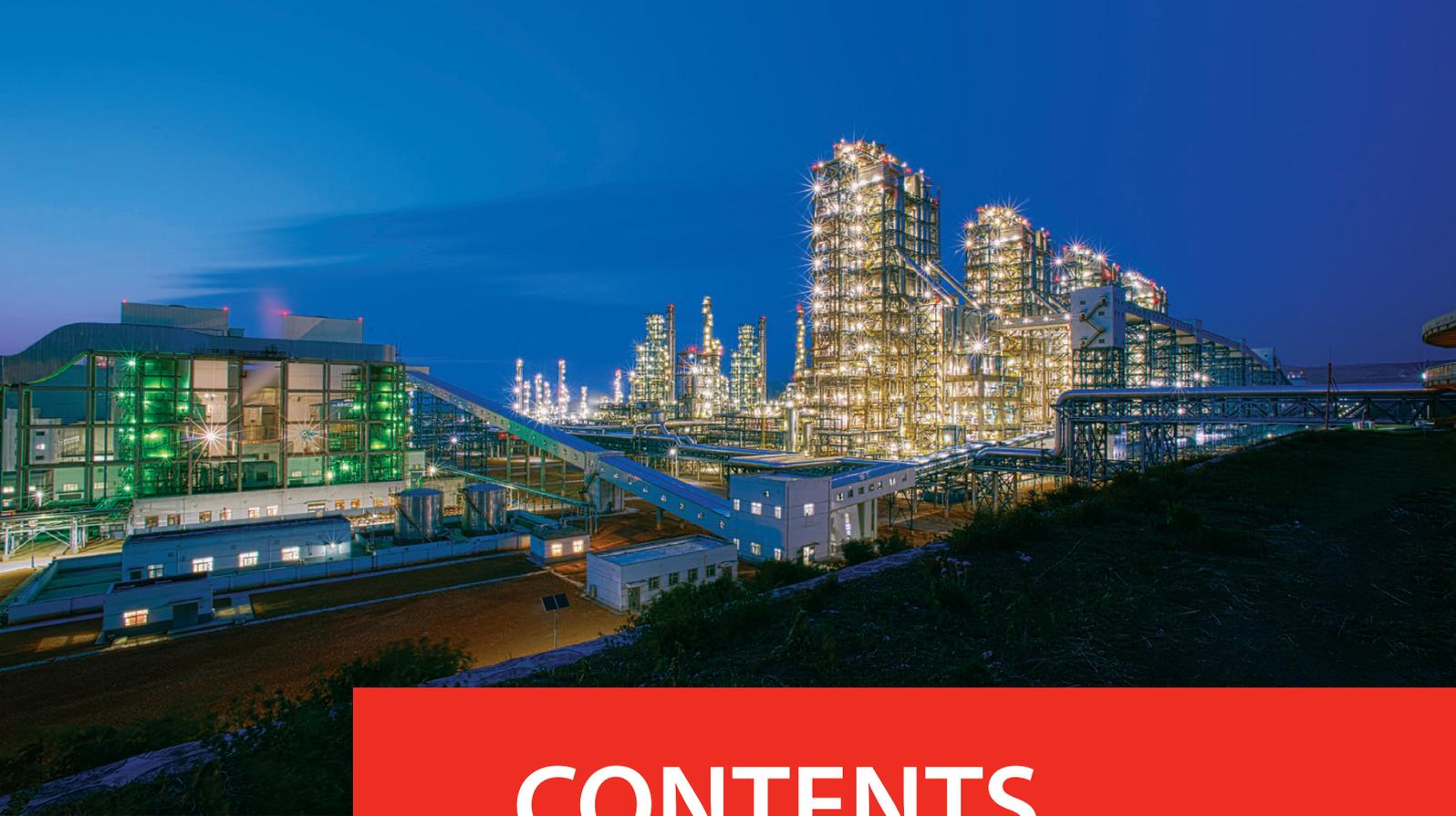


# Interim Report 2017



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

**WISON**  
*Passion Powering Progress*



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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Liu Haijun (*Chief Executive Officer*)

Mr. Zhou Hongliang

Mr. Li Zhiyong

Mr. Dong Hua

### Non-executive Director

Mr. Cui Ying

### Independent Non-executive Directors

Mr. Lawrence Lee

Mr. Feng Guohua

Mr. Tang Shisheng

## AUDIT COMMITTEE

Mr. Lawrence Lee (*Chairman*)

Mr. Feng Guohua

Mr. Tang Shisheng

## NOMINATION COMMITTEE

Mr. Tang Shisheng (*Chairman*)

Mr. Feng Guohua

Mr. Lawrence Lee

## REMUNERATION COMMITTEE

Mr. Feng Guohua (*Chairman*)

Mr. Lawrence Lee

Mr. Tang Shisheng

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

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

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Ltd.  
P.O. Box 1350  
Clifton House  
75 Fort Street  
Grand Cayman KY1-1108  
Cayman Islands

### **HONG KONG SHARE REGISTRAR**

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

### **COMPANY SECRETARY**

Ms. Luk Wai Mei

### **AUTHORISED REPRESENTATIVES**

Mr. Li Zhiyong  
Ms. Luk Wai Mei

### **AUDITORS**

Ernst & Young

### **PRINCIPAL BANKS**

Bank of China Limited  
Bank of Communications Co., Ltd.  
China CITIC Bank Corporation Limited  
China Minsheng Banking Corp., Ltd.  
Industrial and Commercial Bank of China Limited

### **REGISTERED OFFICE**

P.O. Box 1350  
Clifton House  
75 Fort Street  
Grand Cayman KY1-1108  
Cayman Islands

### **PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

Room 5408  
54th Floor  
Central Plaza  
18 Harbour Road  
Wanchai  
Hong Kong

### **COMPANY’S WEBSITE**

[www.wison-engineering.com](http://www.wison-engineering.com)

### **STOCK CODE**

2236

# Business Overview



## BUSINESS OVERVIEW

### Overall Review

In the first half of 2017, crude oil prices stayed low, while prices for main chemical products remained at a higher level. Profitability of the chemical industry continued to rise and was in the prosperous cycle, which marked a turnaround from the prolonged sluggish condition of the fixed assets investment of the chemical industry.

When the industry started to experience a turnaround, the Group grasped market opportunities and was devoted to expand its business, achieving a corresponding increase in new orders. Meanwhile, the Group further implemented its strategy of internationalization, realizing milestone progress in the overseas business expansion in the middle-east, the Commonwealth of Independent States (CIS) and the Americas. Currently, there are many orders in the negotiation and quoting stage in the international market, laying a solid foundation for the future business growth of the Group.

Moreover, to seize market opportunities and further expand our market share, the Group recruited more than 150 new staffs in the first half of the year to strengthen our ability in business expansion and execution. Leveraging on its technological advantage and outstanding execution ability accumulated for years, the Group aims to return to the growth path in the near future, realizing the blueprint of the Group's start of a new undertaking and becoming a top class engineering company in the world.

### Financial Highlights

For the six months ended 30 June 2017 (the "Period under Review"), revenue of the Group amounted to approximately RMB1,380.2 million (six months ended 30 June 2016: approximately RMB892.2 million), representing a year-on-year increase of 54.7%. The increase in revenue as compared with the previous period was mainly because a number of domestic and overseas projects of the Group reached its construction peak, leading to a significant year-on-year increase in revenue. Gross profit amounted to approximately RMB249.9 million (six months ended 30 June 2016: approximately RMB236.9 million). Gross profit margin was 18.1% (six months ended 30 June 2016: approximately 26.5%). Gross profit margin recorded a year-on-year decrease because a higher portion of revenue was derived from projects with lower gross profit margin in the first half of 2017, therefore the overall gross profit margin decreased by 8.4 percent point compared with the corresponding period of last year.



Profit attributable to owners of the parent amounted to approximately RMB40.5 million (six months ended 30 June 2016: approximately RMB20.5 million), a year-on-year increase of 98.1%. The increase in profit attributable to owners of the parent was mainly attributable to the decrease of the Group's overall expense as compared with the corresponding period last year; the increase of revenue further eased the effect of fixed expense on net profit, contributing to the net profit by way of economies of scale.

During the Period under Review, the new contract value (net of estimated value added tax, same hereinafter), secured by the Group amounted to approximately RMB1,371.1 million (six months ended 30 June 2016: RMB654.6 million), of which petrochemicals business and coal-to-chemicals business accounted for 39.8% and 60.0%, respectively. 14 engineering, consulting and technical services and engineering, procurement and construction ("EPC") contracts were newly signed in aggregate. During the Period under Review, backlog value (net of estimated value added tax, same hereinafter) was approximately RMB10,746.7 million (2016 corresponding period: approximately RMB11,513.1 million).

## **BUSINESS AND OPERATIONS REVIEW**

### **Further implemented internationalization strategy, overseas business expanding in full swing**

Internationalization is in the top priority of the Group's strategic development target. In the Period under Review, the Group continued to increase its devotion into the overseas market, and has explored deep into many countries and regions. It also devoted to opening up new regional markets and achieved breakthrough in obtaining new customers. The Group is confident that the overseas strategy will bring about a continuous increase in the number of orders and fruitful returns in the near future.

Middle East: The Group entered into the Middle East market since 2008. Leveraging on its excellent project execution ability, the Group has gained 8 projects in the region. There were 5 on-going projects in 2017, including 1 expansion and revamping works for an ethylene-to-ethylene oxide and ethylene glycol ("EOEG") plant and its utility facilities, 3 de-bottlenecking projects and 1 boiler project. Moreover, the Group is in the process of tendering for certain large-scale projects to lay the foundation for taking up large-scale projects in the region in the future.

## Business Overview

South America: The commencement of business in the South America region is a successful example of the implementation of internationalization strategy by the Group. In 2013, the Group acquired the RPLC site preparation project from PDVAS, the Venezuela National Oil Company. Most of the main construction work of the project has been completed and brought satisfactory return to the Group. The Group's sound project execution ability has allowed the Group to gain appreciation and reputation from the local market, which is beneficial for the Group to further expand market share in the South American regions. The Group is currently negotiating various projects in the South American regions in the hope of building a solid base for the future profit growth.

In order to control liquidity risk and currency depreciation risk effectively, the Group's business in the South American regions is denominated in US dollar, and project financing is mainly obtained by way of purchaser credit, i.e. finance guarantees are provided by commercial banks to the owner of the project.

Other regions: Besides the above regions in which we have established business, the Group will keep on expanding to new markets and new areas. The Group actively participated in the tendering of EPC projects in different fields such as oil refining, petrochemicals and industrial furnaces in CIS, North America, Africa, South-East Asia etc.

### Exploring domestic market

While devoting in the development of overseas market, the Group also keeps strengthening its business expansion in domestic market. In the first half of 2017, new orders are mainly from the domestic market. Important projects include 3 new contracts from Lu'an Group (潞安集團) and ethylene project of Zhejiang Shihua (浙江石化).

Lu'an Group (潞安集團): In the first half of 2017, the Group obtained 3 new EPC contracts in addition to the original Shanxi Lu'an high sulfur coal clean use of oil and electricity integration project. The 3 EPC contracts are 600,000 tonnes/year reduce oil isomer dewaxing project, environmental protection ancillary facilities project and olefin separation project.

Zhejiang Shihua (浙江石化): The Group successfully obtained the order of ethylene unit cracking furnace for Zhejiang Shihua for 40 million tonnes per annum Refining Chemical Integration Project (Phase I). The integrated modularized delivery of 9 ethylene unit cracking furnaces will be completed by early 2018. The production capacity of a unit of 1.4 million tonnes per annum ethylene unit cracking furnace for Zhejiang Shihua Project (Phase one) amount to 0.2 million tonnes per annum, is the largest cracking furnace equipment to date. In view of the work progress and site restrictions, an integrated delivery with industrialized prefabrication and assembly will be adopted, posing great challenges to areas such as the coordination of contractors' resources, the modular building and the overall transportation. It is the largest integrated delivery project of cracking furnace unit in the world to date.

Besides, the projects followed-up by the Group include the Butadiene Project for Nanjing Chengzhi Yongqing Energy Technology Co., Ltd (南京誠志永清能源科技有限公司). In the first half of this year, the Group entered into 4 technology service contracts with Nanjing Chengzhi. The good co-operative relationship established between the Group and Nanjing Chengzhi is conducive to further cooperation.

## Business Overview

### Technology research and development

The Group's technology development will continue to focus on clean energy and green chemical engineering, with an aim to achieving positive results in different fields, such as technology innovation, industrialization of new technology and system optimization.

- Olefin separation technology: Our superior technology MTO olefin separation technology continued to enlarge its market share. During the Period under Review, the Group obtained a new contract in relation to the olefin separation technology permission, technique package and technology services for 0.6 million tonnes per annum MTO equipment from Nanjing Chengzhi Yongqing Energy Technology Co., Ltd.
- Butadiene technology: The advancement, reliability and economic benefits of the butene oxidization and dehydrogenation to butadiene technology are recognized by our customers continuously. During the Period under Review, the Group obtained a contract in relation to the butene oxidization and dehydrogenation to butadiene technology permission, technique package and technology services for 0.1 million tonnes per annum from Nanjing Chengzhi Yongqing Energy Technology Co., Ltd.
- Technology of producing ethanol from syngas: The development of pilot plant for ethanol technology in cooperation with Tianjin University and Yangmei Group has been advancing steadily. The construction of pilot plant will be completed and put into operation in the fourth quarter. This technology can substantially reduce the production cost of ethanol, providing another production method of ethanol products which is more economical.

- Epoxide technology: The development of pilot construction for epoxide technology in cooperation with our business partners has been advancing steadily. The pilot construction will be completed and put into operation in the third quarter. It is expected that this technology can replace the traditional method in the country, which causes high energy consumption and pollution.

In addition, during the Period under Review, the Group has applied 5 invention patents, and obtained 2 invention patent rights and 9 software copyright patents.

### Project execution progressing smoothly, recognition by customers for quality and safety

During the first half of 2017, the Group basically completed 4 large-scale projects which were ready for delivery, including the high sulfur coal to liquid, chemical, heat and power integration project in Lu'an, Shanxi, the gasoline hydrogenation and benzene de-bottlenecking project of Petrokemya in Saudi Arabia, and air separation and adding nitrogen renovation project of GAS. The major construction work of the site preparation project for RPLC in Venezuela was substantially completed. No major health, safety and environment or quality incidents occurred and project progress remained under control in general during the first half of the year. Progress for some of the significant projects undertaken by the Group is as follows:

Project in Lu'an: the Group secured the EPC contract in respect of the gasification plant, purification plant and general technology and external heat pipes of the high sulfur coal to liquid, chemical, heat and power integration project in Lu'an, Shanxi in 2013. Such project has been ready for partial delivery in the third quarter of 2016, and will commence operation in the second half of 2017. Over the past three years of construction, project department under Wison Engineering has received a number of awards, including "Best HSE Management Award in 2013 (2013年HSE管理最優獎)", "Outstanding Contribution Award in 2013 (2013年突出貢獻獎)", and "Safety Model Units (安全模範參建單位)" and "Outstanding Safety Award (安全傑出貢獻獎)" in 2014 and 2016.

## Business Overview

Project in Saudi Arabia: Saudi Arabia branch has become qualified EPC contractor of certain leading petroleum and chemical companies in Saudi Arabia, such as SABIC and Saudi Aramco. During the first half of the year, Saudi Arabia was highly complimentary about the local social responsibility work performed by the Group. The Group has made notable contribution in areas such as the hiring of local staff and the protection of the natural environment.

### Adjustment to organization structure, fulfilling the requirements for a new undertaking

The Group plans to employ approximately 300 new staffs in 2017 to cope with the increase in orders and development of its international business. The Group has employed approximately 150 new staffs in the first half of the year and will recruit approximately 150 new staffs in the second half of the year. Most of the newly recruited staffs are in frontlines for the purpose of starting a new undertaking and developing its international and domestic businesses.

Meanwhile, under the principles of simplification and efficiency, the Group strictly controlled its operating costs, improved its efficiency, adhered to market-oriented and customer-centered approach, cultivated an innovative corporate culture, enhanced its management level and accelerated the progress towards internationalization.

## OUTLOOK

Under the macro environment of chemical industrial recovery, the Group will make relentless efforts to improve its operations and set the start of a new undertaking as its long-term strategic objective. The Group is committed to achieve stable growth in sales and become a world-class engineering contractor in terms of overall capability and performance in the near future.

By reinforcing its strategies of “market-orientation, internationalization and leadership through differentiation”, the Group will adjust its implementation policies and key initiatives and exert greater efforts in their implementation in the face of new opportunities and challenges:

Market-orientation: Enhance responsiveness to markets and service awareness to customers, constantly strengthen the market-oriented operational mechanism. Major measures are as follows:

- Enhance front-stage, mid-stage and back-stage resource integration capabilities and the ability to swiftly respond to markets and customers through process optimization and internal management, so as to continuously meet and exceed customers’ demands and be capable of providing the best solutions for its customers;
- Closely follow the policies of national oil & gas industry reform, seize new opportunities and challenges arising from the deepening reforms, and keep abreast of the market trends to secure more orders for the Group;
- Bring out the Group’s internal philosophy of “A New Voyage, A New Venture”, make concerted efforts to pursue innovation and bring in vigor and new business models for the Group. Through management of and innovations in the fields of businesses, services and business models, create a comprehensive innovative culture and environment, bring internal innovative vigor and potentials into full play and eventually build up the ability to provide innovative solutions to customers.

## Business Overview

Internationalization: Internationalization strategy is the core part of the Group's development. The Group stands firm on developing international markets, strengthens international cooperation and strives to become a world-class engineering company. Major measures are as follows:

- Divert the Group's major resources to overseas business and enhance capabilities of project undertaking, management and execution in international markets;
- Expand our international professional workforce for project tenders, management and execution through the combination of internal training and recruitment;
- Comprehensively establish international cooperation and maintain long-term cooperation relationship with domestic and foreign industry peers, create business partnership networks covering R&D, design, procurement and construction, strengthen capabilities in global resource integration and execution control for material procurement and construction subcontracting activities.

Leadership through differentiation: The Group sharpens its differentiated competitive edge through staying true to innovation as its differentiation strategy.

- Continue to strengthen the competitive edges in technologies and workforce in four core product lines, namely ethylene, MTO, natural gas reforming and coal gasification;
- Strengthen modular design, project execution and general project delivery capabilities in areas including cracking furnaces and other industrial furnaces, petrochemicals and oil refining. With the competitive advantages of lower cost, better operation flexibility and lower requirements for construction sites of modular EPC, gradually solicit more high-end customers in international markets. The Zhejiang Shihua's project secured by the Group in the first half of the year was the order obtained using the advanced proprietary technology of modular EPC of the Company;
- In the areas where the Group has leading advantages, such as LNG, high-carbon olefins, polymer, ethanol, ethylene glycol, epoxide and base oil, the Group will gradually establish technological reserves and widely integrate internal and external resources, expedite engineering demonstration and commercialization of technologies with market potentials under the collaborative win-win principle, gain market and customer recognition, and enlarge market share.



# Management Discussion and Analysis

## FINANCIAL REVIEW

### Overall Review

#### Revenue and Gross Profit

In the six months ended 30 June 2017, the comprehensive revenue of the Group amounted to RMB1,380.2 million, representing an increase of RMB488.0 million, or 54.7%, from RMB892.2 million in the six months ended 30 June 2016.

Gross profit of the Group increased by RMB13.0 million, or 5.5%, from RMB236.9 million in the six months ended 30 June 2016 to RMB249.9 million in the six months ended 30 June 2017. The gross profit margins of the Group in the six months ended 30 June 2016 and 2017 were 26.5% and 18.1%, respectively.

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

	Segment revenue		Segment gross profit		Segment gross profit margin	
	six months ended 30 June		six months ended 30 June		six months ended 30 June	
	2017	2016	2017	2016	2017	2016
	(RMB million)		(RMB million)		(% )	
	(unaudited)		(unaudited)			
EPC	1,348.4	867.2	245.0	236.5	18.2%	27.3%
Engineering, consulting and technical services	31.8	25.0	4.9	0.4	15.4%	1.6%
	1,380.2	892.2	249.9	236.9	18.1%	26.5%

## Management Discussion and Analysis

Revenue of EPC increased by RMB481.2 million, or 55.5%, from RMB867.2 million in the six months ended 30 June 2016 to RMB1,348.4 million in the six months ended 30 June 2017. The increase was mainly because the Group's EPC projects newly acquired in 2016 have entered into the principal construction phase, leading to an increase in revenue to be recognized. Gross profit margin of EPC decreased from 27.3% in the six months ended 30 June 2016 to 18.2% in the six months ended 30 June 2017. The decrease was mainly because of the increase in proportion of revenue from the Group's petrochemical projects, which overall gross profit margins are relatively lower during the Period under Review.

Revenue of Engineering, Consulting and Technical Services increased by RMB6.8 million, or 27.2%, from RMB25.0 million in the six months ended 30 June 2016 to RMB31.8 million in the six months ended 30 June 2017. Gross profit margin of Engineering, Consulting and Technical Services increased from 1.6% in the six months ended 30 June 2016 to 15.4% in the six months ended 30 June 2017. The increase of revenue and gross profit margin of Engineering, Consulting and Technical Services was mainly because of the higher contract price of the projects working in progress, as well as the Group's strengthened cost control of engineering projects.

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

	Six months ended 30 June		Change	Change %
	2017 (RMB million) (unaudited)	2016 (RMB million) (unaudited)		
Petrochemicals	658.5	77.9	580.6	745.3%
Oil refineries	277.3	346.7	-69.4	-20.0%
Coal-to-chemicals	441.8	462.8	-21.0	-4.5%
Other products and services	2.6	4.8	-2.2	-45.8%
	<b>1,380.2</b>	892.2	488.0	54.7%

In petrochemicals, revenue increased by RMB580.6 million, or 745.3%, from RMB77.9 million in the six months ended 30 June 2016 to RMB658.5 million in the six months ended 30 June 2017. The increase was mainly because the Group's projects in Abu Dhabi and Saudi Arabia entered into the principal construction phase and proceeded smoothly.

In oil refineries, revenue decreased by RMB69.4 million, or 20.0%, from RMB346.7 million in the six months ended 30 June 2016 to RMB277.3 million in the six months ended 30 June 2017. The decrease was mainly because the Group's major oil refinery projects have entered the late construction phase, and recognised revenue decreased accordingly.

In coal-to-chemicals, revenue decreased by RMB21.0 million, or 4.5%, from RMB462.8 million in the six months ended 30 June 2016 to RMB441.8 million in the six months ended 30 June 2017. During the Period under Review, the Group's 300kta methanol-to-olefins ("MTO") plant project of Connel Group (康乃爾集團) in Jilin has been making good progress. Meanwhile, the Group entered into new isodewaxing and environmental auxiliary plant contracts in relation to the large scale coal-to-chemicals project in Shanxi. It is expected that the construction of such projects will commence in the second half of 2017.

In other products and services, revenue decreased by RMB2.2 million, or 45.8%, from RMB4.8 million in the six months ended 30 June 2016 to RMB2.6 million in the six months ended 30 June 2017.

## Management Discussion and Analysis

### Other Income

Other income decreased by RMB92.0 million, or 45.2%, from RMB203.7 million in the six months ended 30 June 2016 to RMB111.7 million in the six months ended 30 June 2017. Interest income decreased by RMB75.3 million, rental income increased by RMB5.5 million and foreign exchange gains decreased by RMB24.3 million. The significant decrease in interest income was attributed to the decrease in principal portion of the financing arrangement for certain projects, and interest income recognised according to the relevant accounting standards decreased accordingly. The decrease in foreign exchange gains was due to the decrease in exchange rate of US dollar to RMB yuan in 2017.

### Sales and Marketing Expenses

Sales and marketing expenses decreased by RMB4.8 million, or 14.0%, from RMB34.3 million in the six months ended 30 June 2016 to RMB29.5 million in the six months ended 30 June 2017. The decrease was mainly due to the focus of the Group's resources on certain potential projects with a higher success rate during the Period under Review.

### Administrative Expenses

Administrative expenses increased by RMB13.2 million, or 10.2%, from RMB129.1 million in the six months ended 30 June 2016 to RMB142.3 million in the six months ended 30 June 2017. The increase was mainly due to the exchange loss as a result of the decrease in exchange rate of US dollar to RMB yuan during the Period under Review.

### Other Expenses

Other expenses decreased by RMB32.8 million, or 46.6%, from RMB70.4 million in the six months ended 30 June 2016 to RMB37.6 million in the six months ended 30 June 2017.

### Finance Costs

Finance costs decreased by RMB70.9 million, or 44.3%, from RMB160.2 million in the six months ended 30 June 2016 to RMB89.3 million in the six months ended 30 June 2017. Interest on bank loans increased by RMB0.4 million and interest on discounted bills decreased by RMB71.4 million. The decrease in interest on discounted bills was primarily due to the decrease in the principal portion of the financing arrangements for certain projects, and interest on discounted bills decreased accordingly.

### Income Tax Expenses

Income tax expenses decreased by RMB8.4 million, or 40.0%, from RMB21.0 million in the six months ended 30 June 2016 to RMB12.6 million in the six months ended 30 June 2017. The decrease was mainly due to the decrease in overseas income tax expenses in the six months ended 30 June 2017.

### Net Profit

Net profit increased by RMB24.1 million, or 92.7%, from RMB26.0 million in the six months ended 30 June 2016 to RMB50.1 million in the six months ended 30 June 2017. The increase in net profit was primarily due to the overall increase in revenue and decrease in costs and expenses during the Period under Review.

### Trade and Bills Receivables

The Group's trading terms with its customers are mainly on credit where payment in advance is normally required. Trade receivables are non-interest-bearing and on credit terms of a period of 90 days or the respective contracts' retention period. As at 30 June 2017 and 31 December 2016, the Group had trade and bills receivables of RMB478,746,000 and RMB381,813,000, respectively. For details please refer to note 12 to the financial statements.

The Company has been actively communicating with the relevant project owners with a view to formulating plans for their prompt settlement of the overdue receivables. The Group has maintained a favourable long-term business relationship with these project owners and the negotiations between the Company and the project owners are satisfactory.

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

## Management Discussion and Analysis

### Financial Resources, Liquidity and Capital Structure

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

As at 30 June 2017, the Group's pledged and unpledged cash and bank balances included the following amounts:

	30 June 2017 (Million)	31 December 2016
Hong Kong Dollar	7.4	5.4
US Dollar	209.7	232.7
Renminbi	125.5	108.2
Saudi Riyal	0.4	15.3
Euro	0.1	0.1
Indonesian Rupiah	808.6	567.5
Venezuelan Bolivar	856.7	27.8
UAE Dirham	1.7	0.7

Interest-bearing bank and other borrowings of the Group as at 30 June 2017 and 31 December 2016 are set out in the table below. The short-term bank borrowings of the Group accounted for 100% of the total bank borrowings (31 December 2016: 100%).

	30 June 2017 (RMB million)	31 December 2016
Current		
Bank loans repayable within one year		
— secured	467.3	426.7
— unsecured	23.2	–
	490.5	426.7

## Management Discussion and Analysis

Bank borrowings were denominated in RMB, USD and Euro at 31 December 2016 and 30 June 2017. At 30 June 2017, bank borrowings amounting to RMB143,510,000 (31 December 2016: RMB58,468,000) bore interest at fixed rates.

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

Six months ended 30 June 2017	2.93% to 5.68%
Year ended 31 December 2016	2.93% to 5.20%

The maturity profile of interest-bearing bank and other borrowings as at 31 December 2016 and 30 June 2017, based on contractual undiscounted payments, is as follows.

	On demand	Less than 3 months	3 to 12 months (RMB million)	1 to 5 years	Total
30 June 2017					
Interest-bearing bank and other borrowings	–	127.4	373.6	–	501.0
31 December 2016					
Interest-bearing bank and other borrowings	–	209.9	222.1	–	432.0

As at 30 June 2017, the gearing ratio of the Group, which was derived by dividing total debt by total equity, was 0.2x (31 December 2016: 0.2x). The ratio of total borrowings to total assets was 6.9% (31 December 2016: 5.5%).

### Future Plans for Major Investments or Capital Assets

During the six months ended 30 June 2017, the Group did not have any plans for material investments and capital assets.

### Material Acquisitions and Disposals

During the six months ended 30 June 2017, the Group has not conducted any material acquisitions or disposals.

### Capital Expenditure

During the six months ended 30 June 2017, the capital expenditure of the Group amounted to RMB1.8 million (six months ended 30 June 2016: RMB1.9 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. At present, the Group has not maintained any hedging policy against the foreign currency risk. However, the management monitors the related foreign currency exposure closely and will consider hedging significant currency exposure should the need arise.

## Management Discussion and Analysis

### Asset Security

As at 30 June 2017, bank deposits with carrying amounts of RMB67.0 million were pledged as security for bank facilities of the Group.

### Contingent Liability

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

Except for the contingent liabilities as stated above, the Group had no other contingent liabilities as at 30 June 2017.

### Qualified Conclusion

As at 30 June 2017, the Group had trade receivables of RMB51,572,000 and amounts due from contract customers of RMB863,169,000, respectively, which have been identified as overdue in accordance with the contract terms and the Group has made an impairment provision of RMB643,629,000 for these amounts due from contract customers in the six months ended 30 June 2017.

Provision for impairment of RMB643,629,000 was made for amounts due from contract customers. Such impairment provision relates to an EPC project (the "Project"). Since the second half of 2013, the relevant customer of the Project has ceased discussing with the Company regarding settlement of the contract amounts for the Project and such discussion was only resumed at the end of 2016. Based on the discussion between the Company and the relevant customer of the Project, the management of the Company made their own judgment and estimated the final settlement amount for the Project and this estimation formed the basis of making the impairment provision. During the reporting period, the Company had filed litigation against relevant customers of certain contracts of the Project. As at 30 June 2017, the litigation is still under progress and the written agreement in relation to the final settlement amount has not been finalized. The foregoing impairment provision is still only based on the judgment and estimation taking into consideration of the information on the comprehensive understanding from the management of the Company, and the information concluded from the verbal communication with relevant customers, therefore there was no written evidence of which the independent auditor considers it necessary to support the Company's estimation. The Company was only able to provide the budget prepared by the Company based on its estimation of the final settlement amount for the Project to the Company's independent auditor as audit evidence to support the judgment of the Company's management relating to the impairment provision.

## Management Discussion and Analysis

Regarding the remaining overdue amounts due from contract customers of RMB219,540,000 as at 30 June 2017, based on the Company's experience and understanding of the PRC market as well as the Company's discussion with the relevant customer of the Project, the Company considered it is more than probable that such overdue amounts would be recoverable. Accordingly, the Company considered the impairment provision already made to be sufficient.

Regarding the overdue trade receivables of approximately RMB51,572,000, the Company has not made any impairment provision because the Company has been in regular contact with such customer and in view of the continuing subsequent settlements by such customer, the Company considered the overdue trade receivables to be recoverable. During the period under review, the Company has kept regular contact with such customer. On the one hand, the Company has regularly followed up with such customer for the settlement of the overdue trade receivables and such customer has settled part of the overdue trade receivables during the period under review and on the other hand, the Company has continuously monitored the financial position of such customer so as to determine whether such customers are at any winding up or bankruptcy risks. However, since the Company is not in a position to provide satisfactory written evidence to the independent auditor to support the creditability of such customer, the Company's independent auditor has expressed a qualified opinion in relation to such overdue trade receivables.

Since the impairment provision is not supported by any external written evidence, the Company's independent auditor considered that management's representation is not sufficient to support the impairment provision and the recoverability of remaining balance of the trade receivables and amounts due from contract customers.

The Company will continue to take proactive steps which the Company considers to be in the best interest of the Company, including without limitation legal actions, to collect the overdue trade receivables and amounts due from contract customers. In addition, the Company will continue to obtain written evidence to support the management's judgment relating to the assessment of impairment provision and the recoverability of overdue trade receivables, actively discuss with its customers regarding settlement of trade receivables and amounts due from contract customers and maintain close communications with its independent auditors.

When determining whether trade receivables and amounts due from contract customers are recoverable, significant management judgment is involved, taking into account various factors such as the age of the balances, existence of disputes, historical payment patterns and other available information concerning the creditworthiness of the customers. The Audit Committee has reviewed the interim results for the six months ended 30 June 2017 and discussed with the management on the factors taken into account by the management and the actions taken by the Company to collect the overdue trade receivables and amounts due from contract customers as well as the basis of the management's judgment. The Audit Committee has also considered the qualified conclusion and the matters raised by the Company's independent auditors and reviewed the Company's internal control system. The Audit Committee does not have any disagreement with the management's position relating to the recoverability of trade receivables and amounts due from contract customers and the making of impairment provision in the interim results for the six months ended 30 June 2017.

# Management Discussion and Analysis

## Human Resources

As at 30 June 2017, the Group had 1,201 employees (31 December 2016: 1,108 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 2017, the total staff cost of the Group (including salaries, bonuses, insurance and share option schemes) amounted to RMB207.6 million (in the six months ended 30 June 2016: RMB283.3 million).

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

## Other Information

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

As at 30 June 2017, 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 <sup>(1)</sup>	Approximate percentage of shareholding <sup>(3)</sup>
Mr. Liu Haijun	Company	Beneficial owner	3,040,000 (L) <sup>(2)</sup>	0.07%
Mr. Cui Ying	Company	Beneficial owner	3,040,000 (L) <sup>(2)</sup>	0.07%
Mr. Zhou Hongliang	Company	Beneficial owner	3,040,000 (L) <sup>(2)</sup>	0.07%
Mr. Dong Hua	Company	Beneficial owner	2,660,000 (L) <sup>(2)</sup>	0.07%

Notes:

- (1) The letter "L" denotes the person's long position in such Shares.
- (2) Shares in respect of options granted under the pre-IPO share option scheme of the Company.
- (3) As at 30 June 2017, the Company had 4,064,759,800 ordinary shares in issue.

Save as disclosed above, as at 30 June 2017, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code.

## Other Information

### SHARE OPTION SCHEMES

#### Share option scheme of the Company

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

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

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

#### Pre-IPO share option scheme of the Company

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

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

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

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

## Other Information

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

Category of participants	Exercise price per share (HK\$)	No. of Shares involved in the options outstanding at 1 January 2017	Exercised during the period	Lapsed during the period	Reassigned during the period (Note)	No. of Shares involved in the options outstanding at 30 June 2017
<b>The Group</b>						
Directors, chief executive or substantial holders of the Company or subsidiaries, or their respective associates						
Liu Haijun	0.837	3,040,000	–	–	–	3,040,000
Cui Ying	0.837	3,040,000	–	–	–	3,040,000
Zhou Hongliang	0.837	3,040,000	–	–	–	3,040,000
Dong Hua	0.837	2,660,000	–	–	–	2,660,000
Qu Song	0.837	3,648,000	–	–	–	3,648,000
Zheng Shifeng	0.837	1,900,000 <sup>(2)</sup>	–	–	–	1,900,000
Zou Yu	0.837	380,000 <sup>(2)</sup>	–	–	–	380,000
Employees of the Group	0.837	106,818,000 <sup>(2)</sup>	(69,400)	(3,420,000)	(1,292,000) <sup>(1)</sup>	102,036,600
<b>Wisou Holding and its subsidiaries</b>						
Employees, executives and officers of Wisou Holding or any of its subsidiaries	0.837	29,146,000	–	(1,824,000)	1,292,000 <sup>(1)</sup>	28,614,000
<b>Total</b>		<b>153,672,000</b>	<b>(69,400)</b>	<b>(5,244,000)</b>	<b>–</b>	<b>148,358,600</b>

Notes:

- (1) Options representing 1,292,000 Shares were held by certain then employees of the Group at the beginning of the period, who were reassigned as employees of Wisou Group Holding Limited ("Wisou Holding") or its subsidiaries during the period.
- (2) Mr. Zheng Shifeng and Mr. Zou Yu became directors of a subsidiary of the Company during the period. Options representing 2,280,000 Shares held by them at 1 January 2017 were reclassified from employees of the Group.

The outstanding options granted under the Pre-IPO Share Option Scheme above were granted on 30 November 2012. No further option has been granted under the Pre-IPO Share Option Scheme after the listing of the Company. During the six months ended 30 June 2017, options representing 69,400 Shares have been exercised by the holders, options representing 5,244,000 Shares have been lapsed, and no options have been cancelled. The weighted average closing price of the Shares immediately before the dates on which the options were exercised is HK\$0.996.

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

## Other Information

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

As at 30 June 2017, 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 <sup>(1)</sup>	Approximate percentage of shareholding <sup>(5)</sup>
Wisong Engineering Investment Limited ("Wisong Investment")	Company	Beneficial owner	3,175,520,000 (L)	78.12%
Wisong Holding <sup>(2)</sup>	Company	Interest in controlled corporation	3,175,520,000 (L)	78.12%
Mr. Hua Bangsong <sup>(3)</sup>	Company	Interest in controlled corporation	3,175,520,000 (L)	78.12%
Ms. Huang Xing <sup>(4)</sup>	Company	Interest of spouse	3,175,520,000 (L)	78.12%

Notes:

- (1) The letter "L" denotes the person's long position in such Shares.
- (2) Wisong Holding, as the sole shareholder of Wisong Investment, is deemed or taken to be interested in the Shares which are owned by Wisong Investment.
- (3) Mr. Hua Bangsong, as the sole shareholder of Wisong Holding, is deemed or taken to be interested in the Shares which are beneficially owned by Wisong 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 2017, the Company had 4,064,759,800 ordinary shares in issue.

Save as disclosed above, as at 30 June 2017, 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 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## Other Information

### INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2017.

### 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 2017.

### 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 2017.

### 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 2017.

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

Mr. Liu Haijun and Mr. Li Zhiyong has each been appointed as a director of Huixiao Enterprise Management (Shanghai) Co., Ltd. (上海惠筱企業管理有限公司), an indirect wholly owned subsidiary of the Company, in July 2017.

Mr. Liu Haijun has also been appointed as general manager of Runchuang Engineering Consulting (Huoerguosi) Co., Ltd. (霍爾果斯潤創工程諮詢有限公司), an indirect wholly owned subsidiary of the Company, in August 2017.

Save as disclosed above, there is no other change in the directors' biographical details which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2016 annual report of the Company.

# Unaudited Financial Statements

## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



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To the Board of Directors of

**Wilson Engineering Services Co. Ltd.**

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

### INTRODUCTION

We have reviewed the accompanying interim financial information set out on pages 25 to 60, which comprises the condensed consolidated statement of financial position of Wilson Engineering Services Co. Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as at 30 June 2017 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six months then ended, and explanatory notes.

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

### Scope of review

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

## Unaudited Financial Statements

### Basis for qualified conclusion

As set out in notes 11 and 12 to the interim financial information, the Group had trade receivables of RMB51,572,000 as at 30 June 2017 (31 December 2016: RMB55,937,000) and amounts due from contract customers of RMB863,169,000 as at 30 June 2017 (31 December 2016: RMB951,169,000), respectively, which have been identified as overdue in accordance with the contract terms. The Group has made an impairment provision of RMB643,629,000 for these amounts due from contract customers as at 30 June 2017 (31 December 2016: RMB643,629,000). The Group is still in negotiation with these customers for the settlement of the outstanding balances. We have been unable to obtain sufficient evidence to support the provision made by management and whether any of such provision should be charged to profit or loss during the six months ended 30 June 2017 or previous years. Accordingly, we were unable to satisfy ourselves regarding the appropriateness of the impairment provision against amounts due from contract customers as mentioned above and the recoverability of the remaining overdue trade receivables of RMB51,572,000 as at 30 June 2017 (31 December 2016: RMB55,937,000) and amounts due from contract customers of RMB219,540,000 as at 30 June 2017 (31 December 2016: RMB307,540,000), respectively. Any adjustments to the provision for these balances would have impact on the net assets of the Group as at 30 June 2017 and 31 December 2016 and the net profit for the six months ended 30 June 2017 and 2016, respectively.

### Qualified conclusion

Except for the possible effects of the matters described in the basis for qualified conclusion paragraph, based on our review, nothing has come to our attention that caused us to believe that the interim financial information as at 30 June 2017 and for the six months then ended is not prepared, in all material respects, in accordance with IAS 34.

**Ernst & Young**  
*Certified Public Accountants*  
Hong Kong

24 August 2017

## Unaudited Financial Statements

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

	Notes	For the six months ended 30 June	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
<b>REVENUE</b>	4	<b>1,380,186</b>	892,170
Cost of sales		<b>(1,130,320)</b>	(655,314)
<b>GROSS PROFIT</b>		<b>249,866</b>	236,856
Other income and gains	4	<b>111,720</b>	203,710
Selling and marketing expenses		<b>(29,463)</b>	(34,321)
Administrative expenses		<b>(142,281)</b>	(129,086)
Other expenses		<b>(37,588)</b>	(70,362)
Finance costs	5	<b>(89,288)</b>	(160,247)
Share of (loss)/profit of an associate		<b>(209)</b>	481
<b>PROFIT BEFORE TAX</b>	6	<b>62,757</b>	47,031
Income tax	7	<b>(12,624)</b>	(21,049)
<b>PROFIT FOR THE PERIOD</b>		<b>50,133</b>	25,982
Attributable to:			
Owners of the parent		<b>40,535</b>	20,457
Non-controlling interests		<b>9,598</b>	5,525
		<b>50,133</b>	25,982
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
— Basic and diluted	9	<b>RMB1.00 cent</b>	RMB0.50 cent

## Unaudited Financial Statements

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

	For the six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
<b>PROFIT FOR THE PERIOD</b>	<b>50,133</b>	25,982
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(3,835)	1,638
<b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</b>	<b>(3,835)</b>	1,638
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	(3,835)	1,638
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<b>46,298</b>	27,620
Attributable to:		
Owners of the parent	<b>36,700</b>	22,095
Non-controlling interests	<b>9,598</b>	5,525
	<b>46,298</b>	27,620

# Unaudited Financial Statements

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	959,041	983,635
Investment property		12,683	12,976
Prepaid land lease payments		157,035	159,114
Goodwill		15,752	15,752
Other intangible assets		5,337	7,048
Investment in an associate		2,299	2,500
Long-term prepayments		1,553	13,996
Deferred tax assets		829	825
<b>Total non-current assets</b>		<b>1,154,529</b>	<b>1,195,846</b>
<b>CURRENT ASSETS</b>			
Inventories		42,488	20,241
Gross amounts due from contract customers	11	3,054,161	3,821,694
Trade and bills receivables	12	478,746	381,813
Due from a related company	16	–	256
Due from fellow subsidiaries	16	9,707	4,377
Prepayments, deposits and other receivables		799,500	562,632
Pledged bank balances and time deposits	13	1,026,258	1,106,803
Cash and bank balances	13	539,559	701,000
<b>Total current assets</b>		<b>5,950,419</b>	<b>6,598,816</b>
<b>CURRENT LIABILITIES</b>			
Gross amounts due to contract customers	11	300,089	542,208
Trade and bills payables	14	2,768,839	3,034,461
Other payables, advances from customers and accruals		858,552	1,114,872
Interest-bearing bank and other borrowings	15	490,519	426,721
Due to an associate	16	630	630
Dividends payable		315,389	272,674
Tax payable		110,128	140,880
<b>Total current liabilities</b>		<b>4,844,146</b>	<b>5,532,446</b>

## Unaudited Financial Statements

### UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
<b>NET CURRENT ASSETS</b>		<b>1,106,273</b>	1,066,370
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,260,802</b>	2,262,216
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		<b>13,905</b>	28,895
Government grants		<b>5,079</b>	5,144
<b>Total non-current liabilities</b>		<b>18,984</b>	34,039
<b>NET ASSETS</b>		<b>2,241,818</b>	2,228,177
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT</b>			
Share capital	17	<b>329,815</b>	329,809
Share premium		<b>846,427</b>	846,250
Other reserves		<b>896,203</b>	849,628
		<b>2,072,445</b>	2,025,687
<b>Non-controlling interests</b>		<b>169,373</b>	202,490
<b>TOTAL EQUITY</b>		<b>2,241,818</b>	2,228,177

# Unaudited Financial Statements

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent								Total	Non-controlling interests	Total equity
	Share capital	Share premium	Share option reserve*	Redemption reserve*	Statutory surplus reserves*	Statutory expansion reserve*	Exchange fluctuation reserve*	Retained profits*			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2017	329,809	846,250	242,818	1	35,514	26,697	33,114	511,484	2,025,687	202,490	2,228,177
Profit for the period	-	-	-	-	-	-	-	40,535	40,535	9,598	50,133
Exchange differences related to foreign operations	-	-	-	-	-	-	(3,835)	-	(3,835)	-	(3,835)
Total comprehensive income for the period	-	-	-	-	-	-	(3,835)	40,535	36,700	9,598	46,298
Transfer to the statutory reserve	-	-	-	-	3,923	3,923	-	(7,846)	-	-	-
Exercise of share options	6	177	(132)	-	-	-	-	-	51	-	51
Equity-settled share option arrangements	-	-	10,007	-	-	-	-	-	10,007	-	10,007
Dividends declared	-	-	-	-	-	-	-	-	-	(42,715)	(42,715)
<b>As at 30 June 2017 (Unaudited)</b>	<b>329,815</b>	<b>846,427</b>	<b>252,693</b>	<b>1</b>	<b>39,437</b>	<b>30,620</b>	<b>29,279</b>	<b>544,173</b>	<b>2,072,445</b>	<b>169,373</b>	<b>2,241,818</b>

\* As at 30 June 2017, these reserve accounts represent the total consolidated other reserves of RMB896,203,000 (31 December 2016: RMB849,628,000) in the interim condensed consolidated statement of financial position.

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

# Unaudited Financial Statements

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	For the six months ended 30 June	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		62,757	47,031
Adjustments for:			
Depreciation of property, plant and equipment and investment properties	6	25,341	25,844
Amortisation of other intangible assets	6	1,730	2,746
Amortisation of prepaid land lease payments	6	2,079	2,079
Impairment of inventories	6	–	2,351
Recognition of government grants		(1,068)	(119)
Share of loss/(profit) of an associate		209	(481)
Loss on disposal of items of property, plant and equipment	6	252	217
Equity-settled share option expense	6	10,007	16,118
Finance costs	5	89,288	160,247
Interest income	4	(76,724)	(152,061)
		<b>113,871</b>	<b>103,972</b>
(Increase)/decrease in inventories		(22,247)	123,257
(Increase)/decrease in trade and bills receivables		(22,138)	75,999
Increase in prepayments, deposits and other receivables		(46,257)	(2,913)
Decrease in long-term prepayments		1,619	2,307
Decrease/(increase) in amounts due from contract customers		767,533	(92,030)
Decrease in amounts due to contract customers		(242,119)	(483,519)
Increase in amounts due from fellow subsidiaries		(5,330)	(2,860)
Decrease/(increase) in an amount due from a related company		256	(243)
Decrease in trade and bills payables		(265,622)	(553,000)
(Decrease)/increase in other payables, advances from customers and accruals		(256,328)	111,240
Decrease/(increase) in pledged bank balances and time deposits		80,545	(271,924)
<b>Cash generated from/(used in) operations</b>		<b>103,783</b>	<b>(989,714)</b>
Interest received		1,929	152,061
Interest paid		(14,493)	(11,808)
Tax paid		(58,370)	(55,607)
<b>Net cash flows from/(used in) operating activities</b>		<b>32,849</b>	<b>(905,068)</b>

# Unaudited Financial Statements

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	For the six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of items of property, plant and equipment	(1,812)	(1,601)
Proceeds from disposal of items of property, plant and equipment	1,106	370
Purchase of other intangible assets	(19)	(266)
Increase in unpledged time deposits with original maturity of more than three months	–	(24,156)
Receipt of government grants	1,003	54
<b>Net cash flows from/(used in) investing activities</b>	<b>278</b>	<b>(25,599)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net proceeds from issue of new shares	51	27
Capital element of finance lease payments	–	(49)
New bank loans	392,987	159,339
Repayment of bank loans	(329,189)	(70,000)
Prepayment of dividends to Share Registrar	(258,417)	–
<b>Net cash flows (used in)/from financing activities</b>	<b>(194,568)</b>	<b>89,317</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(161,441)</b>	<b>(841,350)</b>
Cash and cash equivalents at beginning of period	701,000	1,244,436
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>539,559</b>	<b>403,086</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	539,559	290,218
Unpledged time deposits with original maturity of more than three months when acquired	–	33,156
Unpledged time deposits with original maturity of less than three months when acquired	–	112,868

## Unaudited Financial Statements

### UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Notes	For the six months ended 30 June	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
<b>CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF FINANCIAL POSITION</b>	13	<b>539,559</b>	436,242
Unpledged time deposits with original maturity of more than three months when acquired		–	(33,156)
<b>CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF CASH FLOWS</b>		<b>539,559</b>	403,086

# Unaudited Financial Statements

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 1. CORPORATE INFORMATION

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

Wisom Engineering Investment Limited (“Wisom Investment”) is the immediate holding company of the Company. In the opinion of the directors, Wisom Group Holding Limited (“Wisom Holding”) is the ultimate holding company of the Company. Wisom Holding and Wisom 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. BASIS OF PREPARATION AND CHANGES IN THE GROUP’S ACCOUNTING POLICIES

#### Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2017 (the “Interim Financial Information”) have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* issued by the International Accounting Standards Board.

The Interim Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2016.

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

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

The accounting policies adopted in the preparation of the Interim Financial Information are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of new standards and amendments effective as of 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments apply for the first time in 2017, they do not have a material impact on the annual consolidated financial statements of the Group or the interim condensed Interim Financial Information of the Group.

## Unaudited Financial Statements

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

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

##### **New standards, interpretations and amendments adopted by the Group (Continued)**

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

##### ***Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative***

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its interim condensed consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ending 31 December 2017.

##### ***Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses***

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

The Group applied the amendments retrospectively. However, such application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

##### **Annual Improvements Cycle 2014–2016**

##### ***Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12***

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10 to B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

The Group has adopted the amendments retrospectively. As the disclosure requirements in IFRS 12 do not specifically apply to the interim condensed consolidated financial statements, the Group did not provide additional disclosures in its condensed interim consolidated financial statements, but will disclose the required information in its annual consolidated financial statements for the year ending 31 December 2017.

The adoption of these new and revised IFRSs has had no significant financial effect on the Interim Financial Information and there have been no significant changes to the accounting policies applied in the Interim Financial Information.

# Unaudited Financial Statements

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

### 3. OPERATING SEGMENT INFORMATION

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

- Engineering, procurement and construction (“EPC”); and
- Engineering, consulting and technical services

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

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

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

#### Operating segments

For the six months ended 30 June 2017 (Unaudited)	EPC RMB’000	Engineering, consulting and technical services RMB’000	Total RMB’000
<b>Segment revenue</b>			
Sales to external customers	1,348,403	31,783	1,380,186
Intersegment sales	5,813	–	5,813
<b>Total revenue</b>	<b>1,354,216</b>	<b>31,783</b>	<b>1,385,999</b>
<i>Reconciliation:</i>			
Elimination of intersegment sales			(5,813)
Revenue			<b>1,380,186</b>
<b>Segment results</b>	<b>244,954</b>	<b>4,912</b>	<b>249,866</b>
<i>Reconciliation:</i>			
Unallocated income			111,720
Unallocated expenses			(209,332)
Share of loss of an associate			(209)
Finance costs			(89,288)
Profit before tax			<b>62,757</b>

## Unaudited Financial Statements

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

#### 3. OPERATING SEGMENT INFORMATION (CONTINUED)

##### Operating segments (Continued)

For the six months ended 30 June 2016 (Unaudited)	EPC RMB'000	Engineering, consulting and technical services RMB'000	Total RMB'000
<b>Segment revenue</b>			
Sales to external customers	867,138	25,032	892,170
Intersegment sales	3,826	–	3,826
<b>Total revenue</b>	870,964	25,032	895,996
<i>Reconciliation:</i>			
Elimination of intersegment sales			(3,826)
Revenue			892,170
<b>Segment results</b>	236,461	395	236,856
<i>Reconciliation:</i>			
Unallocated income			203,710
Unallocated expenses			(233,769)
Share of profit of an associate			481
Finance costs			(160,247)
Profit before tax			47,031

# Unaudited Financial Statements

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

### 3. OPERATING SEGMENT INFORMATION (CONTINUED)

#### Operating segments (Continued)

30 June 2017 (Unaudited)	EPC RMB'000	Engineering, consulting and technical services RMB'000	Total RMB'000
<b>Segment assets</b>	<b>4,015,598</b>	<b>122,774</b>	<b>4,138,372</b>
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(39,320)
Corporate and other unallocated assets			<u>3,005,896</u>
Total assets			<u>7,104,948</u>
<b>Segment liabilities</b>	<b>3,701,097</b>	<b>51,017</b>	<b>3,752,114</b>
<i>Reconciliation:</i>			
Elimination of intersegment payables			(38,723)
Corporate and other unallocated liabilities			<u>1,149,739</u>
Total liabilities			<u>4,863,130</u>

31 December 2016 (Audited)	EPC RMB'000	Engineering, consulting and technical services RMB'000	Total RMB'000
<b>Segment assets</b>	<b>4,648,742</b>	<b>120,904</b>	<b>4,769,646</b>
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(13,436)
Corporate and other unallocated assets			<u>3,038,452</u>
Total assets			<u>7,794,662</u>
<b>Segment liabilities</b>	<b>4,428,317</b>	<b>18,108</b>	<b>4,446,425</b>
<i>Reconciliation:</i>			
Elimination of intersegment payables			(13,491)
Corporate and other unallocated liabilities			<u>1,133,551</u>
Total liabilities			<u>5,566,485</u>

## Unaudited Financial Statements

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

#### 3. OPERATING SEGMENT INFORMATION (CONTINUED)

##### Operating segments (Continued)

For the six months ended 30 June 2017 (Unaudited)	EPC RMB'000	Engineering, consulting and technical services RMB'000	Total RMB'000
<b>Other segment information</b>			
Share of loss of an associate Unallocated			(209)
Depreciation and amortisation Unallocated			29,150
Investment in an associate Unallocated			2,299
Capital expenditure* Unallocated			1,831

For the six months ended 30 June 2016 (Unaudited)	EPC RMB'000	Engineering, consulting and technical services RMB'000	Total RMB'000
<b>Other segment information</b>			
Share of profit of an associate Unallocated			481
Depreciation and amortisation Unallocated			30,669
Investment in an associate Unallocated			2,518
Capital expenditure* Unallocated			1,867

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

# Unaudited Financial Statements

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

### 3. OPERATING SEGMENT INFORMATION (CONTINUED)

#### Geographical information

Revenue from external customers

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Saudi Arabia	498,190	27,551
Mainland China	470,274	521,890
Venezuela	277,485	338,058
United Arab Emirates	134,237	4,671
	<b>1,380,186</b>	892,170

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

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

#### Information about major customers

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

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Customer A (EPC segment)	20.1%	37.9%
Customer B (EPC segment)	17.0%	N/A
Customer C (EPC segment)	12.4%	50.1%
Customer D (EPC segment)	12.2%	1.5%
Customer E (EPC segment)	12.1%	1.7%

## Unaudited Financial Statements

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

#### 4. REVENUE, OTHER INCOME AND GAINS

Revenue represents an appropriate proportion from contract revenue of construction contracts and the value of services rendered during the period.

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

	For the six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
<b>Revenue</b>		
Construction contracts	1,348,403	862,669
Rendering of services	31,783	29,501
	<b>1,380,186</b>	892,170
<b>Other income</b>		
Government grants*	1,068	119
Interest income	76,724	152,061
Rental income	32,487	26,968
Others	1,441	290
	<b>111,720</b>	179,438
<b>Gains</b>		
Foreign exchange gains	–	24,272
	<b>111,720</b>	203,710

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

## Unaudited Financial Statements

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

#### 5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Interest on bank and other loans	10,454	10,043
Interest on discounted bills	78,834	150,204
	<b>89,288</b>	160,247

#### 6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Cost of services provided	1,130,320	655,314
Depreciation of property, plant and equipment and investment property	25,341	25,844
Research and development costs	8,856	50,028
Amortisation of prepaid land lease payments	2,079	2,079
Amortisation of other intangible assets	1,730	2,746
Impairment of inventories	–	2,351
Loss on disposal of items of property, plant and equipment	252	217
Minimum lease payments under operating leases	7,544	8,845
Auditors' remuneration	1,289	1,555
Employee benefit expense (including directors' remuneration):		
Wages and salaries	176,790	241,486
Retirement benefit scheme contributions	20,847	25,667
Equity-settled share options	10,007	16,118
	<b>207,644</b>	283,271
Foreign exchange differences, net	46,938	(24,272)

## Unaudited Financial Statements

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

#### 7. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate.

	For the six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Current		
— Mainland China	4,420	–
— Elsewhere	3,976	33,519
Deferred	4,228	(12,470)
<b>Total tax charge for the period</b>	<b>12,624</b>	<b>21,049</b>

Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group was not subject to any income tax in the Cayman Islands and British Virgin Islands. The Group was not liable for income tax in Hong Kong, Iran and the United States of America as the Group did not have any assessable income arising in Hong Kong, Iran and the United States of America for the six months ended 30 June 2017 and 2016. Income taxes arising in other jurisdictions, such as Saudi Arabia and Venezuela, are calculated at the rates prevailing in the relevant jurisdictions in which the Group operates.

Wisou Engineering was qualified as a “High and New Technology Enterprise” and was entitled to a preferential corporate income tax (“CIT”) rate of 15%. In accordance with the requirements of the tax regulations in the PRC, Wisou Engineering submitted its application to renew its “High and New Technology Enterprise” status for three years ending 4 September 2017 and obtained the certification in 2014. Therefore, Wisou Engineering was subject to CIT at a rate of 15% for the six months ended 30 June 2017 and 2016.

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

## Unaudited Financial Statements

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

#### 7. INCOME TAX (CONTINUED)

A reconciliation of income tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and its subsidiaries are domiciled to the income tax expense at the effective income tax rate for the six months ended 30 June 2017 and 2016, is as follows:

	For the six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Profit before tax	62,757	47,031
At the statutory income tax rates	15,689	11,758
Lower tax rate enacted by local authority	(2,234)	1,992
Effect of different tax rates of branches operating in other jurisdictions	(7,452)	9,379
Tax losses not recognised	646	1,148
Effect of withholding taxes on distributable profits of the subsidiaries in Mainland China	4,232	2,436
Additional tax deduction	(6,160)	(12,634)
Expenses not deductible for tax	7,903	6,970
Tax charge for the period	12,624	21,049

The share of tax attributable to an associate amounting to RMB55,000 (six months ended 30 June 2016: RMB30,000) is included in "Share of loss of an associate" in the interim condensed consolidated statement of profit or loss.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. According to the tax notice issued by the Shanghai Tax Authority on 13 August 2014, the Group was subject to 5% withholding tax levied on dividends declared from a subsidiary established as foreign investment enterprise in Mainland China for three years commenced from 14 August 2014.

## Unaudited Financial Statements

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

#### 8. DIVIDENDS

The directors did not declare any interim dividend for the six months ended 30 June 2017 and 2016.

#### 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 2017 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,064,692,057 (six months ended 30 June 2016: 4,064,639,037) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2017 and 2016 as the share options in issue during those periods have no dilutive effect.

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

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation:	<b>40,535</b>	20,457
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	<b>4,064,692,057</b>	4,064,639,037

#### 10. PROPERTY, PLANT AND EQUIPMENT

	RMB'000
	(Unaudited)
At 1 January 2017	<b>983,635</b>
Additions	<b>1,812</b>
Depreciation	<b>(25,048)</b>
Disposal	<b>(1,358)</b>
At 30 June 2017	<b>959,041</b>

At 30 June 2017, the Group's buildings are situated in Mainland China and are held under long term leases except for the buildings with a net book value of RMB919,512,000 (31 December 2016: RMB933,981,000) which are held under a medium term lease.

Included in the properties were certain buildings with a carrying value of RMB905,755,000 (31 December 2016: RMB919,905,000), of which the property certificates have not been obtained as at 30 June 2017.

# Unaudited Financial Statements

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

### 11. CONSTRUCTION CONTRACTS

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Gross amounts due from contract customers	3,054,161	3,821,694
Gross amounts due to contract customers	(300,089)	(542,208)
	<b>2,754,072</b>	3,279,486
Contract costs incurred plus recognised profits less recognised losses to date	26,597,343	35,138,629
Less: Progress billings	(23,843,271)	(31,859,143)
	<b>2,754,072</b>	3,279,486

As at 30 June 2017, included in the amounts due from contract customers are amounts of RMB863,169,000 (31 December 2016: RMB951,169,000) which related to the Group's certain EPC projects, and have been identified as overdue in accordance with contract terms. The Group has recorded an impairment provision of RMB643,629,000 as of 30 June 2017 (31 December 2016: RMB643,629,000).

### 12. TRADE AND BILLS RECEIVABLES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Trade receivables	147,314	186,899
Bills receivable	331,432	194,914
	<b>478,746</b>	381,813

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

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

## Unaudited Financial Statements

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

#### 12. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

	<b>30 June 2017 RMB'000 (Unaudited)</b>	<b>31 December 2016 RMB'000 (Audited)</b>
Trade and bills receivables:		
Less than 3 months	<b>196,515</b>	197,808
4 to 6 months	<b>87,226</b>	74,194
7 to 12 months	<b>105,837</b>	6,135
Over 1 year	<b>89,168</b>	103,676
	<b>478,746</b>	381,813

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

	<b>30 June 2017 RMB'000 (Unaudited)</b>	<b>31 December 2016 RMB'000 (Audited)</b>
At 1 January	–	765
Written off	–	(765)
At 30 June/31 December	–	–

## Unaudited Financial Statements

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

#### 12. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Neither past due nor impaired	336,298	263,708
Less than 3 months past due	13,283	13,094
4 to 12 months past due	41,497	3,335
Over 1 year past due	87,668	101,676
	<b>478,746</b>	381,813

As at 30 June 2017, included in the receivables was an amount of RMB51,572,000 (31 December 2016: RMB55,937,000) which related to the Group's certain project, and has been identified as overdue in accordance with contract terms.

At 31 December 2016, certain of the Group's bills receivables of RMB20,000,000 were pledged to secure general banking facilities granted to the Group (note 15).

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

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

## Unaudited Financial Statements

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

#### 12. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

At 30 June 2017, Wison Engineering endorsed certain bills receivable accepted by banks in Mainland China (the “Endorsed Bills”) with a carrying amount of RMB186,037,000 (31 December 2016: RMB2,600,000) to certain of its suppliers in order to settle the trade payables due to such suppliers (the “Endorsement”). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the six months ended 30 June 2017 to which the suppliers have recourse was RMB186,037,000 (31 December 2016: RMB2,600,000) as at 30 June 2017.

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

At 30 June 2017, Wison Engineering endorsed certain bills receivable accepted by banks in Mainland China (the “Derecognised Bills”) to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB352,175,000 (31 December 2016: RMB193,600,000). The Derecognised Bills had maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the “Continuing Involvement”). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group’s Continuing Involvement in the Derecognised Bills are not significant.

During the six months ended 30 June 2017, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the period or cumulatively. The endorsement has been made evenly throughout the period.

## Unaudited Financial Statements

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

#### 13. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Cash and bank balances	1,514,383	1,728,058
Time deposits with original maturity of less than three months	51,434	79,745
	<b>1,565,817</b>	1,807,803
Less: Pledged bank balances and time deposits	<b>(1,026,258)</b>	(1,106,803)
Unpledged cash and cash equivalents	<b>539,559</b>	701,000

At 30 June 2017, bank deposits of RMB959,244,000 (31 December 2016: RMB1,095,365,000) were placed as guarantee deposits for performance of certain construction contracts and for the tendering process.

At 30 June 2017, bank deposits of RMB6,032,000 (31 December 2016: RMB11,438,000) were pledged to a bank as security to obtain a letter of credit facility for the purchase of imported equipment.

At 30 June 2017, bank deposits of RMB60,982,000 (31 December 2016: nil) were pledged to a bank as security to obtain a bank facility of RMB55,000,000 (note 15).

At 30 June 2017, cash and bank balances of the Group denominated in RMB amounted to RMB125,507,000 (31 December 2016: RMB108,178,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged bank balances and time deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and the pledged bank balances and time deposits approximate to their fair values.

## Unaudited Financial Statements

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

#### 14. TRADE AND BILLS PAYABLES

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

	<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
Less than 1 year	<b>1,870,309</b>	1,392,366
1 to 2 years	<b>367,473</b>	1,276,527
2 to 3 years	<b>435,905</b>	181,905
Over 3 years	<b>95,152</b>	183,663
	<b>2,768,839</b>	3,034,461

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

	<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
江蘇新華化工機械有限公司 (Jiangsu Xinhua Chemical Engineering Co., Ltd., "Jiangsu Xinhua")	<b>3,124</b>	180

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

## Unaudited Financial Statements

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

#### 15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
<b>Current</b>		
Bank loans repayable within one year		
— secured	467,319	426,721
— unsecured	23,200	–
	<b>490,519</b>	426,721

An analysis of foreign currency loans (in original currency) is as follows:

	30 June 2017 US\$'000 (Unaudited)	31 December 2016 US\$'000 (Audited)
US\$ denominated	40,023	25,797
	<b>EUR'000 (Unaudited)</b>	<b>EUR'000 (Audited)</b>
Euro ("EUR") denominated	796	796

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

<b>Six months ended 30 June 2017</b>	<b>2.93% to 5.68%</b>
Year ended 31 December 2016	2.93% to 5.20%

## Unaudited Financial Statements

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

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

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

	Notes	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Bills receivable	12	–	20,000
Bank deposits	13	<b>60,982</b>	–

As at 30 June 2017, 惠生(中國)投資有限公司 (“Wisong (China) Investment”), a fellow subsidiary of the Company, executed guarantees to certain banks in respect of bank facilities to the Group of RMB1,000,000,000 (31 December 2016: RMB430,000,000). As at 30 June 2017, the loans were drawn down to the extent of RMB360,362,000 (31 December 2016: RMB316,954,000) (note 16).

As at 30 June 2017, 惠生(南通)重工有限公司 (Wisong (Nantong) Heavy Industry Co., Ltd., “Wisong Nantong”), a fellow subsidiary of the Company, pledged its property, plant and equipment and land use right, and 舟山惠生海洋工程有限公司 (Zhoushan Wisong Offshore & Marine Co., Ltd., “Zhoushan Wisong”), a fellow subsidiary of the Company, pledged its land use right to execute guarantees for bank facilities of RMB500,000,000 to the Group (31 December 2016: RMB500,000,000). As at 30 June 2017, the loans were drawn down to the extent of RMB54,328,000 (31 December 2016: RMB89,767,000) (note 16).

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

## Unaudited Financial Statements

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

#### 16. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed elsewhere in this Interim Financial Information, the Group had the following transactions with related parties during the six months ended 30 June 2017:

	Notes	For the six months ended 30 June	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Related companies:			
Purchase of products	(a)(i)	2,726	–
Rental income	(a)(ii)	201	365
Rendering of services	(a)(ii)	33	66
Fellow subsidiaries:			
Rental income	(a)(iii), (a)(iv)	3,926	4,380
Rendering of services	(a)(iii), (a)(iv)	667	792
Purchase of services	(a)(ix)	4,050	–

Name of related parties	Relationship
Jiangsu Xinhua	Chinese joint venture partner of Wisom Engineering
上海新化通訊技術有限公司 (Shanghai Xinhua Telecommunication Technology Company Limited ("Xinhua Telecommunication"), formerly known as 上海惠生通訊技術有限公司)	Subsidiary of Jiangsu Xinhua
Wisom Holding	Wholly owned by Mr. Hua Bangsong (the controlling shareholder of the Company) and the ultimate holding company of the Company
Wisom Nantong	Indirectly wholly owned by Wisom Holding and is a fellow subsidiary of the Company
Wisom (China) Investment	Indirectly wholly owned by Wisom Holding and is a fellow subsidiary of the Company
Zhoushan Wisom	Indirectly wholly owned by Wisom Holding and is a fellow subsidiary of the Company

## Unaudited Financial Statements

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

#### 16. RELATED PARTY TRANSACTIONS (CONTINUED)

Notes:

(a)(i) The Group and Jiangsu Xinhua entered into a renewed framework agreement effective on 25 April 2017 based on the framework agreement entered into between the Group and Jiangsu Xinhua on 26 March 2014 for a term of three years whereby the Group will purchase anchor, refractory support plunge hook and other ancillary accessories from Jiangsu Xinhua. Under the renewed framework agreement, the annual consideration payable by Wilson Engineering to Jiangsu Xinhua for the years ending 31 December 2017, 2018 and 2019 will not be more than RMB12,000,000. During the six months ended 30 June 2017, the Group's purchases from Jiangsu Xinhua amounted to RMB2,726,000 (six months ended 30 June 2016: Nil). The purchases were made by reference to the published prices and conditions offered by Jiangsu Xinhua to its customers. The trade payables relating to Jiangsu Xinhua are set out in note 14.

(a)(ii) On 12 December 2013, the Group and Xinhua Telecommunication entered into a lease agreement, pursuant to which the Group leased out office space in its office building to Xinhua Telecommunication for RMB730,000 per annum for a three-year period commencing from 1 January 2014.

On 12 December 2013, the Group and Xinhua Telecommunication entered into a property management services agreement, pursuant to which the Group would provide property management services in relation to the premises leased to Xinhua Telecommunication for RMB132,000 per annum, for a three-year period commencing from 1 January 2014.

On 19 December 2016, the Group and Xinhua Telecommunication have renewed the aforementioned lease agreement and property management services agreement. The rental has been increased to RMB803,000 per annum and the property service fee is kept at RMB132,000 per annum. Each of the renewed lease agreement and property management services agreement shall be for a 24-month period commencing from 1 January 2017. On 28 March 2017, the Group and Xinhua Telecommunication entered into a lease termination agreement to terminate the above lease agreement and property management services agreement dated 19 December 2016 from 1 April 2017.

The rental income and service income for the six months ended 30 June 2017 from Xinhua Telecommunication amounted to RMB201,000 (six months ended 30 June 2016: RMB365,000) and RMB33,000 (six months ended 30 June 2016: RMB66,000), respectively.

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

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

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

On 24 August 2016, the Group entered into a new lease agreement with Wilson Nantong for RMB4,818,000 per annum for a 28-month period commencing from 1 September 2016 by reference to the size of the reduced gross floor area of the subject premises. On 24 August 2016, the Group and Wilson Nantong entered into a new property management services agreement, pursuant to which the Group will provide property management services in relation to the subject premises for RMB792,000 per annum for a 28-month period commencing from 1 September 2016. The lease agreement dated 12 December 2013 (as amended by the supplemental agreement dated 27 August 2015), and the property management services agreement dated 12 December 2013 (as amended by the supplemental agreement dated 27 August 2015), have been terminated accordingly with effect from 31 August 2016.

# Unaudited Financial Statements

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

### 16. RELATED PARTY TRANSACTIONS (CONTINUED)

Notes: (Continued)

(a)(iii) (Continued)

On 24 March 2017, the Group entered into supplemental agreements with Wisun Nantong to amend certain terms of the previous lease agreement and property management services agreement both dated 24 August 2016, effective from 1 April 2017. The rental has been adjusted proportionally from RMB4,818,000 per annum to RMB4,015,000 per annum, the property management services fee has been adjusted proportionally from RMB792,000 per annum to RMB690,000 per annum and the electricity fees has been adjusted to RMB36,000 per annum, by reference to the size of the reduced gross floor area of the subject premises.

The rental income and service income for the six months ended 30 June 2017 from Wisun Nantong amounted to RMB2,189,000 (six months ended 30 June 2016: RMB2,920,000) and RMB371,000 (six months ended 30 June 2016: RMB528,000), respectively.

(a)(iv) On 12 December 2013, the Group and Wisun (China) Investment entered into a lease agreement, pursuant to which the Group leased out office space in its office building to Wisun (China) Investment for RMB2,920,000 per annum for a three-year period commencing from 1 January 2014.

On 12 December 2013, the Group and Wisun (China) Investment entered into a property management service agreement, pursuant to which the Group would provide property management service in relation to the premises leased to Wisun (China) Investment for RMB528,000 per annum, for a three-year period commencing from 1 January 2014.

On 19 December 2016, the Group and Wisun (China) Investment have renewed the aforementioned lease agreement and property management services agreement. The rental has been increased to RMB3,212,000 per annum and the property service fee is kept at RMB528,000 per annum. Each of the renewed lease agreement and property management services agreement shall be for a 24-month period commencing from 1 January 2017.

On 24 March 2017, the Group entered into supplemental agreements with Wisun (China) Investment to amend certain terms of the previous lease agreement and property management services agreement both dated 19 December 2016, effective from 1 April 2017. The rental has been adjusted proportionally from RMB3,212,000 per annum to RMB3,809,000 per annum, the property management services fee has been adjusted proportionally from RMB528,000 per annum to RMB655,000 per annum and the electricity fees has been adjusted to RMB36,000 per annum, by reference to the size of the increased gross floor area of the subject premises.

The rental income and service income for the six months ended 30 June 2017 from Wisun (China) Investment amounted to RMB1,737,000 (six months ended 30 June 2016: RMB1,460,000) and RMB296,000 (six months ended 30 June 2016: RMB264,000), respectively.

(a)(v) Wisun Holding, as licensor, entered into three trademark licensing agreements with the Group to grant the rights to use the trademarks by the Group on a perpetual and non-exclusive basis for nil consideration during the six months ended 2017 and 2016.

(a)(vi) During the six months ended 30 June 2017, Wisun (China) Investment executed guarantees to certain banks for bank facilities to the Group of RMB1,000,000,000 (six months ended 30 June 2016: RMB195,000,000) at nil consideration. As at 30 June 2017, the loans were drawn down to the extent of RMB360,362,000 (31 December 2016: RMB316,954,000) (note 15).

(a)(vii) During the six months ended 30 June 2017, Wisun Nantong pledged its property, plant, and equipment and land use right and Zhoushan Wisun pledged its land use right to execute guarantees for bank facilities of RMB500,000,000 to the Group (six months ended 30 June 2016: RMB500,000,000). As at 30 June 2017, the loans were drawn down to the extent of RMB54,328,000 (31 December 2016: RMB89,767,000) (note 15).

(a)(viii) On 30 November 2012, Wisun 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 "wisun-engineering.com" registered under the name of Wisun Holding (the "Domain Name"). Pursuant to the Domain Name Licence Agreement, Wisun Holding has agreed to grant the Company, and the Company has accepted, a royalty-free licence to use the Domain Name on an exclusive basis at nil consideration. The Domain Name Licence Agreement is for a perpetual term and may be terminated in certain circumstances, such as if Wisun Holding ceases to be a shareholder of the Company.

## Unaudited Financial Statements

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

#### 16. RELATED PARTY TRANSACTIONS (CONTINUED)

Notes: (Continued)

(a)(ix) On May 11, 2017, Wisong Engineering and Wisong Nantong entered into a processing and assembling contract, pursuant to which Wisong Engineering engaged Wisong Nantong to process and assemble the piping pre-fabrication parts in the PRC for a project of the Group at the contract price of RMB13,500,000. The relevant transaction amount incurred during the six months ended 30 June 2017 amounted to RMB4,050,000.

(a)(x) On 13 June 2017, Wisong Engineering and Wisong Nantong entered into the prefabrication and supply contract, pursuant to which the Group engaged Wisong 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. No transaction amount has been incurred during the six months ended 30 June 2017.

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

(b) Balances with related parties:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Due from a related company: Xinhua Telecommunication	–	256
Due from fellow subsidiaries: Wisong Nantong Wisong (China) Investment	9,707 –	3,355 1,022
	<b>9,707</b>	<b>4,377</b>
Due to an associate: 河南創思特工程監理諮詢有限公司 (“Henan Chuangsite”)	<b>630</b>	630

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

# Unaudited Financial Statements

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

### 17. SHARE CAPITAL

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Number of ordinary shares		
Authorised:		
Ordinary shares of HK\$0.1 each	20,000,000,000	20,000,000,000
Issued:		
Ordinary shares of HK\$0.1 each	4,064,759,800	4,064,690,400

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Authorised:		
Ordinary shares of HK\$0.1 each	1,622,757	1,622,757
Issued:		
Ordinary shares of HK\$0.1 each	329,815	329,809

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

	Number of shares in issue	Share capital RMB'000	Share premium account RMB'000	Total RMB'000
At 1 January 2017	4,064,690,400	329,809	846,250	1,176,059
Share options exercised	69,400	6	177	183
At 30 June 2017	4,064,759,800	329,815	846,427	1,176,242

The subscription rights attaching to 69,400 share options were exercised at the subscription price of HK\$0.837 per share, resulting in the issue of 69,400 shares for a total cash consideration, before expenses, of HK\$58,088 (equivalent to RMB51,228) and a share premium of HK\$51,148 (equivalent to RMB45,107). An amount of RMB132,000 was transferred from the share option reserve to share premium account upon the exercise of the share options.

## Unaudited Financial Statements

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

#### 18. OPERATING LEASE ARRANGEMENTS

##### As lessor

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

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within one year	52,201	42,016
In the second to fifth years, inclusive	54,021	48,851
After five years	34	49
	<b>106,256</b>	90,916

##### As lessee

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

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within one year	7,483	8,172
In the second to fifth years, inclusive	1,556	2,288
	<b>9,039</b>	10,460

# Unaudited Financial Statements

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

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

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

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

### 20. CONTINGENT LIABILITIES

On 20 November 2008, Wison Engineering Technology Limited ("Wison Technology") entered into an agreement with Wison Energy Engineering (Hong Kong) Limited ("Wison Energy (HK)") to transfer its entire 75% equity interest in Wison Engineering to Wison Energy (HK). This equity transfer was approved by the Shanghai Commerce Bureau on 25 December 2008 and was registered with the Shanghai Administration for Industry and Commerce on 29 December 2008.

On 14 May 2010, Wison Technology entered into a supplementary agreement with Wison Energy (HK), pursuant to which Wison Technology and Wison Energy (HK) agreed that the purchase price would be settled in full via the issuance of one share in Wison Energy (HK) to Wison Technology.

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

## Unaudited Financial Statements

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

#### 20. CONTINGENT LIABILITIES (CONTINUED)

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

In 2010, the Group submitted its application for the above equity transfer transactions to qualify for the special tax treatment under Circular No. 59 to the relevant tax bureau. To the date of approval of these financial statements, the relevant tax bureau has not reverted on this application. In December 2011, the Group computed the tax liability in relation to the transfer of equity interests in Wiscon Engineering based on the relevant PRC tax regulations and submitted a payment of RMB10.4 million to the relevant tax bureau. In prior years, the Group assessed and computed the tax liability in relation to the transfer of equity interests in Wiscon Yangzhou based on the relevant PRC tax regulations and made a provision of RMB4.4 million accordingly which has been considered by the Company’s directors to be adequate. Such provision remained unsettled as at 30 June 2017. In the opinion of the directors of the Company, the PRC tax authorities may not accept the Group’s application and the Group may fail to obtain the preferential tax treatment under Circular No. 59 and this could result in additional tax to be paid.

#### 21. APPROVAL OF THE FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the Board of Directors on 24 August 2017.