WISON ENGINEERING SERVICES CO. LTD.
惠生工程技術服務有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2236)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

HIGHLIGHTS:

- Our revenue for the six months ended 30 June 2019 amounted to approximately RMB1,611,231,000, representing an increase of 28.4% from approximately RMB1,254,691,000 recorded in the corresponding period in 2018.

- Our gross profit for the six months ended 30 June 2019 amounted to approximately RMB226,214,000, representing an increase of 11.1% from approximately RMB203,662,000 recorded in the corresponding period in 2018.

- Our net profit for the six months ended 30 June 2019 amounted to approximately RMB11,535,000, representing a decrease of 3.6% from approximately RMB11,967,000 recorded in the corresponding period in 2018.

- Profit attributable to owners of the parent for the six months ended 30 June 2019 amounted to approximately RMB11,535,000, representing an increase of 38.7% from approximately RMB8,315,000 recorded in the corresponding period in 2018.

- Our new contracts (net of estimated value added tax) for the six months ended 30 June 2019 amounted to approximately RMB11,507,600,000, representing an increase of 282.2% from approximately RMB3,010,700,000 recorded in the corresponding period in 2018.

- Our backlog value (net of estimated value added tax) as at 30 June 2019 amounted to approximately RMB23,149,937,000, representing an increase of 75.4% from approximately RMB13,199,055,000 recorded as at 31 December 2018.

BUSINESS OVERVIEW

Overall Review

During the first half of 2019, Wison Engineering Services Co. Ltd. (the "Company", together with its subsidiaries, the "Group") adhered to the strategy of "A New Voyage, A New Venture", made full use of the swiftness and flexibility as a private enterprise and responded to market and industry challenges and changes in a timely manner. Meanwhile, the Group further increased its strategic investment in refined project management, digital and modularized value creation, technology research and development and industry chain extension to consolidate its core competitive edges continuously and worked hard towards the target of "new start", aiming to drive the Group to become a domestically leading and internationally recognized energy and chemical technology engineering comprehensive solutions provider.

Since 2019, the global economy and energy and chemical market was deeply affected by the geopolitics and global trading relationships. As a result, the overall international chemical market dropped and the domestic chemical market became a key pillar for the expansion of global production capacity. For the six months ended 30 June 2019 (the "Period under Review"), the production capacity and capital expenditure of the domestic chemical products constantly expanded. In particular, investment in the petrochemical and its downstream sectors saw a significant growth, presenting new opportunities for the energy and chemical engineering industry. During the Period under Review, total new contract secured by the Group amounted to approximately RMB11,507.6 million (net of estimated value added tax), representing a substantial year-on-year increase of 282.2%. As at 30 June 2019, the Group's total backlog value was approximately RMB23,149.9 million (net of estimated value added tax), representing an increase of 75.4% compared to the total backlog value as of 31 December 2018.

During the first half of 2019, against the backdrop of increasingly growing trade tension and relatively weakened investment, the economics of some major countries recorded worse-than-expected decrease. As estimated by the World Bank, the global economic growth will ease to 2.6% in 2019. The energy and chemical market performed volatilely. From the beginning of the year to April, the tightening global crude oil supply pushed oil price high in a volatile way. Meanwhile, the extension of production cuts by Organization of the Petroleum Exporting Countries and its alliances ("OPEC+"), the US sanctions against two major oil exporters, Iran and Venezuela, together with the diminishing marginal increment of the US shale oil production and the US crude oil pipeline bottleneck, provided support to the global crude oil price. However, since May, with the rising uncertainty of global economy due to weakened global economy and intensified trade tension, and the market concern over the growth of crude oil demand in the future given the continuous increase of crude oil inventories in America, the oil price dropped significantly at the end of May. The Organization of Petroleum Exporting Countries (OPEC), International Energy Agency (IEA) and U.S. Energy Information Administration (EIA) lowered their outlook for growth of global crude oil demand in 2019 respectively.

Market Environment

During the Period under Review, the continuously increasing macroeconomic uncertainties around the world disturbed market confidence in the chemical industry, though with distinct regional difference. In Asia, with emerging economies represented by China and India still leading the global economic growth, Asian market remains the major growth momentum of the global chemical industry. In particular, China, with the world's largest energy and chemical terminal consumer market, basic chemicals and downstream chemicals sectors still have a large self-supply shortage. Despite the influence of external environment on current market, China will remain the leader of global demand growth in the medium and long term.

For overseas market, in the first half of 2019, under the influence of factors such as trade tension, Brexit, geopolitics, fluctuation in oil prices and exchange rates and consumption slowdown in major economies, it is increasing uncertain whether the global economy will slide and global chemical product demand is expected to slow down. However, individual markets still boast their regional advantages. The US chemical industry has benefitted from shale gas development. With abundant reserve and low cost, the shale gas development has attracted a large amount of new investments into the US, driving the increase in the exports of major shale gas-related chemicals. With rich oil and gas resources, the Middle East continues to further develop the chemical industry chain, increases investment in the downstream chemical market and improves the value-in-use of crude oil in order to reduce the reliance on crude oil mining and export, thus generating many market opportunities for refining and chemical industry as well as the construction, capacity expansion and transformation and technological transformation of the extended downstream chemical engineering. The Southeast Asia is likely to become the next global economic growth engine, where the demand for petrochemical products will keep increasing in the future. Africa, capitalizing on its large population and abundant resources, has broad market prospect and considerable growth potential in the engineering market of energy infrastructure, chemical fertilizers and downstream chemical products.

The Group pays close attention to the changes in the core international markets. With its competitive advantages such as acute market insight, extensive experience in overseas project management and execution, capability to respond swiftly and flexible operation mechanism, the Group focuses on the opportunities for energy and chemical infrastructure projects such as refinery, petrochemical, LNG and power generation in different regions, as well as continuing to establish its presence in key international regions and markets. At the same time, the Group will continue to proactively respond to China's "Belt and Road" initiative and help improve the infrastructure in the countries and regions along the aforesaid initiative, deepening the resource utilization, promoting the development of local living standard and economy, fueling the export of domestic manufacturing capacity and improving the competitive edge and influence of Made-in-China in international market, so as to support mutual benefits among the "Belt and Road" regions and countries, their people and domestic energy and chemical eco-chain.

For domestic market, in the first half of 2019, the capital expenditure remained high, especially in large-scale refinery-petrochemical integration projects. Benefited from supportive policies, investment and production capacity expansion have substantially exceeded the industrial average. Several major domestic private refinery-petrochemical integration projects have been successively completed and put into operation or have started material preparation. This round of refinery-petrochemical integration competition has accelerated the exit pace of domestic medium and small-sized refineries with lagged production capacity, bringing a positive impact on the restructuring of planning refineries as well as industrial structure optimization. On 30 June 2019, the National Development and Reform Commission (NDRC) and the Ministry of Commerce issued the Special Administrative Measures for Foreign Investment Access (Negative List) (2019 Edition), which further relaxes foreign investment in areas such as oil and gas exploration and development and urban gas. This, coupled with a combination of a series of implemented supportive policies of lifting the crude oil import restrictions on private enterprises, expenditure and tax reduction and mixed ownership, further encouraged foreign and private capital to enter domestic oil and gas field, In addition, enterprises originally engaged in non-chemical industries are also well-positioned to become a new force in the domestic energy and chemical industry. Besides, with the further development of raw materials and technologies, different types of customers may need different technologies and services, therefore, an engineering company must be capable of providing integrated comprehensive service solutions ranging from initial consultation, park planning, product chain planning and process planning to design, purchase, construction management, equipment startup and operating services and financing based on the request from different customers, which is a new challenge and also a new opportunity for an energy and chemical engineering company.

On the other hand, as the rebound of operating rate of refined chemical industry from the fourth quarter of 2018 to the beginning of 2019, the investment in the industry intensifies. However, due to a series of industrial safety accidents such as an accident occurring in Xiangshui Park, Yancheng in the first half of the year, Chinese government at various levels and parks have tightened safety production and supervision and carried out a re-review of chemical projects under production and under construction and tightened the review on new investment projects phase by phase. Therefore, the growth of capital expenditure of the refined chemical industry slid. Nevertheless, with more stringent safety supervision and monitoring, enterprises with hidden production risks and disorderly management have gradually been controlled, thereby actively promoting quality industrial development. Overall, the supply and demand position at the downstream of the refined chemical industry is better than that of the upper stream, the profit margin is expected to improve and there are still adequate ability and willingness to expand in the industry.

Financial Highlights

During the Period under Review, revenue of the Group amounted to approximately RMB1,611.2 million (for the six months ended 30 June 2018: approximately RMB1,254.7 million), representing a year-on-year increase of 28.4%. Such increase in revenue was mainly because during the Period under Review, the Group's petrochemical EPC projects in China and overseas, including the United States and Middle East, went smoothly and thus contributing more revenue to the Group. The gross profit amounted to approximately RMB226.2 million (for the six months ended 30 June 2018: approximately RMB203.6 million), representing a year-on-year increase of 11.1%. During the Period under Review, the Group recorded a net profit of approximately RMB11.5 million (for the six months ended 30 June 2018: approximately RMB12.0 million), representing a year-on-year decrease of 3.6%. The decrease in net profit was mainly because the Group faced relatively fierce market competition for its petrochemical engineering EPC projects and hence a relatively low gross profit margin from such projects as well as the Group's increase in capital expenditure in order to expand overseas market. Profit attributable to owners of the parent amounted to approximately RMB11.5 million (for the six months ended 30 June 2018: approximately RMB8.3 million), representing a year-on-year increase of 38.7%. The increase in profit attributable to owners of the parent was mainly because the Group has completed the acquisition of 25% interest in Wison Engineering Ltd., a subsidiary of the Group, in the second half of 2018. Upon the completion of the transaction, the Group owns 100% interest in Wison Engineering Ltd., resulting in an increase in profit attributable to owners of the parent.

During the Period under Review, the Group's total new contract value amounted to approximately RMB11,507.6 million (for the six months ended 30 June 2018: RMB3,010.7 million) (net of estimated value added tax, same hereinafter), representing a year-on-year increase of 282.2%, of which EPC accounted for 99.4%. For breakdown by operating industries of our clients, petrochemicals business, oil refinery business and coal-to-chemicals business accounted for 30.5%, 54.7% and 11.0%, respectively. During the Period under Review, the total backlog value (net of estimated value added tax, same hereinafter) was approximately RMB23,149.9 million, representing an increase of 75.4% as compared to the total backlog value as of 31 December 2018 of approximately RMB13,199.1 million.

BUSINESS AND OPERATIONS REVIEW

Domestic Markets:

During the Period under Review, with the increasing domestic consumption and the strengthening of environmental protection regulations in China and large-scale integration plant projects successively put into operation, domestic chemical industry continued to expand its capacity and fixed assets investments in the industry continued to increase. In particular, investment in bulk basic chemical raw materials and fine chemicals markets remained strong. The development of large private petrochemical enterprises has injected new development vitality into the industry. By fully leveraging market opportunities, the Group has been continuously improving project execution and management quality and identifying new customers. During the Period under Review, the Group secured a total of 33 new domestic projects, of which 6 are EPC projects, with a total contract value of approximately RMB11,086.0 million. The Group's performance in domestic market is highly recognized and significant progress has been made in several key domestic projects.

Ethylene plant project for Zhejiang Petrochemical highlighted its modularized design and manufacturing capability: On 28 May 2019, the Group entered into an EPC contract with Zhejiang Petrochemical Co., Ltd. (浙江石油化工有限公司) ("Zhejiang Petrochemical") for 1,400kta ethylene plant, with a contract value of approximately RMB2.48 billion. Capitalizing on its modularized design, manufacturing and project management experience as well as global procurement ability, the Group is responsible for project equipment and material procurement, project construction services as well as assisting Zhejiang Petrochemical in commissioning and start-up. The ethylene plant project is one of the main projects under the 40,000 kta integrated refining and petrochemical project developed by Zhejiang Petrochemical and marks another cooperation between the Group and Zhejiang Petrochemical since the nine 200kta cracking furnace module project of the Phase I Zhejiang Petrochemical project, which has fully evidenced Zhejiang Petrochemical's high recognition on the Group. In the Phase I Zhejiang Petrochemical project, the Group successfully delivered nine 200kta cracking furnace modules through modularized manufacturing in 8 months, which is the largest single cracking furnace module in the world in terms of modularized construction and overall transportation, thereby ensuring the successful operation of the project, laying a solid foundation for this cooperation and highlighting the Group's excellent capability in the field of ethylene.

Nanjing Chengzhi Yongqing MTO plant of the MTO Project has started successfully: The MTO plant of the 600kta MTO project by Nanjing Chengzhi Yongqing Energy Technology Co., Ltd (南京誠志永清能源科技有限公司) ("Nanjing Chengzhi Yongqing") licensed by the Group under EPC completed its delivery on 8 May 2019 and has started successfully on 28 June 2019 to produce on-spec ethylene and propene products. The MTO plant utilizes integrated technologies which combine Honeywell UOP's MTO reaction technology and the Group's olefin separation technology — "Pre-cutting + Oil Absorption", which is a leading technology of MTO olefin separation. Meanwhile, the Group also delivered a 100kta butadiene plant to Nanjing Chengzhi Yongqing, which adopted the Group's self-developed and first large commercially applied Butene Oxidation and Dehydrogenation Reaction Technology. In addition, the project marks the first time that the Group applied a combined technology of MTO and butadiene, which is currently the best application for MTO. The successful delivery has again proved the Group's comprehensive strength in MTO projects and it also marks a key milestone for the Group in the expansion of MTO market.

Fujian ShenYuan's Coal-to-Hydrogen and Synthetic Ammonia Project set a new benchmark for safe environmental protection: the Group has entered into an EPC contract with Fujian ShenYuan New Materials Co., Ltd (福建申遠新材料有限公司) ("Fujian ShenYuan") for the construction of 75,000 Nm^3/h coal-to-hydrogen plant and 300 kta synthetic ammonia plant, with a contract sum of approximately RMB1.4 billion. The Group is responsible for engineering management, basic design and detailed design of the project, supply of equipment and materials, construction and construction management as well as instructing the commissioning and start-up. Currently, the on-site survey of the project is in progress, laying a key foundation for subsequent scheduled works. The Coal-to-Hydrogen and Synthetic Ammonia Project, which is a key part of the second phase of the 400 kta integrated polyamide project of Fujian ShenYuan, will achieve integration of upstream and downstream in the world's largest production base of caprolactam as well as increase in production capacity after completion of construction, thereby becoming a new industrial benchmark that is safe, reliable, energy-saving and environmentally-friendly and also marking another breakthrough of the Group in new material application as well as a significant strategic presence for the Group to deepen its expansion in South China market.

The sludge pyrolysis gasification pilot plant in Zhengzhou has made new breakthroughs in municipal environmental protection: the Group has been awarded an EPC contract by Zhengzhou Gewo Environmental Protection Development Co., Ltd. (鄭州市格沃環保開發有限公司) for a sludge pyrolysis gasification pilot plant with daily production capacity of 100 tons. The project is the Group's first EPC project in the civic industry. Capitalizing on its own advantage in technological research and development, procurement capability and project management, the Group will provide quality solutions for municipal works and environmental protection projects. The project has made a substantial progress for the Group's business in the municipal environmental protection field and lays an important foundation for the cross-sector and diversified development of the Group's service sectors.

International Markets:

During the Period under Review, the international political situation and the global economic instability have cast more uncertainties over the international energy market and affected global crude oil supply pattern, causing substantial fluctuations in oil prices and chemical product prices, further highlighting the importance of North America and the Middle East in the international energy and chemical market. By upholding the strategy of full internationalization and through nearly ten years of cultivation in the international market, the Group has established a comprehensive international marketing, project execution and management team to swiftly and effectively respond to market demand and changes. During the Period under Review, the Group secured new overseas contracts for 6 projects in total with aggregate contract value of approximately RMB421.7 million, mainly located in North America and the Middle East.

The Middle East: The Middle East is the most competitive developed market in the global energy and chemical engineering industry, and also the most important area in the Group's globalization strategy. With its outstanding capabilities in project execution, engineering quality and safety management, and resource integration in the Middle East, the Group has delivered many projects in the Middle East and achieved excellent performance and has therefore established a premium brand image and reputation.

During the Period under Review, the Group officially collaborated with Kellogg Brown & Root (KBR) to jointly provide services for Train 2 of Saudi Aramco Total Refining and Petrochemical Company (SATORP)'s Refinery Debottlenecking Project in Jubail, which is located in the east coast of Saudi Arabia. The project is expected to increase the refinery's production capacity by 15% once delivered in August 2020, which may become a typical case of "value creation by integrating technology with engineering" in the global energy engineering industry. SATORP is a joint venture between Saudi Aramco and Total. The project enables the Group to further deepen its cooperation with KBR in global energy sector as well as achieve the first breakthrough of the Company in conducting EPC projects for Saudi Aramco.

North America: North America is another major area for the Group's globalization strategy. In view of issues such as high labour cost and strict control over engineering progress in North American market, the Group vigorously developed modularized production which, through modularized factory prefabrication, assembly and integrated delivery, has greatly reduced the cost of, among others, labour and material procurement for North America investment projects and significantly shortened the construction cycle and thus enhance the economic efficiency of the project. The modularized production has raised the competitiveness of the Group in the United States market and has set a new industry benchmark for the Chinese engineering enterprises.

During the Period under Review, the Group has successfully delivered nine large process modules to its petrochemical EPC project site in Texas, the United States, through roll-on-roll-off operation. These modules weigh 3,200 tons in total, among which the single largest module measures 41 meters long, 15 meters wide and 20 meters high. This is the largest module unit completed by the Group in its North America EPC projects so far. For the first time, the Group utilized the self-propelled deck barge to carry out trans-ocean transportation of modules, which again proves the Group's capability in managing design, procurement, construction and transportation for the modular EPC project throughout the whole process and bringing the optimum and most cost-effective solution for our clients. In addition, the Group has successively been awarded polypropylene modularized EPC projects in Texas, the United States, and the polypropylene Front End Engineering Design (FEED) project in Louisiana, laying a foundation for winning the next phase of EPC projects.

Other regions: In addition to the key markets such as the Middle East and North America, the Group is determined to fully implement the internationalization strategy and will continue to strengthen the strategic investment in global marketing layout. More than ten branches have been established in the countries in the Commonwealth of Independent States, Southeast Asia and Africa as well as countries along the "Belt and Road" initiative. The successful experience in the Middle East and North America allows the Group to win several preliminary projects in the other overseas regions and is expected to achieve substantial breakthroughs in these areas.

Technology Research and Development

2019 marks a new round of deepening innovation and development for enterprises. By continuing to adhere to the objectives of "improving people's livelihood with innovative technology", the Group focused on and seized the world's ground-breaking, cutting edge technologies and moved forward by upholding the philosophy of being green, low-carbon and energy-saving. During the Period under Review, remarkable new intellectual property rights achievements have been made by the Group with 15 new patents, 3 new licensed patents and 5 new software copyright registrations.

Following the establishment of post-doctoral research center upon approval from the Ministry of Human Resources and Social Security of the PRC in 2018, the Group will formulate strategies from a high starting point and implement measures with high standards. During the Period under Review, the Group entered into an agreement with East China University of Science and Technology, pursuant to which both parties would work closely together in aspects such as introduction of post-doctoral talents, teambuilding, co-development of production and learning, establishment of systems, etc..

During the Period under Review, by continuing to lay out and deepen the strategy for low-carbon development of global energy, the Group proactively promoted the implementation of the national key research and development plan of "new technology of glycol by synthesizing ethylene carbonate and hydrogen with cogeneration of methanol", the research and development of which is progressing steadily on schedule. Meanwhile, the pilot plant of the DME-based ethanol technology, developed by the Group, has successfully completed its first phase of test study, which marks a solid step for the Group in coal-to-chemicals industry chain expansion and ethylene raw materials diversified development. Subsequently, the Group will actively carry out the second phase of test study to complete its pilot test and form a set of technology, so that its coal-to-chemicals enterprises will be able to achieve differentiated and efficient development by intensifying the downstream extension of the industry chain and industrial upgrading.

During the Period under Review, Nanjing Chengzhi Yongqing Energy Technology Co., Ltd.'s MTO plant of the 600kta MTO project, licensed by the Group, started up successfully and produced polymer grade ethylene and propene products. As a leading technology of MTO olefin separation, this set of plant marks the 11th successful commercial application of the Group's MTO separation technology. The successful commencement of operation has again highlighted the Group's comprehensive strength in MTO technology research and development.

Digitalization

During the Period under Review, the Group strengthened R&D and the application of digitalization and smart technology. Upholding the principle of "enhance the digitalization capacity of Wison and support the One Core and Two Wings strategy", the Group gradually developed its "Smart Project" and "Intelligent Factory" by digitalizing processes such as EPC and project management. The Group's industry-leading technology in smart project and intelligent factory is capable of meeting the service demand for digitization from domestic and overseas customers.

In terms of Smart Project, the Group will digitalize its design processes, especially processes such as cross-disciplinary data transmission, transmission of modified data and consistency check for cross-disciplinary data etc., which will be replaced by computer procedures and hence realise automatic completion. During the Period under Review, the Group has improved its contents and depth of automatic completion, which has been successfully verified by Yantai Wanhua million-ton ethylene design project. In addition, in the procurement, construction and project management process, the Group will comprehensively improve digitalization to further enhance its internal management, project execution capability and overall competitiveness.

Intelligent Factory can be achieved for customers through digital delivery. EPC projects undertaken by the Group in recent years, such as Saudi Basic Industries Corporation (SABIC) and Abu Dhabi Oil Refining Company (TAKREER) in the Middle East, have all achieved digital delivery. Furthermore, in light of the upcoming Tianjin Ethylene Project, the Group has established a joint laboratory of intelligent factory with Honeywell to carry out preliminary research for building a world-class intelligent factory. Currently, the parties are preparing "Overall Plan for Intelligent Factory", among other things, and are also preparing for building real-time optimization (RTO) and Digital Twin.

Modularization

Modular prefabrication, assembly and integrated delivery can effectively overcome the constraints of construction site, significantly shorten construction period and increase work efficiency, which is conducive to the Group's expansion into overseas markets and is also one of the Group's core strategies. The Group has established a dedicated international, cross-functional and multi-disciplinary modular design and execution team with experience in design, execution and management of leading projects in the industry. During the Period under Review, the team not only completed the design and delivery of several modular projects in overseas markets and China, but also prepared and optimized the modular execution and guidelines on modular design, with an aim to enhancing the overall strength of the modular integrated solutions, thereby solidifying the foundation for the Company's modular business. We are also committed to setting a standard and benchmark in the industry.

The module construction base of Wison Offshore & Marine provides the Company with the capabilities of module feasibility studies, basic design, detailed design and construction for medium-and large-scale land facility. Combining with its sea and land transport and lifting design, the Group has integrated capabilities of module design, construction and delivery, thereby establishing its leading competitiveness in both the domestic and international energy and chemical engineering market. During the Period under Review, three projects in the United States are among the completed and delivered modular projects of the Group.

Awards and New Qualifications

During the Period under Review, in view of its quality and efficient services, the Group received recognition from its customers, the peers in the industry and regulatory authorities, and was awarded with numerous awards. A number of SABIC projects undertaken by the Group was awarded the "2018 Outstanding Supplier (2018年度優秀供應商)" award by SABIC in recognition of its quality and timely delivery. Nanjing Chengzhi MTO and Butadiene Project completed delivery with "zero accident, zero pollution and zero complaint", and was awarded the "2018 Zero Safety Accident & 2.82 Million Safe Working Hours Award (2018年度無安全事故282萬安全人工時獎)" by Nanjing Chengzhi Yongqing Energy Technology Co., Ltd (南京誠志永清能源科技有限公司).

In addition, government authorities also acknowledged the development and contribution of the Group. The Group was accredited as "2018 Pudong New Area Outstanding Economic Contribution Enterprise (2018年度浦東新區經濟突出貢獻企業)" and "Pudong New Area Corporate Social Responsibility Compliance Enterprise (浦東新區企業社會責任達標企業)" by the People's Government of Shanghai Pudong New Area and Pudong New Area Joint Office of the Corporate Social Responsibility System (浦東新區建立企業社會責任體系聯席會議辦公室), respectively, which fully reflected that the Group attached great importance to its social responsibility while expanding its business with a view to achieving sustainable development of both the enterprise and the society.

Talent Program

Targeting the rapid development of its business in 2019, the Group continued to introduce new talents based on market and customer demand to improve internal management, thereby achieving a quick response to customers' needs and satisfying the demand of human resources for new project orders. In the first half of 2019, the Group has employed a total of 339 new employees.

During the period, aligning with the Group's strategy of creating a product technology center as a hub of talent pool and achieving breakthroughs in product technological development, the Group was successfully approved by the Ministry of Human Resources and Social Security of the PRC to establish the corporate post-doctoral center of the Group, which provides a greater platform and condition for attracting more high-end technical talents in the future. Meanwhile, the Group optimized and expanded its international and domestic marketing teams, improved the marketing area layout and constantly enhanced the Group's overall organizational skills of market expansion and customer relationship by developing a management system for the major customers around the world.

Regarding internal structure development, the Group conducted review for key personnel and developed an incentive mechanism accordingly in order to enhance its operating efficiency. The Company focused on and stepped up its efforts in enhancing the leadership of middle and senior management and cultivating a design team, as well as developing a talent team for large-scale international project management, with a view to developing an enthusiastic core team with high efficiency. The Company adhered to the principle of integrity and pragmatism when formulating its human resources strategies, at the same time striving to cultivate innovative culture in the Company and enhancing the operating efficiency and management level.

OUTLOOK

Looking forward to the second half of 2019, under the shock of counter-globalization, there will still be numerous uncertainties and greater challenges in the global energy market. The capital expenditure reduced in international chemical industry in general. On the supply side of crude oil, the oil production from "OPEC+" is unlikely to further scale down, and the US shale oil production shall increase orderly at sound cost. On the other hand, additional output in Brazil will bring shock and pressure on the market. While on the demand side of crude oil, the overall demand was weak under the influence of global trade disputes and geopolitics. The chemical industry is also confronted with complex external environment including trade tension, protectionism, exchange rate fluctuation and environmental regulations. Therefore, chemical industry's investment in new projects shall be more focused on the areas reasonably beyond respective competitive edges of individual region, which in turn highlights integration advantages, thus resisting the impact of industrial volatility and maximizing the benefit.

The Group will continue to concentrate on "major battlefields" such as the Middle East, North America, Russia and Southeast Asia while adhering to the core strategy of building on local market and expanding into the international market. Leveraging on its own advantages in terms of modularization, digitalization, project execution, project management and financing capabilities, the Group will consistently enhance its competiveness in overseas markets by enhancing the establishment of overseas marketing team.

In respect of the domestic market, chemical industry of China will become a major contributor to the global chemical industry in the next few years. According to the Special Administrative Measures for Foreign Investment Access (Negative List) (2019 Edition), which officially took effect in July, various investment entities, including foreign companies, Sino-foreign joint ventures and private companies, will play an increasingly crucial role in the domestic energy and chemical industry. Large and mega refinery-petrochemical integration projects located in Bohai Economic Rim, Yangtze River Delta and Pearl River Delta, which are under planning and preliminary operation, will further motivate the transformation and development of domestic energy and chemical industry and will gradually make up for the gap arising from reliance on basic chemicals from external sources. To seize new business opportunities, the Group has established a "Domestic and Overseas Investment Project Team" possessing outstanding domestic and overseas project capability and experience to carry out focused marketing towards target markets and customers.

Based on the development strategy and the changes in the market environment, the Group will closely monitor the investment opportunities that cater to the Group's development strategy to expand into upstream and downstream industry chain by leveraging its own capital and resources. Meanwhile, the Group will also strive to enhance its core competitiveness through self-development and strategic cooperation. The Group will strive to increase the total amount of newly signed contracts to RMB40 billion during the two years of 2019 and 2020 and the target remains unchanged.

Relying on cutting-edge technology to build a technical engineering service enterprise

By adhering to the strategic initiatives of "Promoting development and strengthening business with technologies", the Group will closely track research frontiers and development trends in the global energy and chemical industry and will focus on global cutting-edge technology in the areas of basic chemicals, chemical intermediates, green processes, and low-carbon energy conservation. Through technical cooperation ecosystem, the Group aims at developing a wide range of cooperation in "production, learning and research" based on the principle of "resources and technological complementation" and the concept of mutual benefits. Currently, the increasingly high-pressured and normalized supervision and regulation over environmental protection and safety in the industry will enable innovative chemical technology with low energy consumption, environmental protection and safety and higher value adding to become the core competitive edge of enterprises. The Group will continue to enhance green chemical in the energy and chemical sector, develop and industrialize clean production technology, thereby supporting the industrial transformation and upgrade towards low-carbon and eco-friendliness. At the same time, leveraging on the opportunities arising from the national strategy regrading the development of emerging industries, the Group increased efforts in developing the technologies of new materials with highly dependent on imports and higher value adding as well as the upstream material bottlenecking technology to form an innovative industrial application platform integrating technology research and development, engineering amplification and investment construction. The Group is committed to developing itself into a leading engineering service enterprise with advanced technologies.

Establish a business ecosystem, diversifying development through expansion along the industry

Looking forward, the petrochemical industry will usher in new subjects, new raw materials, new processes and new regulations, and demonstrate a new development pattern. While implementing the strategic measures of "full internationalization", "optimized management" and "market competition differentiation", the Group will proactively respond to the overall requirements of the national green circular economy, actively carry out industrial investment and operation to effectively expand its principal businesses by leveraging its own strengths and core competency, as well as explore new development opportunities in fields such as environmental protection and civic engineering. Meanwhile, the Group will step up its efforts in the research and development of new functional materials and bottlenecking raw materials, both of which are highly dependent on imports, and establish strong alliance with industry leaders to pursue strategic expansion of complete cycle including new business development, construction and operation. By building the Group into an integrated and unique energy service and operation company with outstanding core advantages, diversified business risks, strong technical strengths and diversified profit sources, the Group will hence be able to realise healthy and sustainable development.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

OVERALL REVIEW

The following table sets forth the Condensed Consolidated Statement of Profit or Loss of the Group for the six months ended 30 June 2019 and for the six months ended 30 June 2018:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
REVENUE	**1,611,231**	1,254,691
Cost of sales	**(1,385,017)**	(1,051,029)
GROSS PROFIT	**226,214**	203,662
Other income and gains	**85,585**	104,617
Selling and distribution expenses	**(63,352)**	(47,319)
Administrative expenses	**(188,299)**	(180,166)
Impairment losses on financial and contract assets	**(1,826)**	(9,223)
Other expenses	**(16,735)**	(9,792)
Finance costs	**(6,359)**	(24,381)
Share of profit or loss of an associate	**(69)**	218
PROFIT BEFORE TAX	**35,159**	37,616
Income tax	**(23,624)**	(25,649)
PROFIT FOR THE PERIOD	**11,535**	11,967

Revenue and Gross Profit

The comprehensive revenue of the Group increased by 28.4%, from RMB1,254.7 million in the six months ended 30 June 2018 to RMB1,611.2 million in six months ended 30 June 2019.

The gross profit of the Group increased by 11.1%, from RMB203.6 million in the six months ended 30 June 2018 to RMB226.2 million in the six months ended 30 June 2019.

The gross profit margins of the Group in the six months ended 30 June 2018 and 2019 were 16.2% and 14.0%, respectively.

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

	Segment revenue Six months ended 30 June		Segment gross profit Six months ended 30 June		Segment gross profit margin Six months ended 30 June	
	2019	2018	**2019**	2018	**2019**	2018
	(RMB million) (unaudited)		*(RMB million)* (unaudited)		*(%)*	
EPC	**1,527.2**	1,168.6	**198.6**	181.9	**13.0%**	15.6%
Engineering, consulting and technical services	**84.0**	86.1	**27.6**	21.7	**32.9%**	25.2%
	1,611.2	1,254.7	**226.2**	203.6	**14.0%**	16.2%

Revenue of EPC increased by 30.7%, from RMB1,168.6 million in the six months ended 30 June 2018 to RMB1,527.2 million in the six months ended 30 June 2019. It was mainly attributable to the smooth progress of the Group's petrochemical projects located in the United States, Middle East and China, all of which bring increased contribution to the revenue in the six months ended 30 June 2019.

Gross profit margin of EPC decreased from 15.6% in the six months ended 30 June 2018 to 13.0% in the six months ended 30 June 2019. The decrease was mainly because of the increased proportion of revenue derived from petrochemical EPC projects, which have lower gross profit margin in the six months ended 30 June 2019. The lower gross profit margin of petrochemical EPC projects was attributable to the Group's enhanced price competitiveness when expanding into overseas markets.

Revenue of Engineering, Consulting and Technical Services decreased by 2.4%, from RMB86.1 million in the six months ended 30 June 2018 to RMB84.0 million in the six months ended 30 June 2019.

Gross profit margin of Engineering, Consulting and Technical Services increased from 25.2% in the six months ended 30 June 2018 to 32.9% in the six months ended 30 June 2019. The increase of gross profit margin of Engineering, Consulting and Technical Services was mainly attributable to the Group's certain catalyst technical services and front-end engineering design services in the six months ended 30 June 2019, which have higher gross profit margin.

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

	Six months ended 30 June			
	2019	2018	**Change**	**Change**
	(RMB million)	*(RMB million)*	***(RMB million)***	**%**
	(unaudited)	(unaudited)		
Petrochemicals	**1,303.8**	467.3	**836.5**	**179.0%**
Oil refineries	**111.8**	159.6	**(47.8)**	**(29.9%)**
Coal-to-chemicals	**183.6**	616.2	**(432.6)**	**(70.2%)**
Other products and services	**12.0**	11.6	**0.4**	**3.4%**
	1,611.2	1,254.7	**356.5**	**28.4%**

In petrochemicals, revenue increased by 179.0%, from RMB467.3 million in the six months ended 30 June 2018 to RMB1,303.8 million in the six months ended 30 June 2019. It was mainly attributable to the smooth progress of the Group's petrochemical projects located in the United States, Middle East and China, all of which bring increased contribution to the revenue in the six months ended 30 June 2019.

In oil refineries, revenue decreased by 29.9%, from RMB159.6 million in the six months ended 30 June 2018 to RMB111.8 million in the six months ended 30 June 2019. The decrease was mainly due to the fact that the oil refinery projects newly secured by the Group in the first half of 2019 had not yet entered into principal construction phase, resulting in the decrease in recognizable revenue.

In coal-to-chemicals, revenue decreased by 70.2%, from RMB616.2 million in the six months ended 30 June 2018 to RMB183.6 million in the six months ended 30 June 2019. The decrease was mainly due to the fact that the coal-to-chemicals projects of the Group from prior years had entered into the completion stage, while the construction of coal-to-chemicals projects newly secured in the second half of 2018 had not yet commenced.

In other products and services, revenue increased by 3.4%, from RMB11.6 million in the six months ended 30 June 2018 to RMB12.0 million in the six months ended 30 June 2019.

OTHER INCOME AND GAINS

Other income and gains decreased by 18.2%, from RMB104.6 million in the six months ended 30 June 2018 to RMB85.6 million in the six months ended 30 June 2019. Interest income decreased by RMB3.8 million, rental income increased by RMB19.5 million, government grants increased by RMB6.3 million. The overall decrease in other income and gains was mainly attributed to the recognition of gains on disposal of a subsidiary and exchange gains in the six months ended 30 June 2018.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses increased by 34.0%, from RMB47.3 million in the six months ended 30 June 2018 to RMB63.4 million in the six months ended 30 June 2019. The increase was mainly because the Group has increased preliminary expenditure in order to expand domestic and foreign markets.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by 4.5%, from RMB180.2 million in the six months ended 30 June 2018 to RMB188.3 million in the six months ended 30 June 2019. Administrative expenses increased due to the increased staff costs during the six months ended 30 June 2019 resulting from the increase in technical and project execution professionals employed by the Group for its existing projects and new projects expected to be entered into by the Group.

OTHER EXPENSES

Other expenses increased by 70.4%, from RMB9.8 million in the six months ended 30 June 2018 to RMB16.7 million in the six months ended 30 June 2019, which is mainly attributable to the increase in the Group's rental costs.

FINANCE COSTS

Finance costs decreased by 73.8%, from RMB24.4 million in the six months ended 30 June 2018 to RMB6.4 million in the six months ended 30 June 2019. Interest on bank loans decreased by RMB0.8 million and interest on discounted bills decreased by RMB17.4 million. The decrease in interest on discounted bills was primarily due to the expiration of the financing arrangement for certain projects and corresponding interest on discounted bills was no larger recognised.

INCOME TAX

Income tax decreased by 7.8%, from RMB25.6 million in the six months ended 30 June 2018 to RMB23.6 million in the six months ended 30 June 2019.

PROFIT FOR THE PERIOD

Profit for the period decreased by 3.6%, from RMB12.0 million in the six months ended 30 June 2018 to RMB11.5 million in the six months ended 30 June 2019 , which was basically the same as that in the six months ended 30 June 2018 .

TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit where payment in advance is normally required. Trade receivables are non-interest-bearing and on credit terms of a period of 30 days or the respective contracts' retention period. The Group's total trade and bills receivables decreased by approximately 14.9%, from RMB1,519.1 million as at 31 December 2018 to RMB1,292.7 million as at 30 June 2019.

FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL STRUCTURE

As at 30 June 2019, the Group's cash and bank balances amounted to RMB563.3 million, representing approximately 14.5% of the Group's current assets (As at 31 December 2018: RMB932.1 million, representing approximately 20.2% of the Group's current assets).

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

	Six months ended 30 June	
	2019	2018
	RMB'million	*RMB'million*
	(Unaudited)	(Unaudited)
Net cash flows from operating activities	**(116.5)**	(197.7)
Net cash flows from investing activities	**(202.0)**	48.7
Net cash flows from financing activities	**(50.9)**	(160.0)

As at 30 June 2019, the Group's pledged and unpledged cash and bank balances mainly included the following amounts:

	30 June 2019	31 December 2018
	(Million)	*(Million)*
Hong Kong Dollar	**2.6**	8.0
US Dollar	**88.1**	125.3
Renminbi	**871.0**	956.8
Saudi Riyal	**16.4**	9.3
Euro	**3.4**	2.5
UAE Dirham	**0.5**	0.4
South African Rand	**21.5**	27.7

The Asset-Liability Ratio of the Group, which was derived by dividing average total liabilities by average total assets, is set out below. The Asset-Liability Ratio of the Group has exhibited a downward trend, which is mainly attributable to the Group's strict control in liability level.

	31 December 2015	31 December 2016	31 December 2017	31 December 2018	**30 June 2019**
Asset-Liability Ratio	78.5%	74.8%	70.5%	69.2%	**68.2%**

Interest-bearing bank and other borrowings of the Group as at 30 June 2019 and 31 December 2018 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 2018: 100%).

	30 June 2019 *(RMB million)*	31 December 2018 *(RMB million)*
Current		
Bank loans repayable within one year		
— secured	**196.6**	245.9
— unsecured	**–**	–
	196.6	245.9

Bank loans were denominated in RMB and USD as at 31 December 2018, while bank loans were denominated in RMB as at 30 June 2019. As at 30 June 2019, bank borrowings amounting to RMB6,593,000 (31 December 2018: RMB62,000,000) bore interest at fixed rates.

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

Six months ended 30 June 2019	4.79% to 5.44%
Year ended 31 December 2018	3.87% to 5.44%

The maturity profile of interest-bearing bank and other borrowings as at 30 June 2019 and 31 December 2018, 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 2019					
Interest-bearing bank and other borrowings	**–**	**9.0**	**192.7**	**–**	**201.7**
31 December 2018					
Interest-bearing bank and other borrowings	–	188.3	62.8	–	251.1

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

MATERIAL ACQUISITIONS AND DISPOSALS

Reference is made to the discloseable transaction announcement dated 24 May 2019 of the Company. The Company announced in that announcement that on 24 May 2019, the Company (as an investor) entered into the Cornerstone Investment Agreement with CSSC (Hong Kong) Shipping Company Limited ("CSSC", as the issuer), China International Capital Corporation Hong Kong Securities Limited ("CICC", as the Sole Sponsor and one of the Joint Global Coordinators) and CLSA Limited ("CLSA", as one of the Joint Global Coordinators), pursuant to which the Company has agreed to subscribe for shares in CSSC as a cornerstone investor, with an aggregate subscription price (exclusive of the brokerage and the levies in respect of the shares) of approximately HK$234,000,000. The Company acquired 174,626,000 shares, representing approximately 2.85% of CSSC.

Reference is made to the discloseable transaction announcement dated 6 June 2019 of the Company. The Company announced in that announcement that on 6 June 2019, Wison Engineering Ltd.("Wison Engineering", an indirect wholly-owned subsidiary of the Company) and certain other investors, Shanxi Lu'an Mining (Group) Company Limited (as the existing shareholder of Shanxi Lu'an Chemical Co., Ltd. (山西潞安化工有限公司, "Target Company")) and the Target Company entered into a capital contribution agreement, pursuant to which Wison Engineering agreed to make capital contribution in cash of RMB30,000,000 to the Target Company for a 0.2246% equity interest in the Target Company.

The Group is also closely exploring other investment opportunities to complement the Group's strategic development or as additional means of improving returns.

CAPITAL EXPENDITURE

During the six months ended 30 June 2019, the capital expenditure of the Group amounted to RMB12.8 million (six months ended 30 June 2018: RMB13.5 million).

FOREIGN EXCHANGE RISK CONTROL

The business transactions of the Group are mainly settled in Renminbi and US dollars. The Group is exposed to currency risks in relation to the bank balances denominated in currency other than the functional currencies of the relevant entities. The Group has formulated and strictly adheres to a currency hedging policy against the foreign currency risk. When appropriate, the Group will also consider the use of financial instruments for hedging purpose, including currency forward contracts, to address currency risks.

CONTINGENT LIABILITIES

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

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

During the six months ended 30 June 2019, a customer of Wison Engineering filed a claim with the Sichuan Province's Higher People's Court against Wison Engineering for the compensation of construction procrastination and cost overruns with the total amount of approximately RMB26,796,000.

During the six months ended 30 June 2019, a sub-contractor of Wison Engineering has been accused by its own sub-contractor and Wison Engineering has also been named as a defendant to undertake joint liability for the payment of construction costs of approximately RMB45,360,000.

As of the date of this announcement, Wison Engineering and the first two subcontractors and the customer have completed the first pre-trial evidence exchange in court and cross-examination, and trials are yet to be scheduled. Wison Engineering and the fourth subcontractor are still in the process of first pre-trial evidence exchange and trial is yet to be scheduled. The directors of the Company are of the opinion that, on the basis of the available evidence and having taken legal advice, the claims above are without merits and the possibility for the Group to be subject to additional payment claims is remote. Accordingly, no provision was made with respect to the aforementioned claims as at 30 June 2019.

ASSET SECURITY

As at 30 June 2019, no asset of the Group (other than certain bank balances and time deposits) was pledged as security for bank facilities of the Group.

HUMAN RESOURCES

As at 30 June 2019, the Group had 1,594 employees (31 December 2018: 1,439 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 2019, the total staff cost of the Group (including salaries, bonuses, insurance and share option schemes) amounted to RMB261.2 million (in the six months ended 30 June 2018: RMB257.0 million).

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	**For the six months ended 30 June** **2019** ***RMB'000*** **(Unaudited)**	2018 *RMB'000* (Unaudited)
REVENUE	*4*	**1,611,231**	1,254,691
Cost of sales		**(1,385,017)**	(1,051,029)
GROSS PROFIT		**226,214**	203,662
Other income and gains	*4*	**85,585**	104,617
Selling and distribution expenses		**(63,352)**	(47,319)
Administrative expenses		**(188,299)**	(180,166)
Impairment losses on financial and contract assets		**(1,826)**	(9,223)
Other expenses		**(16,735)**	(9,792)
Finance costs	*5*	**(6,359)**	(24,381)
Share of profit or loss of an associate		**(69)**	218
PROFIT BEFORE TAX	*6*	**35,159**	37,616
Income tax	*7*	**(23,624)**	(25,649)
PROFIT FOR THE PERIOD		**11,535**	11,967
Attributable to:			
Owners of the parent		**11,535**	8,315
Non-controlling interests		**–**	3,652
		11,535	11,967
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
— Basic		**RMB0.28 cent**	RMB0.20 cent
— Diluted		**RMB0.28 cent**	RMB0.20 cent

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**11,535**	11,967
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(106)**	(2,299)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**(106)**	(2,299)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**(42,969)**	–
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**(42,969)**	–
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	**(43,075)**	(2,299)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**(31,540)**	9,668
Attributable to:		
Owners of the parent	**(31,540)**	6,250
Non-controlling interests	**–**	3,418
	(31,540)	9,668

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	**862,088**	877,691
Investment property		**11,422**	11,747
Right-of-use assets		**162,529**	–
Prepaid land lease payments		**–**	149,032
Goodwill		**15,752**	15,752
Intangible assets		**33,120**	32,101
Investment in an associate		**1,399**	1,468
Equity investments designated at fair value through other comprehensive income		**164,741**	–
Long-term prepayments		**6,082**	7,948
Deferred tax assets		**32,896**	35,375
Total non-current assets		**1,290,029**	1,131,114
CURRENT ASSETS			
Inventories		**12,653**	46,804
Trade receivables	11	**1,095,893**	1,338,735
Bills receivable		**196,830**	180,360
Contract assets		**557,642**	612,789
Due from fellow subsidiaries		**7,066**	168,918
Prepayments and other receivables		**455,911**	395,511
Pledged bank balances and time deposits	12	**984,809**	943,028
Cash and bank balances	12	**563,291**	932,086
Total current assets		**3,874,095**	4,618,231

	Notes	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
CURRENT LIABILITIES			
Trade and bills payables	*13*	**2,066,828**	2,550,425
Other payables and accruals		**839,435**	1,007,822
Interest-bearing bank and other borrowings	*14*	**196,593**	245,934
Due to fellow subsidiaries		**135,881**	37,087
Due to an associate		**630**	630
Dividend payable		**17,905**	–
Tax payable		**178,608**	146,489
Total current liabilities		**3,435,880**	3,988,387
NET CURRENT ASSETS		**438,215**	629,844
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,728,244**	1,760,958
NON-CURRENT LIABILITIES			
Other payables		**4,746**	–
Deferred tax liabilities		**–**	6,444
Government grants		**5,603**	4,695
Total non-current liabilities		**10,349**	11,139
NET ASSETS		**1,717,895**	1,749,819
EQUITY			
Equity attributable to owners of the parent			
Share capital	*15*	**330,439**	330,299
Share premium		**865,236**	861,129
Other reserves		**522,220**	558,391
		1,717,895	1,749,819
Non-controlling interests		**–**	–
TOTAL EQUITY		**1,717,895**	1,749,819

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. CORPORATE INFORMATION

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

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

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

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

2.1 Basis of preparation

The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2019 (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 2018.

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

2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the Interim Financial Information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new and revised International Financial Reporting Standards ("IFRSs") effective as of 1 January 2019.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	*Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23*

Other than as explained below regarding the impact of IFRS 16 *Leases*, Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures* and IFRIC 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised IFRSs are described below:

(a) IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease,* SIC 15 *Operating Leases — Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any financial impact on leases where the Group is the lessor.

    The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17.

    New definition of a lease

    Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

    At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their stand-alone prices.

    As a lessee — Leases previously classified as operating leases

    Nature of the effect of adoption of IFRS 16

    The Group has lease contracts for various items of property, machinery, vehicles and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in other payables.

The right-of-use assets leases were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at cost, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at cost applying IAS 40.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

The impacts arising from the adoption of IFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) *RMB'000* (Unaudited)
Assets	
Right-of-use assets	162,357
Prepaid land lease payments	(149,032)
Prepayments and other receivables	(4,037)
Long-term prepayments	(2,281)
Total assets	7,007
Liabilities	
Other payables	7,007
Total liabilities	7,007

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'000 (Unaudited)
Operating lease commitments as at 31 December 2018	19,137
Weighted average incremental borrowing rate as at 1 January 2019	5.24%
Discounted operating lease commitments as at 1 January 2019	17,560
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	10,553
Lease liabilities as at 1 January 2019	7,007

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of IFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "inventories". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for 'investment properties'.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease properties for additional terms of five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

Amounts recognised in the interim condensed consolidated statements of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follows:

	Right-of-use assets		
	Properties	**Land use right**	**Lease liabilities**
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2019	9,288	153,069	7,007
Additions	4,832	–	4,832
Depreciation charge	(2,641)	(2,019)	–
Interest expense	–	–	216
Payments	–	–	(2,738)
As at 30 June 2019	11,479	151,050	9,317

The Group recognised rental expense from short-term lease of RMB11,177,000 for the six months ended 30 June 2019.

(b) Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. Accordingly, the amendments did not have any impact on the Group's interim condensed consolidated financial information.

(c) IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Accordingly, the interpretation did not have any significant impact on the Group's interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

Operating segments

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

Six months ended 30 June 2018	EPC *RMB'000* (Unaudited)	Engineering, consulting and technical services *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Segment revenue *(note 4)*			
Sales to external customers	1,168,561	86,130	1,254,691
Intersegment sales	2,944	2,420	5,364
Total revenue	1,171,505	88,550	1,260,055
Reconciliation:			
Elimination of intersegment sales			(5,364)
Revenue			1,254,691
Segment results	181,877	21,785	203,662
Reconciliation:			
Imputed interest income from an EPC contract	10,824	–	10,824
Interest on discounted letters of credit	(10,824)	–	(10,824)
Unallocated income and gains			93,793
Unallocated expenses			(246,500)
Share of profit or loss of an associate			218
Finance costs			(13,557)
Profit before tax			37,616

30 June 2019	**EPC** ***RMB'000*** **(Unaudited)**	**Engineering, consulting and technical services** ***RMB'000*** **(Unaudited)**	**Total** ***RMB'000*** **(Unaudited)**
Segment assets	**2,145,523**	**94,103**	**2,239,626**
Reconciliation:			
Elimination of intersegment receivables			**(28,324)**
Corporate and other unallocated assets			**2,952,822**
Total assets			**5,164,124**
Segment liabilities	**2,683,880**	**110,314**	**2,794,194**
Reconciliation:			
Elimination of intersegment payables			**(28,030)**
Corporate and other unallocated liabilities			**680,065**
Total liabilities			**3,446,229**

31 December 2018 (Audited)	EPC *RMB'000*	Engineering, consulting and technical services *RMB'000*	Total *RMB'000*
Segment assets	2,494,643	81,864	2,576,507
Reconciliation:			
Elimination of intersegment receivables			(53,486)
Corporate and other unallocated assets			3,226,324
Total assets			5,749,345
Segment liabilities	3,201,821	141,287	3,343,108
Reconciliation:			
Elimination of intersegment payables			(53,549)
Corporate and other unallocated liabilities			709,967
Total liabilities			3,999,526

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2019 ***RMB'000*** **(Unaudited)**	2018 *RMB'000* (Unaudited)
Revenue from contracts with customers		
Construction contracts	**1,527,204**	1,168,561
Design, feasibility research, consulting and technical services	**84,027**	86,130
Total revenue from contracts with customers	**1,611,231**	1,254,691

Disaggregated revenue information for revenue from contracts with customers

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

Six months ended 30 June 2018 Segments	EPC *RMB'000* (Unaudited)	Engineering, consulting and technical services *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Type of goods or services			
Construction contracts	1,168,561	–	1,168,561
Design, feasibility research, consulting and technical services	–	86,130	86,130
Total revenue from contracts with customers	1,168,561	86,130	1,254,691
Geographical markets			
Mainland China	713,893	82,534	796,427
America	301,956	–	301,956
Middle East	152,712	–	152,712
Others	–	3,596	3,596
Total revenue from contracts with customers	1,168,561	86,130	1,254,691
Timing of revenue recognition			
Services transferred over time	1,168,561	86,130	1,254,691

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

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

Six months ended 30 June 2018 Segments	EPC *RMB'000* (Unaudited)	Engineering, consulting and technical services *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Revenue from contracts with customers			
External customers	1,168,561	86,130	1,254,691
Intersegment sales	2,944	2,420	5,364
Intersegment adjustments and eliminations	(2,944)	(2,420)	(5,364)
Total revenue from contracts with customers	1,168,561	86,130	1,254,691

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2019 ***RMB'000*** **(Unaudited)**	2018 *RMB'000* (Unaudited)
Other income		
Government grants*	**17,604**	11,315
Interest income	**9,970**	13,727
Rental income	**57,626**	38,097
Gain on disposal of a subsidiary	**–**	25,568
Others	**385**	3,809
	85,585	92,516
Gains		
Foreign exchange gains	**–**	12,101
	85,585	104,617

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

5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank and other loans	**6,143**	6,989
Interest expense on lease liabilities	**216**	–
Interest on discounted bills and letters of credit	**–**	17,392
	6,359	24,381

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of services provided*	**1,385,017**	1,051,029
Depreciation of property, plant and equipment and investment property	**25,017**	23,085
Research and development costs	**4,896**	1,878
Depreciation of prepaid land lease payments	**–**	1,905
Depreciation of right-of-use assets	**4,660**	–
Amortisation of intangible assets	**2,737**	1,289
Government grants	**(17,604)**	(11,315)
Impairment of financial and contract assets, net		
Impairment of trade receivables, net	**16,142**	37,154
Reversal of impairment of contract assets, net	**(14,408)**	(28,993)
Impairment of other receivables, net	**92**	1,061
Loss on disposal of items of property, plant and equipment	**–**	43
Loss on disposal of items of intangible assets	**–**	138
Gain on disposal of a subsidiary	**–**	(25,567)
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**217,523**	202,522
Retirement benefit scheme contributions	**27,912**	24,404
Equity-settled share options expenses	**15,807**	30,077
	261,242	257,003
Foreign exchange differences, net	**2,496**	(12,101)

Amounts of RMB125,968,000 and RMB124,107,000 of employee benefit expenses were included in the cost of services provided during the six months ended 30 June 2019 and 2018.

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	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current		
— Mainland China	**–**	–
— Elsewhere	**27,589**	23,153
Deferred	**(3,965)**	2,496
Total tax charge for the period	**23,624**	25,649

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group was not subject to any income tax in the Cayman Islands and British Virgin Islands. The Group was not liable for income tax in Hong Kong, Indonesia, Turkey, Russia, South Africa, Abu Dhabi, United Arab Emirates and Singapore as the Group did not have any assessable income arising in Hong Kong, Indonesia, Turkey, Russia, South Africa, Abu Dhabi, United Arab Emirates and Singapore for the six months ended 30 June 2019 and 2018.

惠生工程(中國)有限公司 (Wison Engineering Limited, "Wison Engineering") was qualified as a "High and New Technology Enterprise" and was entitled to a preferential corporate income tax ("CIT") rate of 15% from 2014 to 2016. In accordance with the requirements of the tax regulations in the PRC, Wison Engineering reapplied "High and New Technology Enterprise" and obtained the certification on 23 October 2017 which will be effective for another three years from 1 January 2017. Therefore, Wison Engineering was subject to CIT at a rate of 15% for the six months ended 30 June 2019 and 2018.

The share of tax attributable to an associate amounting to RMB10,000 (six months ended 30 June 2018: RMB13,000) is included in "Share of profit or 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. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. At 30 June 2019, there was no significant unrecognised deferred tax liability (2018: Nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted due to the availability of double taxation relief.

8. DIVIDENDS

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Final — HK0.5 cent (2018: nil) per ordinary share	**17,361**	–

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

The calculation of the basic earnings per share amount is based on the profit for the six months ended 30 June 2019 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,071,095,548 (six months ended 30 June 2018: 4,067,766,806) in issue during the period.

The calculation of the diluted earnings per share amount is based on the profit for the six months period ended 30 June 2019 attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the six months ended 30 June 2019, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

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

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
<u>**Earnings**</u>		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations:	**11,535**	8,315
<u>**Shares**</u>		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculations	**4,071,095,548**	4,067,766,806
Effective of dilution-weighted average number of ordinary shares	**24,703,262**	43,729,907
	4,095,798,810	4,111,496,713

10. PROPERTY, PLANT AND EQUIPMENT

	RMB'000
	(Unaudited)
At 1 January 2019	877,691
Additions	9,089
Depreciation	(24,692)
At 30 June 2019	862,088

At 30 June 2019, 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 RMB847,713,000 (31 December 2018: RMB863,615,000) which are held under a medium term lease.

11. TRADE RECEIVABLES

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

	30 June 2019 *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Trade receivables:		
Within 1 month	**17,754**	227,440
2 to 12 months	**444,385**	440,396
Over 1 year	**633,754**	670,899
	1,095,893	1,338,735

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

	30 June 2019 *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Related company		
泰興天馬化工有限公司	**73,207**	73,575

12. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2019 *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Cash and bank balances	**952,389**	1,375,186
Time deposits with original maturity of less than three months	**280,268**	127,799
Time deposits with original maturity of more than three months	**315,443**	372,129
	1,548,100	1,875,114
Less: Pledged bank balances and time deposits	**(984,809)**	(943,028)
Unpledged cash and cash equivalents	**563,291**	932,086

At 30 June 2019, bank balances and time deposits of RMB695,461,000 (31 December 2018: RMB700,449,000) were placed as guarantee deposits for performance of certain construction contracts and for the tendering process.

At 30 June 2019, bank balances of RMB6,847,000 (31 December 2018: RMB2,169,000) were pledged to a bank as security to obtain a letter of credit facility for the purchase of imported equipment.

At 30 June 2019, bank balances and time deposits of RMB282,501,000 (31 December 2018: RMB240,410,000) were pledged as security for bill facilities granted by the banks.

At 30 June 2019, the cash and bank balances of the Group denominated in RMB amounted to RMB871,028,000 (31 December 2018: RMB956,845,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

13. TRADE AND BILLS PAYABLES

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

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Less than 1 year	**1,095,543**	900,923
1 to 2 years	**663,773**	1,272,588
2 to 3 years	**124,377**	228,922
Over 3 years	**183,135**	147,992
	2,066,828	2,550,425

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current		
Bank loans repayable within one year		
— secured	**196,593**	245,934
— unsecured	**–**	–
	196,593	245,934

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

	30 June 2019	31 December 2018
	USD'000	*USD'000*
	(Unaudited)	(Audited)
US$ denominated	**–**	26,800

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

Six months ended 30 June 2019	4.79% to 5.44%
Year ended 31 December 2018	3.87% to 5.44%

As at 30 June 2019, 惠生(中國)投資有限公司 ("Wison (China) Investment"), a fellow subsidiary of the Company, executed guarantees to certain banks in respect of bank facilities to the Group of RMB612,000,000 (31 December 2018: RMB612,000,000). As at 30 June 2019, the loans were drawn down to the extent of RMB196,593,000 (31 December 2018: RMB245,934,000).

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

15. SHARE CAPITAL

	30 June 2019 (Unaudited)	31 December 2018 (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	**4,072,224,200**	4,070,608,200

	30 June 2019 *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Authorised:		
Ordinary shares of HK$0.1 each	**1,622,757**	1,622,757
Issued:		
Ordinary shares of HK$0.1 each	**330,439**	330,299

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 2019	4,070,608,200	330,299	861,129	1,191,428
Share options exercised	1,616,000	140	4,107	4,247
At 30 June 2019	4,072,224,200	330,439	865,236	1,195,675

The subscription rights attaching to 1,616,000 share options were exercised at the subscription price of HK$0.837 per share, resulting in the issue of 1,616,000 shares for a total cash consideration, before expenses, of HK$1,353,000 (equivalent to RMB1,170,000) and a share premium of HK$1,191,000 (equivalent to RMB1,030,000). An amount of RMB3,077,000 was transferred from the share option reserve to share premium account upon the exercise of the share options.

16. 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, amounts due from fellow subsidiaries, trade and bills receivables, contract assets, financial assets included in prepayments and other receivables, trade and bills payables, financial liabilities included in other payables and accruals, interest-bearing bank borrowings, dividend payable, amounts due to fellow subsidiaries and an amount due to an associate approximate to their carrying amounts largely due to the short term maturities of these instruments.

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

	Carrying amounts		**Fair values**	
	30 June 2019	31 December 2018	**30 June 2019**	31 December 2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Financial assets				
Equity investments designated at fair value through other comprehensive income	**164,741**	–	**164,741**	–

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

The fair values of the financial assets are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The equity investment of the Group is a listed company, and the fair values of listed equity investments are based on quoted market prices.

Fair value hierarchy

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

Assets measured at fair value:

As at 30 June 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000* (Unaudited)	**Significant observable inputs (Level 2)** *RMB'000* (Unaudited)	**Significant unobservable inputs (Level 3)** *RMB'000* (Unaudited)	**Total** *RMB'000* (Unaudited)
Equity investments designated at fair value through other comprehensive income	164,741	–	–	164,741

The Group did not have any financial assets measured at fair value as at 31 December 2018.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2018: Nil).

17. CONTINGENT LIABILITIES

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

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

During the six months ended 30 June 2019, a customer of Wison Engineering, filed a claim with the Sichuan Province's Higher People's Court against Wison Engineering for the compensation of construction procrastination and cost overruns with the total amount of approximately RMB26,796,000.

During the six months ended 30 June 2019, a sub-contractor of Wison Engineering has been accused by its own sub-contractor and Wison Engineering has also been named as a defendant to undertake joint liability for the payment of construction costs of approximately RMB45,360,000.

As of the date of approval of the financial statements, Wison Engineering and the first two subcontractors and the customer have completed the first pre-trial evidence exchange in court and cross-examination, and trials are yet to be scheduled. Wison Engineering and the fourth subcontractor are still in the process of first pre-trial evidence exchange and trial is yet to be scheduled. The directors of the Company are of the opinion that, on the basis of the available evidence and having taken legal advice, the claims above are without merits and the possibility for the Group to be subject to additional payment claims is remote. Accordingly, no provision was made with respect to the aforementioned claims as at 30 June 2019.

18. EVENTS AFTER THE REPORTING PERIOD

(1) On 25 July 2019, the Group entered into the convertible bond purchase agreement with Lucky Rich Holdings Limited ("**Lucky Rich**"), an investment holding company incorporated in Samoa with limited liability, pursuant to which the Group agreed to acquire from Lucky Rich the convertible bonds of CIMC-TianDa Holdings Company Limited (**"CIMC-TianDa")** in a principal amount of approximately RMB130,713,000 at a cash consideration of HK$100,000,000.

The maturity date of the convertible bonds will be 30th anniversary of the issue date of 23 April 2018. The convertible bond bear interest from and including the issue date at the rate of 0.1% per annum, payable annually in arrears on each anniversary from the issue date.

Subject to certain conditions, each holder of the convertible bonds has the right to convert all or part of the convertible bonds held by it (if in part, the principal amount of convertible bonds to be converted shall be in the minimum amount of RMB10,000,000 or the whole outstanding principal amount of the convertible bonds) into the ordinary shares of CIMC-TianDa as fully paid at any time during the period from the issue date to the maturity date. The conversion price is HK$0.366 per share, which is subject to adjustment upon the occurrence of consolidation, subdivision or reclassification of shares. The number of shares to be issued on conversion of a convertible bond will be determined by dividing the Hong Kong Dollar equivalent of the Renminbi principal amount of the convertible bond to be converted (at the fixed exchange rate of HK$1.00: RMB0.85) by the conversion price in effect on the conversion date.

(2) On 6 August 2019, the Group was granted an interest-bearing bank loan for a total amount of RMB900,000,000 with annual interest rate of 5.88% and maturity on 6 August 2034 .

19. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 27 August 2019.

PURCHASES, SALE AND REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2019.

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 2019.

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 2019.

AUDIT COMMITTEE

The Company established an Audit Committee with written terms of reference in compliance with the Code. As at the date of this announcement, the Audit Committee comprises the 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 2019.

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

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

By Order of the Board
Wison Engineering Services Co. Ltd.
Rong Wei
Executive Director and Chief Executive officer

Hong Kong, 27 August 2019

As at the date of this announcement, the executive Directors of the Company are Ms. Rong Wei, Mr. Zhou Hongliang, Mr. Li Zhiyong and Mr. Dong Hua; and the independent non-executive Directors of the Company are Mr. Lawrence Lee, Mr. Tang Shisheng and Mr. Feng Guohua.