation of many projects. On the contrary, China's economy bounced back quickly, and the Asia Pacific region led by China lifted restrictions on economic activities step by step as a result of the containment of COVID-19 since March. In the second quarter, China took advantage of the record low oil prices to increase crude oil import, making the Asia Pacific region the main driving force behind the recovery of the global oil market.

Meanwhile, benefitting from low oil price, low cost and their competitive advantage arising from scales and refinery-petrochemical integration, leading refinery-petrochemical enterprises in China achieved speedy turnaround in profit in the second quarter. Driven by the demand for medical protective supplies and packaging, the olefin industry recorded highest profit for two years amid the downward cycle.

In the coming years, propped up by the macroeconomy of the development of Midwestern China and the promotion of "internal circulation", the demand for energy and chemical materials in China will continue to grow, thus bringing in more investment. In the short term, foreign investment will decline due to the impact of the pandemic and low oil prices. It is expected that the chemical industry will start an upward cycle after 2022 along with the recovery of the economy and oil prices, ramping up investment in the industry.

Constantly enhancing the ecosystem and promoting diversified business development

During the Period under Review, the Group established headquarters-level and project-level disease emergency response task forces at home and abroad in line with the anti-epidemic government policies issued to implement stringent infection control measures including the procurement, customs clearance and transportation of disease prevention materials worldwide. To reduce the impact of the pandemic on projects, the Group developed a COVID-19 emergency response plan to ensure the safety and health of employees and construction workers before an orderly reopening.

The Group implemented stringent pandemic prevention and control measures to ensure "zero infection" of employees and construction workers

To address the changing market, Wison Engineering was committed to enhancing its institutional structure, cutting costs and boosting efficiency in addition to strengthening technology research, development and innovation and improving refined management. The Group continued to optimize its supply chain and ecosystem and extend its industrial chain, while looking for premium investment opportunities to explore new markets and business opportunities. On 19 May, Wison Engineering entered into a strategic cooperation agreement with Shenyang Blower Works Group Corporation (瀋陽鼓風機集團股份有限公司), pursuant to which both parties agreed to carry out all-round cooperation in market expansion, product research and development and service provision in relation to refinery, petrochemical, coal-to-chemicals. On 22 June, the Group entered into a limited partnership agreement with Silver Saddle Equity Investment Management (Shanghai) Company Limited (上海銀鞍股權投資管理有限公司) and other limited partners including Sinochem International to establish a limited partnership for carrying out investments in new materials, fine chemicals and other projects related to national strategic emerging industries, with a target total capital contribution size of RMB950 million.

Meanwhile, Wison Engineering not only focused on petrochemical engineering and other core business activities, but also strived to explore new business and markets to achieve diversified development. During the Period under Review, the Group successfully established its presence in the municipal engineering market through the public-private partnership (PPP) model, undertaking a total of three ongoing and newly contracted PPP projects. As the Group's first important municipal engineering livelihood project, the Yangtze River diversion project in Xinghua City, Jiangsu, with a total planned capacity of 430,000 tonnes per day, will ensure the water supply to approximately 1.58 million

The Group established presence in the municipal engineering market through the PPP model

residents upon its completion scheduled for the next year. Wison Engineering will stick to high standards, high quality and refined management in its PPP business, aiming to create a new area of profit growth for the Group.

II FINANCIAL HIGHLIGHTS

During the Period under Review, revenue of the Group amounted to approximately RMB2,314.0 million (for the six months ended 30 June 2019: approximately RMB1,611.2 million), representing a year-on-year increase of 43.6%. Gross profit amounted to approximately RMB185.7 million (for the six months ended 30 June 2019: approximately RMB226.2 million), representing a year-on-year decrease of 17.9%. During the Period under Review, profit attributable to owners of the parent amounted to approximately RMB9.3 million (for the six months ended 30 June 2019: approximately RMB11.5 million), representing a year-on-year decrease of 19.2%. The decrease in profit attributable to owners of the parent was mainly attributable to the decrease in gross profit margin of petrochemical EPC projects due to intensified market competition and increasing raw material costs during the Period under Review.

During the Period under Review, the Group's total new contract value amounted to approximately RMB3,099.8 million (for the six months ended 30 June 2019: RMB11,507.6 million) (net of estimated value added tax, same hereinafter), representing a year-on-year decrease of 73.1%, of which EPC accounted for 96.1%. For revenue breakdown by operating industries of our clients, petrochemicals business and coal-to-chemicals business accounted for 81.5% and 14.5%, respectively. The total backlog value (net of estimated value added tax) was approximately RMB22,612.5 million, representing an increase of 3.4% compared to the total backlog value of 31 December 2019. The decrease in total new contract value was mainly attributable to the cancellation or delay of a number of projects as most energy and chemical enterprises cut back investments amidst the outbreak of COVID-19 across the world during the Period under Review, which impacted the global economy as well as the energy and chemical industry.

III BUSINESS AND OPERATIONS REVIEW

(1) International Markets

Affected by the pandemic in the first half of 2020, chemical industry's investment projects suffered different levels of delay worldwide, causing disorder in the global petrochemical supply chain and substantial volatility in the oil and chemical markets. During the period, the Group established an operating center in each of the United States and the Middle East to deeply penetrate these two core markets, achieving breakthroughs in business results by successfully securing new overseas customers. In addition, Wison Engineering actively explored emerging markets and further established its presence in Russia, the Commonwealth of Independent States, Southeast Asia and Africa, and is expected to make breakthrough in obtaining projects in emerging markets in 2020.

Wison Engineering obtained the first gas-to-methanol FEED+EPC project in overseas markets

The Middle East:

The Middle East is a global energy hub. The petrochemical industry in the region has taken steps to transform to downstream, becoming more active in gas field development, LNG and investment in major petrochemical projects in addition to crude oil mining, and has therefore generated new opportunities for engineering companies. With nearly ten years of presence in the Middle East market, Wison Engineering continued to consolidate the foundation of local development and improve its competitiveness by establishing operating centres in the Middle East to quickly respond to the needs of local owners. Thanks to its outstanding capabilities in project execution, engineering quality, safety management and resource integration, the Group has delivered a number of quality projects for clients including Saudi Aramco, ADNOC and SABIC, and has therefore established a premium brand image and reputation in the region.

During the Period under Review, the Group entered into a FEED+EPC general contractor contract with IBN SINA on the IBN SINA ATR and methanol converter project, which is Wison Engineering's first FEED+EPC project in the overseas markets. Located in Jubail Industrial City in Saudi Arabia, the project will lower energy indicator to 15.06 MMBTU/T upon completion to satisfy the requirements of SEEC.

During the Period under Review, the STC-J UPP project of Saudi Basic Industries Corporation (SABIC), undertook by the Group under EPC, was under smooth progress. The project is a interim test plant project for polyolefin of SABIC's research and development (R&D) centre, and is the largest R&D investment project for SABIC so far. It will be the largest global R&D centre for SABIC after its completion, providing technical assurance for SABIC in developing and applying new products of polyolefin for commercial use. The project, with a total contract value of approximately US$150 million, is the largest contracted project Wison Engineering has obtained so far in the Middle East, which will further consolidate the Group's determination to establish a solid presence in the Middle East market.

During the Period under Review, the EPC Project for Saudi Aramco Total Refining and Petrochemical Company (SATORP)'s Refinery Debottlenecking Project, jointly obtained by the Group and Kellogg Brown & Root (KBR), was under progress as scheduled with approximately 86% overall completion rate. Once completed, the project will increase the refinery's production capacity by 15% and will become a typical case of "value creation by integrating technology with engineering". The project not only enables the Group to deepen its cooperation with KBR in the global energy sector, but also marks the first breakthrough of the Company in conducting EPC projects for Saudi Aramco.

North America:

North America is another major market for the Group's global strategy. In view of issues such as high labour cost and delay in engineering progress in the North American market, the Group developed modularized EPC delivery services. The Group, through means of modularized factory prefabrication, assembly and integrated delivery, has reduced the cost of construction for North America investment projects and significantly shortened the construction cycle, thus enhancing the economic efficiency of the projects. The modularized EPC service products have raised the competitiveness of the Group in the U.S market and have set a new industry benchmark for Chinese engineering enterprises.

The Group explored the North American market through modularized EPC delivery services

During the Period under Review, the Group was awarded an engineering and procurement service contract by Air Products & Chemicals, Inc ("AP") for a petrochemical project in the Gulf of Mexico in the United States. The construction is expected to commence in 2021 and the start-up in the first half 2023. AP is one of Wison Engineering's major clients in the expansion of its global EPC business. This project is the first collaboration between Wison Engineering and AP in the North America market, marking another milestone in Wison Engineering's business development in the United States and a breakthrough in a market previously dominated by western engineering companies as the Group's business in North America enters the growth phase.

During the Period under Review, the Group strengthened its whole-process management of the petrochemical project in Texas of the United States amid the outbreak of COVID-19 to reduce the impact of the pandemic on construction, and approximately 95% of the project has been completed at present, which is expected to be completed by the third quarter of this year. As the largest general contractor contract solely undertaken in the United States by a Chinese petrochemical EPC engineering company, the successful execution of the project again proves the Group's capability in managing design, procurement, construction and transportation for the modular EPC delivery project throughout the whole process, hence building up the Group's brand image as being outstanding in EPC project execution capability in the global market.

Other regions:

In addition to the key regions such as the Middle East and North America, the Group is determined to implement its international strategy and will continue to strengthen strategic investment in its global marketing layout. More than ten branches have been established in the countries in the Commonwealth of Independent States, Southeast Asia and Africa as well as those along the "Belt and Road" initiative. During the period, the Group's MTO Front End Engineering Design (FEED) Project in Russia was under smooth progress, laying the foundation for further expansion in Russian natural gas chemical EPC projects.

(2) Domestic markets

During the Period under Review, the Group continuously improved project execution and management quality by fully leveraging domestic market opportunities. Wison Engineering not only maintained its edges in traditional fields such as ethylene and coal-to-chemicals, but also proactively explored emerging fields, which led to breakthroughs in aspects such as light hydrocarbon downstream PDH, PTA and oil refineries. During the Period under Review, the Group's multiple key domestic projects had made significant progress, gaining high and wide recognition.

The Group entered into a general contractor contract with Shandong Binhua for the PDH facilities project

PDH facilities for Shandong Binhua accelerated the build-up of advantages in the PDH field: In June 2020, Wison Engineering successfully entered into a general contractor contract with Shandong Binhua New Material Co., Ltd. ("Shandong Binhua") for the procurement and construction of PDH facilities for a C3C4 comprehensive use project with a capacity of 600kta. As a core project in Shandong Province, this project was jointly invested by Binhua Group and Beijing Tsinghua Industrial Development Research Institute with more than RMB10 billion. Upon completion of this project, various indicators such as equipment technology, energy consumption and resource consumption will serve as the best standards in the industry, which is of major strategic significance in terms of accelerating the development and construction of Binzhou Lingang High-end Petrochemical Industrial Park and building a large-scale refining and chemical integrated base. This project helps Wison Engineering strengthen its design and enhancement standards in the PDH field, and raises the capacity for the construction of PDH facilities to create a higher economic value for its customers.

PTA project for Dongying Weilian was built as a benchmark project for the PTA industry: In June 2020, Wison Engineering entered into a contract with Dongying Weilian Chemical Co., Ltd. ("Dongying Weilian") for a purified terephthalic acid (PTA) project with a capacity of 2,500kta. The contract covered the engineering design, procurement and construction of PTA process facilities as well as supporting public and auxiliary projects. As one of the key construction projects in Shandong Province in 2020, this project will, upon completion, further improve Dongying Weilian's crude oil-aromatic hydrocarbon-polyester industrial chain, which is of great significance in terms of the transformation and upgrade of local refining enterprises as well as the extension of the regional petrochemical industrial structure to a pattern with high-end and refined development. Following Wison Engineering's Xinfengming project with British Petroleum ("BP"), this project is the second collaborated PTA project between Wison Engineering and BP and it will serve as another benchmark project in the PTA industry, further establishing the Group's position as a leading player in the PTA field.

Wison Engineering has allocated more resources for construction staff, machinery and equipment in key projects since March

Ethylene plant project for Zhejiang Petrochemical highlighted the Group's capabilities in project execution and global procurement: As the general contractor of Zhejiang Petroleum & Chemical Co., Ltd. ("Zhejiang Petrochemical") for 2# 1,400kta ethylene plant, the Group fully leveraged its modular design, manufacturing experience and global procurement capabilities as well as project management experience. The construction progress beat expectations after a large number of construction staff as well as machinery and equipment were added since March, achieving a completion rate of 78% so far, including the completion of a 27,000 tonnes steel structure and the installation of a cracking furnace body. Moreover, procurement was basically completed, achieving an overall completion rate of approximately 84%. Since the ethylene plant project is one of the principal part of Zhejiang Petrochemical's integrated refining and chemical project with a capacity of 40,000kta, the Group placed great emphasis on project safety, construction and management in a disciplined manner. In recognition of its efforts by the project owners and the industry, the Company received a number of awards for this project, such as "HSE Model Project", "Quality Exemplary Group", "Materials Management Model Project", "First Place in Comprehensive Management", "First Place in Quality Management" and "First Place in Disciplined Construction".

The ethylene project for Zhejiang Petrochemical won a number of awards for quality and construction management

Fujian ShenYuan's Coal-to-Hydrogen and Synthetic Ammonia Project set a new benchmark for safe environmental protection: The EPC project of 75,000Nm^3/h Coal-to-Hydrogen Plant and 300kta Synthetic Ammonia Plant of Fujian ShenYuan New Materials Co., Ltd. (福建申遠新材料有限公司) ("Fujian ShenYuan"), undertaken by the Group under a general contract, was in progress in an orderly manner during the Period under Review. Its scope includes engineering management, basic design and detailed design of the project, supply of equipment and materials, construction and construction management as well as instructing the commissioning and start-up. Once completed, the Coal-to-Hydrogen and Synthetic Ammonia Project, which is a key part of the second phase of the 400kta integrated polyamide project of

Fujian ShenYuan, will achieve upstream and downstream integration as well as production capacity expansion of the world's largest production base for caprolactam, and become a new industrial benchmark that is safe, reliable, energy-saving and environment-friendly. It also marks another breakthrough of the Group in the new material application area as well as a significant strategic presence for the Group to deepen its expansion in the South China market.

Wison Taizhou New Materials Project has achieved preliminary breakthroughs: The High-performance Polyamide EPC Project of Wison (Taizhou) New Material Technology Co., Ltd. (惠生(泰州)新材料科技有限公司) ("Wison Taizhou"), undertaken by the Group under a general contract, was under stable progress during the Period under Review. Leveraging its technological engineering conversion design, manufacturing and project management experience as well as global procurement capability, the Group is responsible for technological engineering conversion, engineering design, equipment and material procurement, engineering construction services as well as assisting Wison Taizhou in commissioning, start-up and performance assessment. The on-site construction of the project is currently at the stage of complete installation. As at the end of June 2020, the installation of the PA10T steel structure and equipment and the installation of the PA12T main steel structure had been completed, with intermediate handover of both scheduled for end of September and October, respectively. The civil foundation construction for long carbon chain binary device had been completed, with intermediate handover scheduled for end of November.

(3) Technology Research and Development and Social Recognition

In the first half of 2020, uncertainties for the global economy and the energy and chemical industries intensified amid the rampage of the COVID-19 pandemic. Faced with the downward cycle of the industry, the Group adhered to the objective of "improving people's livelihood with innovative technology", strengthened technologic research and development effort to increase the Company's core competitiveness. Wison Engineering continued to seize the technical development trend of the industry with a global vision, increasing strategical allocation in green, low carbon and energy conservation, and breakthrough technologies. During the Period under Review, the Group continued to enrich its intellectual property (IP) rights achievements, securing 2 new patent applications and 8 new licensed patents. The Group proceeded with the projects under research in an orderly manner, accelerated the application of existing technologies, and entered into the technology areas related to methyl methacrylate (MMA) new materials.

During the Period under Review, the Group continued to lay out and deepen the strategy for green and low-carbon development, proactively promoted the implementation of the topic of "new technology for efficient CO_2 synthesis of chemicals", a national key research and development plan project, and promoted the implementation of R&D platform project, IP application, and the design of technology packages for 100kta projects as scheduled.

During the Period under Review, the Group entered into a cooperation agreement with Qingdao Sanli New Materials and Dalian Institute of Chemical Physics of the Chinese Academy of Sciences on the "engineering and commercial application of one-step oxidation and esterification of methylacrolein to methyl methacrylate (MMA)". This technology has been identified as the first scientific and technological achievement in China, and certified to reach international advanced standards by the China Petroleum and Chemical Industry Federation. It will effectively change the current method for the production of MMA in China using the acetone cyanohydrin process, which involves heavy contamination and high energy consumption, offering advanced technical support and solutions for achieving green and sustainable development in this field. By leveraging its extensive engineering experience, the Group will work together with its partners to push forward the industrial application of this technology quickly so as to boost the quality development of the industry.

In addition, the Group completed the development of DME-based ethanol technology package for 100kta projects, and will actively expand industrial applications in dimethyl ether, methanol, acetic acid, polyvinyl alcohol and other industries, as well as in the comprehensive use of tail gas resources mainly in coking and calcium carbide, so as to help the above industries achieve industrial upgrading through extension of the value chain and develop toward a differentiated and efficiency direction.

During the Period under Review, the Group completed the design and delivery of the technology packages for the acid gas removal unit of the technical transformation project of the 45,000Nm^3/h syngas plant for Yangmei Group Zibo Qilu First Fertilizer Company Limited (陽煤集團淄博齊魯第一化肥有限公司). The technology, self-developed by the Group, is used to provide qualified clean gas for downstream butanol plants by removing the acid gas in upstream syngas. This licensed technology has once again highlighted the Group's leading edges in the efficient and environment-friendly use of new coal-to-chemicals in the industry.

During the Period under Review, in view of its quality and efficient services, the Group garnered recognition from its customers, peers in the industry, regulatory authorities and the capital market, and received a total of 3 provincial level engineering project awards. For instance, a demonstration project, Shanxi Lu'an Coal Gasification Device for the Clean Use of High-sulfur Coal with the Integration of Oil, Chemical, Electricity and Heat, received the Grand Prize of Henan Provincial Excellent Survey and Design Award in 2020. These multiple accolades, as a distinct manifestation of the Company's outstanding philosophy of "Quality First in Pursuing Product Excellence", are not only the recognition for the competence of the Wison Engineering brand, but also an acknowledgement for the contribution of every team and employee of Wison Engineering.

Wison Engineering endeavored to enhance digital capacity and gradually developed "Intelligent Factory" through conducting "Smart Project"

(4) Riding on the Digital Trend

Adopting a digital and smart operational approach is the general trend for the energy and chemical engineering industry. During the Period under Review, the Group proactively promoted digital transformation, and earnestly implemented the mission of "enhancing the digital capacity of Wison and supporting the One-Core and Two-Wing strategy". By enhancing its digital capability involved in "client-oriented" EPC, project management and other processes, the Group gradually developed "Intelligent Factory" through conducting "Smart Project". Simultaneously, the Group enhanced its operating efficiency and effectiveness by constantly improving its digital system with a focus on building up "Wison's digital strength", and continuously carrying out the reform of its institutions and operational models, procedures and methods, as well as systems and platforms with an emphasis on concepts and policies such as vision, culture, talents and incentives. Wison Engineering's industry-leading digital capability and system are capable of meeting the demand for digitalization from domestic and overseas owners.

In terms of Smart Projects, the Group adopted a digital approach in its design processes, especially processes such as cross-disciplinary transmission of condition and data, transmission of modified data and consistency check for cross-disciplinary data etc., which were replaced by computer procedures and hence achieved automatic completion. In addition, Wison Engineering's procurement, construction management and project management processes became more digital, thus attaining refined, real-time and digital management on planning and cost control during the management procedures of each project. During the period, the Groups has self-developed a QR code-based full lifecycle management system for the supply chain of materials at construction sites, ensuring information tracing, dynamic monitoring, process examination and status enquiry of the materials from ordering to on-site installation in order to improve efficiency and cut costs.

In terms of Intelligent Factory, owners can establish intelligent factories through digital delivery. During the Period under Review, Wison Engineering's SRU project and STC project in the Middle East were in the inspection process of digital delivery, near the final phase of the design stage. The SRU project represents the world's highest standards of digital delivery in the design phase, the completion of which is of great importance to Wison Engineering and will facilitate the Group to formulate a complete set of digital delivery standards in the design phase and the corresponding documentation system. In addition, Wison Engineering continued to deepen the cooperation with Honeywell, the leading enterprise in intelligent factory, by jointly forming a task group to focus on petrochemical ethylene business and collaborate on data integration and smart application in the process of digital delivery and intelligent factory construction in potential ethylene projects.

(5) Going Modular

Modular prefabrication, assembly and integrated delivery can effectively overcome constraints of the construction environment, significantly shorten construction period and improve work efficiency. Especially for regions with high construction costs, resource shortage and higher construction risks, modular construction of large-scale petrochemical plants is a highly effective solution. The Group has set up a modular master planning working office and established a dedicated international, cross-functional and multi-disciplinary modular design and execution team. During the Period under Review, with sustainable improvement in capabilities of planning and design of process modules and refined construction, Wison Engineering collated and compiled the FEED execution plan and work procedures for modular projects, promoted the use of three-dimensional models to complete modular research and layout design, and facilitated the seamless connection between modular and digital operations, thereby solidifying the foundation for the Company's modular business and simultaneously striving to set a benchmark in the industry.

The Group has integrated capabilities in modular design, construction and delivery

Meanwhile, the Group is equipped with the capabilities of module feasibility studies, basic design, detailed design and construction for medium- and large-scale land facility. Combining with its sea and land transport and lifting design, the Group has integrated capabilities in modular "design, construction and delivery", thereby establishing its leading competitiveness in both the domestic and international energy and chemical engineering markets.

The Group continued to employ high-end talents and optimize organizational structure

(6) Talent Scheme

The Group adhered to the philosophy of being "market-oriented and customer-focused" amid market changes, continued to introduce new talents to improve its internal management, and enhance its institutional structure, so as to achieve a quick response to customers' needs and satisfy the demand of human resources for new project orders. During the Period under Review, the Group employed high-end talents such as project management, construction and procurement employees with capabilities of planning and executing global projects and advanced management philosophy, employees with experience in project consulting and sales talents with global vision and backgrounds, in line with its needs for business development. As at 30 June 2020, 89% of Wison Engineering's employees had a bachelor's degree or above, of which 40% hold a master's degree or above. Meanwhile, the Group attracted outstanding postdoctoral researchers through its corporate postdoctoral workstations, enhancing the capability and creativity of its research team.

Adhering to the philosophy of being "business-oriented and project-focused", the Group continued to optimize the institutional structure of the Company based on the transformation in the petrochemical engineering industry and the development needs of the Company, and established five major systems, namely a technology system, a marketing system, an execution system, a control system and a resource system. The new systems, guided by the principles of "building small teams to strengthen competitiveness", "boosting project capability and cutting bureaucracy" and "adopting refined management and quantitative indicators", can fully collaborate with each other under clearly defined responsibilities, enabling each department to perform its professional function and enhance work efficiency. The new systems achieved enhancements in the allocation of talents and resources without compromising either the focus or flexibility, and attained a flexible and responsive approval procedure with an efficient, simple and convenient flattened matrix structure.

While enhancing its new institutional structure, the Group established an incentive scheme with order acquisition and project execution as its core elements to lay emphasis on value contribution, increase awareness of competition and develop a champion mindset. The Group upgraded and strengthened its performance management system in line with the implementation of the incentive scheme, and improved its performance management process by replacing appraisal with management. By promoting project delivery responsibilities featuring low cost and high quality, the Group encouraged its employees to achieve better performance, thus improving the performance of both the individual entities and the Company.

In addition, Wison Engineering attached great importance to talent cultivation and kept improving leadership and management capabilities of the middle management and the core roles. During the pandemic, the Group continued to provide quality training via online platforms and enhance employees' management and problem-solving skills through case studies with individual guidance and support.

IV OUTLOOK

The year 2020 marks the end of the "13th Five-Year Plan" as well as the beginning of the "14th Five-Year Plan". After going through ups and downs, the petrochemical energy industry will continue to encounter various uncertainties in the second half of the year as the COVID-19 pandemic continues to create an impact on a number of major European and American economies, and oil prices fluctuations are subject to how far the "OPEC+" crude oil production cut agreement can be executed. Moreover, Sino-US relations and geopolitical tensions in the Middle East will have a direct impact on oil prices and global economic trends. However, China's economic performance began to pick up in the second quarter, making the country the first major economy to record growth, which helps boost the market to regain confidence in recovery. Meanwhile, the market is expecting that a breakthrough will be made in vaccine R&D so that the global pandemic could be contained quickly. Moreover, various governments are introducing economic stimulus measures successively, which will be conducive to restoring economic activities around the globe, and will increase market demand for energy and chemical products.

Affected by complicated external factors such as pandemic, trade friction, protectionism and environmental protection regulation, the petrochemical industry will continue to explore new development direction in the new market environment. In the long run, new project investment will focus more on individual areas and reasonable extension of its regional competitive edges, which in turn highlights integration advantages, and hence resisting the impact of industrial volatility and maximizing the benefit. Furthermore, China is still a region with the largest trading volume and fastest growth rate in the global petrochemical market, and in particular has a strong demand for fine chemical industry. The trend of future development in the EPC engineering market will concentrate on the richly assorted fine chemical products and by-products, while the production of which requires a high level of engineering technology and detailed design capability.

Besides, the massive outbreak of the COVID-19 pandemic is a wake-up call for public health, and will have a lasting impact on the operation model of the petrochemical industry and accelerate its digital transformation progress, intensifying the needs for propelling the industry towards the development of intelligence, remote-control technology and automation. New technology empowers traditional industry while significance of application of Digital Twin, Industrial Internet of Things (IoT), Cloud computing, artificial intelligence and other high and new technology in the EPC engineering industry is growing.

The Group enhanced its comprehensive competitiveness through R&D of proprietary technology and technology licensing cooperation

Faced with new challenges and opportunities, Wison Engineering upholds its operation tenet of "integrity-oriented, customer-oriented, innovation-oriented, achieving mutual success in harmony" (誠信為本、客户為尊、創新為要、和諧共贏), promptly responds to market demand, deepens innovation in technology and management, and strengthens its core technology and design capability on a sustainable basis through R&D of proprietary technology and technology licensing cooperation, meanwhile implementing refined management and enhancing the quality of its engineering works and services to increase the core competitiveness of the Company. Meanwhile, the Group continues to enhance its staffing and institution restructuring, stimulates the potential of its employees at all levels, strengthens collaboration between departments and systems, and highlights Wison Engineering's advantages in refined management, responsive and flexible mechanisms as well as efficient innovation.

(1) Building on local market and grasping new opportunities in domestic market, while committed to the internationalization strategy

The Group upholds the development strategy of building on local market and expanding into the international market. In respect of the domestic market, despite the market forecasts that the growth rate for crude oil demand in China will slow down in 2020, yet China will remain the world's biggest growth driver. Following a series of reform policies, domestic oil and gas, petrochemical and coal-to-chemical markets will gradually open to private and foreign enterprises, so as to attract more capital into domestic market and propel its rapid growth. As an energy chemical engineering company rooted in China, Wison Engineering will always attach great importance to the domestic market and actively seize the growth dividend in the Chinese market. Wison Engineering has established the "Strategic Growth Center", strengthening the management of strategic value clients that are "foreign-funded companies in China" and grasping new premium commercial opportunities. Since the establishment of the Strategic Growth Center, Wison Engineering, by leveraging its advantages of, among others, extensive internationalization experience, standardized service procedures and differentiated services, has successively gained recognition from well-known foreign enterprises such as Shell, BASF, Evonik, Covestro and Ineos and continued to provide professional services for their latest domestic investment projects.

In respect of international market, Wison Engineering will formulate development strategies based on the characteristics of different markets. In well-developed markets such as North America and the Middle East where the competition is fierce, Wison Engineering will expand such markets by leveraging its advantages such as cost and construction period control so as to build up a leading brand image in the international market. In Russia and Southeast Asia where the emerging markets will rapidly develop in the short term with diversified opportunities and less competition, Wison Engineering will leverage its advantages such as differentiation, core technology and project management experience to expand markets and increase profitability. For potential markets, including Africa, where the growth potential is huge, Wison Engineering will map out long-term plans based on the development needs of the markets so as to lay a foundation for expanding future businesses.

On another front, Wison Engineering continues to reinforce the build-up of its overseas marketing teams by launching an operation centre in North America following the establishing one in the Middle East so as to quickly cater to the needs of local project owners. After the tremendous efforts made over a long period of time, the Group is gradually breaking down the barriers of the existing Western engineering companies in overseas markets. During the Period under Review, the Group won a contract for AP's chemical project in the Gulf Coast of the United States. In mid-July, it successfully secured a new client by obtaining a hydrogen pipeline transmission project from Sipchem in the Middle East, fully demonstrating the recognition of the Group's overseas project management and execution capabilities and further strengthening its image as an international brand.

(2) Accelerating the implementation of digitalization and modularization to build a technical engineering service enterprise

Wison Engineering believes that "technology-driven development", digital transformation and smart technology as well as modular operations will become the future core competitive edges of engineering companies. Through collaborations with tertiary institutions and leading enterprises, the Group will continue to strengthen R&D in digital transformation and smart technology as well as modular operations technologies with a view to setting a new benchmark in the industry.

With the outbreak of the COVID-19 pandemic, accelerated industry operation model and work model changes, Wison Engineering is more determined to develop its digitalization and smart technology. In a digital and smart environment, the enterprise will utilize tools such as big data, in-depth computing and Cloud computing, and apply various intelligence applications in EPC engineering and management sectors such as process computing, model design and selection, compliance testing, logistics tracking, material management, quality supervision and emergency training, improving the work efficiency significantly. Supply chain optimization, simulated optimization of production process, lean practice control, full-life cycle asset management and 3D-based visualized management will improve the application value of smart factory, and enhance the market, process and production effectiveness of the enterprise.

The Group endeavored to enhance the R&D and application of modular operations technologies

Modulization is another significant development trend for the industry. With the optimization of design, manufacturing and transportation technologies, modulization application scenarios and value will improve continuously, will be applied to engineering projects with more complexity, larger in scale and longer in distance. Through optimized design and refined layout, more on-site fabrication work of steel structure, pipes and electrical instruments can be transferred to module processing plants so as to further increase work efficiency and reduce costs and strengthen the control over quality, safety and progress.

(3) Establishing a business ecosystem to realize diversified development through expansion along the industry

By adhering to the strategy of "Promoting development and strengthening business with technologies", the Group closely tracks research hotspots and development trends in the global energy and chemical industry, deeply focuses on breakthrough technology of basic chemicals and chemical intermediates and green and clean production process, centers on the subdivision areas in the comprehensive utilization of resources and circular economy, and develops technology reserve. Wison Engineering will construct an extensive global technical cooperation ecosystem, providing powerful support for the Group's development, and diligently march toward the goal of becoming "an engineering service enterprise with the most advanced technologies".

Looking forward, the petrochemical industry will usher in new subjects, new raw materials, new processes and new regulations, bringing new development pattern and opportunities. Wison Engineering will implement the strategic measures of "full internationalization", "optimized management" and "market competition differentiation", leverage the advantage of synergies among various segments within the Group, and strengthen the strategic cooperation with leading enterprises to seek premium investment acquisition opportunities, building an ecosystem covering the entire industry chain. Wison Engineering actively carries out industrial investment and operation to effectively expand its principal businesses and explore new development opportunities in fields such as environmental protection and civic engineering, creating new profit driving force for the Group. Meanwhile, the Group will step up its efforts in the technological R&D of new materials and bottlenecking raw materials, both of which are highly dependent on imports, and realize the full-life strategic extension for new business development, construction and operation. By building into an integrated and unique energy service and operation company with outstanding core advantages, diversified business risks, strong technical strengths and diversified profit sources, the Group will be able to realize long-term and sustainable development.

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

OVERALL REVIEW

The following table sets forth the Interim Condensed Consolidated Statement of Profit or Loss of the Group for the six months ended 30 June 2020 and for the six months ended 30 June 2019:

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
REVENUE	**2,313,972**	1,611,231
Cost of sales	**(2,128,239)**	(1,385,017)
GROSS PROFIT	**185,733**	226,214
Other income and gains	**116,807**	85,585
Selling and distribution expenses	**(52,642)**	(63,352)
Administrative expenses	**(119,183)**	(188,299)
Reversal/(provision) of impairment losses on financial and contract assets	**690**	(1,826)
Other expenses	**(80,897)**	(16,735)
Finance costs	**(34,023)**	(6,359)
Share of profit and loss of associates	**172**	(69)
PROFIT BEFORE TAX	**16,657**	35,159
Income tax expense	**(7,469)**	(23,624)
PROFIT FOR THE PERIOD	**9,188**	11,535

Revenue and Gross Profit

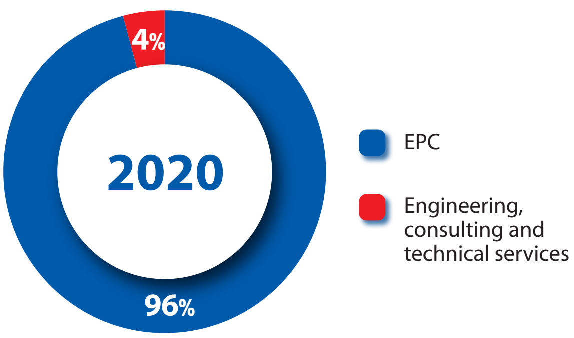
The comprehensive revenue of the Group increased by 43.6%, from RMB1,611.2 million in the six months ended 30 June 2019 to RMB2,314.0 million in six months ended 30 June 2020.

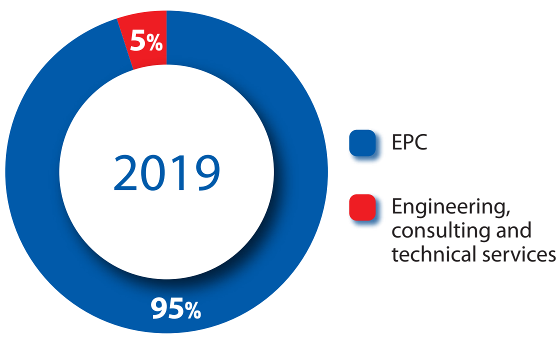
The gross profit of the Group decreased by 17.9%, from RMB226.2 million in the six months ended 30 June 2019 to RMB185.7 million in the six months ended 30 June 2020.

The gross profit margins of the Group in the six months ended 30 June 2019 and 2020 were 14.0% and 8.0%, respectively.

Details of comprehensive revenue and gross profit breakdown by business segments are set out below:

	Segment revenue Six months ended 30 June		Segment gross profit Six months ended 30 June		Segment gross profit margin Six months ended 30 June	
	2020 RMB million (Unaudited)	2019 RMB million (Unaudited)	**2020 RMB million (Unaudited)**	2019 RMB million (Unaudited)	**2020 (%)**	2019 (%)
EPC	**2,231.4**	1,527.2	**157.5**	198.6	**7.1%**	13.0%
Engineering, consulting and technical services	**82.6**	84.0	**28.2**	27.6	**34.1%**	32.9%
	2,314.0	1,611.2	**185.7**	226.2	**8.0%**	14.0%





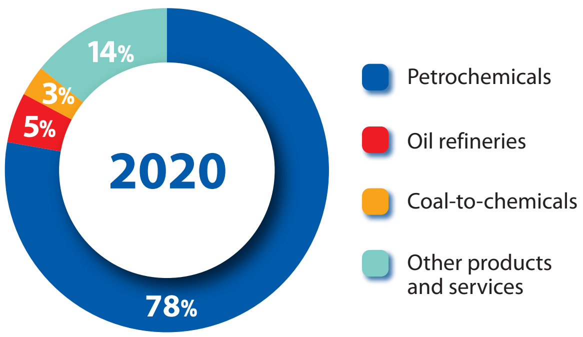
Revenue of EPC increased by 46.1%, from RMB1,527.2 million in the six months ended 30 June 2019 to RMB2,231.4 million in the six months ended 30 June 2020. It was mainly attributable to the smooth progress of the Group's petrochemical projects located in the United States, Middle East and China, all of which bring increased contribution to the revenue in the six months ended 30 June 2020.

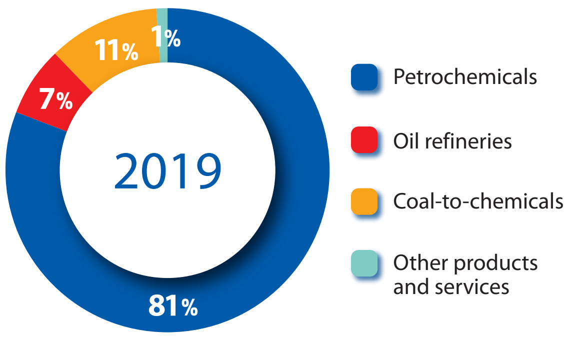
Gross profit margin of EPC decreased from 13.0% in the six months ended 30 June 2019 to 7.1% in the six months ended 30 June 2020. The decrease was mainly due to the decrease in the gross profit margin of the Group's refinery projects and the further decline of the percentage of coal-to-chemicals projects, which had higher gross profit margin, during the six months ended 30 June 2020.

Revenue of Engineering, Consulting and Technical Services decreased by 1.7%, from RMB84.0 million in the six months ended 30 June 2019 to RMB82.6 million in the six months ended 30 June 2020. Gross profit margin of Engineering, Consulting and Technical Services increased from 32.9% in the six months ended 30 June 2019 to 34.1% in the six months ended 30 June 2020. The revenue and gross profit margin of Engineering, Consulting and Technical Services were essentially the same as that for the same period of 2019.

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

	Six months ended 30 June			
	2020 RMB million (Unaudited)	2019 RMB million (Unaudited)	Change RMB million	Change %
Petrochemicals	**1,807.3**	1,303.8	503.5	38.6%
Oil refineries	**111.4**	111.8	(0.4)	(0.4%)
Coal-to-chemicals	**81.7**	183.6	(101.9)	(55.5%)
Other products and services	**313.6**	12.0	301.6	2,513.3%
	2,314.0	1,611.2	702.8	43.6%





In petrochemicals, revenue increased by 38.6%, from RMB1,303.8 million in the six months ended 30 June 2019 to RMB1,807.3 million in the six months ended 30 June 2020. It was mainly attributable to the smooth progress of the Group's petrochemical projects located in the United States, Middle East and China, all of which bring increased contribution to the revenue in the six months ended 30 June 2020.

In oil refineries, revenue decreased by 0.4% from RMB111.8 million in the six months ended 30 June 2019 to RMB111.4 million in the six months ended 30 June 2020, essentially remaining the same.

In coal-to-chemicals, revenue decreased by 55.5%, from RMB183.6 million in the six months ended 30 June 2019 to RMB81.7 million in the six months ended 30 June 2020. The decrease was mainly due to the fact that the coal-to-chemicals projects of the Group located in Nanjing had been completed, while the construction of coal-to-chemicals projects located in Fujian, which was newly secured in the first half of 2019, had not yet entered into principal construction phase.

In other products and services, revenue increased by 2,513.3%, from RMB12.0 million in the six months ended 30 June 2019 to RMB313.6 million in the six months ended 30 June 2020. The increase in the revenue from other products and services was mainly due to the increase in the income contribution from infrastructure construction project, which was entered into the principal construction phase.

OTHER INCOME AND GAINS

Other income and gains increased by 36.4%, from RMB85.6 million in the six months ended 30 June 2019 to RMB116.8 million in the six months ended 30 June 2020. Interest income increased by RMB0.4 million, rental income decreased by RMB10.7 million, income from insurance claim increased by RMB40.7 million, dividend income from equity investments increased by RMB8.0 million and government grants decreased by RMB9.9 million. The overall increase in other income and gains was mainly attributed to the recognition of income from insurance claim and dividend income from equity investments during the six months ended 30 June 2020.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses decreased by 17.0%, from RMB63.4 million in the six months ended 30 June 2019 to RMB52.6 million in the six months ended 30 June 2020. The decrease was mainly because market exploration activities diminished across the world due to the outbreak of the COVID-19 pandemic during the year.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased by 36.7%, from RMB188.3 million in the six months ended 30 June 2019 to RMB119.2 million in the six months ended 30 June 2020. Administrative expenses decreased due to the decrease in the deployment of personnel to administrative and back office functions.

OTHER EXPENSES

Details of other expenses breakdown are set out below:

	Six months ended 30 June	
	2020 **RMB million** **(Unaudited)**	2019 RMB million (Unaudited)
Research and development costs	**55.3**	4.9
Expenses in relation to operating lease income	**8.3**	14.0
Bad debt reversal	**(3.5)**	(2.2)
Fair value losses on financial assets at fair value through profit or loss	**20.3**	–
Others	**0.5**	–
	80.9	16.7

Other expenses increased by 384.4%, from RMB16.7 million in the six months ended 30 June 2019 to RMB80.9 million in the six months ended 30 June 2020, which is mainly due to the increase in research and development costs, as well as the recognition of fair value losses on financial assets.

FINANCE COSTS

Finance costs increased by 431.3%, from RMB6.4 million in the six months ended 30 June 2019 to RMB34.0 million in the six months ended 30 June 2020. Interest on bank loans increased by RMB26.2 million, which was mainly due to the significant increase in the Group's bank borrowings. Please see the section headed "Financial Resources, Liquidity and Capital Structure" below for further details.

INCOME TAX

Income tax decreased by 68.2%, from RMB23.6 million in the six months ended 30 June 2019 to RMB7.5 million in the six months ended 30 June 2020. Income tax decreased was mainly due to the decrease in assessable profits of the Group.

PROFIT FOR THE PERIOD

Profit for the period decreased by 20.0%, from RMB11.5 million in the six months ended 30 June 2019 to RMB9.2 million in the six months ended 30 June 2020, which is mainly due to decrease in the overall gross profit of the Group for the six months ended 30 June 2020.

TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit where payment in advance is normally required. Trade receivables are non-interest-bearing and on credit terms of a period of 30 days or the respective contracts' retention period. The Group's total trade and bills receivables decreased by approximately 23.8%, from RMB1,218.2 million as at 31 December 2019 to RMB927.8 million as at 30 June 2020.

FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL STRUCTURE

As at 30 June 2020, the Group's cash and bank balances amounted to RMB601.5 million, representing approximately 12.7% of the Group's current assets (As at 31 December 2019: RMB814.3 million, representing approximately 19.0% of the Group's current assets).

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

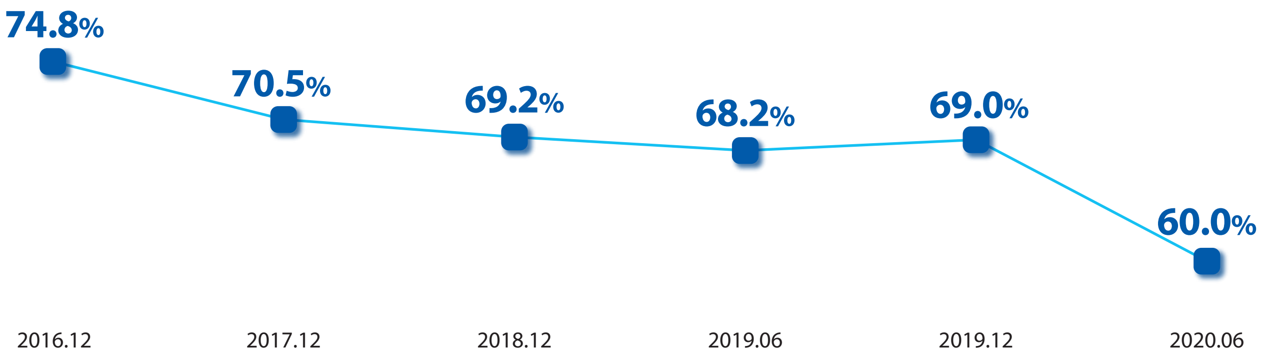
	Six months ended 30 June	
	2020 RMB million (Unaudited)	2019 RMB million (Unaudited)
Net cash flows from operating activities	**(583.2)**	(116.5)
Net cash flows from investing activities	**(47.2)**	(202.0)
Net cash flows from financing activities	**413.0**	(50.9)

As at 30 June 2020, the Group's pledged and unpledged cash and bank balances mainly included the following amounts:

	30 June 2020 RMB million	31 December 2019 RMB million
Hong Kong Dollar	**29.8**	7.6
US Dollar	**389.7**	714.8
Renminbi	**1,148.3**	786.4
Saudi Riyal	**32.6**	80.3
Euro	**36.6**	14.6
UAE Dirham	**1.4**	1.3
South African Rand	**2.8**	8.3

The Asset-Liability Ratio of the Group, which was derived by dividing average total liabilities by average total assets, is set out below. The Asset-Liability Ratio of the Group as at 30 June 2020 decreased significantly, mainly because the Group has switched from the cost model to the fair value model for measurement of land and properties held by the Group since 21 May 2020.

Asset-Liability Ratio



As at 30 June 2020, the gearing ratio of the Group, which was derived by dividing total bank and other borrowings by total equity, was 0.3x (as at 31 December 2019: 0.4x).

Interest-bearing bank and other borrowings of the Group as at 30 June 2020 and 31 December 2019 are set out in the table below. The short-term bank borrowings of the Group accounted for 34.8% of the total bank borrowings (31 December 2019: 40.5%).

	30 June 2020 RMB million	31 December 2019 RMB million
Current		
Bank loans repayable within one year		
— secured	**232.0**	252.0
— unsecured	**100.0**	–
Current portion of long-term bank loans		
— secured	**76.5**	52.8
	408.5	304.8
Non-current		
Bank loans repayable over one year — secured	**765.0**	447.2

Bank loans were denominated in RMB and USD as at 31 December 2019, while bank loans were denominated in RMB as at 30 June 2020. As at 30 June 2020, bank borrowings amounting to RMB1,173,500,000 (31 December 2019: RMB62,000,000) bore interest at fixed rates.

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

Year ended 31 December 2019	4.79% to 5.88%
Six months ended 30 June 2020	3.92% to 5.88%

The maturity profile of interest-bearing bank and other borrowings as at 30 June 2020 and 31 December 2019, based on contractual undiscounted payments, is as follows.

	On demand	Less than 3 months	3 to 12 months RMB million	More than 1 year	Total
30 June 2020					
Interest-bearing bank and other borrowings	**–**	**170.4**	**289.8**	**1,075.2**	**1,535.4**
31 December 2019					
Interest-bearing bank and other borrowings	–	213.7	122.1	632.8	968.6

The Group meets its working capital and other capital requirements principally with cash generated from its operations and borrowings. The Group adopts a cautious approach for its treasury function and maintains sufficient working capital to meet its ordinary business needs. For idle funds, the Group will carry out appropriate wealth management measures to improve efficiency in use of funds after assessing investment risks and returns and the quality of available financial products.

MATERIAL ACQUISITIONS AND DISPOSALS

Reference is made to the discloseable transaction announcements of the Company dated 22 June 2020 and 2 July 2020 where it was announced that on 22 June 2020, Shanghai Huicheng Enterprise Management Limited (上海惠宬企業管理有限公司) ("Shanghai Huicheng") (as limited partner), a wholly-owned subsidiary of the Company, entered into a limited partnership agreement ("Limited Partnership Agreement"), pursuant to which Shanghai Huicheng (as limited partner), the other limited partners (as limited partners) and Silver Saddle Equity Investment Management (Shanghai) Co., Ltd. (上海銀鞍股權投資管理有限公司) ("Silver Saddle") (as general partner) agreed to establish Nanjing Yinan Lingxiu New Materials Industrial Fund (Limited Partnership) (南京銀鞍嶺秀新材料產業基金(有限合夥)) ("Limited Partnership") for carrying out equity and equity-related investments in new materials, fine chemicals and other fields and projects related to national strategic emerging industries, subject to certain investment restrictions stipulated in the Limited Partnership Agreement. Pursuant to the Limited Partnership Agreement, Shanghai Huicheng (as limited partner) will contribute RMB160,000,000 to the Limited Partnership. Up to the date of this report, (i) Shanghai Huicheng has made the related capital contribution pursuant to the Limited Partnership Agreement and (ii) the Limited Partnership had not made any investments.

Investment in Limited Partnership

Information on Silver Saddle

Silver Saddle's core fund management team comprise of Mr. Li Yunhong (general manager), Mr. Wang Kun (deputy general manager), Mr. Wang Jun (chief risk management officer) and Mr. Ma Renhu (vice-president of the investment division). In addition to the Limited Partnership, Silver Saddle also manages two limited partnerships established under the laws of the PRC, namely Nanjing Yinan Lingying New Energy Industrial Investment Fund Partnership (Limited Partnership) (南京銀鞍嶺英新能源產業投資基金合夥企業(有限合夥)) and Ningbo Hongancheng Equity Investment Fund Partnership (Limited Partnership) (寧波弘鞍成股權投資基金合夥企業(有限合夥)).

Investment mandate and strategy of the Limited Partnership

With reference to the macro economic developments of the PRC and the adjustments to the industries, the Limited Partnership will carry out equity and equity-related investments in new materials, fine chemicals and other fields and projects related to national strategic emerging industries related projects to generate economic return, with a focus on chemical new materials industries, life science related industries, ICT (Information Communication Technology) upstream electronic chemicals and other functional fine chemicals products and advanced manufacturing industries.

Through analysis of the industrial policies and industry development trends, the Limited Partnership will make strategic investments focusing on technological and innovative companies, pre-IPO companies and other high-qualities companies and special opportunities targets.

Under the Limited Partnership Agreement, the Limited Partnership is not permitted to, among other things: (i) provide guarantees, loans or borrowings; (ii) make direct investment in secondary market stocks; (iii) engage in real estate (including self-use real estate) and other related businesses; (iv) make donations or sponsorships; and (v) invest in other venture capital funds or investment enterprises.

CAPITAL EXPENDITURE

During the six months ended 30 June 2020, the capital expenditure of the Group amounted to RMB8.5 million (six months ended 30 June 2019: RMB12.8 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 relevant entities. The Group has formulated and strictly adheres to a currency hedging policy against the foreign currency risk. When appropriate, the Group will also consider the use of financial instruments for hedging purpose, including currency forward contracts, to address currency risks.

CONTINGENT LIABILITIES

(1) During 2018, a sub-contractor of Wison Engineering filed a claim to the Sichuan Province's Higher People's Court in Mainland China against Wison Engineering for additional payment of construction costs and the interest arising from the overdue payment of construction costs of approximately RMB211,316,000.

(2) During 2018, another sub-contractor of Wison Engineering filed a claim to the Sichuan Province's Higher People's Court in Mainland China against Wison Engineering for additional payment of construction costs and the interest arising from the overdue payment of construction costs of approximately RMB132,322,000.

(3) During 2019, a sub-contractor of Wison Engineering was accused by its own sub-contractor to Chengdu Intermediate People's Court and Wison Engineering has also been named as a defendant to undertake joint liability for the payment of construction costs of approximately RMB45,360,000.

(4) During 2019, a sub-contractor filed a claim to the Pudong New District People's Court against Wison Engineering for the payment of consulting fee and the interest arising from the overdue payment of consulting costs of approximately RMB16,544,000.

(5) During 2019, Wison Engineering was involved in four bill cases with a total amount of RMB20,000,000. Wison Engineering has been accused by the subsequent endorsers of the bill to assume bill liabilities with the total amount of RMB20,000,000.

(6) During 2020, a sub-contractor of Wison Engineering applied for arbitration in Shanghai Arbitration Committee for additional payment of construction costs, guarantee deposits, loss expenses and the interest arising from the overdue payment of above expenses mentioned of approximately RMB48,966,000.

As of the date of approval of the financial statements, for case (1) and case (2), Wison Engineering and the subcontractors have completed judicial cost audit by an independent third party arranged by the court and trials are yet to be scheduled. For case (3), Wison Engineering and the subcontractors have completed the first pre-trial evidence exchange in court and cross-examination, and trials are yet to be scheduled. For case (4), Wison Engineering and the subcontractor have completed court trial and are waiting for verdict. For case (5), one of the bills amounting to RMB5,000,000 has been sentenced by the court and the other three cases amounting to RMB15,000,000 are yet to be scheduled. The trial of case (6) is yet to be scheduled.

The directors of the Company are of the opinion that, case (1), case (2), case (3) and case (6) are without merits and the possibility for the Group to be subject to additional payment claims is remote on the basis of the available evidence and having legal advice taken. Thus, it is not required for the Group to make provision for these four cases.

The directors of the Company have made provision for case (4) and case (5) due to the possibility of the Group to take settlement responsibility on the basis of the available evidence and legal advice taken.

ASSET SECURITY

As at 30 June 2020, certain building of RMB1,267.9 million, future years right of receiving rental income from certain properties and related bank account with bank balances of RMB70.4 million as at 30 June 2020 were pledged as security for bank facilities of the Group.

HUMAN RESOURCES

As at 30 June 2020, the Group had 1,571 employees (31 December 2019: 1,694 employees). The Group reviews the salaries and benefits of the employees according to market practice and the performance of the employees on a regular basis. Also, the Group contributes to various social insurance schemes in the PRC and the Mandatory Provident Fund Scheme in Hong Kong for qualified employees and provides medical insurance, work injury insurance, maternity insurance and unemployment insurance pursuant to applicable laws and regulations in the PRC and Hong Kong, as well as additional business accident and medical insurance. In the six months ended 30 June 2020, the total staff cost of the Group (including salaries, bonuses, insurance and share option schemes) amounted to RMB303.0 million (in the six months ended 30 June 2019: RMB301.1 million).

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

EVENTS AFTER THE PERIOD

No significant event of the Group has taken place subsequent to 30 June 2020 and up to the date of this report.

OTHER INFORMATION

OTHER INFORMATION

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

As at 30 June 2020, 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(4)
Mr. Zhou Hongliang	Company	Beneficial owner	6,290,000 (L)(2)	0.15%
Mr. Dong Hua	Company	Beneficial owner	5,100,000 (L)(3)	0.13%
Mr. Liu Hongjun	Company	Beneficial owner	1,000,000 (L)	0.02%
Mr. Lawrence Lee	Company	Beneficial owner	1,000,000 (L)(5)	0.02%
Mr. Tang Shisheng	Company	Beneficial owner	1,000,000 (L)(5)	0.02%
Mr. Feng Guohua	Company	Beneficial owner	1,000,000 (L)(5)	0.02%

Notes:

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

(2) These 6,290,000 shares include options granted under the pre-IPO share option scheme of the Company entitling Mr. Zhou Hongliang to subscribe for 3,040,000 shares.

(3) These 5,100,000 shares include options granted under the pre-IPO share option scheme of the Company entitling Mr. Dong Hua to subscribe for 2,660,000 shares.

(4) As at 30 June 2020, the Company had 4,073,767,800 ordinary shares in issue.

(5) Shares in respect of options granted under the share option scheme of the Company.

Save as disclosed above, as at 30 June 2020, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION 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.

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

Categories of participants	Exercise price per share (HK$)	No. of shares involved in the options outstanding at 1 January 2020	Exercised during the period	Lapsed during the period	Granted during the period	No. of Shares involved in the options outstanding at 30 June 2020
Directors, chief executive or substantial shareholders of the Company, or their respective associates						
Lawrence Lee	1.744	1,000,000	–	–	–	1,000,000
Tang Shisheng	1.744	1,000,000	–	–	–	1,000,000
Feng Guohua	1.744	1,000,000	–	–	–	1,000,000
Employees of the Group	1.744	123,800,000	–	(1,050,000)	–	122,750,000
Total		126,800,000	–	(1,050,000)	–	125,750,000

During the six months ended 30 June 2020, no options have been cancelled.

SHARE OPTION SCHEMES (continued)

Share option scheme of the Company (continued)

The outstanding options granted under the Share Option Scheme above were granted on 14 November 2017. No options were granted under the Share Option Scheme during the six months ended 30 June 2020. Subject to the satisfaction of certain performance targets by the relevant grantees of the options for the year immediately preceding each vesting date, 25% of such options shall be vested and become exercisable on the trading day immediately following each of the 12th, 24th, 36th and 48th month after the date of grant. Vested options shall be exercisable until the expiry of a five-year period from the date of grant. The closing price per share immediately before the date of grant of such options is HK$1.77.

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 Wison Group Holding Limited ("Wison 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.

SHARE OPTION SCHEMES (continued)

Pre-IPO share option scheme of the Company (continued)

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 options outstanding at 1 January 2020	Exercised during the period	Lapsed during the period	Reassigned during the period	No. of Shares involved in the options outstanding at 30 June 2020
The Group						
Directors, chief executive or substantial shareholders of the Company, or their respective associates						
Zhou Hongliang	0.837	3,040,000	–	–	–	3,040,000
Dong Hua	0.837	2,660,000	–	–	–	2,660,000
Employees of the Group	0.837	94,161,000	–	(3,324,000)	(114,000)	90,723,000
Wison Holding and its subsidiaries						
Employees, executives and officers of Wison Holding or any of its subsidiaries	0.837	30,666,000	–	–	114,000	30,780,000
Total		130,527,000	–	(3,324,000)	–	127,203,000

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 2020, options representing 3,324,000 Shares have lapsed, and no options have been cancelled.

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.

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

As at 30 June 2020, the following persons (other than the Directors or the chief executive of the Company) has interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

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

Notes:

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

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

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

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

(5) As at 30 June 2020, the Company had 4,073,767,800 ordinary shares in issue.

Save as disclosed above, as at 30 June 2020, 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 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2020.

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 2020.

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 2020.

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 2020.

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

There is no 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 2019 annual report of the Company.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 42 to 78, which comprises the condensed consolidated statement of financial position of Wison Engineering Services Co. Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 June 2020 and the related condensed consolidated statements of profit or loss, 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

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 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.

CONCLUSION

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

Ernst & Young
Certified Public Accountants
Hong Kong

25 August 2020

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
REVENUE	4	**2,313,972**	1,611,231
Cost of sales		**(2,128,239)**	(1,385,017)
GROSS PROFIT		**185,733**	226,214
Other income and gains	4	**116,807**	85,585
Selling and distribution expenses		**(52,642)**	(63,352)
Administrative expenses		**(119,183)**	(188,299)
Reversal/(provision) of impairment losses on financial and contract assets		**690**	(1,826)
Other expenses		**(80,897)**	(16,735)
Finance costs	5	**(34,023)**	(6,359)
Share of profit and loss of associates		**172**	(69)
PROFIT BEFORE TAX	6	**16,657**	35,159
Income tax expense	7	**(7,469)**	(23,624)
PROFIT FOR THE PERIOD		**9,188**	11,535
Attributable to:			
Owners of the parent		**9,318**	11,535
Non-controlling interests		**(130)**	–
		9,188	11,535
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
— Basic		**RMB0.23 cent**	RMB0.28 cent
— Diluted		**RMB0.23 cent**	RMB0.28 cent

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**9,188**	11,535
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**3,031**	(106)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**3,031**	(106)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**(54,316)**	(42,969)
Gains on properties and land revaluation	**2,638,631**	–
Income tax effect	**(395,795)**	–
	2,242,836	–
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**2,188,520**	(42,969)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**2,191,551**	(43,075)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**2,200,739**	(31,540)
Attributable to:		
Owners of the parent	**2,200,869**	(31,540)
Non-controlling interests	**(130)**	–
	2,200,739	(31,540)

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	**1,317,566**	851,409
Investment property		**10,773**	11,098
Right-of-use assets		**2,339,684**	165,163
Goodwill		**15,752**	15,752
Intangible assets		**29,325**	31,515
Investments in associates		**14,059**	7,587
Equity investments designated at fair value through other comprehensive income		**257,075**	311,391
Long-term prepayments		**1,238**	2,202
Deferred tax assets		**31,004**	36,848
Total non-current assets		**4,016,476**	1,432,965
CURRENT ASSETS			
Inventories		**147,384**	126,859
Trade receivables	11	**750,329**	1,003,866
Bills receivable		**177,513**	214,352
Contract assets		**1,205,607**	690,354
Financial asset at fair value through profit or loss		**140,516**	112,734
Due from fellow subsidiaries	15	**18,200**	14,665
Prepayments and other receivables		**666,485**	510,530
Pledged bank balances and time deposits	12	**1,041,229**	800,388
Cash and bank balances	12	**601,455**	814,251
Total current assets		**4,748,718**	4,287,999
CURRENT LIABILITIES			
Trade and bills payables	13	**2,068,096**	2,051,091
Other payables and accruals		**844,490**	839,577
Interest-bearing bank and other borrowings	14	**408,500**	304,780
Lease liabilities		**15,769**	4,686
Due to fellow subsidiaries	15	**47,325**	79,276
Due to an associate	15	**630**	630
Dividend payable		**14,682**	–
Tax payable		**178,429**	176,446
Total current liabilities		**3,577,921**	3,456,486
NET CURRENT ASSETS		**1,170,797**	831,513
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,187,273**	2,264,478

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2020

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	14	**765,000**	447,220
Lease liabilities		**25,944**	8,534
Deferred tax liabilities		**395,346**	720
Government grants		**4,284**	4,377
Total non-current liabilities		**1,190,574**	460,851
NET ASSETS		**3,996,699**	1,803,627
EQUITY			
Equity attributable to owners of the parent			
Share capital	16	**330,578**	330,578
Share premium		**869,201**	869,201
Other reserves		**2,797,101**	603,899
		3,996,880	1,803,678
Non-controlling interests		**(181)**	(51)
TOTAL EQUITY		**3,996,699**	1,803,627

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the parent												
	Share capital RMB'000	Share premium RMB'000	Share option reserve* RMB'000	Capital reserve* RMB'000	Statutory surplus reserves* RMB'000	Statutory expansion reserve* RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income* RMB'000	Asset revaluation reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As 1 January 2020 (audited)	330,578	869,201	342,612	(101,206)	46,541	36,779	(9,297)	–	9,582	278,888	1,803,678	(51)	1,803,627
Profit for the period	–	–	–	–	–	–	–	–	–	9,318	9,318	(130)	9,188
Other comprehensive income for the period:													
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	(54,316)	–	–	–	(54,316)	–	(54,316)
Gains on properties and land revaluation, net of tax	–	–	–	–	–	–	–	2,242,836	–	–	2,242,836	–	2,242,836
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	3,031	–	3,031	–	3,031
Total comprehensive income for the period	–	–	–	–	–	–	(54,316)	2,242,836	3,031	9,318	2,200,869	(130)	2,200,739
Transfer to the statutory reserves	–	–	–	–	423	–	–	–	–	(423)	–	–	–
Equity-settled share option arrangements	–	–	7,015	–	–	–	–	–	–	–	7,015	–	7,015
Dividends declared	–	–	–	–	–	–	–	–	–	(14,682)	(14,682)	–	(14,682)
As at 30 June 2020 (unaudited)	**330,578**	**869,201**	**349,627**	**(101,206)**	**46,964**	**36,779**	**(63,613)**	**2,242,836**	**12,613**	**273,101**	**3,996,880**	**(181)**	**3,996,699**

* As at 30 June 2020, these reserve accounts represent the total consolidated other reserves of RMB2,797,101,000 (31 December 2019: RMB603,899,000) in the interim condensed consolidated statement of financial position.

For the six months ended 30 June 2019

	Attributable to owners of the parent											
	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Capital reserve RMB'000	Statutory surplus reserves RMB'000	Statutory expansion reserve RMB'000	Fair value reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019 (audited)	330,299	861,129	318,591	(101,206)	32,588	32,590	–	12,041	263,787	1,749,819	–	1,749,819
Profit for the period	–	–	–	–	–	–	–	–	11,535	11,535	–	11,535
Other comprehensive income for the period:												
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	(42,969)	–	–	(42,969)	–	(42,969)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	(106)	–	(106)	–	(106)
Total comprehensive income for the period	–	–	–	–	–	–	(42,969)	(106)	11,535	(31,540)	–	(31,540)
Transfer to the statutory reserves	–	–	–	–	4,189	4,189	–	–	(8,378)	–	–	–
Exercise of share options	140	4,107	(3,077)	–	–	–	–	–	–	1,170	–	1,170
Equity-settled share option arrangements	–	–	15,807	–	–	–	–	–	–	15,807	–	15,807
Dividends declared	–	–	–	–	–	–	–	–	(17,361)	(17,361)	–	(17,361)
At 30 June 2019 (unaudited)	330,439	865,236	331,321	(101,206)	36,777	36,779	(42,969)	11,935	249,583	1,717,895	–	1,717,895

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**16,657**	35,159
Adjustments for:			
Depreciation of property, plant and equipment and investment property	6	**24,654**	25,017
Depreciation of right-of-use assets	6	**19,492**	4,660
Amortisation of intangible assets	6	**2,928**	2,737
Recognition of government grants	4, 6	**(7,728)**	(17,604)
Share of profit and loss of associates		**(172)**	69
Net foreign exchange gains		**(2,478)**	(3,138)
Dividend income from equity investments designated at fair value through other comprehensive income	4	**(7,960)**	–
Fair value losses of financial assets at fair value through profit or loss, net	6	**20,218**	–
Loss on disposal of items of property, plant and equipment	6	**22**	–
(Reversal)/provision of impairment of trade receivables, net	6	**(29,127)**	16,142
Provision/(reversal) of impairment of contract assets, net	6	**28,715**	(14,408)
(Reversal)/provision of impairment of other receivables, net	6	**(278)**	92
Equity-settled share option expense	6	**7,015**	15,807
Finance costs	5	**34,023**	6,359
Interest income	4	**(10,530)**	(9,970)
Income relating to lease modification	4	**(84)**	–
		95,367	60,922
(Increase)/decrease in inventories		**(20,525)**	34,151
Decrease in trade and bills receivables		**319,503**	210,230
Increase in prepayments and other receivables		**(152,505)**	(64,635)
Decrease/(increase) in long-term prepayments		**964**	(415)
(Increase)/decrease in contract assets		**(543,968)**	69,555
(Increase)/decrease in amounts due from fellow subsidiaries		**(3,535)**	161,852
Increase/(decrease) in trade and bills payables		**17,005**	(483,597)
Increase/(decrease) in other payables and accruals		**1,683**	(169,918)
(Decrease)/increase in amounts due to fellow subsidiaries		**(31,951)**	98,794
Increase in pledged bank balances and time deposits		**(240,841)**	(41,781)
Cash used in operations		**(558,803)**	(124,842)
Interest received		**10,389**	9,970
Interest paid		**(34,023)**	(6,170)
Tax (paid)/refunded		**(811)**	4,530
Net cash flows used in operating activities		**(583,248)**	(116,512)

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend income from equity investments designated at fair value through other comprehensive income	4	**7,960**	–
Purchases of items of property, plant and equipment		**(7,725)**	(9,089)
Purchases of intangible assets		**(738)**	(3,756)
Receipt of government grants		**7,635**	18,512
Purchases of equity investments at fair value through other comprehensive income		**–**	(207,710)
Purchases of financial assets at fair value through profit or loss		**(48,000)**	–
Purchases of additional equity interest in an associate		**(6,300)**	–
Net cash flows used in investing activities		**(47,168)**	(202,043)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of new shares		**–**	1,170
New bank loans		**670,000**	190,000
Repayment of bank loans		**(248,500)**	(239,341)
Principal portion of lease payments		**(8,472)**	(2,711)
Net cash flows from/(used in) financing activities		**413,028**	(50,882)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(217,388)**	(369,437)
Cash and cash equivalents at beginning of period		**814,251**	932,086
Effect of foreign exchange rate changes, net		**4,592**	642
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**601,455**	563,291
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**593,455**	553,291
Unpledged time deposits with original maturity of less than three months when acquired		**8,000**	10,000
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF FINANCIAL POSITION	12	**601,455**	563,291
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF CASH FLOWS		**601,455**	563,291

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

1. CORPORATE INFORMATION

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

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

The Group is principally engaged in the provision of project solutions to petrochemical and coal-to-chemicals producers in terms of design, 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 PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2019.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for its accounting for buildings and leasehold land, and the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Accounting policy change for the measurement for the buildings and leasehold land

The Group accounted for buildings and leasehold land using the cost model in previous years. In order to more accurately reflect the value of buildings and leasehold land held by the Group and provide more relevant information to the users of the financial statements of the Group, the directors of the Company have approved change in the accounting policy of the Group for the buildings and leasehold land from cost model to revaluation model with effect from May 2020.

The Group has adopted the change in accounting policy prospectively.

Amended standards

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to IAS 1 and IAS 8	*Definition of Material*

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Accounting policy change for the measurement for the buildings and leasehold land (continued)

Amended standards (continued)

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

(a) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to IFRS 9, IAS 9 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

(c) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the six months ended 30 June 2020, no lease payments for the leases of the Group's assets have been reduced or waived by the lessors.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Accounting policy change for the measurement for the buildings and leasehold land (continued)

Amended standards (continued)

(d) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

Operating segments

Six months ended 30 June 2020	Engineering, procurement and construction ("EPC") RMB'000 (Unaudited)	Engineering, consulting and technical services RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue (note 4)			
Sales to external customers	2,231,384	82,588	2,313,972
Intersegment sales	31,982	11,281	43,263
Total revenue	2,263,366	93,869	2,357,235
Reconciliation:			
Elimination of intersegment sales			(43,263)
Revenue			2,313,972
Segment results	157,476	28,257	185,733
Reconciliation:			
Unallocated income			116,807
Unallocated expenses			(253,592)
Unallocated finance costs (other than interest on lease liabilities)			(32,463)
Share of profit and loss of associates			172
Profit before tax			16,657

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

3. OPERATING SEGMENT INFORMATION (continued)

Operating segments (continued)

Six months ended 30 June 2019	EPC RMB'000 (Unaudited)	Engineering, consulting and technical services RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue (note 4)			
Sales to external customers	1,527,204	84,027	1,611,231
Intersegment sales	22,168	4,021	26,189
Total revenue	1,549,372	88,048	1,637,420
Reconciliation:			
Elimination of intersegment sales			(26,189)
Revenue			1,611,231
Segment results	198,656	27,558	226,214
Reconciliation:			
Unallocated income			85,585
Unallocated expenses			(270,212)
Unallocated finance costs			(6,359)
Share of profit and loss of an associate			(69)
Profit before tax			35,159

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

3. OPERATING SEGMENT INFORMATION (continued)

Operating segments (continued)

30 June 2020	EPC RMB'000 (Unaudited)	Engineering, consulting and technical services RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment assets			
Reconciliation:	2,807,830	96,340	2,904,170
Elimination of intersegment receivables			(27,436)
Corporate and other unallocated assets			5,888,460
Total assets			8,765,194
Segment liabilities	2,699,137	54,377	2,753,514
Reconciliation:			
Elimination of intersegment payables			(28,590)
Corporate and other unallocated liabilities			2,043,571
Total liabilities			4,768,495

31 December 2019	EPC RMB'000 (Audited)	Engineering, consulting and technical services RMB'000 (Audited)	Total RMB'000 (Audited)
Segment assets			
Reconciliation:	2,418,476	94,858	2,513,334
Elimination of intersegment receivables			(80,109)
Corporate and other unallocated assets			3,287,739
Total assets			5,720,964
Segment liabilities	2,613,081	55,882	2,668,963
Reconciliation:			
Elimination of intersegment payables			(81,348)
Corporate and other unallocated liabilities			1,329,722
Total liabilities			3,917,337

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	**2,313,972**	1,611,231

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2020 **Segments**	**EPC** **RMB'000** **(Unaudited)**	**Engineering, consulting and technical services** **RMB'000** **(Unaudited)**	**Total** **RMB'000** **(Unaudited)**
Type of goods or services			
Construction contracts	**2,231,384**	**–**	**2,231,384**
Design, feasibility research, consulting and technical services	**–**	**82,588**	**82,588**
Total revenue from contracts with customers	**2,231,384**	**82,588**	**2,313,972**
Geographical markets			
Mainland China	**1,515,085**	**60,336**	**1,575,421**
America	**486,403**	**12,604**	**499,007**
Middle East	**229,896**	**–**	**229,896**
Others	**–**	**9,648**	**9,648**
Total revenue from contracts with customers	**2,231,384**	**82,588**	**2,313,972**
Timing of revenue recognition			
Services transferred over time	**2,231,384**	**82,588**	**2,313,972**

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

4. REVENUE, OTHER INCOME AND GAINS (continued)

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

For the six months ended 30 June 2019 Segments	EPC RMB'000 (Unaudited)	Engineering, consulting and technical services RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Type of goods or services			
Construction contracts	1,527,204	–	1,527,204
Design, feasibility research, consulting and technical services	–	84,027	84,027
Total revenue from contracts with customers	1,527,204	84,027	1,611,231
Geographical markets			
America	785,519	5,243	790,762
Mainland China	604,932	65,985	670,917
Middle East	136,753	–	136,753
Others	–	12,799	12,799
Total revenue from contracts with customers	1,527,204	84,027	1,611,231
Timing of revenue recognition			
Services transferred over time	1,527,204	84,027	1,611,231

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

For the six months ended 30 June 2020 **Segments**	**EPC** **RMB'000** **(Unaudited)**	**Engineering, consulting and technical services** **RMB'000** **(Unaudited)**	**Total** **RMB'000** **(Unaudited)**
Revenue from contracts with customers			
External customers	**2,231,384**	**82,588**	**2,313,972**
Intersegment sales	**31,982**	**11,281**	**43,263**
Intersegment adjustments and eliminations	**(31,982)**	**(11,281)**	**(43,263)**
Total revenue from contracts with customers	**2,231,384**	**82,588**	**2,313,972**

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

4. REVENUE, OTHER INCOME AND GAINS (continued)

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

For the six months ended 30 June 2019 Segments	EPC RMB'000 (Unaudited)	Engineering, consulting and technical services RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue from contracts with customers			
External customers	1,527,204	84,027	1,611,231
Intersegment sales	22,168	4,021	26,189
Intersegment adjustments and eliminations	(22,168)	(4,021)	(26,189)
Total revenue from contracts with customers	1,527,204	84,027	1,611,231

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2020 **RMB'000** **(Unaudited)**	2019 RMB'000 (Unaudited)
Other income		
Government grants*	**7,728**	17,604
Bank interest income	**10,389**	9,970
Dividend income from equity investments at fair value through other comprehensive income	**7,960**	–
Other interest income from financial assets at fair value through profit or loss	**141**	–
Rental income	**46,922**	57,626
Income from insurance claim	**40,657**	–
Income relating to lease modification	**84**	–
Others	**708**	385
	114,589	85,585
Gains		
Fair value gains:		
Financial asset at fair value through profit or loss		
— mandatorily classified as such, including those held for trading	**104**	–
Foreign exchange gains	**2,114**	–
	2,218	–
	116,807	85,585

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank and other loans	**32,272**	6,143
Interest expense on lease liabilities	**1,560**	216
Interest on discounted bills	**191**	–
	34,023	6,359

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of services provided*	**2,128,239**	1,385,017
Depreciation of property, plant and equipment and investment property	**24,654**	25,017
Research and development costs	**55,274**	4,896
Depreciation of right-of-use assets	**19,492**	4,660
Amortisation of intangible assets	**2,928**	2,737
Government grants	**(7,728)**	(17,604)
Impairment of financial and contract assets, net		
(Reversal)/provision of impairment of trade receivables, net	**(29,127)**	16,142
Provision/(reversal) of impairment of contract assets, net	**28,715**	(14,408)
(Reversal)/provision of impairment of other receivables, net	**(278)**	92
Loss on disposal of items of property, plant and equipment	**22**	–
Lease payments not included in the measurement of lease liabilities	**9,049**	–
Fair value losses, net:		
Financial assets at fair value through profit or loss		
— mandatorily classified as such, including those held for trading	**20,218**	–
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**278,769**	257,407
Retirement benefit scheme contributions	**17,250**	27,912
Equity-settled share options expenses	**7,015**	15,807
	303,034	301,126
Foreign exchange differences, net	**(2,114)**	2,496

* Amounts of RMB162,764,000 of employee benefit expenses were included in the cost of services provided during the six months ended 30 June 2020 (six months ended 30 June 2019: RMB143,346,000).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

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.

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current		
— Mainland China	**1,499**	–
— Elsewhere	**1,295**	27,589
Deferred	**4,675**	(3,965)
Total tax charge for the period	**7,469**	23,624

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group was not subject to any income tax in the Cayman Islands and British Virgin Islands. The Group was not liable for income tax in Hong Kong, Indonesia, Russia, South Africa, Japan, Mexico, Thailand, United Arab Emirates and Singapore as the Group did not have any assessable income arising in Hong Kong, Indonesia, Russia, South Africa, Japan, Mexico, Thailand, United Arab Emirates and Singapore for the six months ended 30 June 2020 and 2019.

惠生工程(中國)有限公司 (Wison Engineering Limited, "Wison Engineering") was qualified as a "High and New Technology Enterprise" and was entitled to a preferential corporate income tax ("CIT") rate of 15% from 2014 to 2016. In accordance with the requirements of the tax regulations in the PRC, Wison Engineering re-applied "High and New Technology Enterprise" and obtained the certification on 23 October 2017 which is effective for another three years from 1 January 2017. Wison Engineering has re-applied "High and New Technology Enterprise" in July 2020 and was still under review. The directors of the Company are of the opinion that Wison Engineering was subject to CIT at a rate of 15% for the six months ended 30 June 2020 and 2019.

江蘇惠生建設科技有限公司 (Jiangsu Wison Construction Technology Co. Ltd., "Jiangsu Wison", formerly known as 江蘇中和永泰建設工程有限公司 (Jiangsu Zhonghe Yongtai Construction Engineering Company Limited)) is subject to corporate income tax at a rate of 25%.

Wison USA, LLC (formerly known as "Wison Petrochemicals (NA), LLC") is subject to federal income tax at a rate of 21% and state income tax at a rate of 0.75%.

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

7. INCOME TAX (continued)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. At 30 June 2020, there was no significant unrecognised deferred tax liability (31 December 2019: Nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted due to the availability of double taxation relief.

8. DIVIDENDS

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Final — HK$0.004 (2019: HK$0.005) per ordinary share	**14,682**	17,361

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 2020 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,073,767,800 (six months ended 30 June 2019: 4,071,095,548) in issue during the period.

The calculation of the diluted earnings per share amount is based on the profit for the six-month period ended 30 June 2020 attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the six months ended 30 June 2020, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

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

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

	For the six months ended 30 June	
	2020	2019
	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 calculations:	**9,318**	11,535
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculations	**4,073,767,800**	4,071,095,548
Effective of dilution-weighted average number of ordinary shares	**–**	24,703,262
	4,073,767,800	4,095,798,810

10. PROPERTY, PLANT AND EQUIPMENT

	RMB'000 (Unaudited)
At 1 January 2020	851,409
Additions	7,725
Surplus on revaluation	478,341
Depreciation	(24,329)
Disposals	(22)
Reversal upon revaluation	4,442
At 30 June 2020	1,317,566

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

As at 30 June 2020, the Group's buildings and leasehold land situated in Mainland China were revalued based on valuations performed by Shanghai Orient Appraisal Co., Ltd., an independent firm of professionally qualified valuers, at RMB3,591,556,000. The land portion of RMB2,296,586,000 was measured as right-of-use assets.

A revaluation surplus of RMB2,242,836,000, net of tax, resulting from revaluation has been credited to asset revaluation reserve.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

10. PROPERTY, PLANT AND EQUIPMENT (continued)

Had the Group's buildings and leasehold land situated in Mainland China been carried at cost less accumulated depreciation, the carrying amount would have been approximately RMB813,705,000 and RMB147,014,000, respectively (31 December 2019: RMB830,709,000 and RMB149,032,000, respectively).

At 30 June 2020, certain of the Group's buildings with a fair value of approximately RMB1,267,877,000 (31 December 2019 under cost model: RMB818,763,000) were pledged to secure general banking facilities granted to the Group.

Fair value hierarchy

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

	Fair value measurement as at 30 June 2020 using			
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Buildings	–	–	1,294,970	1,294,970
Leasehold land	–	–	2,296,586	2,296,586
	–	–	3,591,556	3,591,556

The Group did not measure buildings and leasehold land at fair value as at 31 December 2019.

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

10. PROPERTY, PLANT AND EQUIPMENT (continued)

Fair value hierarchy (continued)

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

	Valuation technique	Significant unobservable inputs	Weighted average 2020
Building and leasehold land (note a)	Income method	Market daily rental (RMB) (per square metre)	5.1
		Long term vacancy rate	4%
		Yield rate	4%
Building (note b)	Direct comparison method	Market transaction price (RMB) (per square metre)	11,300
		Adjustment on quality of the building	1%

Notes:

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

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

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

11. TRADE RECEIVABLES

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade receivables:		
Within 1 month	**5,581**	199,283
2 to 12 months	**180,113**	217,769
Over 1 year	**564,635**	586,814
	750,329	1,003,866

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Related companies (as defined in note 15)		
泰興天馬化工有限公司	**78,018**	72,516
泰興博惠環保科技發展有限公司	**53,820**	61,420
	131,838	133,936

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

12. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Cash and bank balances	**1,019,346**	1,192,508
Time deposits with original maturity of less than three months	**110,486**	14,380
Time deposits with original maturity of more than three months	**512,852**	407,751
	1,642,684	1,614,639
Less: Pledged bank balances and time deposits	**(1,041,229)**	(800,388)
Unpledged cash and cash equivalents	**601,455**	814,251

At 30 June 2020, bank balances and time deposits of RMB612,795,000 (31 December 2019: RMB561,310,000) were placed as guarantee deposits for performance of certain construction contracts and for the tendering process.

At 30 June 2020, bank balances and time deposits of RMB87,773,000 (31 December 2019: RMB32,208,000) were pledged to a bank as security to obtain a letter of credit facility for the purchase of imported equipment.

At 30 June 2020, bank balances and time deposits of RMB268,145,000 (31 December 2019: RMB147,381,000) were pledged as security for bill facilities granted by the banks.

At 30 June 2020, bank balances and time deposits of RMB2,110,000 (31 December 2019: RMB2,605,000) were pledged to a bank as security for forward foreign exchange contracts.

At 30 June 2020, bank balances of RMB70,406,000 (31 December 2019: RMB56,884,000) were pledged to a bank as security to obtain a bank facility (note 14).

At 30 June 2020, the cash and bank balances of the Group denominated in RMB amounted to RMB1,148,257,000 (31 December 2019: RMB786,429,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

13. 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 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Less than 1 year	**1,136,697**	783,735
1 to 2 years	**112,522**	138,217
2 to 3 years	**691,705**	917,125
Over 3 years	**127,172**	212,014
	2,068,096	2,051,091

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Current		
Bank loans repayable within one year		
— secured	**232,000**	252,000
— unsecured	**100,000**	–
Current portion of long-term bank loans — secured	**76,500**	52,780
	408,500	304,780
Non-current		
Bank loans repayable over one year — secured	**765,000**	447,220

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

14. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

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

Six months ended 30 June 2020	3.92% to 5.88%
Year ended 31 December 2019	4.79% to 5.88%

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**408,500**	304,780
In the second year	**58,500**	38,050
In the third to fifth years, inclusive	**175,500**	97,500
Beyond five years	**531,000**	311,670
	1,173,500	752,000

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

	Note	**30 June 2020 RMB'000 (Unaudited)**	31 December 2019 RMB'000 (Audited)
Buildings	10	**1,267,877**	818,763

As at 30 June 2020, 惠生(中國)投資有限公司 ("Wison (China) Investment"), a fellow subsidiary of the Company, executed guarantees to certain banks in respect of bank facilities to the Group of RMB612,000,000 (31 December 2019: RMB612,000,000). As at 30 June 2020, the loans were drawn down to the extent of RMB62,000,000 (31 December 2019: RMB252,000,000) (note 15).

In addition, certain bank has granted credit facilities to the Group for which the right of receiving rental fees from certain property of the Group for the future years and related bank account with bank balances of RMB70,406,000 as at 30 June 2020 (note 12) have been pledged as security. As at 30 June 2020, the bank loans were drawn down to the extent of RMB841,500,000 (31 December 2019: RMB500,000,000).

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

15. 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 2020:

	Notes	For the six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Fellow subsidiaries:			
Rental income	(a)(i), (a)(ii)	**10,949**	11,095
Rendering of services	(a)(i), (a)(ii), (a)(xi), (a)(xii), (a)(xiii), (a)(xviii), (a)(xxi)	**197,541**	7,380
Services received	(a)(vii), (a)(viii), (a)(ix), (a)(x), (a)(xv), (a)(xvi), (a)(xvii), (a)(xxi)	**20,130**	407,784
Associate:			
Rendering of services	(a)(xix), (a)(xx)	**1,885**	–

Name of related parties	Relationship
Wison Holding	Wholly owned by Mr. Hua Bangsong (the beneficial controlling shareholder of the Company) and is the ultimate holding company of the Company
惠生(南通)重工有限公司 (Wison (Nantong) Heavy Industry Co., Ltd., "Wison Nantong")	Indirectly wholly owned by Wison Holding and is a fellow subsidiary of the Company
Wison (China) Investment	Indirectly wholly owned by Wison Holding and is a fellow subsidiary of the Company
Wison Investment (Hong Kong) Limited ("Wison Investment (HK)")	Indirectly wholly owned by Wison Holding and is a fellow subsidiary of the Company
舟山惠生海洋工程有限公司 (Zhoushan Wison Offshore & Marine Co., Ltd., "Zhoushan Wison")	Indirectly owned by Wison Holding and is a fellow subsidiary of the Company
Wison Offshore & Marine (Hong Kong) Limited ("Wison Offshore Marine")	Indirectly wholly owned by Wison Holding and is a fellow subsidiary of the Company

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

15. RELATED PARTY TRANSACTIONS (continued)

Name of related parties	Relationship
泰興天馬化工有限公司 (Taixing Tianma Chemical Engineering Co., Ltd., "Taixing Tianma")	Indirectly owned as to 15% by Wison Holding and was a related company from 4 January 2018
上海惠生海洋工程有限公司 (Shanghai Wison Offshore & Marine Co., Ltd., "Wison Offshore Marine Shanghai")	Indirectly owned by Wison Holding and is a fellow subsidiary of the Company
惠生(泰州)新材料科技有限公司 (Wison (Taizhou) New Material Technology, Co., Ltd., "Wison Taizhou")	Indirectly owned by Wison Holding and is a fellow subsidiary of the Company
泰興博惠環保科技发展有限公司 (Taixing Bohui Environmental Technology Development Co., Ltd., "Taixing Bohui")	An associate held through a wholly-owned subsidiary of the Company

Notes:

(a)(i) On 14 December 2018, the Group and Wison (China) Investment entered into lease agreements and property management service agreements with a rental of RMB15,225,000 per annum and comprehensive management fees of RMB2,275,000 per annum for a term of two years commencing from 1 January 2019.

On 28 February 2019, the Group entered into an additional lease agreement with Wison (China) Investment, pursuant to which the Group leases additional premises to Wison (China) Investment for RMB6,071,000 per annum for a 24-month period commencing from 1 April 2019. The rent-free period was between 1 April 2019 to 31 May 2019. On the same date, the Group entered into the additional supplement property management service agreement with Wison (China) Investment for RMB601,000 per annum for a 24-month period commencing from 1 April 2019. Also, as agreed, Wison (China) Investment may rent the conference facilities of the Group's properties at a fee of RMB1,500 to RMB5,000 per day depending on the size of the conference rooms and an electricity fee of RMB1.20 per unit of consumption is payable by Wison (China) Investment to Wison Engineering.

On 21 June 2019, the Group entered into an additional lease agreement with Wison (China) Investment, pursuant to which the Group leases additional premises to Wison (China) Investment for RMB927,000 per annum for a 21-month period commencing from 1 July 2019. The rent-free period was between 1 July 2019 to 31 August 2019. On the same date, the Group entered into the additional property management services agreement with Wison (China) Investment for RMB91,800 per annum for a 21-month period commencing from 1 July 2019. Also, as agreed, Wison (China) Investment pay an electricity fee of RMB1.20 per unit of consumption to Wison Engineering.

On 10 January 2020, the Group entered into further supplemental agreements with Wison (China) Investment to amend certain terms of the previous lease agreement and comprehensive management service agreement both dated 14 December 2018, effective from 1 February 2020. The rental has been adjusted proportionally from RMB15,225,000 per annum to RMB11,479,000 per annum, and the comprehensive management fee has been adjusted proportionally from RMB2,275,000 per annum to RMB1,715,000 per annum with reference to the size of the decreased gross floor area of the subject premises.

The rental income, comprehensive management service income and electricity fees and charges for conference facilities inclusive of value-added tax for the six months ended 30 June 2020 from Wison (China) Investment amounted to RMB8,941,000 (six months ended 30 June 2019: RMB9,004,000), RMB1,204,000 (six months ended 30 June 2019: RMB1,288,000) and RMB84,000 (six months ended 30 June 2019: Nil), respectively.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

15. RELATED PARTY TRANSACTIONS (continued)

Notes: (continued)

(a)(ii) On 14 December 2018, Wison Engineering and Wison Offshore Marine Shanghai entered into a lease agreement, pursuant to which the Group leased out office space in its office building to Wison Offshore Marine Shanghai for RMB5,019,000 per annum for a one-year period commencing from 1 January 2019.

On 14 December 2018, the Group and Wison Offshore Marine Shanghai entered into a property management service agreement, pursuant to which the Group would provide property management services in relation to the premises leased to Wison Offshore Marine Shanghai for RMB750,000 per annum for a one-year period commencing from 1 January 2019.

On 25 January 2019, the Group entered into supplemental agreements with Wison Offshore Marine Shanghai to amend certain terms of the previous lease agreement and a property management service agreement both dated 14 December 2018 effective from 1 February 2019. The rental has been adjusted proportionally from RMB5,019,000 per annum to RMB4,015,000 per annum, and the property management service fee has been adjusted proportionally from RMB750,000 per annum to RMB600,000 per annum with reference to the size of the reduced gross floor area of the subject premises.

On 16 December 2019, the Group entered into a property lease agreement with Wison Offshore Marine Shanghai to renew the afore-mentioned lease agreement dated 25 January 2019 for a one-year period commencing from 1 January 2020 for RMB4,015,000. On the same date, the Group entered into a supplemental agreement with Wison Offshore Marine Shanghai in relation to the provision of property management service by Wison Engineering for an annual comprehensive park management fee of RMB600,000 for a one-year period commencing 1 January 2020. Pursuant to the supplemental agreement, Wison Offshore Marine Shanghai might rent the conference facilities at a fee of RMB1,500 to RMB5,000 per day depending on the size of the conference rooms and an electricity fee of RMB1.20 per unit of consumption is payable by Wison Offshore Marine Shanghai to Wison Engineering.

The rental income, comprehensive park management service income and electricity fees and charges for conference facilities inclusive of value-added tax for the six months ended 30 June 2020 from Wison Offshore Marine Shanghai amounted to RMB2,008,000 (six months ended 30 June 2019: RMB2,091,000), RMB300,000 (six months ended 30 June 2019: RMB313,000) and RMB12,000 (six months ended 30 June 2019: Nil), respectively.

(a)(iii) On 30 June 2020, Wison Engineering entered into the property leasing framework agreement with Wison Holding (for itself and on behalf of Wison Holding Entities (defined as collectively, Wison Holding, its subsidiaries and any companies in which Wison Holding or its subsidiaries can exercise or control the exercise of 30% or more of the voting power at general meetings and/or control the composition of a majority of the board of directors (in each case excluding the subsidiaries of Wison Holding), and "Wison Holding Entities" means any one of them)), pursuant to which Wison Engineering may, following the principal terms of the property leasing framework agreement, from time to time let properties and provide property management services for the premises of the Group to the Wison Holding Entities. The property leasing framework agreement covers and governs the leasehold relationship between the parties under all the existing agreements as well as any future lease arrangements entered into between Wison Engineering and the relevant Wison Holding Entities in relation to the leases of and the provision of property management services for premises located at the New Wison Complex during the term of the agreement. The property leasing framework agreement will expire on 31 December 2022.

During the six months ended 30 June 2020, aggregate income of the rentals, property management fees, utility charges and charges for conference facilities inclusive of value-added tax from Wison Holding Entities under the property leasing framework agreement was RMB12,549,000 (the total amount of (a)(i) and (a)(ii)).

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

(a)(v) During the six months ended 30 June 2020, Wison (China) Investment executed guarantees to certain banks for bank facilities to the Group of RMB612,000,000 (six months ended 30 June 2019: RMB612,000,000) at nil consideration. As at 30 June 2020, the loans were drawn down to the extent of RMB62,000,000 (31 December 2019: RMB252,000,000) (note 14).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

15. RELATED PARTY TRANSACTIONS (continued)

Notes: (continued)

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

(a)(vii) On 13 June 2017, Wison Engineering and Wison Nantong entered into the modules prefabrication and supply contract, pursuant to which the Group engaged Wison Nantong to design the structure, procure paint materials, prefabricate and assemble certain chemical equipment modules for a third-party project in the PRC at a total contract price of RMB102,860,000, which was later increased to RMB138,000,000. The relevant cost of services incurred by the Group during the six months ended 30 June 2020 was nil (six months ended 30 June 2019: RMB205,000).

(a)(viii) On 22 August 2017, Wison USA, LLC, an indirectly wholly-owned subsidiary of the Company, and Wison Nantong entered into the pipe rack module fabrication contract, pursuant to which Wison USA, LLC engaged Wison Nantong to supply pipe rack modules and spare parts for its construction project in the United States of America at a total contract price of US$7,376,000, which was later increased to US$9,078,000.The relevant cost of services incurred by the Group during the six months ended 30 June 2020 was nil (six months ended 30 June 2019: RMB11,838,000).

(a)(ix) On 11 May 2018, Wison USA, LLC, Wison Offshore Marine and Wison Nantong entered into the pipe and structural steel fabrication work contract, pursuant to which Wison USA, LLC engaged Wison Offshore Marine and Wison Nantong to perform the pipe and structural steel fabrication work for a field erection of low density polyethylene outside battery limits equipment and piping installation project in the United States of America, at a total contract price of US$1,850,000. The relevant cost of services incurred by the Group during the six months ended 30 June 2020 was nil (six months ended 30 June 2019: RMB636,000).

(a)(x) On 11 May 2018, Wison USA, LLC and Wison Offshore Marine entered into the Module, Stick-built Steel Structure and Piping Spool Fabrication Contract, pursuant to which Wison USA, LLC engaged Wison Offshore Marine to perform the module, stick-built steel structure and piping spool fabrication work for an ethylene glycol plant in Texas, the United States of America, at a total contract price of US$26,000,000, which was subsequently increased to US$30,237,000 with additional variation order. The relevant cost of services incurred by the Group during the six months ended 30 June 2020 was nil (six months ended 30 June 2019: RMB200,280,000).

(a)(xi) On 7 June 2018, Wison Investment (HK) entered into the service agreement with Wison USA, LLC, pursuant to which Wison USA, LLC should provide consulting, marketing and new business development services in oil and gas and petrochemical fields to Wison Investment (HK) in relation to its current and proposed operations which had a term of one year from 7 June 2018 and shall automatically be renewed for one year unless the parties terminate the agreement. The fees payable to Wison USA, LLC was determined based on the amount of time incurred in providing the services and was charged at an hourly rate of US$218.75, plus out-of-pocket expenses. The annual cap for fees payable to Wison USA, LLC under the service agreement was US$617,000. The relevant revenue recognised by the Group during the six months ended 30 June 2020 was US$36,000 (equivalent to RMB252,000) (six months ended 30 June 2019: RMB2,284,000).

(a)(xii) On 26 June 2018, Wison (China) Investment entered into a technical consulting service framework agreement with Wison Engineering, pursuant to which Wison Engineering should provide technical consulting services to Wison (China) Investment for its projects which is effective from 1 January 2018 and has a term of three years. The annual cap for consulting fees payable to Wison Engineering under the technical consulting services framework agreement is RMB30,000,000. The relevant revenue recognised by the Group during the six months ended 30 June 2020 was nil (six months ended 30 June 2019: RMB472,000).

(a)(xiii) On 28 May 2019, Wison Offshore Marine Shanghai entered into the technical services framework agreement with Wison Engineering, pursuant to which Wison Engineering should provide miscellaneous engineering design and technical services to Wison Offshore Marine Shanghai in relation to production equipment, utility system and ancillary production system for a term of three years from 28 May 2019. The relevant revenue recognised by the Group during the six months ended 30 June 2020 was RMB79,000 (six months ended 30 June 2019: Nil).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

15. RELATED PARTY TRANSACTIONS (continued)

Notes: (continued)

(a)(xiv) On 26 September 2017, Wison Engineering entered into a general engineering procurement construction contract with Taixing Tianma, pursuant to which Taixing Tianma engaged Wison Engineering to undertake the construction of its copolymerisation hydrogenated oleoresin project, which had a tentative term from 20 September 2017 to 28 February 2018 for a total consideration of RMB125,420,000, which was later increased to RMB136,792,000. The relevant revenue recognised by the Group during the six months ended 30 June 2020 and 2019 was both nil. The trade receivable relating to Taixing Tianma is set out in note 11.

(a)(xv) On 25 December 2018, Wison USA, LLC, Wison Offshore Marine and Wison Nantong entered into the module, stick-built steel structure and piping spool fabrication contract, pursuant to which Wison USA, LLC engaged Wison Offshore Marine and Wison Nantong to perform the module, stick-built steel structure and piping spool fabrication work at a provisional lump sum price of US$5,550,000, where US$1,000,000 was reimbursable according to actual material price and US$4,500,000 was based on unit rate. The relevant cost of services incurred by the Group during the six months ended 30 June 2020 was nil (six months ended 30 June 2019: RMB7,315,000).

(a)(xvi) On 25 December 2019, Wison USA, LLC and Wison Offshore Marine entered into the module, stick-built steel structure and piping spool fabrication contract, pursuant to which Wison USA, LLC engaged Wison Offshore Marine to perform the module, stick-built steel structure and piping spool fabrication work at a provisional lump sum price of US$15,905,000. On 4 April 2020, Wison USA, LLC sent a notice to Wison Offshore Marine for the termination of the contract and the relevant cost of services incurred by the Group during the six months ended 30 June 2020 was approximately US$51,000 (equivalent to RMB361,000) (six months ended 30 June 2019: Nil).

(a)(xvii) On 24 January 2019, Wison Engineering and Zhoushan Wison entered into the modules prefabrication and supply contract, pursuant to which the Group engaged Zhoushan Wison to design the structure, procure materials, assemble certain equipment modules for a third-party project in the PRC at a total contract price of RMB340,000,000, which was later increased to RMB376,004,000. The relevant cost of services incurred by the Group during the six months ended 30 June 2020 was RMB17,830,000 (six months ended 30 June 2019: RMB187,510,000).

(a)(xviii) On 12 March 2019, Wison Engineering entered into a general engineering procurement construction contract with Wison Taizhou, pursuant to which Wison Taizhou engaged Wison Engineering to provide engineering design, equipment and material procurement and construction services for the project at a total contract price of RMB440,250,000, which was later increased to RMB537,480,000. The relevant revenue recognised by the Group during the six months ended 30 June 2020 was RMB191,972,000 (six months ended 30 June 2019: RMB3,023,000). The amount due from Wison Taizhou included in the contract assets is RMB103,437,000.

(a)(xix) In August 2019, Jiangsu Wison entered into a general construction contract with Taixing Bohui, pursuant to which Taixing Bohui engaged Jiangsu Wison to provide construction services for the project at a total contract price of RMB264,795,000. The relevant revenue recognised by the Group during the six months ended 30 June 2020 was RMB1,625,000 (six months ended 30 June 2019: Nil). The amount due from Taixing Bohui included in the contract assets is RMB4,426,000. The trade receivable relating to Taixing Bohui is set out in note 11.

(a)(xx) In December 2019, Jiangsu Wison entered into the technical consulting services agreement with Taixing Bohui, pursuant to which Taixing Bohui engaged Jiangsu Wison to provide technical consulting services for the project at a total contract price of RMB276,000. The relevant revenue recognised by the Group during the six months ended 30 June 2020 was RMB260,000 (six months ended 30 June 2019: Nil).

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

The service fee revenue recognised by the Group during the six months ended 30 June 2020 from Wison Group was RMB3,638,000 (six months ended 30 June 2019: Nil). The cost of service fee incurred by the Group from Wison Group during the six months ended 30 June 2020 was RMB1,939,000 (six months ended 30 June 2019: Nil).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

15. RELATED PARTY TRANSACTIONS (continued)

Notes: (continued)

(a)(xxii) On 30 June 2020, Wison Engineering and Wison Taizhou entered into the technical collaboration agreement, pursuant to which the parties agreed to jointly develop certain technologies and scale up engineering in relation to efficient synthesis of carbon dioxide to chemicals. The total amount payable by Wison Engineering to Wison Taizhou for the collaboration under the technical collaboration agreement depends on the actual costs to be incurred in the project and is expected to be no more than RMB12,000,000, which covers the costs of manpower and resources and the amount of capital to be incurred in the project. The project under the technical collaboration agreement became effective from 30 June 2020 and is expected to finish no later than 29 June 2023.

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

(b) Balances with related parties:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Due from fellow subsidiaries:		
Wison Taizhou	**77**	–
Wison Offshore Marine Shanghai	**1,101**	6,088
Wison Offshore Marine	**12,118**	–
Wison (China) Investment	**4,904**	8,577
	18,200	14,665
Due to fellow subsidiaries:		
Wison Offshore Marine	**13,235**	–
Zhoushan Wison	**34,090**	15,110
Wison Nantong	**–**	49,275
Wison Taizhou	**–**	14,891
	47,325	79,276
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 fellow subsidiaries and an associate are unsecured, interest-free and repayable on demand. The carrying amounts of the balances with the related parties approximate to their fair values.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

16. SHARE CAPITAL

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Number of ordinary shares		
Authorised:		
Ordinary shares of HK$0.1 each	**20,000,000,000**	20,000,000,000
Issued:		
Ordinary shares of HK$0.1 each	**4,073,767,800**	4,073,767,800

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 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	**330,578**	330,578

A summary of 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 2020 and 30 June 2020	4,073,767,800	330,578	869,201	1,199,779

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)	**30 June 2020 RMB'000 (Unaudited)**	31 December 2019 RMB'000 (Audited)
Financial assets				
Equity investments designated at fair value through other comprehensive income	**257,075**	311,391	**257,075**	311,391
Financial assets at fair value through profit or loss	**140,516**	112,734	**140,516**	112,734
	397,591	424,125	**397,591**	424,125
Financial liabilities				
Interest-bearing bank and other borrowings	**841,500**	500,000	**848,191**	505,000

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

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

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

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2020 and 31 December 2019:

	Valuation technique	Significant unobservable input	Range/ratio	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Average P/B multiple of peers	30 June 2020: 0.4224 to 2.7672 (31 December 2019: 0.5323 to 3.6688)	10% (31 December 2019: 10%) increase/decrease in multiple would result in increase/ decrease in fair value by RMB1,899,000 (31 December 2019: RMB2,393,000)
		Discount for lack of marketability	30 June 2020: 25% (31 December 2019: 25%)	10% (31 December 2019: 10%) increase/decrease in discount would result in decrease/ increase in fair value by RMB633,000 (31 December 2019: RMB798,000)

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

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

Assets measured at fair value:

As at 30 June 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Equity investments designated at fair value through other comprehensive income	**156,017**	**–**	**101,058**	**257,075**
Financial assets at fair value through profit or loss	**92,412**	**48,104**	**–**	**140,516**
	248,429	**48,104**	**101,058**	**397,591**

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	Total RMB'000 (Audited)
Equity investments designated at fair value through other comprehensive income	204,513	–	106,878	311,391
Financial assets at fair value through profit or loss	112,734	–	–	112,734
	317,247	–	106,878	424,125

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Assets measured at fair value: (continued)

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

	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Equity investments at fair value through other comprehensive income		
At 1 January	106,878	–
Total losses recognised in other comprehensive income	(5,820)	–
At 30 June	101,058	–

Liabilities measured at fair value:

As at 30 June 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Interest-bearing bank and other borrowings	–	848,191	–	848,191

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	Total RMB'000 (Audited)
Interest-bearing bank and other borrowings	–	505,000	–	505,000

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2019: Nil).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

18. CONTINGENT LIABILITIES

(1) During 2018, a sub-contractor of Wison Engineering filed a claim to the Sichuan Province's Higher People's Court in Mainland China against Wison Engineering for additional payment of construction costs and the interest arising from the overdue payment of construction costs of approximately RMB211,316,000.

(2) During 2018, another sub-contractor of Wison Engineering filed a claim to the Sichuan Province's Higher People's Court in Mainland China against Wison Engineering for additional payment of construction costs and the interest arising from the overdue payment of construction costs of approximately RMB132,322,000.

(3) During 2019, a sub-contractor of Wison Engineering was accused by its own sub-contractor to Chengdu Intermediate People's Court and Wison Engineering has also been named as a defendant to undertake joint liability for the payment of construction costs of approximately RMB45,360,000.

(4) During 2019, a sub-contractor filed a claim to the Pudong New District People's Court against Wison Engineering for the payment of consulting fee and the interest arising from the overdue payment of consulting costs of approximately RMB16,544,000.

(5) During 2019, Wison Engineering was involved in four bill cases with a total amount of RMB20,000,000. Wison Engineering has been accused by the subsequent endorsers of the bill to assume bill liabilities with the total amount of RMB20,000,000.

(6) During 2020, a sub-contractor of Wison Engineering applied for arbitration in Shanghai Arbitration Committee for additional payment of construction costs, guarantee deposits, loss expenses and the interest arising from the overdue payment of above expenses mentioned of approximately RMB48,966,000.

As of the date of approval of the financial statements, for case (1) and case (2) Wison Engineering and the subcontractors have completed judicial cost audit by an independent third party arranged by the court and trials are yet to be scheduled. For case (3) Wison Engineering and the subcontractors have completed the first pre-trial evidence exchange in court and cross-examination, and trials are yet to be scheduled. For case (4) Wison Engineering and the subcontractor have completed court trial and are waiting for verdict. For case (5), one of the bills amounting to RMB5,000,000 has been sentenced by the court and the other three cases amounting to RMB15,000,000 are yet to be scheduled. The trial of case (6) is yet to be scheduled.

The directors of the Company are of the opinion that, case (1), case (2), case (3) and case (6) are without merits and the possibility for the Group to be subject to additional payment claims is remote on the basis of the available evidence and having legal advice taken. Thus, it is not required for the Group to make provision for these four cases.

The directors of the Company have made provision for case (4) and case (5) due to the possibility of the Group to take settlement responsibility on the basis of the available evidence and legal advice taken.

19. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 25 August 2020.